



BP in Georgia  
Sustainability Report 2006



## The BP group

BP provides energy from oil and gas and from other low carbon sources for transportation, heat and light, and retail brands and products used in everyday life. We operate globally, with business activities and customers in around 100 countries and more than 97,000 employees. We have exploration and production interests in 26 countries. Just under 40% of our fixed assets are located in the US and around 25% in the UK and the rest of Europe.

In 2006, the BP group produced the equivalent of almost 4 million barrels of oil and gas per day for customers across the world. This included the start of oil production from the East and West Azeri platforms in Azerbaijan, delivered to markets through the newly completed BTC pipeline which runs through Georgia. The group's capital spending totalled \$17.2 billion in 2006. On the US Securities and Exchange Commission (SEC) basis of reserves reporting, our reserve replacements ratio was 113% in 2006.<sup>a</sup>

## This report: its scope and process

In BP, we define 'sustainability' as the capacity to endure as a group, by renewing assets; creating and delivering better products and services that meet the evolving needs of society; attracting successive generations of employees; contributing to a sustainable environment; and retaining the trust and support of our customers, shareholders and the communities in which we operate.

This is the third account of our sustainability performance in Georgia, building on the Georgia Sustainability Review in 2004 and the full sustainability report we published in 2005. Our activities in 2006 began to shift from a focus on projects to ongoing operations, a transition which marks the expansion of our role here as an operator of oil and gas assets, which we will be for many years to come. While the nature of our operations is changing, our commitment to transparency remains the same. Our future sustainability reporting will continue to reflect the priorities of the business while responding to the concerns of our readers.

Data is presented for country operations as a whole, unless where indicated for specific projects and operations. The report has been prepared by our business in Georgia, based in Tbilisi, and describes our activities across the country. These are set in the regional context where appropriate. As previously, we have used a formal process to determine which issues are of most significance to internal and external parties to ensure that the report presents a balanced and reasonable view of our performance.

<sup>a</sup> On a combined basis of subsidiaries and equity-accounted entities, excluding acquisitions and disposals.

- 1 A message from our country manager**
- 2 What responsibility means for BP**
- 3 Highlights in 2006**
- 4 Responsible operations**
  - 5 How we work
  - 7 Our business activities
  - 10 Financial and economic performance
  - 11 Dialogue and engagement
  - 16 Health and safety
  - 19 Environmentally sound operations
  - 23 Protecting cultural heritage
  - 24 Security and human rights
  - 26 Our people
- 28 Our role in society**
  - 29 The social and environmental context
  - 30 Climate change
  - 31 Promoting good governance
  - 32 Enterprise development
  - 33 Education
  - 35 Access to energy
  - 36 Our programmes
- 40 Performance data**
- 41 Assurance statement**
- 42 Glossary of terms**
- 43 Further information**

Work in progress at Area 80 in Akhaltsikhe, near the Turkish border.

## A message from our group auditor, Ernst & Young

We have reviewed the *BP in Georgia Sustainability Report 2006* in order to provide assurance to BP management that the data, statements and assertions made regarding the sustainability performance of BP in Georgia are supported by evidence or explanation. Our scope of work and conclusions can be found on page 41.

In this report, references to 'BP' and the 'BP group' shall mean BP p.l.c., its subsidiaries and affiliates and, unless otherwise stated, the text does not distinguish between the operations and activities of BP p.l.c. and those of its subsidiaries and affiliates. Unless specified otherwise, references in this report to 'us', 'we', and 'our' shall refer to companies in the BP group operating in Georgia.



## A message from our country manager

2006 was a year of important transition, marking the beginning of full operations on the Baku-Tbilisi-Ceyhan, (BTC) and South Caucasus pipelines (SCP) following the successful completion of construction. The full commissioning of BTC which was celebrated at an inauguration event in Ceyhan, Turkey in July, marked the culmination of a remarkable feat of engineering and management involving thousands of people in Azerbaijan, Georgia and Turkey over more than a decade.

The completion of SCP and the construction of the off-take pipeline which links SCP to the national gas distribution system in Georgia marked another important step for us and our partners by paving the way for the delivery of first gas into Georgia, achieved in January 2007. This was also an important milestone for the government and people of this country.

The end of construction and the beginning of operations is not, of course, as clear-cut or as simple as this perspective suggests. Making the transition safely and efficiently has involved hundreds of people working together to ensure an effective handover. The scope of this challenge has been immense – demobilizing people and equipment, appointing new contractors, introducing the systems and procedures necessary to manage change, merging and creating new teams and organizational structures – all of this while ensuring that business could proceed as usual. The smoothness of the transition to date has been remarkable.

This focused effort has not prevented us from taking new strides forward. We have continued to build local capacity, not just through engineering and construction activities, but also through broader measures. The Regional Development Initiative launched with our partners has progressed in building regional capacity, through projects supporting business and infrastructure

development. Social investment initiatives, funded directly through BP or via grant programmes agreed with the government, have continued to support community infrastructure projects, capacity building, education and economic development.

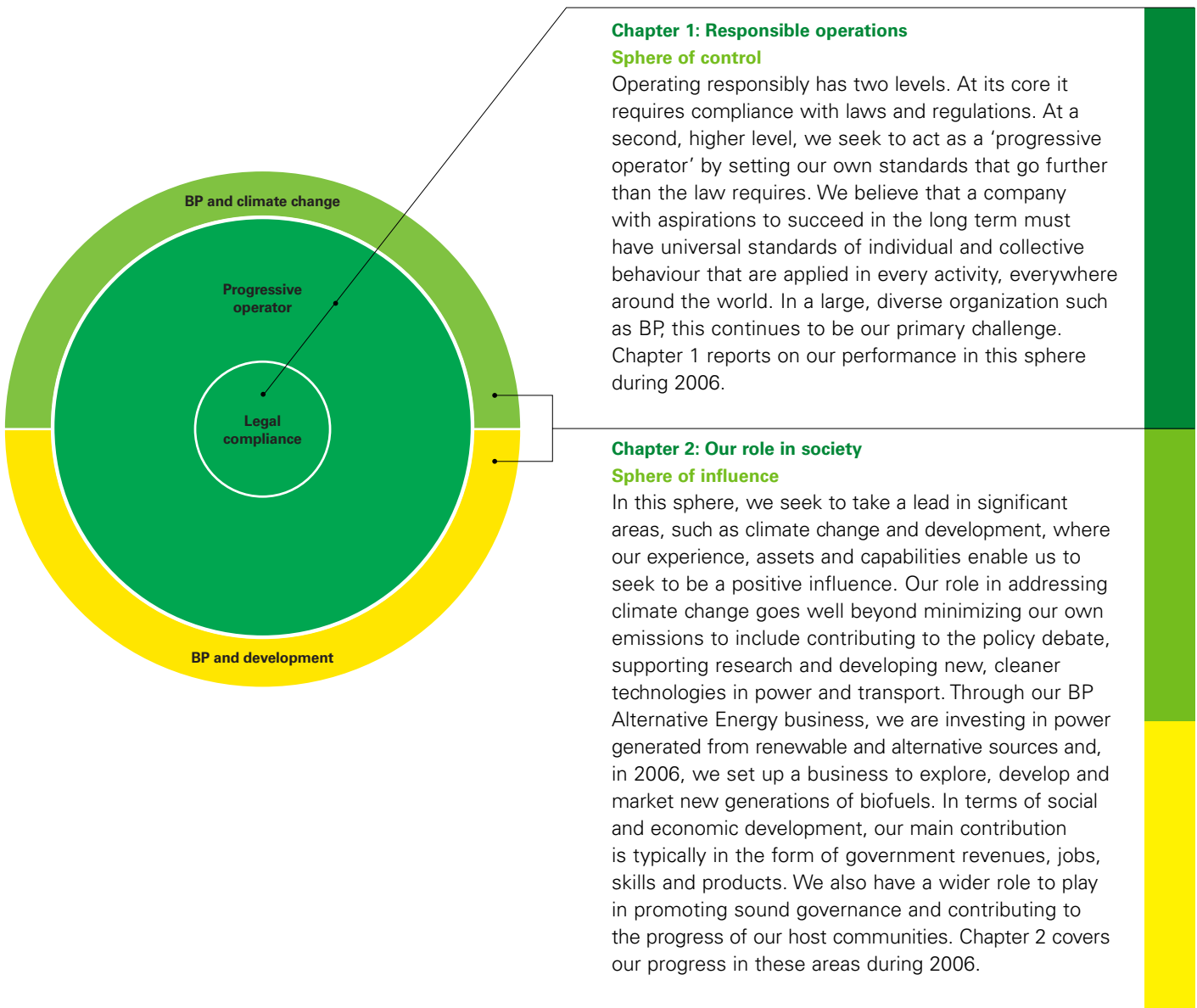
This combination of achievements and actions provides the insight to an important message: BP, as an operator in Georgia, will be here for a long time. The oil and gas fields in the Caspian are among the most productive and sizeable anywhere in the world. BP has already made a major investment in the region and in Georgia. We will continue to play our part here, in a manner which is safe, responsible and dedicated to the mutual advantage of BP, our partners and the people of Georgia.

A handwritten signature in black ink, appearing to read 'Hugh G McDowell', with a long horizontal stroke extending to the right.

**Hugh G McDowell**  
BP Georgia Country Manager  
June 2007

# What responsibility means for BP

This report is structured according to the framework we use in BP to describe the different aspects of corporate responsibility. According to this framework, our activities fall into two categories: those in which we have control and those where we have an influence. Our 'sphere of control' covers our operations, while our 'sphere of influence' extends beyond our operations to many aspects of society and the environment.



# Highlights in 2006

## Achievements

### Commissioning of the BTC pipeline

The Baku-Tbilisi-Ceyhan (BTC) pipeline delivered its first oil in June 2006. This is the largest new non-OPEC source of oil supply to be brought on stream in 15 years (*pages 7-8*). This project has also delivered social and economic benefits for communities along the pipeline corridor (*pages 37-38*).

### Completing SCP and constructing the off-take gas pipeline

We completed the construction of SCP and an off-take pipeline which connects it to the national gas distribution system of Georgia. This project has enabled the delivery of first gas into Georgia in January 2007, an important step for the government and people of Georgia (*pages 9, 35*).

### Completing land reinstatement

Engineering and restoration work on land surrounding the BTC and SCP pipeline right of way was completed in 2006. External auditors and reviewers have commented favourably on the very high quality of this reinstatement work (*pages 19-20*).

### Managing the transition from projects to operations

We successfully tackled a wide range of organizational, technical, and commercial challenges to ensure a smooth and safe handover from projects to the phase of continuing operations. While some transitional challenges remain, we believe our organization is well-equipped to embark on the new and long-term phase of operations in Georgia (*details are available throughout Chapter 1*).

### Contributing to social development

Our social investment projects have continued to bring improvements to the communities along the pipeline route. The Improved Schools Programme, for example, was considered by external evaluation to be one of the most successful components of community investment made by BTC. More broadly, further progress has been made in implementing our Regional Development Initiative (*pages 33-34, 37-39*).



## Challenges

### Working to improve local institutional capacity

We continue to face a number of challenges relating to the implementation of legal and administrative matters which create delays and add complexity to the operating environment. We will continue to work hard to resolve these issues with the government (*page 12*).

### Safeguarding performance on the western route

Following successful maintenance work on the pipeline in 2006, we decided to carry out further work to review the risks associated with landslide in some areas of the pipeline route. To preserve safe

operations, the Western Route Export Pipeline (WREP) pipeline has ceased operation while these assessments are being carried out (*pages 8-9*).

### Building local leadership capability

We have taken further steps to increase the size and capability of our Georgian staff. However, there is a continuing challenge to place sufficient local staff in leadership positions across the business (*pages 26-27*).

**Tackling waste management** While we face a variety of day-to-day challenges in protecting the natural environment,

resolving the issue of waste management has proved an intractable problem given the lack of EU compliant disposal facilities in Georgia. This will be a focus of our efforts as we move into operations (*page 20*).

**Delivering the Kodiana projects** As part of our commitment to the Georgian government, we have undertaken to complete a number of additional construction projects that introduce further environmental protection into the Kodiana sections of the BTC pipeline. Continued excellence in project management will be required to deliver these commitments as desired (*page 8*).

# Responsible operations

- 1.1 How we work
- 1.2 Our business activities
- 1.3 Financial and economic performance
- 1.4 Dialogue and engagement
- 1.5 Health and safety
- 1.6 Environmentally sound operations
- 1.7 Protecting cultural heritage
- 1.8 Security and human rights
- 1.9 Our people

1



## 1.1 How we work

**Operating responsibly lies at the heart of our framework for corporate responsibility. Responsibility demands that we maintain high and consistent standards every day and wherever we work – including safety, integrity, environmental stewardship and people management. This section outlines our approach and how the activities of BP Georgia fit within the group framework.**

Our business in Georgia is an integral part of BP's activities in the Africa, Middle East and Caspian region and is a part of one of the group's long-term operating centres. Our activities form part of the exploration and production 'segment' of the business, one of three operating segments across the group as a whole (the other two being Refining and Marketing, and Gas, Power and Renewables).

We work closely with our colleagues in Azerbaijan and Turkey, and form part of the Azerbaijan strategic performance unit. This reflects our geographical proximity but more importantly the linkage between the pipeline assets and facilities in Georgia and the oil and gas production, storage

and distribution assets in and around the Caspian and Mediterranean seas.

Our operations in country are supported by a range of group functions which aim to achieve coherence across the group, manage risk effectively and achieve economies of scale. Technological support is provided by the group's research and engineering activities. Technology helps the group access the energy resources we need to provide future security of energy supply and supports the group in its goal of minimizing the environmental impact of its energy production and consumption.

BP also works with a number of non-BP companies and other entities in joint ventures (JVs). From a group

perspective, many of these JVs are large and significant businesses in their own right, established as separate companies with their own boards and governance processes, in which BP is a shareholder. In all cases, BP implements its own standards and policies in those JVs it operates and where the joint venture agreement permits. Where BP is not the operator or where BP is the shareholder in a JV, BP encourages adoption of or works towards standards and policies comparable with BP's own. In Georgia, our aviation supply business is delivered through one such joint venture, between Air BP and Aviafuel Service.

**Vision and strategy** The BP group strategy is captured within five-year and annual plans. The strategy seeks to achieve the principal goal set by the board – namely maximizing shareholder value on a long-term basis. Segments and business units, including BP Georgia, develop their own strategies in line with the group strategy.

**Governance and risk management** Our corporate governance and management systems provide a framework for determining what we are trying to deliver and how we go about that delivery. The systems are designed to enable the

Our operations in country are supported by a range of group functions which aim to achieve coherence across the group, manage risk effectively, and achieve economies of scale.





business to achieve its commercial goals – through strategy, planning and execution – while operating safely, ethically and responsibly by applying values, standards and controls.

In terms of how we deliver, our action is shaped by:

- Executive limitations: These define the boundaries between the board and the

group chief executive (GCE) and those activities and conditions the board considers unacceptable. The board delegates authority to the GCE for performance within these limitations.

- Brand attributes: Our brand attributes are to be ‘performance-driven’, ‘progressive’, ‘innovative’, and ‘green’.
- Group values: Group values are statements that lay out courses of

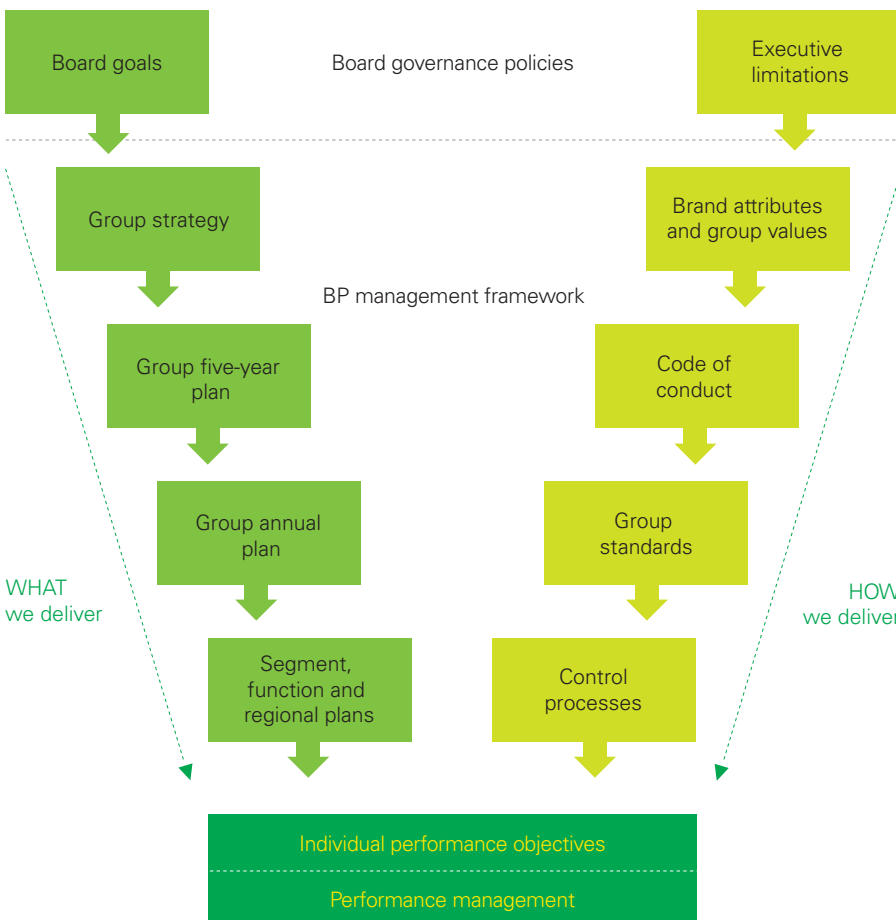
action and goals, often aspirational, against which we can test our performance and shape the reputation of the group. They include aspirations to have no accidents, conduct environmentally sound operations, treat employees fairly, have an inclusive and meritocratic organization, pursue mutually advantageous relationships and promote respect for human rights.

- The BP code of conduct: The code of conduct translates certain group values into specific mandatory principles and expectations for all employees within BP.
- Group standards: These set out clear expectations, processes and principles to be followed worldwide. The code of conduct and standards for driving safety, credit, business continuity planning, and the group investment assessment and approval procedures are fully operational. Four others have been approved and are now being executed: control of work, integrity management, digital security and security; and three are currently being defined: marine operations; people; and management information.
- Control processes: These consist of practical frameworks which enable implementation of the system of internal control.
- Individual performance objectives: This defines an individual’s expected contribution to deliver the annual plan. It lays down the individual’s targets, objectives, resources, activities and limitations.

This report provides insight into the operation of these values, standards and controls in the context of our activities in Georgia.

### Board goals to individual performance objectives

Translating the goals into activities and executive limitations into individual limitations





## 1.2 Our business activities

**Our major activities in Georgia are changing from investment in projects to long-term operations. This reflects the successful completion of our new pipeline projects in the region, which have been among BP’s most significant and high-profile investments in the past decade. We are now embarking on a new, long-term phase of managing operations.**

Our business activities in Georgia have focused on three major oil and gas pipelines, in which we are the lead investor and operator. Our partners and their shareholdings are shown below.

With the completion of the BTC and SCP projects we are in a transitional phase as we begin long-term routine operations. This transition has already involved changeover of staff, the demobilization of manpower and equipment, new organizational structures, new commercial arrangements, and a new set of technical challenges. Managing this change safely and efficiently has been,

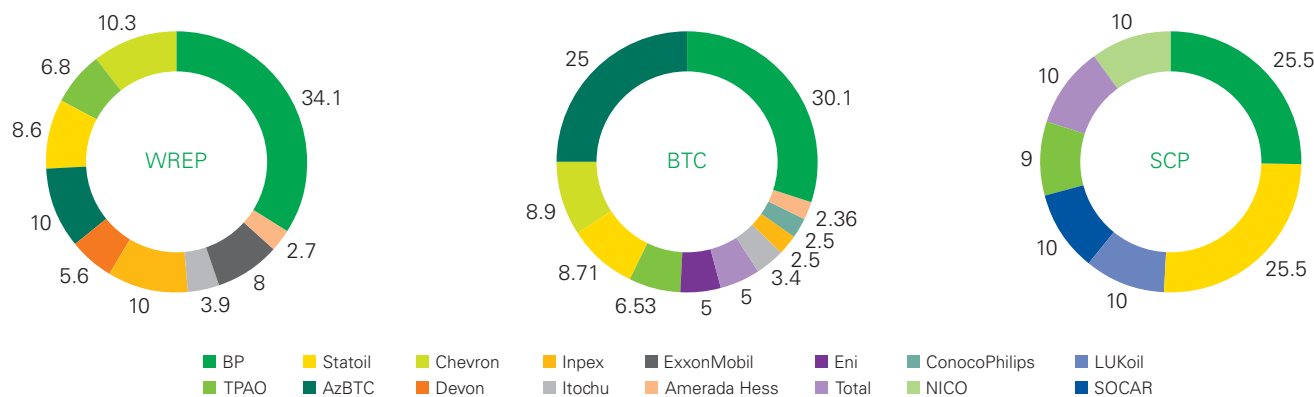
and remains, a significant challenge. Considerable management effort has been dedicated to this in the course of 2006, working through structured management of change processes to ensure a smooth handover.

In addition to this, we are undertaking major maintenance work on the western route pipeline. We are also engaged in the construction of a number of facilities alongside the BTC/SCP pipeline route to provide additional physical and technical security for the pipelines. These facilities, described below, were requested by the Georgian government or required as a condition of accepting the oil spill

emergency response plan agreed in 2005. In 2006, we also began upgrading and constructing roads to provide reliable access to valve stations along the pipeline.

**The Baku-Tbilisi-Ceyhan pipeline (BTC)**  
The pipeline, which is 1,768km in length in total, is capable of transporting over a million barrels of oil per day from the Sangachal terminal in Azerbaijan to the marine oil terminal in Ceyhan on the Turkish Mediterranean coast. It is one of the longest pipelines in the world. Construction of the BTC pipeline in Georgia was completed in 2005.

The pipeline shareholders (%)





## BTC Commissioning

The official inauguration of the full BTC pipeline export system took place in July 2006 at the Ceyhan terminal on the Mediterranean coast of Turkey. The event, hosted by the Turkish government, was attended by their Excellencies Ahmet Nejdet Sezer, President of Turkey; the Turkish Prime Minister, Recep Tayyip Erdogan; President Ilham Aliyev of the Republic of Azerbaijan; and the President of Georgia, Mikheil Saakashvili; together with visiting senior government and state officials, senior executives of BTC owner companies and business representatives.

Addressing the inauguration ceremony at Ceyhan, Lord Browne thanked all those involved: "The commissioning of the Baku-Tbilisi-Ceyhan pipeline is a significant step in the long history

of the oil industry. It reintegrates significant oil supplies from the Caspian into the global market for the first time in a century. On behalf of BP, I would like to express our thanks to all those who made it possible to get to this point.

I'd like to thank the thousands of extraordinary people from the three countries directly involved – Azerbaijan, Georgia and Turkey – and the people from many others beyond, whose support and involvement was indispensable – the members of the workforce, the inhabitants of local communities, the companies, governments, international institutions, our partners and, of course, our own staff. BTC is the first great engineering project of the 21st century."

BTC became fully operational in 2006. Oil flow rates through the pipeline have steadily increased, and the pipeline now brings around 600,000 barrels of oil per day to the world market. Reinstatement and landscaping work on the right of way was completed along the pipeline route to a very high standard (described in more detail in section 1.6).

Construction of additional facilities providing environmental and technical security in the alpine Kodiana section of the pipeline also began in 2006. Construction of a security base progressed until freezing winter

conditions necessitated suspension and will resume as soon as weather permits. A security base, currently under construction, will provide a permanent facility with living quarters, offices, maintenance facilities, power generation, sewage treatment and potable water systems. It will be handed over to the Georgian government Strategic Pipelines Protection Department (SPPD) for their use.

Initial work was also carried out on the construction of the emergency drain down facility (EDDF). The facility will include an 8,500m<sup>3</sup> steel tank constructed within a

secondary underground concrete tank for the draining and storage of oil from any Kodiana section of the BTC pipeline in certain emergency situations. On receiving the required permits from the government of Georgia in October, the tank site was cleared and prepared for pile installation, beginning in 2007.

Design work was carried out in 2006 on a system of secondary containment sites to contain oil safely in the unlikely event of a pipeline rupture. Each secondary containment site consists of a settlement basin constructed around an existing stream bed with a dam and



## Western route refurbishment

In January 2006 – during a severe Georgian winter – a project team of 20, including engineers and operations experts, was set up to begin a maintenance programme to confirm the location of anomalies in the pipeline which had been identified during pipeline smart pigging investigations.

The 2006 maintenance work, undertaken in two phases over the course of the year, is ongoing; it involved an average crew size of approximately 95 people for phase 1 and 81 for phase 2, working continuously in shifts at the worksite. During 2006, it took some 450,000 man-hours. Their work was carried out without shutting the pipeline down. This was made possible by co-ordinated logistical operations and project management, guiding appropriate risk assessments and engineering solutions. The work

involved digging up the pipeline where analysis had required inspection and performing visual and ultrasonic testing examination of the anomalies to determine what action, if any, was needed. This involved either removing surface discontinuities, welding full-encirclement sleeving (an innovative technique in which the new sleeving in effect becomes the new pipe) or directly replacing defective pipe through cut-outs.

To date, the work has been undertaken without a single recordable health, safety or environmental incident.



sluice gates. The sluice gates can be closed in an emergency to retain any oil until it can be safely removed by the oil spill response team. Construction will commence on the secondary containment sites in 2007.

### The Western Route Export Pipeline (WREP)

This 830km pipeline transports oil from the Chirag field in the Caspian Sea via the Sangachal terminal in Azerbaijan to the Supsa terminal in western Georgia, with just under half the pipeline located in Georgia. WREP, which became fully operational in 1999, is capable of transporting up to 155,000 barrels of oil per day.

Scheduled maintenance work late in 2005, involving the use of smart pigging (pipeline inspection using equipment to provide data about the condition of the pipeline) identified anomalies in the pipeline, which upon evaluation needed repair. The maintenance repair programme set priorities for carrying out work to address the anomalies. This maintenance repair programme is ongoing. Late in 2006, further work was carried out to review the risks associated

with landslide in some areas of the pipeline route. In order to preserve safe operations, the WREP pipeline has ceased operation while these assessments are being carried out. To mitigate the potential risk of line failure, the assessments are being evaluated on a section of the pipeline passing through the Zestaponi region. This section is scheduled to be rerouted around the landslide areas in the near future.

### The South Caucasus Gas Pipeline (SCP)

Construction of this pipeline, built in the same corridor of land as the BTC pipeline through its passage in Georgia, was completed in 2006. Like the BTC pipeline, it is buried underground. SCP carries natural gas from the Shah Deniz field in the Caspian Sea to customers in Azerbaijan, Georgia and Turkey.

Gas entered the Georgian section of the pipeline in September 2006 as part of the pipeline testing and commissioning process. A new 12km pipeline, connecting the SCP to the Georgian gas distribution system near Gardabani, was also completed in 2006. Following commissioning, first

commercial gas was delivered into the Georgian market in January 2007.

The introduction of gas into the Georgian section of the SCP pipeline has enabled the commissioning and operation of the gas fuel system to the BTC main crude oil line (MOL) pumps. This work, which began in December 2006, is scheduled for completion in 2007. The intention is for all MOL pumps to be operating on gas in 2007. We believe that operating the pumps on gas will bring improved reliability to the BTC system and result in lower overall air emissions and more efficient production.

**Air BP** Our aviation fuelling business has been active in Georgia since 1998. At Tbilisi airport, Air BP provides jet fuel to national and international airline customers. Together with our joint venture partner, Aviafuel Service, we distribute lubricant products including BP and Castrol brands.

2006 marked another successful year for Air BP, gaining new customers such as Air Baltic and BA Cargo and having no recordable HSSE incidents in the course of the year.

## 1.3 Financial and economic performance

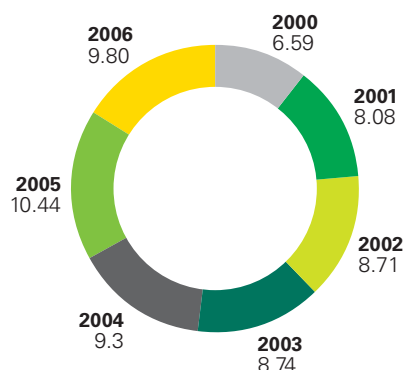
**Our financial and economic impact in Georgia is significant. We are a major foreign investor and an important contributor to national government revenues through the payment of taxes and transit fees. We are a significant contractor of local companies. Our spending is designed to enhance communities' environmental and social projects in the short term, and also to promote long-term economic and social self-sufficiency. In all these ways, we make an important contribution to Georgia's economic and social development.**

WREP tariff is paid to the national government. The table below shows fee payments arising from WREP from 2000-2006. The slight decline in 2006 is due to the reduction in throughput caused by prudent pipeline maintenance and refurbishment.

Initial profit tax payments, linked to the throughput on the BTC pipeline, were made in 2006. These amounted to \$7.8 million from all the BTC partners. We estimate that the profits tax payments will be around \$25 million in 2007 as throughput increases.

It has been estimated that approximately 27% of foreign investment in Georgia came from BP and its partners in 2006. Our capital investment on construction in Georgia since project inception has been \$906 million on BTC and \$585 million on SCP. Details of our capital and operating expenditure from 2004-2006 are shown in the table below. The information shows that the balance of expenditure is beginning to shift from capital to operating expenditure as the nature of our operations changes from projects to continuous operations.

**WREP tariff payments 2000-2006 (\$ million)**



**Notes:**

Payments are made to GOGC (the Georgia Oil and Gas Corporation) following its establishment in 2006. Prior to this, payments were made to GIOC (the Georgian International Oil Corporation). The figures quoted in the 2004 BP Georgia Sustainability Review were drawn, as indicated, from an IMF paper.

**Our capital investment on construction in Georgia since project inception has been \$906 million on BTC and \$585 million on SCP.**

**Capital and operating expenditure in Georgia (\$000)**

	Capital			Operating		
	2004	2005	2006	2004 <sup>a</sup>	2005	2006
WREP	2,342	4,752	0	20,581	23,711	41,443
BTC	262,936	225,812	130,932	0	0	29,474
SCP	160,861	205,736	137,893	0	0	1,187
<b>Total</b>	<b>426,139</b>	<b>436,300</b>	<b>268,825</b>	<b>20,581</b>	<b>23,711</b>	<b>72,104</b>

<sup>a</sup> Includes Georgian Pipeline Company office and administrative costs not included in the 2004 BP Georgia Sustainability Review.

## 1.4 Dialogue and engagement

**Our employees and contractors in Georgia interact on a regular basis with a wide range of groups – including government, communities, opinion leaders, NGOs, lenders, suppliers, and business partners. Our aim is to ensure that dialogue and engagement with these groups builds relationships which create mutual advantage – that is, benefits for those with whom we do business as well as for ourselves.**

### Layers of Monitoring and Assurance

Comprehensive monitoring has been a feature of the BTC and SCP projects since their inception. Monitoring is carried out by those in the project teams, involving auditing of projects, day-to-day operations in the field and contractor performance. It is also provided by external bodies at arms-length from the projects with a formal role in monitoring. These include:

- The Caspian Development Advisory Panel (CDAP): the panel, which has now completed its work, met formally at least twice a year, and paid an annual visit to the region. CDAP reported direct to the BP group chief executive.
- NGOs: monitoring is provided through the 'Pipeline Monitoring and Dialogue Initiative'. The programme's activities in 2006 are described in more detail below.
- The Social Resettlement Action Plan panel (SRAP): SRAP reviewed the project for the seventh time in September 2006.
- Host government monitoring: this typically covers issues of regulatory compliance, supplemented by broader discussions with government agencies.
- The lender group's Independent

Environment Consultant (IEC): the IEC's audit reports are issued quarterly and track compliance with our environmental and social action plans.

- Formal grievance mechanisms, such as those provided by the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC): these give individuals an additional avenue for raising complaints about the impact of the projects, outside the mechanisms we have established ourselves.

In addition to this, a range of topic-specific monitoring has been conducted, such as human rights monitoring provided by independent international legal experts. Growing interest in revenue transparency in Georgia has also led to a review in 2006 by the Georgian Young Lawyers Association of BTC grant spending. Our activities are also subject to national and international media coverage.

We believe this multi-layered monitoring provides a level of oversight unprecedented for an extractive industries project – a view supported by CDAP.

**The Caspian Development Advisory Panel (CDAP)** CDAP's final public report on the BTC projects marked a significant milestone in the project's development.



The completion of CDAP's work, which was set up four years ago to provide independent advice on the projects, provided an opportunity to review BTC's achievements to date and to outline the challenges ahead.

Among the achievements listed by CDAP were that the pipelines had raised the standard for environmentally-sensitive infrastructure development in the region, had generally met an array of exacting environmental and social standards, had undertaken a vast programme of land acquisition expeditiously but fairly, had secured commitments for the protection



## The Caspian Development Advisory Panel

'In this, our final public report, we assess how well BP and BTC are doing in turning their vision into reality. We find that the companies have made an impressive start. The Caspian projects can already boast a long list of accomplishments, many of which break new ground for investments by extractive industries in developing and transition countries....

As we commend these important achievements, we also note that the largely construction-oriented activity that we have observed during the four years of our mandate represents only a small fraction of the approximately 40-year operating life of BTC and its associated projects. Thus, while the companies have laid the foundation for the new model at which they aim, we also conclude that an equally significant, if not greater,

challenge lies ahead. Meeting this challenge will require sustained senior management attention and a continued – indeed, in some respects, enhanced – commitment of human and other resources.'

**CDAP Final Report and Conclusions (January 2007).**

of human rights, and had taken steps to build local capacity among NGOs and in social and environmental projects that promote longer-term sustainable development.

However, the panel noted areas where work will be needed in future. The transition to operations, for example, creates new challenges for ensuring safety and the operational integrity of the facilities. Continuing vigilance will be required to safeguard human rights and revenue transparency. CDAP recommended additional funding in support of the Regional Development Initiative, continued support for NGO capacity building and further management attention to tackle the challenge of waste management.

We will consider CDAP's recommendations carefully and will factor them into the evolution of our long-term strategy in Georgia and the region.

**Government relations** We continue to interact with Georgian government authorities at many levels on a range of issues. Over the course of the year, we have worked with the government to deliver long-term strategic objectives such as the delivery of first gas into Georgia. As can happen with initial production from new wells, start-up of gas delivery was not as predictable or consistent as desired, which had a knock-on effect on

our ability to deliver gas to Georgia as anticipated. Despite these initial problems, delivery of gas was achieved in January 2007.

Doing business in an environment in which the government's legal and administrative capacity is developing brings challenges. On some issues, notably the treatment of land, disputes have arisen over the legitimacy of land ownership. The absence of Construction Rights Agreements with the state has resulted in the inability to register our rights, leaving this land subject to possible privatization. Similarly, although the state has formally agreed 'pipeline safety zones' the necessary legislative changes have not yet been made which

will make these designations formal. We have also faced delays in licensing and permitting due to organizational changes in regulatory structures although this has not prevented us from obtaining all the necessary approvals from government for major operations.

Despite these challenges, there have been numerous examples of how a constructive working relationship can provide mutual benefit. We have continued to provide training for government security staff and have completed the provision of non-lethal security equipment in accordance with an agreement made with the government in 2004. Both of these steps will enhance government capacity and boost pipeline



We have continued to provide training for government security staff and have completed the provision of non-lethal security equipment in accordance with an agreement made with the government in 2004.

security. The BP pledge and BTC grant programmes have supported government objectives in a number of policy areas including education and cultural heritage development while helping us to build relationships with local communities.

**Engagement with communities** We recognize that construction of the new pipelines has had an economic and social impact on communities near to the pipeline routes. We have worked to minimize negative impacts and bring positive benefit through investment in social and environmental projects. Our community liaison officers (CLOs) have worked closely with community representatives, listening to their concerns and seeking to resolve fairly any problems that arise.

In the course of 2005 on the BTC/SCP pipeline corridor, we received complaints about damage to structures allegedly caused by heavy traffic or pipeline-related blasting. BP engaged independent engineers to review the vibration assessments done by construction contractors. Their report concluded that construction traffic was unlikely to be the primary cause of cracking in structures. Further studies were carried out this year to assess whether blasting vibrations associated with pipeline construction were the

cause of structural cracking. These investigations concluded that no houses could have suffered structural damage. While it was unlikely, however, the report concludes that it could not be ruled out that houses may have suffered cosmetic cracking to plaster if they were within 188 metres of the blasting locations. On the basis of this report, BP elected to offer payments to the 16 houses that are within 188 metres of the blasting locations. These complaints are approaching closure by the International Finance Corporation’s (IFC) Compliance Adviser/Ombudsman (CAO) and BTC.

Given the completion of pipeline construction and reinstatement work, we recognize the need to revise and develop our approach to community relationship building. While we will maintain our relationships with the pipeline affected communities we have dealt with in the past, we will be

considering further the wider needs of communities across the country. To help progress our thinking, we commissioned an independent study in 2006 into developing a long-term community relationship strategy for Georgia.

**Land acquisition and compensation** BTC/SCP pipeline construction and reinstatement of the construction corridor was completed during 2006.

The core activity throughout 2006 has been the programme of land use hand back. The return of land for use by previous landowners (which is provided free of charge but subject to certain restrictions and rights of access) is a project commitment, which was substantially completed in the districts of Tetrtskaro, Tsalka and Borjomi during 2006. The programme will continue and should be fully completed by the end of 2007. However, in some areas additional

**BTC/SCP Land and Crop Payments in Georgia (\$)**

	Land	Crops	Total
2003	6,691,490	4,933,688	11,625,178
2004	2,325,732	4,865,665	7,191,397
2005	484,572	1,090,274	1,574,846
2006	607,127	1,504,568 <sup>a</sup>	2,111,695
<b>Totals</b>	<b>10,108,921</b>	<b>12,394,195</b>	<b>22,503,116</b>

<sup>a</sup> Crop payments in 2006 include some amounts that were paid as joint compensation for land and crops.



**The Social Resettlement Action Plan Panel (SRAP)**

The SRAP expert panel, in undertaking their seventh review of work on the Georgia section of BTC and SCP in 2006, focused on consultation with people affected by the projects. They found some issues where additional action is needed. For example, they suggested that further attention to detail was required to ensure that communities fully and consistently understood elements of the land use hand back process. But the panel also formed the following conclusion:

‘A key development in Georgia is the relationship between the community and the Project. People seem to be genuinely appreciative of the work carried out by BTC Co. and there is greater level of trust and feeling that the Project will ‘do the right thing’. Almost all the communities consulted expressed positive views about BTC Co. A large part of this can be attributed to the tremendous effort and dedication of the social and land team staff and they are to be congratulated on this outcome.’

**Extract from the conclusions to SRAP’s expert panel review (September 2006).**



## Community liaison

'During BTC pipeline construction our work was hectic, requiring quick decisions and actions to address community concerns and grievances, both verbal and written. The pipeline construction inevitably has an impact on communities and, as a result, we had to visit almost every village in our working area to deal with the issues needing attention.

On occasion, resolving problems required intense negotiation with local authorities, municipality members, municipal heads, and other influential individuals. In addition, we had to take whatever actions were appropriate in response to requests from locals. Our goal was to solve their problems and minimize work stoppages, which could have a negative impact on the project schedule. Doing all this was often a challenge from dawn to dusk, seven days a week!

Now, with the pipelines in operation, we have more opportunity to plan our day-to-day activities. But we still visit communities, meet people, and try to resolve concerns. We have more time to work on our strategy and to deliver projects that will bring further benefit for communities. Implementing the small grants to schools programme, for example, is already bringing us into close contact with schools along the western route. Our timetable may be a little calmer, but the challenge goes on.'

**Lika Kvitsinashvili and Zura Mgvdiashvili, BP community liaison officers.**

land acquisition has been necessary. For example, land has been required for the construction of additional facilities in the Borjomi district.

During the formal land use hand back process BTC Co. also obtained additional rights over strips of land lying outside and adjacent to the construction corridor. These additional rights of restriction are necessary to ensure the safety and integrity of the pipelines. All affected landowners receive a payment for the area intersected, which is based upon the full land value as used by the project for land acquisition.

We described in our 2005 report the grievance processes that exist to enable complaints to be dealt with through independent channels managed by the IFC and its Compliance Adviser Ombudsman (CAO). In 2006, the number of complaints received through the formal grievance process declined substantially, with the result that 99% of all complaints received were resolved prior to closing the project phase grievance log and opening an operations phase log. The few project phase complaints that had not been resolved were carried forward to the operations phase grievance log for resolution. The EBRD also received a

single complaint in 2006 which remains to be resolved.

Also, during 2006, preparations were made to deal with complaints or issues arising after landowners re-occupy the construction corridor, with the emphasis being on safe working, in compliance with the required restrictions.

The SRAP auditors visit to the project in September 2006 confirmed that landowners and users understood the restrictions. SRAP were generally satisfied with the land use hand back procedure and were pleased with the level of payments made for additional restrictions outside the construction corridor.

As the project enters the long-term operations phase the emphasis is on maintaining contact with affected landowners and users, not only to satisfy the lenders' requirements, but also to ensure that the pipelines are operated in an efficient and safe manner. We recognize, as CDAP have pointed out, that continuing effort will be required over the operational life of the pipelines to ensure land use restrictions are adhered to and mechanisms are put in place for managing potential disputes.

**NGO capacity building: The 'Pipeline Monitoring and Dialogue Initiative'** We are also taking steps to build the capacity of civil society institutions so that dialogue and constructive engagement can be enhanced. A central part of this is work we have done with non-governmental organizations and the media.

We continued the 'Pipeline Monitoring and Dialogue Initiative' (PMDI), completing a second cycle of activity. This built on and expanded the first cycle of work undertaken in 2005. PMDI, implemented with the collaboration of the Eurasia Foundation (EF), seeks to promote international standards of monitoring and audit, provide opportunities for team-based audit activity, and build the capacity and professionalism of national NGOs in Georgia. The programme has been supported by the United Nations Development Programme (UNDP) and the International Finance Corporation (IFC).

Four NGO working groups audited BP's performance in the following areas in 2006: waste management, oil spill preparedness, cultural heritage protection, and reinstatement and biodiversity. The type of work undertaken



by the working groups is summarized in the case study. The NGOs received support from BP in setting up site visits, providing documentation, and responding to queries and requests. They were also supported by expert training provided by EF's international adviser.

The working group reports were published in October 2006. Each report contained detailed findings and recommendations and BP's response to them. They also included observations on whether or not non-compliances identified during the first cycle were corrected and recommendations taken on board. The full reports are available at [www.bp.com/caspian](http://www.bp.com/caspian).

In total, 36 civil sector representatives participated in the two cycles of the programme through the working groups. Organizations that expressed interest but were not selected for participation in a working group were invited to form a wider interest group which met periodically to monitor developments.

An independent satisfaction survey of the NGO participants carried out at the end of the programme found that it had offered a unique opportunity for those involved to deepen their knowledge of auditing to international styles and standards. The survey found the

programme had had a positive impact on capacity building within the NGO organizations involved. It also found that the independent expert training provided through the programme was valuable in helping participants plan their work process and conduct other audit activities.

**Engaging our people** A number of mechanisms are used to communicate and engage with our employees. The People Assurance Survey, a group-wide assessment of opinion carried out every two years, was undertaken in 2006. Information on its findings is presented in section 1.9.

We inform our employees about the company's internal as well as external news through newsflashes and internal newsletters. We engage our employees through 'town halls', team meetings, events, and visits to Georgia by senior management from other parts of the company. In the course of this year, we focused on improving our internal communication to ensure employees are better informed, involved and engaged. A strategic internal communication plan has been developed which seeks to use communication effectively in support of long-term business objectives.

In the course of this year, we focused on improving our internal communication to ensure employees are better informed, involved and engaged.



## Building local NGO capacity

The pipeline monitoring and dialogue initiative (PMDI) has sought to develop national NGO capacity in Georgia. Working groups set up under PMDI consisted of five individuals with relevant backgrounds, drawn from separate Georgian NGOs. Following preparatory work to define goals, information requirements, timescales, and audit tools, the groups typically carried out a programme of document review, interviews, and site visits. Draft reports were shared with the company allowing for comment and discussion. Once comments had been considered, final reports were published.

'Compliance audit in the oil industry is a complex and technically challenging endeavour. The PMDI programme provided both a unique window on technical issues surrounding the BTC project, and a constructive framework for enhanced dialogue among energy

sector experts and civil sector experts. I am pleased that the initiative's primary goals – building capacity and professional exposure for civil sector audit teams – have been successfully achieved.'

**Andrea Harris, Eurasia Foundation's Regional Vice President for the South Caucasus.**

## 1.5 Health and safety

**Ensuring the health and safety of all those involved in or affected by our activities requires a constant focus on personal and process safety. As we move from projects to operations, we are working to build on the safety culture we have established. This requires managing the risks associated with change, as well as the different health and safety concerns which arise from continuous operations.**

**Health** Our BTC/SCP project team have carried out work to identify and tackle a range of personal health risks. Some of these arise from the nature of project work, which is typically physically demanding and often carried out in challenging environments. Maintaining food and water safety, for example, is a significant risk when working in remote locations. We have therefore carried out food safety training, food hygiene audits,

and water assurance testing.

To address other personal health risks, we have taken initiatives including establishing a health clinic in Bakuriani available for company and contractor employees, and running campaigns on health issues such as influenza, substance abuse and smoking. We have provided first-aid training for employees and contractors and have carried out epidemiological monitoring

along the BTC/SCP right of way.

At sites, we have provided courses on resuscitation and on how to respond to life-threatening emergencies. Medical facilities at pump stations 1 and 2, and in Area 80 of SCP have been equipped to international standards and are able to provide treatment for any injured person on site. At the Supsa terminal, a new ambulance has been purchased for use in medical evacuations.



### Developing a pandemic response plan

In response to international concerns about the possible spread of influenza, we have developed, in accordance with BP group policy, a pandemic response plan for Georgia.

The plan is based on the fact that people are always our first priority. In addition, we recognize the significant reliance that governments, customers and communities place on BP and therefore on the need for us to have robust systems of business continuity.

The plan provides guidance on the organization and actions needed to address issues which might affect our people, facilities, systems, and supply chain. It outlines the steps that need to be taken in preparation for a pandemic and the actions to be taken in response to the different phases of a pandemic as defined by the World Health

Organization (WHO). The plan identifies categories of roles – such as those which are ‘business critical’ – and defines individuals’ responsibilities in the event of the need to take action.



We have taken initiatives including establishing a health clinic in Bakuriani available for company and contractor employees, and running campaigns on health issues such as influenza, substance abuse and smoking. We have provided first-aid training for employees and contractors and have carried out epidemiological monitoring along the BTC/SCP right of way.

# 93%

of staff in our 2006 people assurance survey stated that their safety competencies and skills were adequate to do their job.

**Safety** The nature of the safety issues we face is changing as we move to the operations phase. The focus is shifting from the risks associated with pipeline construction (such as heavy lifting, welding and excavations) to the need to ensure process safety, ensuring the safe management of hydrocarbons and the long-term physical integrity of the pipelines and other assets. As part of this, we took action to implement the group 'six point plan' which targets key priorities for investment and action. In Georgia, for example, our work on WREP pipeline maintenance (see section 1.2) has focused on seeking to ensure the continued integrity of the pipeline. We have also continued to build the competence of our teams through training and development.

In making the transition to operations, we have, in common with the rest of the BP group, focused on the three dimensions of safety – personal safety, process safety, and protection of the environment. We recognize that the very existence of change can create safety risks, as project demobilization takes place, simultaneous operations are conducted, and new contractors are appointed. It is essential to maintain the strong safety culture which has been built up over the course of construction. To help manage the transition process safely, safe systems of work training courses were conducted for company and contractor personnel, such as area authority and performing authority training sessions.

A variety of training programmes has been undertaken. These help to support

existing competencies and develop new skills. Ninety-three percent of staff in our 2006 people assurance survey stated that their safety competencies and skills were adequate to do their job. This shows the good position we have reached as well as the margin for improvement.

Induction training, which raises general safety awareness and familiarizes employees and contractors with health, safety, security and environmental issues, is routinely carried out. Training on BP's 'Golden Rules of Safety' has been provided. The golden rules cover high risk areas of activity such as lifting, working in confined spaces, or working at height. Safety immersion programmes, which involve a concentrated focus on particular activities or tasks (such as lifting, driving, or energy isolation) were rolled out to BP and contractor employees.

Toolbox talks on site are regularly carried out prior to starting work activity. Task risk assessment has also been conducted. Training has also been given on incident investigation, designed to identify the root causes of incidents to prevent them happening again in future.

**Contractor safety** We have also continued to work hard in pursuit of good safety performance from our contractors. Safety Leadership Team meetings have been held every second weekend, involving company management and contractors. These provide an opportunity to focus on the risks that arise in relation to future scheduled work, such as scaffolding

activity. Incidents are also reviewed and experience shared. We also convened a safety leadership workshop for all main contractors which sought to improve safety performance by encouraging working together, acting consistently, sharing learning and implementing best practice.

On site, we have implemented incentive programmes designed to drive good safety behaviour. The 'Five Star programme' provides a financial reward for consistently good personal safety behaviour. Rewards are also provided for the completion of safety training observations and advanced safety auditing cards, taking account of both their quantity and quality.

A contractor auditing and assurance programme covering operations has been developed for 2007.

**Driving safety** Improving driving and road safety has long been a focus area for the company, as road traffic accidents have been the largest single cause of workforce fatalities (30%). In Georgia, driving has always been a major risk on account of the importance of transportation and logistics in our activities.

The risks we face arise from a multiplicity of vehicle-based activities, involving both light and heavy vehicles. Preventive actions have included providing fatigue management training for drivers and carrying out regular vehicle checks. All heavy vehicles (such as cranes or piling rigs) that enter a BP site are inspected. We have also ensured we are properly equipped with vehicles



## Improving driver safety

We have installed a telematic driving system on every vehicle in the BP fleet – numbering over 230.

The recorders provide monitoring of several aspects of driver behaviour. For example, we can obtain real-time or periodic information on vehicle speed and the use of driver and passenger seat belts. The technology allows us to record speed limits and speed travelled on different types of road throughout the country. This gives us the possibility to analyse drivers, vehicles, and locations in order to learn lessons to improve safety performance.

designed for winter conditions, such as the use of specialist snow access vehicles.

Drivers are given assessments when they start and regular re-assessments, and take defensive and off-road training. Training on winter driving techniques is undertaken. We introduced drug and alcohol checks as part of our driver monitoring programme, and use telematic recording systems to monitor driving behaviour (see the case study). The implementation of the driving safety standard, which sets out requirements for BP employees driving or travelling in motor vehicles on BP business, has also progressed.

We believe that the combination of these actions has contributed to a significant improvement in driving safety performance in Georgia from 2004-2005 (measured by TVAR – the total vehicle accident rate), but that the increase in TVAR in 2006 highlights the need for continued efforts.

**Safety performance** The safety programmes implemented within BP Georgia and among our contractors have helped us achieve a good safety record in 2006. We are pleased to report that there were no fatalities in our activities in 2006 and WREP and Supsa have now gone eight years without a Day Away From Work Case (DAFWC).

### Safety performance in Georgia

Performance data <sup>a</sup>	2004 <sup>b</sup>	2005	2006
<b>Projects</b>			
Workforce fatalities	1	1	0
Day Away From Work Case frequency <sup>c</sup>	0.13	0.06	0.06
Recordable Injury Frequency <sup>d</sup>	1.16	0.43	0.13
Total Vehicle Accident Rate <sup>e</sup>	4.52	1.42	2.65
Man hours worked	18,119,886	13,167,493	6,342,139
Kilometres driven	15,257,792	22,427,584	9,818,909
<b>Operations</b>			
Workforce fatalities	0	0	0
Day Away From Work Case frequency	0	0	0.11
Recordable Injury Frequency	0	0.3	0.11
Total Vehicle Accident Rate	0	1.15	1.14
Man hours worked	1,623,625	1,326,005	1,783,500
Kilometres driven	2,990,173	4,356,418	6,119,306
<b>Air BP</b>			
Fatalities	0	0	0
Day Away From Work Case frequency	0	0	0
Recordable Injury Frequency	0	0	0
Total Vehicle Accident Rate	0	0	0
Man hours worked	33,033	34,342	33,100
Kilometres driven	87,806	60,880	61,500

<sup>a</sup> Health and safety performance data has been collected differently in 2006 due to the commissioning of BTC and SCP and the demobilization of the major contractor, SPJV. Data shown for 'operations' therefore includes information from BTC/SCP, WREP and the Supsa terminal. In the 2005 Sustainability report, information from these assets was shown separately. It has therefore been subject to minor restatement to enable more consistent comparison with 2006. Data for 'projects' includes all projects in Georgia.

<sup>b</sup> Information from the Air BP joint venture continues to be shown separately.

<sup>c</sup> Information in the 2004 BP Georgia Sustainability Review did not include SCP.

<sup>d</sup> DAFWC: An injury or illness is classified as a Day Away From Work Case (DAFWC) if as a consequence of it the member of the BP workforce could not have worked on any day after the injury or illness, irrespective of whether there was scheduled work, or when a physician or other licensed health care professional recommends that the member of the BP workforce stay at home but the individual comes to work anyway. The Day Away From Work Case frequency (DAFWCf) is the number of injury DAFWCs to the BP workforce for every 200,000 hours worked in the same period.

<sup>e</sup> RIF: The total number of Recordable Injuries to the BP workforce for every 200,000 hours worked in the same period. A recordable injury is an injury and illness incident that results in a fatality, a day away from work case, restricted work or job transfer, or medical treatment beyond first aid.

<sup>f</sup> TVAR: Total Vehicle Accident Rate: the sum of all light vehicle and all mobile plant accidents per one million kilometres driven.

## 1.6 Environmentally sound operations

**One of BP's group values is to seek to minimize the environmental impact of its operations. We aim to do this across the life cycle of our activities. In Georgia, our focus has been on minimizing the impact of our construction projects. Actions taken in pursuit of this include environmental and social impact assessments, pipeline rerouting, reinstatement, and incorporating high technical standards in asset design and construction. As we move into the next phase of the project life cycle, the challenge will shift towards minimizing impacts from routine operations.**

2006 has been a year in which we have carried out significant internal reorganisation. A management of change process for the environment department was undertaken which defined risks, activities, roles and responsibilities in the transition from project to operations. We have also integrated the BTC, SCP and WREP teams to align people and processes.

While making the changes necessary to create an appropriate organizational

structure for the future, we have of course had to respond to a variety of ongoing operational challenges. These include reinstatement, progressing towards meeting the oil spill response plan conditions, confirming our compliance with various requirements in Environmental and Social Impact Assessments (ESIAs), and continuing to tackle the issue of waste management. One of the biggest challenges has been managing the change from a main

international project contractor to a number of smaller, often local and regional contractors. This has involved developing new working relationships and providing training and assistance to seek to ensure that all work is done to project and BP standards.

**Reinstatement** A major focus of effort in 2006 has been work on reinstating the right of way. This has required heavy engineering work and bio-restoration



### BTC and SCP – Reinstating the Right of Way (RoW)

'Viewed as a whole, we find the quality of reinstatement along the pipeline route to be world-class. BTC and the contractors working under its supervision have done an outstanding job of refinishing the RoW to fit the contours of the surrounding landscape. Although it will take time, especially in freshly reinstated high altitude areas, for plant cover to re-establish itself fully, BTC's careful topsoil management practices are already being rewarded with the reappearance of native pioneer plants. In lower lying areas where reinstatement took place relatively early, the RoW marker posts are frequently the only visible evidence of the pipelines' presence. BTC's restoration work is to also be commended for its attention to biodiversity in environmentally sensitive areas along the pipeline route, through the planting of native saplings and a comprehensive monitoring programme to verify that local species re-establish themselves in appropriate numbers on the RoW.'

**CDAP Final Report and Conclusions (January 2007).**

involving the reinstatement of topsoil and vegetation. Independent observers have commented on the excellent quality of this work, including SRAP, the independent environmental consultant, and CDAP. Much of the RoW now shows good regrowth and the pipeline corridor in many sections is virtually indistinguishable from natural ground. Marker posts are often the only visible evidence of the pipeline's presence.

Reinstatement has also involved work 'off the right of way', which covers areas such as camps, pipe yards, access roads, borrow pits and rock disposal sites.

**Waste management** BP has committed to EU standards of waste management for the BTC pipeline and associated facilities. This is a challenge as the waste management infrastructure in Georgia does not currently meet EU standards.

For non-hazardous waste, our objective has been to build an EU compliant facility at a BP operated site east of Tbilisi for the disposal of BP generated non-hazardous waste. The facility is to be constructed in an area which can be expanded for a larger municipal site, and which could be partly funded by BP and other potential partners.

In 2006, we identified what we believe to be a suitable site and began defining land ownership and allocation needs. Preliminary designs are being developed. This process has involved regular discussions with the Tbilisi municipality, the Ministry of the Environment, GIOG and other partners. Upon obtaining a site with the help of the government, our aim is to complete the design, and the environmental and social impact assessments, and gain the permits and construction approvals required.

We continue to store hazardous and non-hazardous waste that cannot be locally recycled or placed in the non-hazardous landfill at a controlled central waste accumulation area and are proceeding with plans to export this to EU compliant facilities outside Georgia. Any such transboundary waste movement requires authorization under the Basel Convention, registering appropriate and agreed transport and disposal options between the

participants. We are defining these routes now and have begun the administrative and permitting processes necessary, using experienced contractors in the waste field.

Our effort to manage waste safely and to high standards has been carefully scrutinized by external organizations and has resulted in a number of criticisms and recommendations. CDAP, for example, noted the difficulties we had encountered in meeting the standards we had set for ourselves and recommended a review of

lessons learned and a more consolidated focus on waste management issues at executive level. The NGO working group which carried out a detailed audit of waste management on BTC and SCP made a series of specific recommendations for action. The report of the lender-appointed independent environmental consultant noted the continuance of challenges in this area.

We will take steps to tackle this issue in a way which meets the short-term requirements, while continuing to pursue the goal of establishing better long-term facilities.

The fifth annual biodiversity competition was held in Georgia in 2006. The aim of the competition is to make a real, measurable and positive impact on biodiversity by finding the best ideas for raising awareness of the importance of the preservation of the world's biodiversity.

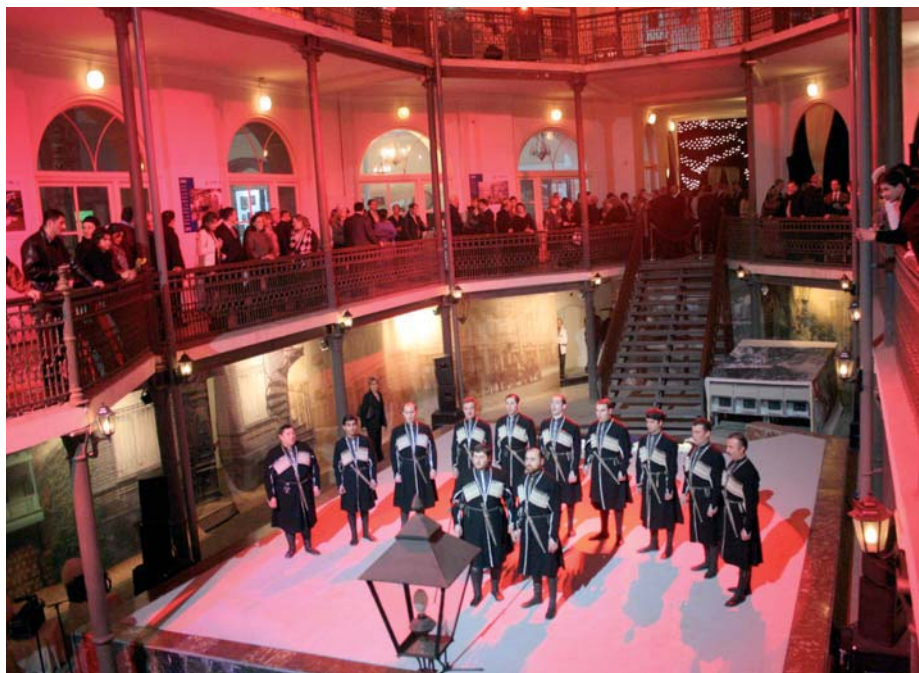
**Biodiversity and conservation** The fifth annual biodiversity competition was held in Georgia in 2006. The aim of the competition is to make a real, measurable and positive impact on biodiversity by finding the best ideas for raising awareness of the importance of the preservation of the world's biodiversity. The competition is sponsored by BP and its partners.

As previously, project submissions were made in two categories: best biodiversity project and best biodiversity media materials. A total of 57 proposals were received, the highest number to date. Twenty-nine of these were biodiversity project submissions; 28 in the media category.

The range of submissions was impressive. This was reflected in the awards made. In the highly commended category, separate awards were made for projects concerned with eco-tourism, beetle preservation, and education. The first prize, receiving an award of \$14,700 was given to support the development of a 'red list' species database. A second prize award of \$8,530 was made for work on the conservation of wild plants. Three further participants were highly commended and received \$2,000 each for capacity building purposes.

In the media category, two awards were given, a third prize of \$300 and a second prize of \$500. The technical panel decided that there would not be a first prize award this year but welcomed the higher level of interest and increasing sophistication of the submissions made.





### The Environmental Investment Programme (EIP)

The Environmental Investment Programme, a \$9.3 million three-country initiative funded through the BTC and SCP projects, has supported initiatives focused on the promotion and conservation of biodiversity. Georgia received \$3 million of the programme's allocated funds. The programme, which began in September 2003, is divided into themes identified during the ESIA process and through consultation with national and international stakeholders. The five projects financed were:

- Caucasian Black Grouse Research, Monitoring and Conservation Management project, implemented by the Georgian Centre for the Conservation of Wildlife. The goal of the project was to provide a scientific basis for the conservation management of this endemic, rare and globally threatened species. The project ended in 2005, with the development and government acceptance of the species management plan. In 2006, a project to put the action plan in place was initiated.
- Ecosystems and Species Conservation in Georgia: the Brown Bear project, implemented by NACRES – Noah's Ark Centre for Recovery of Endangered Species. The project aimed to estimate

the bear population, appraise threats, describe the reasons for habitat loss, establish a bear conservation action plan, and promote community involvement in conservation activities. The project was completed in 2006 and we are considering financing a second phase implementing elements of the bear conservation action plan.

- Management of the Small Grants Programme for NGO Capacity Building along the SCP and BTC Pipeline routes. This was implemented by Save the Children in partnership with NACRES. The project sought to develop NGO capacity to engage citizens in environmental awareness and education. An independent evaluation completed at the end of 2006 found that the project had achieved most of its major environmental and social objectives, and yielded satisfactory environmental and social benefits, with only minor shortcomings. We are working with Save the Children to develop a second phase of the programme to continue to the end of 2008.
- Enhancement of Environmental Education, conducted by the NGO CARE, in conjunction with the CIP-Improved Schools Project. The goal of the project was to deliver extra-

curricular training to adolescents on environmental issues and conservation approaches, to promote active learning methodologies in teaching, and to upgrade teaching materials. 'Eco-clubs', were created in schools to undertake environmental projects. This initiative was completed in April 2006.

- Environmentally Sound Livestock Farming Project, also carried out by CARE. The project sought to promote environmentally sustainable livestock management practices in the 24 villages surrounding the Borjomi-Kharagauli National Park. The project was substantially complete in 2006, with only minor activities remaining in 2007.

In addition to the activities summarized above, a feasibility study for a major new project to develop a management plan for a Ktsia-Tabatskuri Managed Reserve was carried out. This project, which is being carried out by the World Conservation Union (IUCN), will continue until 2008.

**Emergency response** Emergency response capability is required for a range of incidents, whether they are related to health, safety, security or the environment. Our approach to response is guided by the group's crisis management framework. Having the capability to

To minimize the risk of an environmental incident, we have adopted international technical standards and selected pipeline routes which minimize as far as reasonably practical the risk of oil spills or gas leaks. Pipeline design, materials and construction have been implemented to high international standards.

respond to emergencies is a key part of risk management.

In moving from project to operations, we have created an integrated Incident Management Team (IMT), covering all BP operated Georgia assets and projects and providing support to site response teams in emergency situations. The IMT links with company management, government agencies, media and the public, as and when required.

To minimize the risk of an environmental incident, we have adopted international technical standards and selected pipeline routes which minimize as far as reasonably practical the risk of oil spills or gas leaks. Pipeline design, materials and construction have been implemented to high international standards.

In 2006 we had 11 incidents on Georgia Operations where IMT support and mobilization were required. Many of

these incidents were precautionary. All response was supported and co-ordinated from the Tbilisi incident management centre. After each IMT mobilization a debriefing was held and a formal report with improvement actions issued.

Site emergency drills were conducted on a regular basis at our sites in Georgia, covering a range of scenarios. The aim is to ensure effective response in the event of a real emergency. A major emergency response exercise was carried out on SCP in June 2006 to test whether command and control systems were in place before introducing gas into the pipeline. Georgia state authorities and external observers attended the exercise and participated in a final debriefing session. A successful cross-border oil spill response exercise was also conducted to test the mobilization of manpower and equipment across the border from

Georgia to Azerbaijan in case of emergency.

We have had to respond to three oil spill incidents in 2006. The first occurred in January when a lubricant leak of 1,000 litres occurred at pump station 1. All of the spill was contained and drained to the closed drain system. The second occurred on the western route in April where a farmer accidentally damaged a hose illegally attached to the WREP pipeline. The volume of oil released was 9,221 litres, all of which was recovered. The third, at block valve station GB09 on the BTC pipeline in May, resulted in the release of 195 litres of oil, all of which was recovered. In each case, incident response teams were dispatched to the scene to supervise the clean-up operation. BP also responded to an incident at the Batumi oil terminal at the request of oil terminal management. Our team provided support to the oil spill responders.



## Responding to the Abastumani Fire

In August, a serious forest fire occurred in the Adigeni district near Abastumani, about 15 kilometres from the BTC/SCP right of way. In response to a request from the government, BP provided bulldozers, food and water as well as helicopter support to help identify the hot spots in the fire.

The Ministry of Foreign Affairs in its official briefing thanked Turkey, Ukraine and BP for the support they had provided in tackling the blaze. The Georgian Minister of Environment later presented a letter of recognition to the BP fire fighting team. The team subsequently received a BP Azerbaijan SPU President's safety award for their efforts.



## 1.7 Protecting cultural heritage

**The BTC project right of way passes through 250 kilometres of land that has been visited, lived upon, and shaped by people for some 1.75 million years – the country of Georgia. Georgia is home to the oldest known out-of-Africa homo erectus remains, the rich burial tombs of Bronze Age kings, Promethean legend and the Golden Fleece, and some of the world's oldest and most beautiful ecclesiastical architecture.**

The BTC company made an early commitment to the protection of archaeological sites and monuments during pipeline construction and operation. In collaboration with the Centre for Archaeological Studies (CAS) and the Cultural Heritage Protection Department, the BTC project heritage protection programme was formalized.

Spending on this programme has been approximately \$2.5 million. Our activities have been audited by IEC and one of the PMDI NGO working groups.

Programme elements include careful routing to avoid known sites and study of key sites prior to construction. During

construction a team of professionals monitored activities to look for evidence of new sites and make sure known sites were protected. When activities like stripping and trenching led to the identification of new sites, consultations were undertaken with CAS to decide upon proper treatment. In some cases sites were protected through pipeline reroutes. In others, archaeological excavations and studies protected sites.

The BTC monitoring programme has led to the identification and study of many significant heritage sites. Sites and objects found range from the paleolithic to the late medieval period and include

stone tools tracing the movement of early humans from Africa to Europe and vestiges of 18th-century Turkish expansion in the form of an aqueduct and natural mineral baths. Excavations are not the final step of the programme; they are followed up by analyses and reporting.

Archaeological and architectural studies completed as a result of the BTC pipeline project help to better illuminate Georgia's rich history. Our aim is to continue to contribute to this understanding. To protect cultural heritage sites during operations, we have developed a management plan providing guidance on cultural heritage site protection.



### Support for the Georgian National Museum (GNM)

BP in Georgia has embarked upon a partnership programme with the country's leading cultural institution, the Georgian National Museum.

In an agreement with Georgia State Museum Development Association made in January 2006, we agreed to provide a grant of \$500,000 towards establishing a learning facility at the GNM in Tbilisi. This will include an auditorium and a learning centre. These will provide a world-class facility for a broad range of educational activities.

A separate grant made under the partnership programme is supporting the development of a tourist facility in Dmanisi, a medieval village near Tbilisi where archaeological digs have discovered fossils of early humans. The grant, worth \$400,000, will promote Dmanisi as a cultural and educational site, attracting visitors to the area and generating economic benefits for the region.

## 1.8 Security and human rights

**We have established a clear framework for the provision of security and protecting human rights. We have also developed a good working relationship with the Georgian government's security forces, who play an important role in providing a secure and safe environment for our people and assets. In 2006, we continued to strengthen our capacity to provide effective security.**

During 2006, the pipeline continued to be protected by government forces: the Strategic Pipeline Protection Department (SPPD) protects BTC/SCP and Supsa Terminal and the Special Task Force Police protects WREP. In addition, we engage a private security provider to protect our permanent facilities. Along the length of the pipeline, Field Security Officers (FSOs) are used.

Our overriding approach is to strengthen pipeline security by

developing strong relationships with the communities in which we operate and to undertake activities that are mutually beneficial. We seek to achieve this by employing security staff from local communities through our private security provider. Our Community Liaison Officers and FSOs also play a critical role in engaging our communities.

The framework for providing security is set out in a bilateral protocol we entered into with the Georgian

government in 2004. This protocol defines the government's responsibility in providing security, the procedures for use of force, recruitment and training of personnel, and on communication and consultation between the two parties. It also sets out how the parties will adhere to international human rights standards including the Voluntary Principles on Security and Human Rights, in the provision of security. BP is one of the founding members of the Voluntary



### Security training

Bowman Risk Management (BRM), a UK-based security training and consulting company, has continued to work with the Georgian Strategic Pipelines Protection Department (SPPD) and provided planning and training support for the organization during 2006. The planning has concentrated on the development of detailed standard operational procedures (SOPs) and incident management procedures for the SPPD, while the training programme has been devoted to developing the operational skills that the SPPD require to protect the pipelines. The training has therefore included practical topics such as command and control, tactical surveillance and search operations, winter operations, remote area survival and rescue training, emergency vehicle extraction courses, medical training, and driver training.

Particular emphasis has been given to international law, human rights, and conflict resolution. Modules have included the UN Declaration of Human Rights, the UN code of conduct for law enforcement officials, the Voluntary Principles on Security and Human Rights, conflict prevention and management techniques, the use of force and the establishment and application of national rules of engagement. This training is delivered in the classroom, where the theories and principles are covered in detail and then followed by a practical lessons and exercises.



Principles on Security and Human Rights, designed to help companies in the extractive industries maintain the safety and security of their operations within a framework that upholds respect for human rights.

Since signing this protocol, we have taken steps to work with the government and fulfil our obligations, through activities such as training, consultation, information exchange and compliance monitoring. For example, we continued to provide training to the SPPD. Courses included human rights training, first aid and winter survival. It was encouraging to note the observation of the SRAP expert panel, following their consultation with villages in September 2006, that 'almost all villagers said that they did not find the security personnel a problem and some even said that it made them feel more secure'.

The protocol recognizes the need for close communication and information exchange between BP and government security forces. In 2006, we worked with special departments within the police force who carried out investigative activities leading to the arrest of those involved in illegal oil tapping of WREP. Our security staff carried out permanent monitoring and helicopter surveillance

over areas of concern with the Special Task Police. As a result, losses from WREP (which has been a problem for some time) were significantly reduced. Notwithstanding these efforts, we recognise the need to remain vigilant. An illegal tap on WREP, for example, resulted in an oil spill in April and our incident response team was mobilized quickly, minimizing the spill's impact.

In 2006, our performance against security and human rights commitments was assessed by independent experts, US law firm Foley Hoag LLP. Their report will be published in 2007.

In 2004, a separate agreement was also reached with the Georgian government on the provision of security equipment, facilities and operations funding. In accordance with this agreement the delivery of all security equipment was completed and the second payment of \$1 million operations funding was made to the government in 2006. Construction of the Kodiana security facility also began in 2006. When complete this facility, which will be primarily staffed by local personnel, will provide a permanent base with accommodation, offices, and training areas for government security personnel.

We have taken steps to work with the government and fulfil our obligations, through activities such as training, consultation, information exchange and compliance monitoring. For example, we continued to provide training to the Strategic Pipeline Protection Department (SPPD).



## 1.9 Our people

**The change in the nature of our activities in Georgia in 2006 has had major implications for our people. Staff transfers, internal and external recruitment, and changes to roles and responsibilities were just some of the effects. While any period of change can be unsettling, the transition to operations has also brought opportunities for BP Georgia staff. Building and developing our local capacity remains a key priority as we move into the operations phase.**

To succeed in becoming a local company, we need to attract and recruit Georgian nationals, develop their skills, give them opportunity, and perpetuate a working culture which treats people fairly, with respect and on merit.

As we move into long-term operations, we are seeking to promote more Georgian nationals to leadership positions. In support of this, the Georgia Leadership Development Programme (GLDP) continued in 2006, using workshops, exercises, and team-building to help emerging leaders develop. We have appointed more Georgians to leadership positions within the business and are working on an organizational capacity development plan which will address succession planning and training needs, implementation of which will begin in 2007.

Our headcount numbers show that the total size of our workforce has increased year on year since 2004. This has included an increase in Georgian nationals and expatriates. Among the Georgian nationals, we are engaging more people as BP employees and also more as contractors. The expatriates are experienced staff with relevant prior experience, working in short and some long-term roles.

**2006 People Assurance Survey** We completed the People Assurance Survey (PAS) in 2006, a BP-wide employee opinion survey conducted every two years. The questionnaire examines various aspects of employees working lives and provides valuable data for leadership teams. Responses are confidential and remain anonymous, and are sent directly

to an independent third-party research firm. The participation rate in 2006 for Georgia was 63%.

The PAS provides a wealth of information about employee attitudes to several 'dimensions' of their working life. A composite 'Employee Satisfaction Index' (ESI) is calculated based on answers to 10 of the survey questions.

The ESI score for Georgia, expressed as a percentage, showed an improvement on 2004, rising from 61% to 68%. This compared to the BP group score of 66%. Employees had particularly favourable views of issues such as the extent to which job expectations were clear, the degree to which individual objectives linked to business goals, and the organization's strong environmental performance. Less favourable responses were registered for reward, benefits and recognition and on opportunities for development.

In addition to communicating the PAS results widely across the business, focus group sessions were held to discuss the results in detail. Discussions have fed into the development of an internal communications plan which identifies activities that will facilitate closer employee engagement with the business and its objectives.

### BP Georgia workforce headcount

	2004	2005	2006
Number of Georgian nationals	389	398	492
Number of whom are BP employees	228	271	274
Number of whom are contractors	161	127	218
Number of expatriate nationals	142	138	162
Number of whom are BP employees	37	38	26
Number of whom are contractors	105	100	136
<b>Total workforce number</b>	<b>531</b>	<b>536</b>	<b>654</b>

**Compliance and ethics** A number of mechanisms exist for employees and contractors to raise ethical concerns. The framework for our values and standards of behaviour is the BP code of conduct.

The code represents BP's commitment to integrity, defining what is expected of every BP employee in five areas: health, safety, security and the environment; employees; business partners; governments and communities; and company assets and financial integrity. It is a company-wide framework that sets out how we should behave when faced with choices about our behaviour at work, ranging from basic rules on safety to detailed expectations regarding competition and anti-trust issues. It was developed in line with international best practice and shows employees where to find more detailed standards on specific issues. It was launched across the company in 2005.

We reinforced elements of the code this year by including reference to it in our worker rights training.

The PAS results showed confidence among our employees that BP gives priority to group values and the code of conduct in pursuit of its business and commercial goals, and that the code is enforced when breaches occur.

**Human and labour rights** In 2005 an independent assessment was conducted by Foley Hoag to monitor compliance with our commitment to respect the

fundamental human rights and labour rights of workers and members of local communities affected by our activities. In their assessment published in February 2006, Foley Hoag found that we were in 'substantial compliance' with our human rights commitments and that efforts had been made to follow best practices. The assessment concluded that in some areas new standards had been set. Nevertheless, areas were identified for improvement and we have taken action in 2006 to address those recommendations.

One of the actions has been to raise employee and contractor awareness of fundamental worker rights. Training addressed International Labour Organisation (ILO) conventions – such as freedom of association, freedom of movement, and non-discrimination. It included guidance on the steps employees and contractors could take if a complaint or concern was raised, focusing on the importance of non-retaliation within the workforce. Over 720 staff and managers received this training in 2006.

**Ethics certification** As in previous years, we completed the ethics certification process in 2006. Every year, each business or functional team is asked to produce a certificate indicating the extent to which it has complied with laws, regulations and the code of conduct. Under this process, line managers certify the behaviour of teams under their direction following a team discussion.

The certificates include details of any breaches of compliance and report progress on any issues raised the previous year. This process continues to the group chief executive, who signs a certificate for the whole group and reports to the board's safety, ethics and environment assurance committee.

**OpenTalk** Employees or contractors with an enquiry or concern about compliance, ethics or the code of conduct may contact our independent confidential helpline, OpenTalk. Individuals can contact OpenTalk using a multilingual phone line or via fax, e-mail or letter, 24 hours a day, seven days a week. All reports are handled by an independent organization before being forwarded to BP. Concerns are passed to a regional ombudsperson, a senior BP manager, who will arrange a response, possibly including an investigation. BP will not tolerate retaliation against anyone who raises an OpenTalk case or is named in one. Any allegation of retaliation is investigated and, if substantiated, disciplinary action will be taken against those responsible.

In 2006, we raised awareness of OpenTalk by including reference to it in our worker rights training and distributing posters. We were pleased to see from the PAS results that nearly 90% of our employees were aware of the OpenTalk helpline and that the percentage of people prepared to use OpenTalk had increased significantly from 2004.



## Fostering improved HR management with contractors

In November, the BP social team led the annual audit of the BTC Employment and Training Management Plan which lists commitments in relation to recruitment, employment conditions and training. Management and employee interviews were held with 10 contractor organizations, and documents were reviewed. BP's own HR department and agency staff were also included.

The audit found areas where HR functions were carried out well but that potential existed for building greater understanding of human resources management.

From the audit, we will seek to raise contractor awareness of human resources management and outline the sorts of best practice policies that BP expects. This will include information on: the new Georgian labour code, disciplinary procedures, employee grievance mechanisms, policies that cover fundamental worker rights, open and transparent recruitment processes, and appropriate documentation.

# Our role in society

- 2.1 The social and environmental context
- 2.2 Climate change
- 2.3 Promoting good governance
- 2.4 Enterprise development
- 2.5 Education
- 2.6 Access to energy
- 2.7 Our programmes

# 2



Children enjoying attractions in Borjomi park, renovated with BP's support.

## 2.1 The social and environmental context

**Positive steps have been taken in recent years in Georgia to promote economic growth and improve social conditions. GDP growth has been strong, and efforts have been made to implement poverty reduction programmes. International organizations, such as the UN, the World Bank, the IMF, and the EBRD are supporting these initiatives. For our part and on behalf of our partners, we are committed to promoting economic and social development in Georgia through our investment in operations and the social and community projects which accompany them.**

Georgia's rate of economic growth accelerated from 2004-2006. World Bank and Georgian government projections forecast continuing average GDP growth of 5-7% in the 2006-2008 period. A number of reforms have contributed to this improved performance including strengthening state institutions, improving governance and anti-corruption, investing in infrastructure and improving the regulatory environment.

Despite this, many fundamental challenges remain. Several of these are social in nature, characterized by the need to protect the vulnerable and to develop human resources. The government has committed to meeting the UN Millennium Development goals by 2015 and has developed an Economic Development and Poverty Reduction Programme with the support of the international community and extensive civil society participation. The commitments made will require sustained investment in basic public services such as health, education, and social protection.

Business contributes to development through its support for social projects which have clear and focused objectives. At group level, we focus our contributions on support of revenue transparency initiatives, and direct most of our

community investment to projects that support enterprise development, education and improving access to energy. These broad themes have widespread relevance across many parts of the world in which we operate, but we take account of specific local needs in the projects we support. In Georgia, these group priorities and themes are implemented through a number of national and regional programmes, described in the sections which follow.

Business has a role to play in contributing to poverty reduction through its delivery of essential products and services – such as energy – which stimulate economic development directly. However, there is a perceived trade-off between providing access to

energy and the protection and improvement of the natural environment. Our group values include the aspiration to overcome this trade-off.

In our operations in Georgia and around the world, we deal with this in part through measures to ensure our operations are carried out in an environmentally sound manner – described in section 1.6 of this report.

There is, however, another environmental issue which represents a significant challenge for societies in every country of the world: climate change. For this reason, we begin this section by setting out the group's thinking on climate change and provide an overview of its global marketing of low-carbon power and transport.



At group level, we focus our contributions on support of revenue transparency initiatives, and direct most of our community investment to projects that support enterprise development, education and improving access to energy.

## 2.2 BP and climate change

**As a global energy company we have a responsibility to play a part in addressing the threat of climate change. In 2006, we launched a biofuels business that will provide low-carbon solutions for transport. We also announced plans to invest \$500 million over 10 years to create an Energy Biosciences Institute, which will explore the application of bioscience and the production of new and cleaner energy.**

Our track record for action on climate change stretches back to 1997 and we are widely known as the first oil company to publicly acknowledge the issue. Today we take precautionary action to limit GHG emissions and work to combat climate change. We first set voluntary targets to reduce emissions from our operations in 1998 and achieved these original goals ahead of schedule. We continue to take action to reduce these emissions.

In response to increasing demand for energy with a lower-carbon footprint, we have made a major commitment to develop low-carbon sources of energy. In 2005, we launched BP Alternative Energy, a profitable business that provides low-carbon power generation solutions based on solar, wind, hydrogen power and gas power.

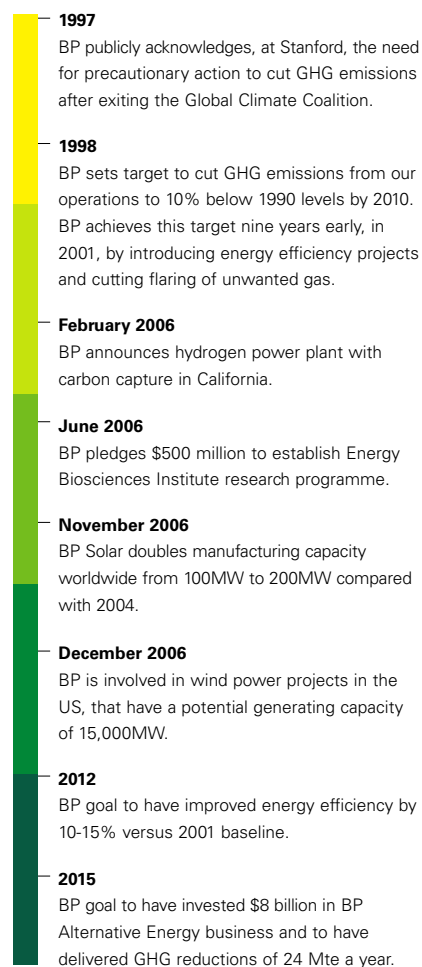
We continue to market a range of cleaner fuels and lubricants around the world. In 2006, we introduced BP Ultimate fuels to South Africa and Russia at significant levels and rolled out our Ultra Low Sulphur Diesel in the US. We are working with several partners to develop lubricants that support improvements in engine construction and emissions systems that are

intended to improve fuel efficiency and reduce pollution.

We fund a significant amount of research on ways of providing low-carbon energy and have made carbon a theme of our corporate advertising in several countries throughout 2006.

Climate change remains high on the global policy agenda and we are actively involved in the debate. We support the view that, in order to reduce the risks of the worst impacts of climate change, the CO<sub>2</sub> equivalent of GHG concentration in the atmosphere should be limited within the range 450-550 parts per million (ppm). We also argue in favour of mandatory emission caps and policies that set a price for carbon in a way that can change behaviour and encourage innovation.

### Climate change – our journey





## 2.3 Promoting good governance

**Our investment in Georgia is long-term. We have a clear interest in Georgia's long term economic progress. Transparency and good governance are important aspects of sound economic management. We therefore try to use our influence to ensure that the wealth created through the development of natural resources is used productively.**

Securing transparency about the use of government revenues derived from natural resources is becoming an increasingly high-profile issue in Georgia. It is being supported by NGOs and campaigning groups such as the Open Society Georgia Foundation, and the Coalition for the Transparency of Public Finance.

Reforms made by the Georgian government have brought improvements to levels of transparency and in tackling corruption. Transparency International's 2006 Corruption Perception Index, found that business people and country analysts perceived that corruption in Georgia had declined over the period 2004-2006. But,

Georgia's score on the index and its placement in terms of international comparisons indicate that further progress needs to be made.

In our activities in Georgia, we have sought to be open and transparent. The layers of monitoring we describe in section 1.4 are a reflection of that commitment.

There are many aspects to promoting transparency, including publicizing agreements with government on non-financial matters such as human rights. In relation to revenues, we have tried to apply the same spirit of transparency in our dealings with government. We have

established an open process for publishing financial information about the BTC grant programme, and created an audit process for these funds within the grant agreement.

The application of these provisions in the BTC grant programme was examined in a review led by the Georgian Young Lawyers Association (GYLA), concluded in 2006. Their report reiterated the importance of transparency in ensuring the effectiveness of the grant programme. GYLA called for clearer expression of the goals of the grant agreement to ensure that grant monies are properly used.



### Building in transparency and audit

Our grant agreement with the government of Georgia, available to the public on the internet ([www.bp.com/caspian](http://www.bp.com/caspian)), contains specific provisions on transparency and audit.

These state the commitment of the parties to the principles of transparency and accountability. BTC Co. is required to report publicly the amount and timing of each grant payment. The government is obliged to report on its funding for each project in the areas permissible under the agreement – namely educational, healthcare, social welfare business development, and job creation programmes. Detailed and verifiable records of expenditure must be kept. A process is set out for the transmission of funds between the parties. Reputable independent auditors must be appointed to review each request for funds and verify that the grants have been used in accordance with the agreement. An executive summary of the auditor's report must be made available in Georgian and English in a timely manner.

## 2.4 Enterprise development

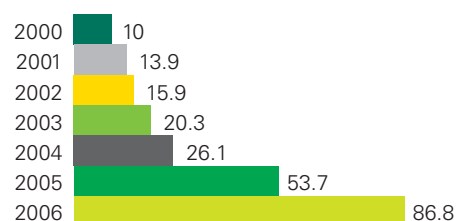
**We can make an important contribution to the development of local enterprise. By using local suppliers, we can create jobs, develop lasting skills and contribute to economic wealth and stability. The skills gained by local companies can help them succeed in the long term, beyond the energy sector. For us, local enterprise development can shorten and stabilize our supply chain and in some cases reduce costs. A local supplier base also helps us to develop constructive relationships with the local community.**

BP Georgia and our partners make significant payments to local, Georgian-owned businesses. The table shows total annual payments to Georgian companies from 2000-2006. The steady increase in local spending is in part a reflection of our move towards operations, where a skilled local supply chain is needed. Our principal contractors also use local sub-contractors where possible.

As part of our community investment

programme, we have contributed to initiatives supporting enterprise development. In particular, we have provided support for entrepreneurs and small businesses by providing micro-credit, delivered to customers through our implementing partners in the community investment programme, such as the Constanta Foundation. Enterprise development is one of the three core themes within our Regional Development Initiative (see section 2.7).

**Payments to local companies (\$million)**



Year 2000: Georgian Pipeline Company (GPC) payments.  
Year 2001: GPC and BP payments.  
Years 2002 and 2003: GPC, BP and BTC payments.  
Years 2004-2006: GPC, BP BTC and SCP payments.



### Business development in the Borjomi region

The objective of one of our Regional Development Initiative projects is to help small-scale entrepreneurs and agro-businesses in the Borjomi region improve their product lines, competitiveness and organizations.

During a project inception phase, studies were made of economic activities in Borjomi, Akhaltsikhe, Adigeni, Aspindza and Khashuri counties. Key stages in the economic processes were analysed, from primary to final production in the markets of urban areas. Other processes in agriculture and other manufacturing sectors were identified.

It was decided the project should focus on livestock development and milk processing, and beekeeping. The livestock development project is seeking to tackle problems of poor nutrition and weaknesses in fodder production, trade and marketing, and problems associated with veterinary services and artificial insemination. The beekeeping project will support the improvement of honey quality, the creation of a brand name and access to markets. Both will have capacity building elements.

The project involves engaging with individuals, as well as establishing organizational structures, such as farmers' associations or unions, which will help improve the agricultural sector of the Borjomi region as a whole.

## 2.5 Education

**Supporting education is a key activity within the group corporate responsibility framework because it focuses on issues that affect our future: energy and the environment, basic education, and education for business. Helping education is also, of course, a key aspect of sustainability – enabling skill and knowledge transfer from one generation to the next. Within Georgia, we support primary and secondary schools, as well as postgraduate research and study.**

**Support for schools** The CIP-Improved Schools Project (CIP-ISP) which began in the summer of 2004, seeks to provide opportunity for adolescents to participate more effectively in Georgia's future social and economic growth. The project has supported school rehabilitation, teacher training, awareness raising campaigns on educational reform and the organization of summer camps.

Building on our valuable experience in schools projects along the BTC/SCP pipelines from the first phase of CIP-ISP, we completed the planning in 2006 for an initiative to provide small grants to schools along the western route. This will be extended to all districts along the WREP over the next 3-4 years. The programme will be managed by our community liaison officers.



### Deer Leap

The Deer Leap project in Georgia seeks to increase computerization in the country's schools. The project acts on a strategic priority identified in the national Economic Development and Poverty Reduction Programme (the 'EDRP') to introduce information and communication technologies in education. Deer Leap is a four-year programme running from 2005-2008, designed by the Ministry of Education and Science. It was introduced by presidential decree.

Deer Leap is based on a successful example of national school computerization in Estonia. The programme there – called 'Tiger Leap' – ran from 1997-2000 and made significant progress in providing internet connections to schools, training teachers in basic computer skills, and purchasing educational software packages.



We have also provided financial support for the establishment of the International School of Economics in Tbilisi. It is being created to promote excellence in postgraduate economic study and research across the region.

We have also initiated a programme of investment in schools around the Supsa terminal (known as 'ISAST'). ISAST is one of the elements of our social investment programme along the western route. It builds on the most successful elements of CIP-ISP.

In April 2006, we signed an agreement with the Ministry of Education on co-financing a school computerization programme. The initiative, called 'Deer Leap' led to the provision of over 3,000 computers to approximately 400 schools

in Georgia. We provided \$2.8 million from the BP pledge programme.

We have also provided financial support for the establishment of the International School of Economics in Tbilisi. It is being created to promote excellence in postgraduate economic study and research across the region. Our support has helped progress plans for the school's opening. A first group of 57 students has been admitted, from 167 applications, and includes Georgian, Azeri and Armenian nationals. Faculty members

have been appointed and administrative positions are being filled. It is anticipated that the school will move into its own refurbished building in 2007.

We also support a Masters level programme to allow gifted Georgian scholars to study in the UK over three academic years (see section 2.7). The second group of eight scholars was selected in 2006 and departed for UK universities in September. The selection process for the third round of scholars was also begun.



## Studying in the UK: the experience of a Georgian scholarship student

'Spending a year working and studying in the UK was a great opportunity. I studied at Royal Holloway, part of the University of London. Living and working in the UK gave me a great insight into the British way of life. Professionally, the experience gave me greater independence, enabling me to establish useful contacts which will help me in my future work. My final assignment – a short documentary – was screened at various international film festivals including Rotterdam, Trieste, Tbilisi and Paris. I am extremely grateful to BP and the British Council for the support they have provided.'

**Salome Jashi, Georgian scholarship student.**

## 2.6 Access to energy

**Georgia faces a number of challenges in securing and providing energy. This was made clear in 2006 when gas and electricity shortages occurred in January, following explosions which cut the supply from Russia. Securing adequate supply and improving the country's energy infrastructure are important strategic requirements which will enhance Georgia's energy security.**

The need to address problems of energy supply and security is a responsibility of the Georgian government, in co-operation with its regional partners.

We recognize the role we can play in helping establish energy security by providing technical support and advice where necessary and by operating the new pipeline facilities in Georgia safely and efficiently. When necessary, we have also provided relief through the

provision of emergency fuel supply (see the case study).

In 2006, we completed the core construction of the 30-inch gas off-take pipeline to enable the delivery of gas to Georgia from the Shah-Deniz gas field in Azerbaijan. The pipeline, which is 12,205 metres long, commences at the outlet of the SCP pipeline (at pump station 1, near Gardabani) and terminates at the interconnecting facility to the 36-inch

Georgian gas transmission system managed by GTC.

The main construction of the pipeline was completed in 2006 and hydrotesting – filling a new pipeline with water and applying a pressure greater than standard operating procedures in order to prove the pipeline's integrity – was conducted before handing over operation of the pipeline to the Georgian government. Some fencing and restoration is being completed now.



### Kerosene donation helps alleviate energy crisis

In response to the energy shortages experienced in January 2006, BP Georgia donated 200 tonnes of kerosene to the government of Georgia to provide help in alleviating the consequences of the energy crisis.

The kerosene, for use in domestic heating, was released from Air BP stocks and distributed by the government through the existing fuel distribution network. We understand from government that this donation was helpful in responding to a difficult period.

## 2.7 Our programmes

**Over and above investing in the economy, BP and our partners have committed to social investment programmes across Georgia. The initiatives put the themes of our social investment approach into action. They include the 'BP pledge', the BTC/SCP Community Investment programme, the Improved Schools Project, a BTC grant programme for Georgia, and a Regional Development Initiative. In 2006, we developed our investment programme for WREP, reflecting our aim to take an integrated approach to managing social investment for all three pipelines.**

**'The BP Pledge'** In October 2004, BP made a commitment to Georgia by pledging \$14.5 million of extra social and economic investment funds. The pledge money has all been allocated and is supporting projects on education, health care, trade and business development, and cultural heritage.

- In the field of education, progress was made with the creation of the International School of Economics in Tbilisi. Support was also provided for a

national project to promote computerization in schools. Developments on these initiatives are described in more detail in section 2.5.

- In the area of healthcare, BP contributed \$3 million in 2005 to renovate and equip a regional health care facility in Kutaisi, western Georgia.
- On trade and business development, the EU-Georgia Business Council (EUGBC) was established in January

2006 with \$0.3 million of financial support from BP. The role of the EUGBC, which is based in Brussels, is to promote trade and investment ties between Georgia and the European Union. A number of events were held in 2006, including a seminar on EU-Georgian trade issues, and events to support the promotion and export of Georgian wine. The EUGBC works closely with business councils based in Georgia including the Georgian



### Supporting the Georgian wine industry

A number of events have been organised by the EUGBC to support the growth of the Georgian wine industry, an important economic sector with the potential to increase its exports and the need to diversify its export markets.

A reception was held in June to mark the launch of exploratory negotiations on a bilateral agreement on wines and spirits between Georgia and the EU, in the framework of the EU-Georgia Partnership and Co-operation Agreement. In November, the EUGBC organized a visit by representatives of Georgian wine producers to Oslo. During this visit, Georgian producers met representatives of the Norwegian State monopoly VINMONOPOLET, as well as Norwegian importers of wines and spirits. At the meetings, the characteristics of the Norwegian wine and spirits market were discussed as well as possibilities for exporting Georgian wine to Norway. It is hoped that this will lead to the successful export of Georgian wine in the near future.



BP made a commitment to Georgia by pledging **\$14.5** million of extra social and economic investment funds.

To help preserve cultural heritage, we signed an agreement in 2006 with the Georgian National Museum to provide BP financial support for the preservation and development of the Dmanisi archaeological site. We provided \$400,000 of funding for this purpose.

Chamber of Commerce and Industry, the American Chamber of Commerce, and the Federation of Georgian Businessmen and the Association of Georgian Exporters. All of these organizations are members of the EUGBC.

- To help preserve cultural heritage, we signed an agreement in 2006 with the Georgian National Museum to provide BP financial support for the preservation and development of the Dmanisi archaeological site (see the

case study in section 1.7). We provided funding of \$400,000 for this purpose.

**The BTC/SCP Community Investment Programme (CIP) and CIP-2** The BTC/SCP funded Community Investment Programme started in March 2003. It was developed through a process of consultation with communities, donors, NGOs and government and aimed to promote sustainable social and economic development in the communities along the pipeline route.

The total CIP budget for Georgia during the construction phase of the BTC and SCP projects was \$8 million. Of this, \$5.5 million was dedicated to CIP over a three-year period. \$2.5 million was dedicated to the CIP-Improved Schools Project. Spending supported projects which renewed rural infrastructure, such as medical or educational facilities, or water supply systems. Micro-loans were provided to stimulate small business growth. Training sessions supported farmers and



## Empowering local communities

'Pipeline communities in Georgia face many social and economic challenges, arising from the stark transition from a centrally planned and managed society to one dominated by the rules of the free market with an implicit requirement that community members become innovative and competitive – something completely new.

CARE's vision is to help people live in a society characterized by tolerance and social justice, where poverty is eliminated and people live in security. To move towards this, we have worked to help communities confront the social challenges and barriers they face. CIP, for example, gave opportunity for Kvemo Kharaba village in Tsalka to repair their school. They took this opportunity with both hands, repaired the school, secured additional funds from local government to build three more classrooms, and went on to install a community drinking water system where none had existed before. Local roads were repaired, and a sports hall built.

The empowerment of communities comes from the empowerment of people. CARE and its implementing partners, through BP support, has been able to provide chances for pipeline communities to gain such empowerment. The problems that beset isolated Georgian villages are huge, but by demonstrating that community action can make a difference, the beliefs of individuals about their future can change, which is the foundation of much of our work.'

**Jonathan Puddifoot, Georgia Country Director, CARE International.**



## Technical support for pipeline rehabilitation

BP, as the operator of BTC and SCP, already plays an important role in providing energy security.

Under the RDI framework a multi-disciplined BP team worked with the Georgian Oil and Gas Corporation (GOGC) to help prepare for the refurbishment of the North-South Main Gas pipeline, an important but ageing part of the national gas distribution system. Our contribution was set in the context of a \$40 million rehabilitation project funded by the US government's Millennium Challenge Corporation (MCC). The BP team have provided training to

GOGC staff in project management, covering topics such as scheduling and reporting, cost control, contractor management, safety and environmental management, and the use of GIS systems.

In addition to providing technical input, we and our partners made a funding contribution of \$750,000. This was supplemented by a further \$400,000 from RDI in early 2006.

The skills gained by GOGC will assist them in using the MCC funds for refurbishment of the pipeline. The ultimate goal of the project is to ensure that GOGC personnel become sufficiently well trained to manage a refurbishment project of this scale in future on their own.

demonstration farms were created. Social services networks for elderly and vulnerable people were supported. Capacity building through the creation of community-based organizations, was promoted.

In the light of the positive impact of the CIP programme, we decided in 2006 to continue with a second phase. CARE International in the Caucasus (one of the original implementing partners) was awarded a grant from BP and its partners to continue the initiative for a three-year period and to support the process of community development in 77 rural communities along the BTC and SCP pipelines.

The goal of CIP-2 is to enhance relations between BP and pipeline communities through improved livelihood security and employment, and strengthened civil society. The overall programme budget is \$5 million over

three years. This will be dedicated to projects in the fields of economic development, infrastructure rehabilitation, youth and education development and civil society capacity building.

CIP-2 will be implemented with five organizations: Constanta Foundation, Georgian Organization of Scout Movement, the Association of Business Consulting Organizations (ABCO), the Centre for Training and Consultancy (CTC), and Partners Georgia.

**The BTC grant programme for Georgia** In October 2004, BTC and the government of Georgia signed an agreement to establish a grant programme for Georgia. Under the agreement, BTC undertook to provide a series of grants to fund social and economic projects beneficial to the citizens of Georgia during a critical period before pipeline revenues reach their maximum. The

commitment was for funding of \$40 million to 2010, with a further \$1 million per year for the remaining life of the pipeline.

In 2004 the first grant payment of \$9 million was disbursed by the government to support poverty allowances (\$5.5 million), regional pensions (\$2.6 million) and a student voucher scheme (\$0.9 million). In 2005, no disbursement was made but in 2006 a payment of \$15 million was made which was dedicated to education.

### **The Regional Development Initiative**

In 2005, working with our oil and gas partners, we decided to establish a Regional Development Initiative (RDI) designed to bring sustainable socio-economic benefits to people in Georgia, Azerbaijan, and Turkey.

In 2006, progress was made on each of the five projects currently under way:





In partnership with the EBRD, the BTC and SCP partners have provided \$750,000 to support the establishment and renovation of three branches of the ProCredit Bank of Georgia – in Telavi, Khashuri and Rustavi. All three branches are now fully operational following official opening ceremonies conducted in May 2006.

- A project to improve solid waste management infrastructure in the Borjomi and Bakuriani region was launched in 2004. A range of equipment including waste containers, bins and vehicles has been provided. Public awareness campaigns have also been run. The project will be complete upon the construction of an all-weather access road to the Bakuriani landfill. Project funds of approximately \$580,000 have been provided by BTC partners. The initiative is being implemented by GTZ-IS.
- In the Borjomi region, private sector business development is being supported through the provision of \$3.15 million from the BTC partners. This project is also being implemented by GTZ. The project is concentrating on two sectors – livestock development and milk processing, and beekeeping. Staff have been hired and project inception activities are under way. More information on this project is provided in the case study on page 32.
- Georgia SME Policy Project: This project, formally launched in March 2006, seeks to improve the business enabling environment by reducing administrative barriers to running and operating small businesses and by streamlining regulation. The project is working closely with the Georgian government to improve two regulatory issues in particular: inspections and permits/licences. Together with our partners, we have contributed \$750,000. Funding has also been provided by the IFC (\$500,000) and the Canadian International Development Agency (\$250,000). A survey of approximately 1,000 SMEs was completed, building on an initial survey carried out in 2004. Its focus was on identifying the barriers to business development. The survey will be published in 2007.
- In partnership with the EBRD, the BTC and SCP partners have provided \$750,000 to support the establishment and renovation of three branches of the ProCredit Bank of Georgia – in Telavi, Khashuri and Rustavi. All three branches are now fully operational following official opening ceremonies conducted in May 2006. The new branches provide access to banking and borrowing services which have previously been limited in these regions.
- Under an agreement signed with the Georgian Oil and Gas Corporation (GOGC), BP and its partners have provided technical advice in support of a major rehabilitation of the North-South Main Gas Pipeline.

# Performance Data

	2004	2005	2006
<b>Safety<sup>a</sup></b>			
BP employee fatalities	0	0	0
BP Contractor fatalities	1	1	0
Days away from work cases (DAFWC) <sup>b</sup> – workforce <sup>c</sup>	12	4	3
Days away from work cases frequency (DAFWCF) <sup>d</sup> – workforce	0.12	0.06	0.07
Recordable injuries <sup>e</sup> – workforce	105	30	5
Recordable injury frequency (RIF) <sup>f</sup> – workforce	1.06	0.41	0.12
Total vehicle accidents	69	35	33
Total vehicle accident rate <sup>g</sup>	3.76	1.30	2.06
Hours worked – workforce	19,776,554	14,527,840	8,158,739
Kilometres driven	18,335,771	28,844,882	15,999,715
<b>Environment<sup>h</sup></b>			
Direct carbon dioxide (CO <sub>2</sub> ) (tonnes)	32,029	35,421	146,084
Indirect carbon dioxide (CO <sub>2</sub> ) (tonnes)	N/A	N/A	N/A
Direct methane (CH <sub>4</sub> ) (tonnes)	202	220	396
Equity share direct greenhouse gas (GHG) (tonnes CO <sub>2</sub> equivalent)	12,362	13,687	47,675
Flaring (exploration and production) (tonnes)	N/A	N/A	N/A
Sulphur dioxide (SO <sub>x</sub> ) (tonnes)	39	44	197
Nitrogen oxides (NO <sub>x</sub> ) (tonnes)	589	651	1,751
Non-methane hydrocarbons (NMHC) (tonnes)	1,834	1,990	1,823
Number of spills (loss of primary containment)	1	1	3
Volume of product spilled (litres)	15	70,914	10,416
Volume of product unrecovered (litres)	10	0	0
Total hydrocarbon discharges to water (tonnes)	0.015	0	0
Hazardous waste treated (tonnes)	1,307	513	0
<b>Employees</b>			
Total BP Georgia staff	531	536	654

<sup>a</sup> Safety data shows performance for Georgia as a whole, encompassing our in-country activities described in this report (WREP, Supsa, BTC, SCP and Air BP).

<sup>b</sup> DAFWC: An injury or illness is classified as a Day Away from Work Case (DAFWC) if as a consequence of it the member of the BP workforce could not have worked on any day after the injury or illness, irrespective of whether there was scheduled work, or when a physician or other licensed health care professional recommends that the member of the BP workforce stay at home but the individual comes to work anyway.

<sup>c</sup> The BP workforce comprises all BP employees, all BP contractors and all BP Directors.

<sup>d</sup> DAFWCF workforce: The number of injury DAFWCs to the BP workforce for every 200,000 hours worked in the same period.

<sup>e</sup> A recordable injury is an injury and illness incident that results in a fatality, a day away from work case, restricted work or job transfer, or medical treatment beyond first aid.

<sup>f</sup> RIF: The total number of Recordable Injuries to the BP workforce for every 200,000 hours worked in the same period.

<sup>g</sup> TVAR: Total Vehicle Accident Rate: the sum of all light vehicle and all mobile plant accidents per one million kilometres driven.

<sup>h</sup> Environment data for the years 2004 and 2005 covers WREP and the Supsa terminal. Data for 2006 covers all three pipelines (BTC, SCP and WREP) and associated facilities in Georgia.

# Assurance statement

**This report has been substantiated by Ernst & Young, the BP group auditors. The primary purpose of the report substantiation process is to test that the assertions, claims and data set out in the text regarding BP's sustainability performance can be supported by evidence. This process is intended to give assurance about the report contents from an independent third party. Ernst & Young's scope of work and their conclusions are provided below.**

## **Independent assurance statement to BP management**

The BP in Georgia Sustainability Report 2006 (the Report) has been prepared by the management of BP Georgia, who are responsible for the collection and presentation of information within it. Our responsibility, in accordance with BP management's instructions, is to carry out a limited assurance engagement on the Report as outlined below, in order to provide conclusions on the claims, data and coverage of issues within it.

Our responsibility in performing our assurance activities is to the management of BP p.l.c. only and in accordance with the terms of reference agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization. Any reliance any such third party may place on the Report is entirely at its own risk.

**What we did to form our conclusions** Our assurance engagement has been planned and performed in accordance with the International Federation of Accountants' International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE3000). Our scope of work is to carry out a limited assurance engagement on the claims and data contained within the Report.

The Report has been evaluated against the following criteria:

- Whether the Report covers the key sustainability issues relevant to BP in Georgia in 2006 which were raised in the media, BP Georgia's own review of material sustainability issues, and selected internal documentation.
- Whether sustainability claims made in the Report are consistent with the explanation and evidence provided by relevant BP managers.

- Whether the sustainability data presented in the Report are consistent with the relevant business unit level data records.

In order to form our conclusions we undertook the steps outlined below.

1. Reviewed a selection of external media reports and internal documents relating to the sustainability performance of BP in Georgia in 2006 as a check on the scope and appropriateness of statements made in the Report.
2. Reviewed BP Georgia's process for determining the key issues to be included in the Report.
3. Reviewed information or explanation about the Report's sustainability performance data and statements. Whilst we reviewed documentation to support the sustainability data contained within the Report, we did not test the data processes for gathering, collating and reporting data at country or site level.

**Level of assurance** Our evidence gathering procedures have been designed to obtain a limited level of assurance on which to base our conclusions. The extent of evidence gathering procedures performed is less than that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

**Our conclusions** On the basis of our review and in accordance with the terms of reference for our work we provide the following conclusions on the Report. Our conclusions should be read in conjunction with the above section on 'What we did to form our conclusions'.

### **1. Does the Report cover the key issues?**

Based on our review of media, selected internal documents, and BP Georgia's process for determining key

issues, we are not aware of any key sustainability issues that have been excluded from the Report.

### **2. Are the data and statements regarding BP Georgia's sustainability performance contained within the Report supported by evidence or explanation?**

We are not aware of any misstatements in the assertions and data presented by BP management within the Report regarding BP Georgia's sustainability performance.

**Our independence** Our assurance team has been drawn from our global environment and sustainability network, which undertakes similar engagements to this with a number of significant UK and international businesses. As auditors to BP p.l.c., Ernst & Young are required to comply with the independence requirements set out in the Institute of Chartered Accountants in England & Wales (ICAEW) Guide to Professional Ethics. Ernst & Young's independence policies, which address and in certain places exceed the requirements of the ICAEW, apply to the firm, partners and professional staff. These policies prohibit any financial interests in our clients that would or might be seen to impair independence. Each year, partners and staff are required to confirm their compliance with the firm's policies.

We confirm annually to BP whether there have been any events including the provision of prohibited services that could impair our independence or objectivity. There were no such events or services in 2006.

 **ERNST & YOUNG**

**Ernst & Young LLP**  
London, June 2007

## Glossary of terms

ACG	Azeri-Chirag-Guneshli field
BTC	Baku-Tbilisi-Ceyhan pipeline
CAO	Compliance Adviser/Ombudsman
CAS	Centre for Archaeological Studies
CDAP	Caspian Development Advisory Panel
CLO	Community liaison officer
CO <sub>2</sub>	Carbon dioxide
DAFWC (F)	Day away from work case (frequency)
EBRD	European Bank for Reconstruction and Development
EDDF	Emergency drain down facility
EF	Eurasia Foundation
EIP	Environmental investment programme
ESI	Employee satisfaction index
ESIA	Environmental and social impact assessment
EU	European Union
EUGBC	European Union Georgia Business Council
FSO	Field service officer
GGIC	Georgian Gas International Corporation
GIOC	Georgian International Oil Corporation
GHG	Greenhouse gas
GOGC	Georgian Oil and Gas Corporation
GPC	Georgian Pipeline Company
GTC	Gas Transportation Company
HSSE	Health, safety, security and the environment
ICOMOS	International Council on Monuments and Sites
IEC	Independent environmental consultant
IFC	International Finance Corporation
IMT	Incident management team
ISP	Improved schools project
JV	Joint venture
MCC	Millennium Challenge Corporation
NGO	Non-governmental organization
PAS	People assurance survey
PMDI	Pipeline monitoring and dialogue initiative
RDI	Regional development initiative
RoW	Right of way
SCP	South Caucasus Pipeline
SEC	Securities and Exchange Commission
SME	Small and medium-sized enterprise
SPPD	Strategic Pipelines Protection Department
SPU	Strategic performance unit
SRAP	Social resettlement action plan
UNDP	United Nations Development Programme
WREP	Western Route Export Pipeline

## Further information

In 2006, we have continued to embed our three levels of sustainability reporting: the BP group sustainability report, selected country reports and selected local site reports.

**Group reporting** Our group website provides a full information resource for people interested in finding out more about BP's approach to sustainability and responsibility. The site includes detailed information and data about the group's sustainability performance, including the *BP Sustainability Report 2006* ([www.bp.com/sustainability](http://www.bp.com/sustainability) and [www.bp.com](http://www.bp.com)).

A range of case studies is available online. These provide specific examples of how we put our commitments into practice around the world. They cover topics including health, safety and security, employees, diversity and inclusion, education, conservation, BP and development, responsible operations, enterprise development, revenue management, and business ethics. They have been substantiated by Ernst & Young ([www.bp.com/casestudies](http://www.bp.com/casestudies)).

The website also includes detailed charting tools that allow you to view BP's performance data on issues such as

health, safety and the environment through an intuitive and easy to use charting function with an accessible formatting option. Charts can be created as images and raw data downloaded ([www.bp.com/hsechartingtool](http://www.bp.com/hsechartingtool)).

Our environmental mapping tool aims to provide greater transparency on the issues we face at local level by allowing access to environmental management information about individual BP sites. This shows where all major BP operated facilities with ISO certification are located and identifies which issues are significant for management at each site. The tool enables the user to review details of how BP sites are addressing four environmental aspects – air emissions (non-greenhouse gas), freshwater use, wastewater and waste – as well as whether or not they border or lie within an IUCN category I-VI protected area. Plotting these sites on background maps that illustrate regional environmental conditions helps to put site information into local context, especially in relation to environmentally sensitive areas. ([www.bp.com/hsemappingtool](http://www.bp.com/hsemappingtool)).

**Country sustainability reports** In 2006, we produced four country sustainability

reports: Azerbaijan, Georgia, Germany and Trinidad and Tobago. As with this report, their aim is to provide a detailed insight into our operations in the context of a particular region or market. They have been produced to a consistent template in terms of structure, content and design and have adopted standardized processes for content development and external verification.

([www.bp.com/countrysustainabilityreports](http://www.bp.com/countrysustainabilityreports) and [www.bp.com/worldwide](http://www.bp.com/worldwide)).

**Verified site reports** Our website also contains more than 60 verified site reports, providing detailed accounts of health, safety, environmental, and social performance around the world. We believe independently verified site reports provide local transparency on our progress towards our stated aspirations ([www.bp.com/sitereports](http://www.bp.com/sitereports)).

**Speeches on corporate responsibility** We publish a range of speeches on our group website. In 2006, these included subjects such as technology and innovation, energy security, business and poverty, alternative energy, climate change and low carbon power. ([www.bp.com/speeches](http://www.bp.com/speeches)).

## Contact details and acknowledgements

Your feedback is important to us. You can write to us at the address below, marked for the attention of the Communications and External Affairs team, or send an e-mail to us at [bpgeosust@bp.com](mailto:bpgeosust@bp.com)

BP Georgia, 38 Saburtalo Street, 0177, Tbilisi, Georgia

### Design and production

Design and Typesetting: Steed Design, 44 Dawlish Drive, Leigh-on-Sea, Essex SS9 1QX, United Kingdom  
Printing: CPD, 17 Brook Road, Rayleigh, Essex SS6 7UT, United Kingdom  
Photography: Simon Kreitem

### Production notes

#### Paper

This sustainability report is printed on Revive Enhanced paper from the Robert Horne group, which is produced using 100% de-inked post-consumer waste recycled fibre at a mill that has been awarded the ISO 14001 certificate for environmental management. The post-consumer reclaimed material is certified in accordance with the rules of the Forest Stewardship Council. The pulp is bleached using an elemental chlorine-free (ECF) process.