

BP'S RESPONSE TO THE

TANGGUH INDEPENDENT ADVISORY PANEL'S REPORT

ON OPERATIONS AND TANGGUH EXPANSION PROJECT

January 2018

Acronyms and Indonesian terms

ADAT	Custom rights
AMDAL	Analisis Mengenai Dampak Lingkungan (Environmental and Social Impact Assessment)
BIN	Badan Intelijen Negara, National Intelligent Agency
BUMD	Badan Usaha Milik Daerah, Regional Owned Enterprises
CSTS	Chiyoda, Saipem, Tripatra and Suluh Ardi – the consortium for the onshore engineering, procurement and construction of the Tangguh Expansion Project.
DBH	Revenue sharing.fund
DBH SDA	Revenue sharing fund for natural resources.
EPC	Engineering, procurement and construction.
ER/IR	Employee relation /Industrial relation
ESDM	Energy and Mineral Resources
GOI	Government of Indonesia
GTP	Gas to Power
HSE	Health, safety and the environment.
ICBS	Integrated community-based security.
IEDP	Indigenous Enterprise Development Programme.
IHT	In-house human rights training.
JUKLAP	Field guidelines for joint security.
Kabupaten	A 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.
MOEF	Ministry of Environment and Forestry.
MOU	Memorandum of understanding.
MRP	Papuan People’s Council.
NGO	Non-governmental organization.
NSH	North Shore housing.
Pangdam	Papuan military commander.
Perdasus	Special by-law.
PLN	State electricity company.

PGN	State gas company.
PoD	Plan of development.
Polda	Indonesian regional police command.
Polres	Indonesian regency police station.
Polsek	Indonesian district police station.
Proper	Audit on AMDAL (environment and social management) compliance by the Ministry of Environment.
PSC	Production sharing contract.
PSCM	Procurement and supply chain management.
PSKK UGM	Centre for Population and Policy Studies at Gadjah Mada University.
Puskesmas	Community health centre.
S&OR	Safety and operational risk.
SKK Migas	National upstream oil and gas implementing agency, the Government of Indonesia partner in the Tangguh Project (which replaced BPMIGAS).
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.
VPSHR	Voluntary Principles on Security and Human Rights.

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 to ensure that Tangguh LNG offers mutual benefit for BP, the local community, government, employees, customers and investors.

TIAP's previous visit took place from 7 to 18 September 2015. The report was issued in December 2015 and provided 31 recommendations. The topics covered were security and human rights, electricity and power programmes, social programmes and government relations, North Shore housing, Papuan employment, Papuan business development, and the environment. BP has responded to and followed up on these recommendations (see status update in Appendix A).

TIAP's most recent visit was conducted from 4 to 12 September 2017 and the report was issued in December 2017. In the report, TIAP highlighted the challenges resulting from simultaneous operation of the Tangguh plant and TEP construction work. These included safety and security issues, social and political changes at national and local levels, as well as remaining community claims on custom right (adat) compensation.

We really appreciate the insightful recommendations laid out in this comprehensive report. We believe it will help us to continue to properly manage all the risks and challenges that we will face when operating 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 Berau production sharing contract (PSC), which is located at Bintuni Bay in the province of Papua Barat, Indonesia, about 3,000 kilometres east of Jakarta. Tangguh LNG is a strategic national asset.

Gas was discovered at Bintuni Bay in 1994, with 14 trillion cubic feet of proved reserves. Gas is extracted through wells situated at two unmanned offshore 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. The expansion phase to build an additional LNG train and two unmanned offshore platforms is ongoing. The first LNG production took place in June 2009, with the first delivery by tanker to South Korea a month later. Through 2016 and 2017, Tangguh continued to meet its contractual obligations, operating at 7.6 million tonnes per annum at current capacity. Tangguh delivered 110 cargoes from January until December 2017. Since production began in 2009, a total of 875 cargoes have been delivered. During 2017, the plant operated safely with no ER/IR issues. The recordable injury frequency (RIF) in 2017 was 0.04, lower than in 2016.

Tangguh has seven sales and purchase agreements (SPA). These are to supply LNG to POSCO and SK E&S Co., Ltd in South 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 diverted from Sempra 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 of domestic energy.

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 under way. The Tangguh Expansion Project

to build a third LNG processing train and supporting facilities – increasing production capacity of the facility by 3.8mtpa – was sanctioned on 1 July 2016. As of the 4Q 2017, major activities have been completed, both for onshore and offshore sites, including tree cutting, the construction of bulk offloading facilities (BOF), and pipeline manufacturing. Several other activities have begun, including piling work, pouring concrete, marine piling for LNG jetty 2, offshore platform construction, and platform pile fabrication. In December 2017, 1,700 people were mobilized on site to support T3 activities.

The new AMDAL was approved in July 2014 and afterwards Tangguh developed the first five-year plan for operation the long term AMDAL's commitments.. The document named the TSDP (Tangguh sustainable development programme) which was published in mid-2015 after consultation with the Teluk Bintuni government. During this process BP has updated its strategies for Tangguh's approach to social issues, focusing on developing and optimizing the benefits that can accrue for indigenous people.

External development

The infrastructure development programme in Papua and Papua Barat is progressing, as a part of the acceleration of development programme , which is led by the Committee for Acceleration of Priority Infrastructure Delivery (KPPIP). In the past two years, infrastructure development in Teluk Bintuni Regency focused on road and public facilities. There are no progress of the government plan for industrial zone development in this region after it was announced in 2013.

On the political front, in June 2017, the newly-elected regent of Teluk Bintuni appointed the new cabinet, followed in September 2017 by the appointment of the new head of districts, one year after the regent was inaugurated in July 2016. The absence of government support for almost a year had caused difficulties for coordination and delivery of programmes at Tangguh.

The euphoria of regional autonomy and fiscal decentralization in Indonesia was followed by increasing requests for the new development of districts and villages, including in Papua Barat. In 2017, four new expanded districts were established in Bintuni Regency, namely Taroy, Yakora, Moskona Utara Jauh, and Bintuni Timur, making the total number of current districts 28. Tangguh continues to manage its relationship with all key stakeholders, particularly in the districts and villages, through the community relations team.

At the high level, 42 new members of the Papua Barat People's Assembly (MRP) were inaugurated on 22 November. There is high expectation that the new MRP will speed up deliberations on various key legislations, including a special by-law on oil and gas revenue sharing (Perdasus DBH) as the legal basis to resolve adat compensation claims in oil and gas upstream operations in the province.

Security tensions in the Papua region, including in Papua Barat, were escalated following a stand-off with security forces at a US-owned mining operation in the neighbouring province. This also led to increased concerns over foreign investment in Indonesia.

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, the environment, government and public affairs.

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

A. Governance and advocacy

1. TIAP recommendation: Resuming support for local governance should not be delayed; it should be expanded. Support should be discussed with the Governor to help the Governor and the DPRD to implement programmes related to Tangguh commitments.

BP's response: *Agreed. We have developed a contract and awarded it to a national non-governmental organization, Kemitraan, as our implementing partner for the governance programme.. We will continue to work with the Bupati and the Governor to ensure active and purposeful implementation of the programme.*

2. TIAP recommendation: More active government relations efforts at higher levels of the GOI should be undertaken. Lines of communication should be increased between senior BP Indonesia management and the offices of the President and Vice President, as well as the coordinating ministers with jurisdiction over Tangguh. The offices of these high officials should be kept informed of the importance of resolving local disputes and delays, and requested to intervene where possible.

BP's response: *Agreed. We will continue to provide updates to key stakeholders at the national levels on Tangguh train 3 development and BP's commitment to both national and local stakeholders, especially in relation to the workforce and services.*

3. TIAP recommendation: Efforts should be renewed to reschedule the President's cancelled visit to Tangguh. In advance of a visit, BP should seek to have key issues relating to Tangguh included in the President's agenda on any upcoming visits to Papua Barat. Further, BP should encourage and facilitate regular meetings of key GOI officials with the Governor and the Bupati to address issues facing TEP.

BP's response: *Engagement with the President's office is part of our relationship management effort to ensure that the highest level of the government is fully updated on the project. We will assess the possibility of the very important person (VIP) visit if it is in service of project delivery.*

4. TIAP recommendation: The Group CEO, on his next visit to Indonesia, should extend an invitation to the President to join him in visiting Tangguh. To provide a further incentive for the President to visit Bintuni Bay and Tangguh, BP should work with the GOI and local leaders to resolve bottlenecks so the President could announce a milestone in a Tangguh-related social programme, such as North Shore housing or electricity. This would allow the President to spotlight the connection between Tangguh and a major new social programme for indigenous Papuans.

BP's response: *BP group chief executive Bob Dudley extended the invitation to President Joko Widodo to visit Tangguh with a formal letter prior to the FID in 2016. Regarding management of social issues faced by Tangguh, such as North Shore housing and electricity, we continue to work closely with the local government and PLN so that both activities can be implemented without further delay.*

B. Papuan workforce development

1. TIAP recommendation: Greater efforts must be taken and sustained to recruit, train and promote Papuans if the AMDAL commitments for a Papuan workforce in 2029 are to be met.

BP's response: *Agreed. We now have an Apprentice Technician Programme, which commenced in 2016, whereby we hire apprentices and put them through a three-year training programme. Following this, successful apprentices will be hired as operations or maintenance technicians to support all three trains. In addition, we will also review our existing and new contracts to ensure that we continue to increase our targets for Papuans working at all skill levels. We will also review with legal regarding the consequences for non-conformance. Monitoring will be discussed regularly in the regional president's meeting, attended by all vice presidents. In addition, we have introduced the Tangguh Emerging Leaders programme to fast track Papuans with potential through our talent review process. The vice president (VP) of human resources for Asia Pacific is the coordinator*

and works closely with the VP of operations, Asia Pacific, and our regional president to advance this effort. BP initiated some programmes with local universities in Papua and Papua Barat. These aim to promote the oil and gas industry to students and, in particular, highlight Papuan career development opportunities in the Tangguh project.

2. TIAP recommendation: The Papuan apprentice programme shows great promise for training skilled workers. BP should remain committed to it for as long as positions for such graduates remain available. Based on unavoidable rates of attrition, BP should also consider increasing the size of the entering class.

BP's response: *The apprentice programme was created to accelerate our efforts in meeting the 85% Papuan employment commitment by 2029, especially in skilled workers, for Tangguh operation. The numbers of recruits are designed to meet Tangguh operation needs.*

3. TIAP recommendation: BP must increase its recruitment of qualified, experienced Papuans to fill more senior positions. At the very least, BP should increase public notice of job openings at Papuan universities and other job marketplaces in Papua through advertising or on location recruiting. It should make known all job opportunities to its Papuan employees, to enlist them as recruiters and to increase the network of potential applicants. Further, BP should hire an employment consultant, with experience in this area, to seek out talented, qualified Papuans.

BP's response: *Agreed. We will continue to find and recruit Papuan talent as needed by our operations and to accommodate a proper succession plan within the organization.*

4. TIAP recommendation: BP senior management should continue to meet and exchange views regularly with the Papuan Employee Steering Committee. This group provides a useful and organized communications mechanism for Papuan employees to express problems and concerns or suggest ideas regarding their career development and Papuan workforce opportunities.

BP's response: *Agreed. Senior management meets the steering committee regularly during its visit to Tangguh.*

5. TIAP recommendation: Senior management should also continue to encourage all managers at Tangguh to mentor any Papuan employee who requests their help.

BP's response: *Agreed. Senior management will continue their efforts in mentoring the Papuan employees.*

6. TIAP recommendation: Qualified Papuan workers should be notified of any openings that arise in Jakarta and be given equal opportunity to fill those positions.

BP's response: *Agreed. Announcements of job vacancies can be accessed by public as well as all employees. In certain cases, the team leader may also approach individuals who they feel could fit the requirements.*

7. TIAP recommendation: For any Tangguh services or products that are contracted out, BP should include in the contracts the right to impose financial sanctions on the contractor if it does not meet pre-agreed Papuan hiring requirements, and it must enforce these requirements.

BP's response: *Agreed. A financial sanction has been put in place for all new contracts since 2016.*

8. TIAP recommendation: For TEP, BP has imposed contractual obligations on CSTS contractors to meet Papuan hiring goals. These requirements must be monitored closely by BP and enforced strictly, given their importance and the short tenure. If additional recruitment or training measures are needed, BP should insist

that these be instituted promptly, because lead time will be essential in meeting these requirements and compliance will be far preferable to penalties.

BP's response: *Agreed. We are already in action on this recommendation with .BP's local content committee regularly monitoring all contractual obligations and progress against KPIs.. Sanctions will be imposed if a contractor does not fulfil its requirements.*

C. Environment and maintenance

1. TIAP recommendation: BP's environmental performance for Tangguh operations has been excellent. To ensure TEP's environmental compliance, BP must maintain strict and vigilant oversight and coordination with the contractor. This should include weekly meetings to address all ongoing and planned activities with potential environmental impacts, as well as a mechanism for rapid response to any problems that arise unexpectedly.

BP's response: BP's TEP environmental team at the site works closely with contractors to oversee their operations. The team is led by the TEP HSE manager and they make sure that all environmental requirements are implemented as per EPC contracts and AMDAL requirements. Assurance of environmental performance involves weekly meetings, inspections and regular monitoring. In addition, the team conducts investigations and responds to all environmental incidents. The team also coordinates with the operations environmental team to ensure compliance with all environmental regulations.

2. TIAP recommendation: BP should continue to recognize the importance of appearance as a daily reminder of the pride and standards of every employee. It should not tolerate any of the facilities over which it has responsibility, or the TEP construction site generally, reflecting diminished or poor maintenance.

BP's response: Safety and maintenance are our top priorities to ensure safe and reliable operations. The maintenance of all facilities meets health, safety and hygiene standards, with regular cleaning inspections in accordance with common industrial practices. We understand that during the construction phase cleanliness of some of facilities will be affected due to project activities. However, they still meet environmental standards.

D. Security

1. TIAP recommendation: Given the potential consequences of a successful cyber-attack and the continuing evolution of global hacking, BP must impose and enforce strict and sophisticated procedures, and should review them regularly. All employees with any possible access to Tangguh's operating system should be provided with online security training on a regular basis.

BP's response: BP's cyber security policy for group leaders includes two main requirements (1) group leaders should drive appropriate cyber security behaviours in their businesses. (2) They should manage cyber risk like any other risk to their business.

*BP has an established behaviours and an awareness programme, which includes training materials. Basic behavioural expectations are set out in the **Protecting Our Information (POI)** policy. The policy defines the six key behaviours. Awareness campaigns are conducted on a regular basis through a network of local cyber ambassadors and measured through the Cyber Barometer, a KPI dashboard. BP holds an annual Cyber Week to focus on the cyber threat risks.*

2. TIAP recommendation: Tangguh's operating and production systems must be completely disconnected from the internet, and access should be limited to authorized Tangguh personnel with multiple layers of security. TIAP also strongly endorses the biennial BP Group cyber security audit.

*BP's response: BP distinguishes the operating and production systems as the **Process Control Network (PCN)**, which is completely disconnected from the internet and separated from the BP network (BP1) by the **Process Information Network (PIN)**. The information security controls for automation systems are documented in BP Practice, Automation Systems Cyber Security 3.5-0001 and Group Practice 30-60, Automation Systems Digital Security & Integrity.*

Biennial BP Group cyber security audits are based on the above BP and Group Practices.

3. TIAP recommendation: It is imperative that the CSTS Security Management Plan be implemented fully and properly, particularly as it is enforced among all subcontractors. BP must utilize the coordination and verification processes of the security plan to oversee all elements of TEP security and demand that every aspect of the security plan is working effectively. In addition, as worker mobilization increases, BP must insist that any perceived deficiencies be corrected.

BP's response: Agreed. A mechanism to performance manage the CSTS Security Management Plan has been put in place at both the Tangguh site and Jakarta leadership level, which enables performance issues to be promptly identified, discussed and an improvement plan agreed.

4. TIAP recommendation: The advanced training for guards in behaviour profiling and surveillance detection and counter measures should be made permanent. Guards trained in these skills should also be regularly assigned to duties in nearby villages where they are familiar with the locals. This training should be provided to guards during their on-duty hours, and be viewed as a part of their required, regular and important tasks. Additional guards should be hired if needed to accommodate this training requirement.

BP's response: Agreed. Capability and competency building of the Tangguh security guards is an enduring priority. They have been trained in advanced security skills beyond what is warranted by applicable governmental regulations, and a plan for additional tactical training is in place. Assessment is ongoing to ensure that the training plan is conducted in the most efficient and effective manner.

5. TIAP recommendation: BP should review the training being provided thus far for TEP guards, and determine whether it provides the level of training and the competency that is required under ICBS and the JUKLAP. If it does not, modifications should be made.

BP's response: Agreed. BP works cooperatively with TEP's main contractors to ensure that the latter's security guards are trained to the same standard as BP's. There is a deliberate effort to ensure that the Tangguh 'one team' culture, within the context of security partnership between the two organizations, is translated into an actionable plan that includes on-the-job knowledge transfer, coaching, and joint training, drills and exercises.

6. TIAP recommendation: BP must be assured that CSTS efforts are adequate to detect any possible security threat by employees of CSTS and all its subcontractors. BP should review all vetting processes for minimizing the chances of disruptive individuals being hired. BP's Code of Conduct must be strictly enforced and BP must be promptly notified of any infractions or other behaviour by any employees that could pose a threat. Employees should be made aware that their rooms and personal possessions will be subject to random searches by security personnel for contraband or radical materials. Any penalties imposed for violations of required behaviour should be made jointly by CSTS and BP.

BP's response: Agreed. A mechanism to performance manage the CSTS Security Management Plan has been put in place at both the Tangguh site and Jakarta leadership level that enables performance issues to be promptly identified, discussed and an improvement plan agreed. More specifically, focused attention is given to background check processes, personnel inspections, and that security incidents/violations are followed up thoroughly, whilst ensuring application of the site-wide disciplinary action policy.

7. TIAP recommendation: Increased intelligence gathering and sharing is critical for detection and early warning of any suspicious activities. Tangguh security should continue to encourage the local community to

share information with BP about new arrivals and any unusual or secretive activities, including an awareness of activities at houses of worship, to detect any threatening behaviour or incendiary language related to Tangguh. *BP's response: Agreed. BP continues to leverage positive and constructive relationships with the authorities at local, regional and national levels concerning intelligence gathering and sharing. ICBS remains the prominent means by which BP works alongside the community and workforce to detect, report and respond to potential security disturbances and/or threats in the areas in and around Tangguh.*

8. TIAP recommendation: Perimeter security should be enhanced, particularly, the inner perimeter, where all operations take place. BP should consider better fencing and increased use of CCTV, drones and patrols to allow 24/7 remote monitoring.

BP's response: Agreed. Efforts will continue to be taken to ensure that perimeter security is strong with a view to making improvements in relation to personal, process security and the use of technology.. A security upgrade plan is in place and being project managed to bring about improvements in security staff training, the processes they follow and the technology to assist them. Tangguh has commenced its dedicated security drone operation that provides round-the-clock monitoring of its critical assets and operations.

9. TIAP recommendation: Marine security should be enhanced. During TEP construction, CSTS security has primary responsibility for the protection and safety of all shoreline and marine construction areas. But, because there will be so much traffic in and around the LNG site during construction, it is essential that BP be able to identify all vessels near the jetties or the platforms before they arrive. In coordination with CSTS, utilizing radio or other means of communication, as well as CCTV, radar, lidar, or other available technology, BP should facilitate early warning of any ill-intentioned marine activity. In addition, regular communication with the naval base at Sorong should be instituted through proper channels, particularly to coordinate any emergency response. Further, BP should explore with the police the potential for increased capacity of the joint mobile patrol unit (JMP) to augment security and safety near traditional fishing areas.

BP's response: Agreed. BP has worked collaboratively with CSTS to strengthen marine security. The security marine patrol capability has increased significantly through deployment of CSTS patrol boats that work in conjunction with BP along Tangguh's shoreline. Moreover, BP, with local authority assistance, has increased its marine exclusion zone law socialisation efforts to nearby communities. BP has positive and constructive relationships with the naval base in Sorong, as well as the naval post in Bintuni, and aims to further strengthen them through various means. Lastly, the JMP, which has been in place since operations at Tangguh began and is located nearby, is involved in routine training and drills with Tangguh's private security guard force to ensure emergency response readiness.

10. TIAP recommendation: Rapid response procedures on site for high-level security threat scenarios should be clearly distinguishable from the procedures used for a fire, explosion or other safety emergency, and the recommended measures for personnel to take should reflect the different threats posed.

BP's response: Agreed. The specific security response guideline is in place and informed to all members of Tangguh's workforce. Regular drills and exercises are conducted to continuously validate Tangguh's readiness to respond to various security scenarios. The security siren is used to support activation and de-activation of the security emergency response process.

11. TIAP recommendation: Hostile vehicle mitigation (HVM) counter measures should be enhanced. Secure storage of vehicles, keys, or other ignition devices, is imperative. BP should also consider the possibility and practicality of installing on all but emergency vehicles devices that limit their top speed to the low speed required of vehicles on site.

BP's response: Agreed. A designated security assessment for hostile vehicle risk is being progressed. The outcome of this assessment will determine the improvement plan required to reduce the risk to as low as reasonably practicable.

12. TIAP recommendation: The joint training exercise with police and TNI required under the JUKLAP should be held annually, and should validate BP's ability to mitigate a high-level security threat. The exercise should practise a coordinated response, engaging both Tangguh and CSTS security, as well as the police and TNI. This should be in addition to the required annual exercise to be conducted without public security in the CSTS security plan.

BP's response: Agreed. All efforts will be made to ensure that the annual joint exercise is conducted. The exercises continue to validate Tangguh's preparedness to manage a wide range of threat scenarios, including workplace violence, armed attacks, hostage situations, and civil and violent labour unrest.

13. TIAP recommendation: BP should seek support for continued regular conferences, led by SKK Migas, with oil and gas contractors and security professionals to compare security threats and response procedures and share best practices.

BP's response: Agreed. BP is a regular attendee of security conferences held or supported by SKK Migas, as well as the monthly security managers' network meeting. BP is particularly sought for opinion by other Industry peers and government agencies over lessons learned on ICBS and VPSHR. Moreover, BP actively engages BNPT (the national counter terrorism agency) to seek perspectives on how it could continue to strengthen its barriers against high-level security threats.

14. TIAP recommendation: Tangguh private security capacity should be enhanced with more effective weapons to frustrate if not overcome an armed attack. Non-lethal weapons, such as pepper gel guns, pepper spray, rubber bullets, stun guns and possibly other devices, should be available to an elite level of senior guards who have demonstrated their capacity and been thoroughly trained in their use. BP should work with the security contractor to establish an elite cadre of security guards, which could be a promotion for the best-performing guards. If the existing contract does not permit this enhancement to the capacity or structure of the security force, it should be discussed with the security contractor as an amendment to the existing contract.

BP's response: Agreed. Tangguh's security staff is being equipped with additional security measures and capabilities to respond to higher-level security threats. Correspondingly, Tangguh's elite guard force unit, established in 2012, is routinely trained and performs drills with the nearby police, JMP.

E. North Shore housing

1. TIAP recommendation: BP should actively engage with both local and national officials in an effort to help resolve this dispute. BP should engage with senior GOI officials, including, if possible, the Office of the President, seeking their help to mediate and negotiate a quick solution. BP could propose alternatives, such as implementing the programme in phases, which could allow discussions on the precise scope of the programme to continue while construction proceeds.

2. TIAP recommendation: If delays persist into 2018, BP should seek authority from SKK Migas to fund construction of some infrastructure improvement selected by each designated village, such as a new bridge, public building or walkway, as a demonstration of BP's good faith and as a form of compensation for the delays.

3. TIAP recommendation: Whenever programme implementation begins, BP should make every effort to accelerate the timeline to complete at least the currently planned phases by 2020, to coincide with the opening of train 3.

BP's response 1-3: Significant progress has been made on the NSH project in the past two months, following TIAP's visit in September. The regent of Teluk Bintuni issued a letter allowing for the resumption of the NSH project on 6th December 2017. In addition, BP and the local of government of Bintuni signed the amendment of cooperation agreement for the NSH project to reflect the new multi-year rehabilitation (construction) phase, which remains aligned with the TEP timeline, as well as the inclusion of Taroi as a new district for 2018 construction. In December 2017, the local government of Teluk Bintuni started the tender process for house construction in the three districts (Weriagar, Tomu and Taroi). Construction of the houses is due to be completed in 2020, as agreed in the cooperation agreement.

F. Electricity

1. TIAP recommendation: BP should work with leaders at the national level, including SKK Migas, the Committee for the Acceleration of Priority Infrastructure (KPPIP) and others to encourage PLN to make progress on this essential objective. BP should also seek to involve the President and his Papua advisors in this effort.

BP's response: Agreed. We will continue to engage with key stakeholders at national level to ensure the implementation of the electricity programme by PLN

2. TIAP recommendation: Until PLN extends grid-based power from Tangguh to Babo and nearby villages, BP should request the authority to increase the supply of diesel-based power generation for Babo. It should also request the authority to provide solar lamps for each household in the villages without power, so that Tangguh's neighbours can have reliable light.

BP's response: Agreed. We continue our engagement with PLN of Teluk Bintuni to fulfil the electricity demand in Babo. At the same time, we also provide additional generators to optimize the electricity supply for Babo communities.

G. Gas to power

1. TIAP recommendation: BP should work more actively with the Governor, the leaders of the DPRD, and officials in Jakarta to make sure they understand fully the need for prompt action to establish a BUMD, which is a prerequisite to begin construction of the infrastructure needed for gas based power.

BP's response: Agreed. New BUMD (P.T. Papua Global Energi) has been formed, however, the Papua Barat Governor decided to use the old BUMD (P.T. Papua Doberai Mandiri or 'Padoma') for simplicity's sake, since the new BUMD is laden with additional unnecessary requirements from the local parliament. SKK Migas has also written to BP to proceed with Padoma. The next step for Padoma will be to find business partners, enter into due diligence, execute a MOU, and then, ahead of agreement, put in place a sales purchase agreement. BP and SKK Migas, in coordination with KPPIP (Committee for Acceleration of Priority Infrastructure Delivery) and PLN, will continue to support Papua Barat Province's gas to electrification programme.

H. Social and community development

Health

1. TIAP recommendation: BP should continue to support programmes that reduce deaths related to diarrhoea, TB and HIV/AIDS. These efforts should continue to be supported actively with a goal to upgrade Bintuni Bay healthcare to Indonesia-wide standards.

BP's response: Agreed. Tangguh's community health programme continues to support the local government to eradicate TB, HIV/AIDS and diarrhoea, particularly in the villages surrounding the project, to align with the national guidelines. Regarding HIV/AIDS, we established 18 voluntary counselling and testing (VCT) services across Teluk Bintuni region to provide counselling and free testing for those at risk. Providers of these health services received standard training from the Ministry of Health in 2015 and 2016 as part of co-shared activities with Dinas Kesehatan Kab in Teluk Bintuni. As HIV in Tanah Papua is considered a general population epidemic, the programme aims to provide wider access to HIV testing and ARV (antiretroviral) treatment for the general community. In 2017, more than 6,600 people across the Bintuni Bay region participated in HIV testing including pregnant women, and 54 people diagnosed as HIV positive were referred for ARV treatment.

In collaboration with the Teluk Bintuni Regency Health Office, the programme facilitated capacity building for health staff in TB services (Puskesmas and RSUD Bintuni). The programme also improved community involvement by recruiting outreach TB cadres in villages to refer suspected TB sufferers for screening in local Puskesmas. In addition, the programme conducted a pilot project in several villages with a high prevalence of TB in April 2017. This was a national programme recommendation for the optimization of intensified case finding of people at risk of TB. And, monthly awareness sessions on healthy lifestyle that focused on malaria, TB and HIV/AIDS targeted the communities in the villages surrounding the Tangguh project. On average, more than 450 people participated each month.

Livelihood and enterprise development

2. TIAP recommendation: BP must work with Indocater and the village co-ops to achieve its TEP AMDAL commitments to procure 10% of TEP's fresh food needs during construction and 65% post-construction. This increase in production by the co-ops may require expansion of stocking points and/or more frequent pick-ups.

BP's response: Agreed. BP has been facilitating communication between the catering company at the site and the cooperatives/stocking points management with regards to future orders of commodities, so that the farmers and fisherman could make preparations and arrange better harvesting schedules to avoid over-production. Such communications have been put in place on a regular basis via our technical mentors in the village, where the cooperatives/stocking points are located. Unless there is a change in the operational strategy regarding the implementation of further pick-up points, Tangguh's catering service will continue to collect commodities at the points and as per the schedule stipulated in its contract with the cooperatives.

3. TIAP recommendation: BP should institute careful monitoring of local procurement by the contractor to ensure that its AMDAL commitments are being met and demand that any deficiencies be promptly rectified. If they are not, BP should seek penalties under the contract that could then be invested in co-op facilities and equipment.

BP's response: BP will carry out robust performance management endeavours on a regular basis to monitor the contractor's performance and to ensure that contractual commitments are delivered in a manner that is consistent with the agreed terms and conditions.

In the event that the contractor fails to deliver its commitments, BP will institute curative action plans and, if necessarily, take prompt action to minimize deficiencies. The curative plans could also include implementation of penalties, which will be imposed in line with agreed procedures.

4. TIAP recommendation: BP's procurement and supply chain management team should explore opportunities for additional products or services that can be supplied by local trained and qualified indigenous enterprises. Thus far, the only such contracts that have been awarded are to Mayri and Raja Barefal cooperatives for stationary supplies and Subitu Kreasi Busana for uniforms.

BP's response: Agreed. The BP team continues to assess opportunities for indigenous people to enable local businesses to become involved in the supply chain programme of the Tangguh project. From January until July 2017, seven Papuan institutions were involved in Tangguh business, with total transactions worth more than US\$5.8 million. Since 2006, total transactions with 27 Papuan businesses for various services has amounted to approximately US\$186 million.

5. TIAP recommendation: The SUBITU indigenous businesses are an important element of Papuan development. Failure of either of these businesses would reflect badly on BP's entire enterprise development programme. BP should continue to nurture these businesses as they strive to be profitable.

BP's response: Agreed. The IEDP team will continue to provide technical assistance and capacity building to support the SUBITU businesses and equip them with skills to expand beyond Tangguh and the Bintuni and Papua Barat markets. BP also continues to work with the local government in the regency and at provincial level to gain support.

Adat compensation

6. TIAP recommendation: BP must continue to resist any proposal that it pay any governmentally recognized adat claim, and include the payment in its cost recovery. If the GOI demands that BP pay any such claim, it cannot do so in cash or any equivalent. If the payment must involve BP at all, it must be fully transparent, and take the form of funding for a specific program or programs that benefit the adat community.

BP's response: Agreed. The mechanism on adat claim payment has been agreed between SKK Migas and the ESDM. The implementation of the scheme will be monitored by the Corruption Eradication Commission (KPK).

Education

7. TIAP recommendation: The flagship school is the single most important and visible element of BP's support for local education. It has been long delayed. BP should work with the local education agency and its education partner to make the timely establishment of one flagship school in Bintuni Bay a priority. The school should be fully functioning, at the latest, when Train 3 operations begin.

BP's response: The flagship school development is in progress. During 2017, the activity focused on concept development, involving independent consultant from two institutions. We are pursuing the establishment of at least one flagship school programme in TMB by 2020. Serial meetings with the Teluk Bintuni Regency Education Office and local education foundations were conducted to gather inputs and feedback on the flagship school concept. We also invited local government officials to join a comparison study with how flagship schools were successfully implemented in Jayapura, in Papua Province, and Tomohon, in North Sulawesi. Tender for an implementing partner of the flagship school programme is in progress and we are expecting activities to support the flagship school development to commence in 2018.

Appendix A. Status of TIAP recommendations

TIAP RECOMMENDATIONS FROM SEPTEMBER 2015 VISIT

Status December 2017

Topic	Recommendation from TIAP 2015 visit	BP's response, January 2016	Status, December 2017
General recommendations	1. BP should educate leaders and the community regarding the possibility that the Tangguh expansion may not begin in 2016.	<p>We are communicating regularly with our stakeholders regarding plans or activities that we will carry out around the bay that will impact the community. This has been regular practice for BP/Tangguh since we entered the area in early-2000.</p> <p>We will continue to communicate with leaders and the community about Tangguh operations and TEP milestones. This includes reminders that the final investment decision for the expansion project is in 2016.</p>	<p>Closed</p> <p>Tangguh maintains communication on TEP progress with the villages, including tribe leaders and communities, as part of its commitment to transparency. After the FID was announced by the Government in July 2016, Tangguh conducted serial meetings that month to familiarize the communities with the T3 project. These took place in 11 locations and involved 45 villages across the Teluk Bintuni Regency. Further activities were conducted in Kokas district, in Fakfak Regency, in May 2017.</p>
	2. Electrification of Babo and other villages should proceed promptly, whether or not train 3 construction begins in 2016.	<p>The electrification of Babo and other villages in Bintuni Bay is part of the state-owned electricity PLN programme for Bintuni. As stipulated in the supply offtake agreement (SOA) signed in 2012, Tangguh is planning to supply 4+4MW to PLN, with the first phase completed in 2014.</p> <p>We are working closely with PLN and will continue to provide support to PLN as needed and in line with the SOA.</p>	<p>Ongoing</p> <p>Tangguh continues to coordinate with PLN for the implementation of the electricity programme in Bintuni. Tangguh also has plans to provide an additional generator in Babo (500KVA) to fulfil the electricity demands of the communities. Provision of the new generator is being progressed. Installation, start-up and a maintenance programme will be supported by Tangguh. We await technical approval for this programme from SKK Migas.</p>

	<p>3. BP should be prepared to begin a housing restoration programme for North Shore villages, whether or not train 3 construction commences in 2016.</p>	<p>The North Shore housing restoration plan remains in progress. We agree that this programme may address the lingering jealousies held by residents of the North Shore.</p> <p>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 community ownership. We will continue preparations and consider any changes of the plan in due course.</p>	<p>In progress</p> <p>In order to implement the programme, a cooperation agreement was signed by the Teluk Bintuni Regent and BP Indonesia in Bintuni Town in late-December. This agreement marked the beginning of the implementation phase of the North Shore housing programme.</p> <p>Significant progresses have been achieved in the NSH programme. In early-December 2017, the head of Bintuni regent issued a letter enabling resumption of the NSH project. BP and the local of government of Bintuni also signed the amendment of cooperation agreement for the NSH project to reflect the new multi-year rehabilitation (construction) phase, which remains aligned with the TEP timeline, as well as the inclusion of Taroi as a new district for 2018 construction. The tender process for house construction in the three districts (Weriagar, Tomu and Taroi) started in December 2017. Construction of the houses is due to be completed in 2020, as agreed in the cooperation agreement.</p>
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	<p>4. BP's commitment to establish a flagship school in Teluk Bintuni for the most promising students should not be deferred further.</p>	<p>Agree. We have concluded the gap assessment for the Tanah Merah Baru School to understand the scope and scale of the standards required of the flagship school. We have also included activities related to the flagship school in our 2016 work plan to progress this programme.</p> <p>We believe that the flagship school should fit well within the Papuan and Bintuni culture. Therefore, the initial concept and preparations are important aspects of its development. This will be done thoughtfully and in coordination with the local government.</p>	<p>In progress</p> <p>A gap assessment for development of the flagship school was completed in early-2016 and the results have been shared with the local government. During 2017, we recruited several experts to develop flagship concepts. Serial workshops were conducted to gather inputs and identify the roles and responsibilities of each party involved in the programme's implementation. These involved the Teluk Bintuni Regency Education Office and local foundations. We also invited local government officials to join a comparison study with how flagship schools were successfully implemented in Jayapura, in Papua province, and Tomohon, North Sulawesi. Tender for programme implementing partners is being started, and we expect activities to begin in 2018.</p>
	<p>5. 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.</p>	<p>Agree. We continue to advocate this issue through ongoing formal and informal engagement. We have been proactive in advocating this issue with 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 are also ongoing.</p> <p>At least twice a year, we hold formal workshops with central and local government to discuss adat and revenue management from the extractive industry as part Tangguh's governance programme.</p>	<p>Ongoing</p> <p>BP maintains communication with central government on the adat compensation resolution.</p>

	<p>6. BP should not make any changes to the local workers' transportation policy until consulting with local workers and government leaders to explore options.</p>	<p>Tangguh has put this plan on hold following consultation with workers and the local community. We are conducting an assessment to understand the feasibility, impact of these changes on workers and the community, and how to support the local government's plan to establish a water taxi system.</p>	<p>Closed Tangguh maintains its transportation policy for workers living in surrounding villages.</p>
	<p>7. Recruitment of skilled Papuans, as well as retention and promotion of Papuans, must become a focus of senior management, who must be responsible for their success. Managers should conduct regular meetings with representative Papuan workers.</p>	<p>Agree. Papuan development is regularly discussed in the quarterly Tangguh operations capability forum and we are implementing a leadership programme for high-potential staff, with a focus on our Papuan workers. The VP of human resources for Asia Pacific is the coordinator and works closely with the VP of operations, Asia Pacific, and our regional president to advance this effort.</p> <p>Understanding that almost 70% of Tangguh's 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.</p>	<p>Ongoing The human resources department continues to monitor of Papuan employees development. This is to ensure that the Papuan ratio meets the target. Regular meetings involving the regional president, VP of operations and VP of human resources are held to discuss Papuan development. We continue to prioritize recruiting Papuan workers for the Tangguh project to meet the AMDAL target. According to the monitoring data in December 2017, 51% of the Tangguh operations workforce is Papuan, with 329 of them working in skilled or managerial positions. In addition, until December 2017, an extra 867 Papuans were recruited to support the T3 project.</p>

	<p>8. Communications with members of the regional DPRD and the MRP, which play important parts in Papuan government, should be improved and regularized.</p>	<p>Agree. The Papua Barat national house of representatives (DPR) members were inaugurated in 2014 and, since then, have been in dispute over the leadership of the house.</p> <p>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.</p>	<p>Ongoing</p> <p>BP maintains communication with provincial stakeholders, including DPRD and MRP. In October 2017, the parliament member of Papua Barat Province visited Tangguh to see the progress of operations, particularly its gas-lifting activity. During the site visit, they had a closer look at the facilities and TEP activities.</p> <p>Forty-two new MRP Papua Barat members have been appointed and their inauguration was conducted on 21 November. We plan to have regular meetings with the new MRP members to update them on the Tangguh project.</p>
	<p>9. 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.</p>	<p>Safety and maintenance of the Tangguh LNG plant are our top priorities to ensure safe and reliable operations. The non-hydrocarbon facilities, such as the dormitories and administration building, meet health, safety and hygiene standards and are subject to 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 suggests that the administration centres and dormitories are maintained in accordance with common industrial practices for these types of buildings.</p>	<p>Closed</p> <p>Maintenance is conducted regularly and the buildings were freshly painted by the end of 2016.</p>
	<p>10. The Tangguh logo should be used more extensively to educate the local population about the benefits being derived from programmes that are supported by Tangguh.</p>	<p>Agree. We will increase efforts to include the Tangguh and SKK Migas logos in our activities.</p>	<p>In progress</p> <p>We continue to encourage the programme coordinator and implementing partners to include the Tangguh and SKK Migas logos for any support that is provided by Tangguh.</p>

	<p>11. 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.</p>	<p>BP is evaluating the requirements to achieve green and gold statuses 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.</p>	<p>In 2016, BP was evaluated as a candidate for green Proper status and, currently, we are in undergoing a compliance assessment to that end.</p> <p>We submitted all documents required to pursue beyond compliance in late-September 2017 and the final assessment by MOEF in December 2017 concluded that Tangguh rank for PROPER increased from 34 to 26. However, according to the MOEF policy, the green level, will only apply to the twenty-five best candidates, therefore Tangguh project was not considered to achieve green title in 2017. We will maintain to pursue green level candidate next year.</p>
<p>Security and human rights</p>	<p>12. BP should resist any changes to ICBS or in the JUKLAP/PAMBERS agreement with the police during its current term. If necessary, it should enlist the support of SKK Migas, the Kapolda in Papua Province and others to maintain the JUKLAP/PAMBERS until 2019.</p>	<p>Agree, as ICBS is a cornerstone of the Tangguh security philosophy, as well as a supporter of sound physical protection measures.</p> <p>Efforts are ongoing between SKK Migas 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 and around the Tangguh plant, which may lead to the enhancement of both the ICBS and physical protection measures</p>	<p>Ongoing</p> <p>ICBS has resulted in desired outcomes, such as the establishment of a network between local communities, BP and the police; joint exercises between BP, the police and TNI; increased ownership of Tangguh LNG by the community and local security forces; and, relatively low security disturbances over the years.</p> <p>An enhanced JUKLAP was signed by the head of SKK Migas PAMALU and the Papua Barat police chief on 23 June 2016.</p> <p>This marked the new era of ICBS, whereby it is not only owned by BP Tangguh LNG with the provincial police, but also all oil and gas industries in Papua Barat. JUKLAP sets out provisions for regulating the rules of engagement of security forces and security assistance units; security force control and deployment procedures; involvement of the TNI with regard to the security of strategic national assets; transparency in the financial support for security assistance units; human rights respect commitment</p>

			(VPSHR); and, joint training between oil and gas companies' private security and public security (INP and/or TNI).
13. BP should provide reasonable access to and, if requested, schedule visits, but should resist any permanent police presence at the LNG site or in the nearby villages.	<p>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.</p> <p>As a signatory of the Voluntary Principles on Security and Human Rights, BP responsibly manages its relationship with host governments within the boundaries agreed and in compliance with local laws and regulations.</p> <p>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 values Areas for improvement continue to be identified to ensure that ICBS is responsibly positioned to address the changing security dynamic.</p>	<p>Ongoing</p> <p>Tangguh has hosted several visits by the police; likewise, Tangguh has continued our constructive relationship with the police by visiting their Manokwari headquarters.</p> <p>BP has observed for itself and learned from key internal and external stakeholders of the changing security landscape in and around Tangguh. On this matter, inputs had been received from organizations, such as Polda Papua Barat, Kodam Papua Barat, National Counter Terrorism Agency, National Security Council, SKK Migas, foreign embassies, ICRC and Group Security. BP security is currently revising the Tangguh security strategy to ensure that the preemption, prevention and mitigation barriers are appropriately designed to handle the changing landscape.</p>	
14. 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	<p>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 SKK Migas and Polda Papua Barat to formalize the tenets and procedures related to ICBS in the JUKLAP PAM HULU MIGAS.</p> <p>Our commitment towards the joint security exercise with Polda is clear. We have held the exercise every year since</p>	<p>Ongoing</p> <p>We conducted VPSHR in-house training for Polres of Sorong City and Sorong Regency in West Papua in April 2017 that involved participation by 100 police officers. The training was delivered by ICRC and observed by Komnas HAM Papua, LP3BH and ELSHAM Papua.</p> <p>In addition, another VPHSR in-house training session for KODAM Kasuari was conducted in Manokwari in May</p>	

<p>training for all private security and police that may be called, and the annual training exercise with full police participation.</p>	<p>2007, with the exception of 2009 and 2015, when 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.</p> <p>These joint security exercises are not only attended by the police and BP, but also involve local government officials, TNI, NGOs and the media as independent observers.</p> <p>As a signatory of the Voluntary Principles on Security and Human Rights (VPSHR), BP responsibly manages its relationship with host governments within the boundaries agreed and in compliance with local laws and regulations.</p>	<p>2017, which involved ICRC and the TNI headquarters legal division.</p> <p>The joint security exercise (JSE), designed to validate Tangguh’s capability to handle higher-level security events, was conducted at the site between 26 and 30 November 2016. In November 2017, the JSE were conducted in Babo and at Tangguh LNG, and included a tabletop exercise, VPSHR in-house training, and a security assessment involving Polda Papua Barat.</p>
<p>15. 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.</p>	<p>We agree that sustaining a constructive relationship with the armed forces is an important objective as it relates to the security of Tangguh.</p> <p>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 assets.</p> <p>As a signatory of the Voluntary Principles on Security and Human Rights, BP responsibly manages its relationship with</p>	<p>Closed.</p> <p>In May 2017, we organized VPSHR in-house training with Kodam XVIII/Kasuari, involving 100 personnel from Kodam XVIII/Kasuari, Papua Barat.</p> <p>In addition to the training, BP’s security leadership met representatives of Kasdam Kasuari XVIII and conveyed TEP updates, BP values, and ICBS, and offered extended VPSHR training.</p>

		<p>host governments within the boundaries agreed and in compliance with local laws and regulations.</p>	
	<p>16. 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 intelligence activities at the LNG site or in the nearby villages should be resisted.</p>	<p>Agree that sustaining a regular and constructive relationship with BIN, at both the provincial and national levels, is an important objective as it relates to the security of Tangguh.</p> <p>Thus far, the relationship between BIN and BP has been positive. BIN representatives have participated in the last two joint security exercises at Tangguh as independent observers alongside the local government officials, TNI, the media and NGOs. Moreover, on several occasions, BP has participated in sharing sessions at BIN's headquarters in Jakarta to discuss matters such as general security and ICBS.</p> <p>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.</p> <p>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 values. 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.</p>	<p>Ongoing</p> <p>Regular communications with BIN have been enhanced with regard to information-sharing activities that include TEP updates and security threats potentially impacting Tangguh.</p>

<p>17. BP should also emphasize in its communications 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.</p>	<p>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.</p>	<p>Ongoing</p> <p>We have carried out some activities to ensure that our communications with external stakeholders, public security officials and communities are enhanced. From 2016 to 2017, we organized workshops on community policing (FKPM) in Manokwari; law socialization in Babo and Kokas; VPSHR ToT in Manokwari; JSA for Tangguh LNG at Tangguh; JSE and VPSHR in-house training in Tangguh; exclusion zone socialization in Kokas, Tanah Merah Baru, Saengga, Rejosari, Tomu, Sido Makmur, Weriagar and Mogotira; and VPSHR in-house training in Sorong City and Manokwari.</p> <p>The above ICBS programmes were aimed at maintaining our partnerships with our external stakeholders.</p>
<p>18. 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 SKK Migas and others to encourage</p>	<p>BP has made material progress recently in sharing our ICBS experience and commitment to VPSHR with key external stakeholders, including SKK Migas, Polda Papua Barat, and other oil and gas companies (including Genting) with a business presence in the Papua Barat Province.</p> <p>BP is currently working in close conjunction with said external stakeholders to establish a JUKLAP PAM HULU MIGAS, which will procedurally govern the nature, degree, and payment mechanisms related to the provision of</p>	<p>Closed.</p> <p>Genting participated in workshops leading to JUKLAP development, which covered operational support for all oil and gas operators in Papua Barat, including Genting.</p>

	Genting not to use TNI or the police for site security.	security services by the authorities. This reinforces BP's commitment to the principle of ICBS and VPSHR.	
Electricity and power	19. In coordination with SKK Migas and working with PLN, BP should develop a phased schedule to expand electrification to every village where infrastructure is in place.	As the sole power distributor in Indonesia, the state-owned electricity company, PLN, has developed a plan to cover electricity in Teluk Bintuni Regency. Tangguh supports PLN's effort as stipulated in the supply offtake agreement and will continue to work closely with PLN in doing so.	Ongoing Tangguh continues to engage the local government and PLN for the expansion of the electrification programme. Currently, PLN is evaluating the feasibility of a programme for the implementation of an additional 4MW of electricity for Bintuni.
	20. In those areas that PLN has not yet connected to the grid, BP should increase its support for diesel generation capacity so that, at the very least,	The principle of our new AMDAL is to work together with our stakeholders on our development programmes. We are now in the stage of 'working with', where the local government and the community should play a bigger role in	Ongoing Tangguh continues to engage the local government and PLN for the expansion of the electrification programme.

	<p>public facilities, such as schools and health clinics, can count on continuous adequate power.</p>	<p>fulfilling basic needs, including health, education and power.</p> <p>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 we will continue to capacity build and focus on providing emergency support when needed.</p>	<p>Currently, PLN is evaluating the feasibility of a programme for the implementation of an additional 4MW of electricity for Bintuni.</p>
	<p>21. BP should work with SKK Migas 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.</p>	<p>Agree. On 18 June 2014, the Minister of ESDM issued an LNG allocation letter to Papua Barat Province (including Teluk Bintuni Regency and Fakfak Regency) for electricity in the Papua region. Up to 0.16mtpa of LNG, or equivalent to 20mmscf of gas, will be made available for sale from Tangguh LNG to a BUMD. In the design plans for TEP, we also included a mini LNG jetty as part of the scope to accommodate the plan.</p> <p>We are working closely with SKK Migas and ESDM to deliver this gas-to-power initiative to ensure that the local government will have the required infrastructure around the same time as TEP start-up.</p>	<p>Ongoing</p> <p>BP has to progress to achieve the Tangguh train 3 project target schedule in 2020 as agreed with the GOI.</p> <p>Tangguh facilitated several feasibility studies to support the programme, including LNG allocation and distribution issues, which involved ITS (Surabaya Institute of Technology).</p> <p>In 2017, the programme focused on the establishment of a BUMD (regional-government-owned company) and identifying the LNG distribution mechanism.</p> <p>To accelerate the gas to powerP programme, the BP team met the Committee for Acceleration of Priority Infrastructure (KPPIP) on 14 October 2017. KPPIP will arrange periodic coordination meetings with all key stakeholders to achieve the objective.</p>
North Shore housing	<p>22. BP should seek the support of SKK Migas and the new Bupati to commence the restoration</p>	<p>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</p>	<p>Ongoing.</p> <p>In order to implement the programme, a cooperation agreement was signed by the Teluk Bintuni Regent and BP</p>

	<p>programme in 2016, if necessary, even if final sanction of Tangguh expansion is postponed. It should also explore expanding the programme, over time, to other North Shore villages. The North Shore housing restoration plan is still in progress and we agree that this programme may address the lingering jealousies held by residents of the North Shore.</p>	<p>will continue preparations and will consider any changes of the plan in due course.</p>	<p>Indonesia in Bintuni Town in late-December, 2016. This agreement marked the beginning of the implementation phase of the North Shore housing programme.</p> <p>Significant progresses have been achieved in the NSH programme. In early-December 2017, the regent of Teluk Bintuni issued a letter enabling resumption of the NSH project. BP and the local of government of Bintuni also signed the amendment of cooperation agreement for the NSH project to reflect the new multi-year rehabilitation (construction) phase, which remains aligned with the TEP timeline, as well as the inclusion of Taroi as a new district for 2018 construction. The tender process for house construction in the three districts (Weriagar, Tomu and Taroi) started in December 2017. Construction of the houses is due to be completed in 2020, as agreed in the cooperation agreement.</p>
<p>Papuan employment</p>	<p>23. 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</p>	<p>Agree. The VP of human resources will coordinate the Papuan development programme and monitor its progress, although decisions on recruitment and deployment remain the responsibility of the respective VPs. The progress metrics will help to quantify and focus the programme.</p> <p>It is also important to stress that we strive to achieve the target of an 85% Papuan workforce by 2029. However, this is not exclusively achieved through hiring. As we make</p>	<p>Ongoing</p> <p>The human resources department continues to monitor the Papuan employees development. This is to ensure that the Papuan ratio meets the target.</p> <p>We also prioritize the recruitment of Papuan workers for our project.</p> <p>According to the monitoring data in December 2017, 51% of the Tangguh operations workforce is Papuan, with 329 of them working in skilled or managerial positions.</p>

<p>accordingly if targets are not met.</p>	<p>operations more efficient, reduction of non-Papuan personnel at the site will also be a means of delivering the 85% target.</p>	<p>In addition, until November 2017, an extra 760 Papuans were recruited to support the T3 project. BP continues to monitor this with the main EPC contractors of TEP. While the current total number of recruits is ahead of the AMDAL target, distribution is important and BP will work with its contractors to ensure that the distribution is met as larger numbers of personnel are recruited to the project.</p>
<p>24. The retention and promotion of Papuan employees must also be the responsibility of a high-level BP official, possibly the VP of 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.</p>	<p>Agree. The VP of human resources will coordinate the Papuan development programme and monitor its progress. The progress metrics will help to quantify and focus the programme.</p> <p>Structured development programmes have been implemented since early-2015 to further improve nationalization and the Papuan development programme at Tangguh LNG.</p> <p>At the moment, the operations team is introducing the Tangguh Emerging Leadership Programme, 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 them to take up the offer.</p> <p>We are also establishing performance contract targets for managers on Papuan development and we are carrying out structured end-of-year appraisals and processes to help</p>	<p>Ongoing</p> <p>BP created a site steering committee, chaired by the VP of operations, to address concerns around Papuan development, including retention and promotion issues, and provide feedback.</p> <p>Evaluations of individual performance are conducted regularly, including contract targets on Papuan development for managers.</p>

	<p>identify people who are ready for promotion based on merit. We will only promote people who have the technical and leadership capabilities to run a high-hazard plant.</p>	
<p>25. Management communication with Papuan employees should be increased and made more regular. Papuan workers at Tangguh, or a designated representative</p>	<p>Agree. The operations leadership conducts quarterly townhall meetings and small team meetings to communicate updates, including about Papuan development.</p>	<p>Ongoing</p> <p>At least four quarterly townhall meetings were conducted during 2017 that included updates on Papuan development issues. There is also a schedule for senior management to regularly meet the steering committee during its visit to Tangguh.</p>

	group, should meet regularly with BP senior management responsible for Papuan retention and promotion.	The VP of operations has set up a Papuan steering committee to drive further Papuan development and assess frontline needs.	
	26. Whenever practical, Papuan employees of the major contractors serving Tangguh should also be included in these communications to give BP a better understanding of any difficulties with its contractors' implementation of Papuan retention and promotion.	<p>Agree. We are implementing some improvements in our contracting strategy, within the boundaries and limitations of co-employment regulations, including:</p> <ul style="list-style-type: none"> • strengthening wording in contract clauses to enforce implementation of the development programme and increase Papuan employment targets; • extending contract terms to five years, which provides more time for contractors to deliver the programme; and, • training the contract accountable management to performance manage contractors on Papuan development. 	<p>Ongoing</p> <p>BP continues to monitor the implementation of the new contract strategy on Papuan employment targets and development. Feedback is also provided during periodic review meetings (PRM) with the contractor.</p>
Healthcare	27. 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 to support the improving healthcare capacity of the kabupaten.	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.	<p>Ongoing</p> <p>The Tangguh community health programme, in collaboration with YATIMA foundation, continues to support the Teluk Bintuni Regency Health Office to improve community health centre capacities to provide quality health services for the community. During 2017, several training sessions were held for health providers on various issues, including:</p> <ul style="list-style-type: none"> - Refresher training on malaria surveillance. - Neonatal emergency care. - Mother and healthcare services.

			<p>- TB and HIV screening and testing.</p> <p>In line with the 'work with' principle, several collaborative initiatives have been started as part of the community health programme. Local government has adopted various strategies developed by the Tangguh LNG health team to be continued through government programmes. Cost sharing of activities, such as training for health providers, surveillances and infrastructure, has also been implemented.</p>
Education	<p>28. The establishment of the first flagship school in Teluk Bintuni should be BP's education priority, with a target date of 2016.</p>	<p>Agree. We have concluded the gap assessment for the Tanah Merah Baru School to understand the scope and scale of the standards required of the flagship school. We have also included activities related to the flagship school in our 2016 work plan to progress this programme.</p> <p>We believe that the flagship school should fit well within the Papuan and Bintuni culture. Therefore, the initial concept and preparations are important aspects of its development. This will be done thoughtfully and in coordination with the local government.</p>	<p>In progress</p> <p>A gap assessment for development of the flagship school was completed in early-2016 and the results have been shared with the local government. During 2017, we recruited several experts to develop flagship concepts. Serial workshops were conducted to gather inputs and identify the roles and responsibilities of each party involved in the programme's implementation. These involved the Teluk Bintuni Regency Education Office and local foundations. We also invited local government officials to join a comparison study with how flagship schools were successfully implemented in Jayapura, in Papua Province, and Tomohon, North Sulawesi. Tender for programme implementing partners is being started, and we expect activities to begin in 2018.</p>
Papuan business development	<p>29. BP should take steps to increase local agricultural and fisheries purchases to 65% of Tangguh's operational needs,</p>	<p>Agree. We have committed in the AMDAL to increase local agricultural and fisheries purchases to 65% for Tangguh operational needs. This programme is proven to be very</p>	<p>Ongoing</p> <p>Tangguh prioritizes purchasing products from the villages surrounding of the LNG project.</p>

<p>whether or not train 3 construction begins in 2016.</p>	<p>effective in building a sense of ownership from the community and also in improving local welfare.</p> <p>Tangguh will continue to focus on local Papuan business development, in particular on a strategy of diversified growth to create a bigger multiplier effect among the local communities.</p>	<p>As the TEP construction started in 2017, demand for local commodities by Tangguh's catering team has increased. According to the monitoring data, in 2017, Tangguh catering was supplied with more than 330 tons of fisheries and agriculture products from eight stocking points. This equated to US\$671,170.</p>
<p>30. The procurement and supply chain management team (PSCM) 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.</p>	<p>The Indigenous Enterprise Development Programme (IEDP) and PSCM teams conducted an assessment in 2015 of potential products for non-hydrocarbon activities at Tangguh. However, as our social strategy changes, reducing community dependency on Tangguh, the IEDP team will not position Tangguh as the only market for the local economic programme. We will continue to develop local indigenous people's (IP) capacity and improve their competitiveness to ensure that their products and services will be widely accepted in the local market, which includes Tangguh. This approach will support sustainability.</p>	<p>Ongoing</p> <p>The IEDP team continues to identify potential services at Tangguh that could be provided and managed by indigenous businessmen without compromising on quality.</p> <p>The programme also provided continual technical assistance to ensure that they meet Tangguh's requirements. From January until November 2017, 63 Indigenous firms received technical assistance and business mentoring. We expect this will increase their capacity to be more competitive and to meet Tangguh's and the oil and gas business's requirements.</p>
<p>31. BP should continue to support the Business Development Service (BDS) in its efforts to create additional businesses run by indigenous people (IP) in Bintuni and other towns in the region, but should emphasize training and</p>	<p>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 their staff will not only help to improve the quality of life for the business owners and their families, but it is also important for the sustainability of the businesses.</p>	<p>Ongoing</p> <p>The BDS is managed by SUBITU. It continues to provide consultancy and mentoring for local entrepreneurs free of charge, especially for indigenous people.</p> <p>In February 2017, two cooperatives run by indigenous people who were mentored through this programme, KSU Rajaberefal in Babo, and KSU Mayri in TMB, were successfully awarded as BP vendors of stationary supplies</p>

	<p>coaching for the IP to avoid long-term dependency on BP.</p>		<p>for a three-year period. The BDS also continues to provide technical assistance to indigenous businesses. In 2017, 63 indigenous firms received technical assistance for various business issues, 15 of which were run by women.</p>
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