

BP in Georgia
Sustainability Report
2011

bp.com/sustainability



2 Management introduction / **3** Achievements and challenges /
4 Operating responsibly / **11** Safety / **14** Environment / **18** Society



Building a
stronger, safer BP

Scope of report

This report covers the activities of BP Georgia, focusing on performance in 2011 while providing information on developments in 2012. It has been prepared by our business in Georgia. Data is shown for activities where we are the operator, unless indicated otherwise.

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

Unless otherwise indicated all currency amounts are denominated in US dollars. As with all our previous BP in Georgia sustainability reports, this report has been independently verified.

An introduction to Ernst & Young's assurance process

We have reviewed the BP in Georgia Sustainability Report 2011 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 24.

Cover image: Zurab Gabruashvili – safety lead at the BTC Pump Station 2 in Georgia

Cautionary statement

BP in Georgia Sustainability Report 2011 contains certain forward-looking statements concerning the businesses, operations and strategy of BP.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements depending on a variety of factors including future levels of industry product supply; demand and pricing; operational problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; exchange rate fluctuations; development and use of new technology; changes in public expectations and other changes in business conditions; the actions of competitors; natural disasters and adverse weather conditions; wars and acts of terrorism or sabotage; and other factors discussed elsewhere in this document and in BP Annual Report and Form 20-F 2011. Material is used within this document to describe issues for voluntary sustainability reporting that are considered to have the potential to significantly affect sustainability in the view of the company and/or are expected to be important in the eyes of internal or external stakeholders. Material for the purposes of this document should not, therefore be read as equating to any use of the word in other BP p.l.c. reporting or filings.



Find out more online
bpgeorgia.ge
bp.com/sustainability

What's inside?

BP Georgia's sustainability report aims to provide an overview of our operations and performance in 2011. Input from external stakeholders, including non-governmental organizations, business groups and officials helped us to identify and focus on the key issues to report on, especially those which could have an impact on our continuing to operate successfully in Georgia.



Find out more online
bpgeorgia.ge
bp.com/sustainability



2 Management introduction

BP Georgia's general manager reviews developments in 2011 and future prospects



3 Achievements and challenges

We highlight our most significant achievements in 2011 and the challenges we face in future



4 Operating responsibly

- BP Georgia in context
- Governance and management systems
- Our people and values
- Delivering local benefit



11 Safety

- Our safety performance
- Safety management
- Risk management and emergency response



14 Environment

- Environmental management
- Improvement projects
- Eco-awards



18 Society

- Our approach to engagement with communities
- Building local capacity
- Social investment projects

22 Our performance

Key performance data and trends and analysis

24 Assurance statement

Ernst & Young's conclusions on BP Georgia's reporting

A view from BP Georgia's general manager

Neil Dunn reviews last year's performance, considering it a strong foundation for the future growth



We have emerged from the challenges of 2010, taking steps to create a stronger and safer BP. We will continue to put the management of safety and operational risk at the heart of what we do. The launch of the new BP values in 2011 reiterated what our company is about – safety, respect, excellence, courage, and one team.

In Georgia in 2011, we ran the BTC, SCP and WREP pipelines and the Supsa marine terminal efficiently, exceeding our internal efficiency targets while maintaining a good safety record. Driving remains the number one personal safety risk and the increase in vehicle accidents last year demonstrates that we have to renew our focus on accident prevention in 2012.

The Caspian region is important for the BP group – with significant existing assets. In Georgia, we are creating a durable business infrastructure, with mature processes and growing organizational capability. We continue to develop our people and give them opportunities to gain experience in the region and beyond that will help Georgia when they return. And while we are investing for the long term, the country is developing in parallel. Georgia has begun to export electricity and we are now installing national grid power at our facilities after relying on self-generated power for years. These are just two indicators of how far the country has come in a short time.

The region is also important for BP because the existing assets in the Caspian are capable of expansion. As previously announced, we are planning two major projects in Georgia from 2013: expanding the capacity of the South Caucasus gas pipeline as part of the Shah Deniz full-field development, including the construction of two major compressor stations in Georgia and 55 kilometres of new pipeline; and replacing some 60 kilometres of Soviet-era pipe on WREP along a safer route. These projects will be major sources of foreign direct investment and will provide further opportunity for local contractors. Carrying out these projects safely will require excellent planning. In the year ahead, therefore, we will be working to make sure that the operational and commercial foundations for these projects are sound.

We will undertake the projects while simultaneously operating our existing facilities. There will be more people working at our sites, with all the logistical challenges which that brings. We need to keep our eye squarely on operating safely and responsibly, as we have done in the past.

When planning, we can draw on the lessons we have learned from previous construction and operations in Georgia. We know, for example, the types of challenge that arise when dealing with land acquisition and compensation. We have experience in

transporting heavy equipment around the country's roads. We know what it takes to build major facilities while protecting the delicate natural environment and cultural heritage. We have experience in identifying and training the people we need.

2012 will therefore be a year of major effort, pursuing success and building a legacy for the future – themes that are entirely appropriate for an Olympic year. BP is proud to be a major sponsor and partner of the London Olympic Games, and we in Georgia are particularly pleased to sponsor Georgian Olympic and Paralympic athletes. We wish them and all our stakeholders every success in the year ahead.

A handwritten signature in black ink that reads "Neil Dunn". The signature is fluid and cursive.

Neil Dunn
General manager of BP Georgia
June 2012

Achievements and challenges

We highlight below our most significant achievements in 2011 and the challenges we face in the future

Achievements

Continuing operating efficiency

We continued efficient transportation of oil and gas through the three pipelines, with 99% efficiency in our delivery operations; we achieved this while maintaining a good safety record with no fatalities over the course of the year (page 5).

People development

We took advantage of the changes in our organizational structure to give more people the opportunity to gain experience in new roles and locations. This included several people transferring within the region (page 9).

Positive feedback on our approach to environmental management

We had good reports from external ISO audits, lender audits (with no non-compliances) and good feedback from the rigorous internal safety and operations risk audit conducted in 2011 (page 12).

Constructive engagement

We engaged constructively with the government on many issues linked to our operations, including preliminary discussions about SCP expansion and the Western Route Export Pipeline sectional replacement project. We tackled many other issues with government including issues relating to land acquisition and ownership (page 7).

Transition to the use of grid power

On completion of work to install the lines and transformers, the area 80 camp on the SCP pipeline in western Georgia will begin to use grid power sourced from the national power system. This marks an important milestone, and preparations are well under way for other BP facilities (such as PSG1, PSG 2 and the Supsa terminal) to upgrade to mains power.

Challenges

Major projects (SCP expansion and WREP sectional replacement)

We are planning two major projects, which will create a range of operational challenges – including carrying out the projects while simultaneously operating our existing facilities safely and efficiently (page 7).

Continuing action in the light of the Deepwater Horizon incident

The implications of the incident continue to be felt across many aspects of our business, from introducing a new approach to rewarding and assessing employee performance which gives greater emphasis to safe and responsible operations, to launching and embedding the new BP values, to continuing to introduce and comply with the requirements of OMS, and upgrading equipment such as fire fighting and oil spill response capability. All these issues, which are discussed throughout this report, reflect our continuing journey to learn and apply the lessons from the Deepwater Horizon accident (page 13).

Pipeline security from illegal hot taps

Illegal hot taps – attempts to siphon oil illegally from the pipeline – remain a challenge, putting the safety of those involved at risk and creating environmental risk, with the potential to contaminate soil and groundwater. There were no major oil spills resulting from the three illegal taps in 2011, but we have begun to install a fibre optic intruder detection system along the entire length of WREP to tighten security further (page 7).

Secondary containment

We are awaiting formal government of Georgia approval of the secondary containment facilities in the Kodiana section of the BTC pipeline, while they review the independent velocity test results we submitted to them in 2011. These concluded that the facilities would perform as designed, effectively containing oil during maximum flows.



People at work at the BTC pump station 2 in Georgia

Operating responsibly

BP Georgia operates in accordance with BP's system of internal control that governs the group's operations worldwide



99%

Pipeline operating efficiency achieved while transporting oil through BTC and WREP

95%

Of employees in BP Georgia are Georgian nationals

BP's **systems of governance, management and operation** help us to conduct our business responsibly



Find out more online
bpgeorgia.ge
bp.com/sustainability

Our operations in Georgia An overview of our operations and performance in 2011

BP in Georgia

BP is one of the world's leading integrated oil and gas companies on the basis of market capitalization, proved reserves and production. Our objective is to create value for shareholders and supplies of energy for the world in a safe and responsible way. We strive to be a safety leader in our industry, a world-class operator, a responsible corporate citizen and a good employer. We employ approximately 83,400 people. We have exploration and production interests in 30 countries, including our midstream pipeline activities in Georgia.

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

We also operate the Western Route Export Pipeline (WREP) and Supsa terminal on behalf of an international consortium of energy companies. 373 kilometres of WREP lies within Georgia, with 27 block valves, four check valves and one check/block valve. It carries oil from the Caspian Sea via the Sangachal terminal in Azerbaijan to the Supsa oil terminal on the Georgia Black Sea coast.

BP's interests in the Caspian region



Air BP, in a joint venture, provides international grade aviation jet fuel to customers at Tbilisi international airport.

Summary operational performance in 2011

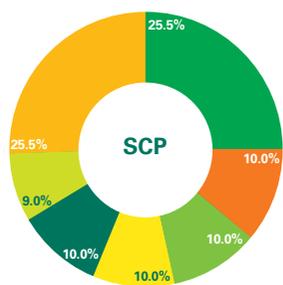
In 2011, we transported more than 257 million barrels of oil through BTC and more than 28 million barrels of oil through WREP, with both pipelines operating at 99% efficiency. We safely delivered approximately 160,000 mmscf of gas, or approximately 27.6 million barrels of oil equivalent (mmbobe).

In the course of the year, we completed 355 tanker loadings from the marine oil terminal at Ceyhan on the Turkish Mediterranean coast, where the BTC pipeline ends, and 47 tanker loadings from the Supsa terminal, the end point of WREP.

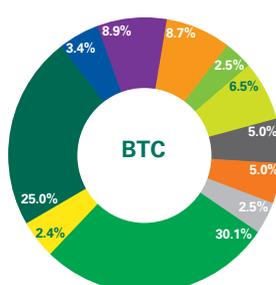
In 2011, we also carried out a number of maintenance and modification projects on the pipelines such as the first phase of a valve replacement project on WREP, completing the construction of permanent accommodation at area 80 on SCP, installing fibre optic cable to improve communication on BTC; and improving drainage facilities at PSG 2 to mitigate the risk of flooding.

BP operated interests in Georgia

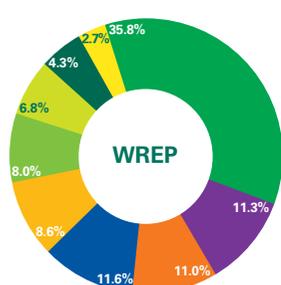
- BP
- Statoil
- TPAO
- NICO
- Azerbaijan SCP
- Total
- LUKOIL



- BP
- Statoil
- Chevron
- Itochu
- Azerbaijan BTC
- Hess
- Inpex
- Eni
- Total
- TPAO
- Conoco-Phillips



- BP
- Statoil
- Chevron
- Inpex
- Socar
- ExxonMobil
- TPAO
- Itochu
- Hess



Delivering local benefit

We aim to generate a positive economic and social impact for Georgia, both through our business activities and by supporting social projects

Delivering local benefit

Our investment and ongoing activities generate positive economic and social impact for Georgia, not only by generating government revenue from the taxes we pay, but also through the jobs we create and the opportunities we provide in the supply chain.

Financial and economic contribution

We make a significant contribution to national tax revenues, through tariff payments and profit tax payments linked to pipeline throughput:

- Profit tax payments from all the BTC business partners totalled \$33 million in 2011, compared with \$34.4 million in 2010, reflecting the similar levels of hydrocarbon throughput.
- WREP tariff payments were made to the Georgian government of \$6.4 million in 2011.

We also make an important contribution to the value of Georgia's exports:

- Government statistics show that our pipeline operations contributed approximately 12% of the total value of service exports in 2011.

We also invest to renew our own business in Georgia:

- Our operational expenditure in Georgia totalled \$104.5 million in 2011 compared with \$102.1 million in 2010. Capital expenditure amounted to approximately \$19.5 million in 2011.

Working with local contractors

We continue to work with local contractors where possible. In 2011, our payments to local companies totalled \$54.7 million compared with \$49.2 million in 2010.

When contracting with suppliers, we include provisions that require them to describe their plans for increasing the number of Georgians in their workforce. We believe this will be a useful mechanism for raising technical and trade skills within the local economy. We review how well a sample of our core contractors are performing against these requirements with annual reviews carried out by our procurement and supply chain management specialists.



Tanker loading at Supsa terminal on the Black Sea coast, Georgia

We also audit our contractors' employment practices, examining issues such as hours of work, pay rates, redundancy and termination procedures, and disciplinary and grievance procedures. In the course of 2011, we successfully closed all the actions from the audits we undertook the previous year, of four main contractors.

These actions brought positive results such as salary payment without delays to contractor staff, recruitment procedures being refined and standardized and records of recruitment process being retained to demonstrate fair, equitable and transparent selection.

Building our business: SCP expansion

We have been developing plans for the full field development of the Shah Deniz field in the Caspian Sea, which is the source of SCP gas and has been in first phase production since 2006. The plans, which include the development of new production platforms and subsea wells and pipelines, also require expanding the capacity of the existing SCP pipeline and facilities.

These plans progressed in 2011, with preliminary route and site investigations in Georgia. Current plans are for construction to begin in 2013, with first production from 2017.



Treating people fairly, with dignity and giving them equal opportunities is vital for us. We recognize that our success as a company depends significantly on the performance and conduct of our contractors, and we therefore continue to work with them to build their capacity in people management.

Nato Tkhlashidze
Social Team Leader,
BP Georgia



There is certainly an interest in the SCP expansion project in regard to potential economic opportunities for local communities and suppliers. BP has to make sure local communities get information about the project at the earliest, so that they can have equal access to the opportunities the project might bring.

Ketevan Vashakidze
Country director,
Eurasia Partnership
Foundation



Employees at work at the BTC pump station 1 in Georgia

Based on inputs from international and Georgian consultants, we prepared a guide to land acquisition and compensation to cover SCP expansion project activities in Georgia. It is intended to provide affected land owners and land users, as well as local authorities and the public at large, with practical information pertaining to the land acquisition and compensation process that the project will involve. The document will be finalized in 2012 and will be made public prior to the start of the land acquisition process.

WREP sectional replacement

In 2011, we advanced plans to upgrade sections of WREP to replace Soviet-era pipe. The proposed work will involve re-routing the pipeline, which will reduce the risk of geo-hazards such as landslides, erosion and flooding and will take the pipeline out of territory where there has been political unrest.

These plans come in addition to the ongoing investment we make in maintaining WREP and existing facilities. In 2011, we carried out a number of projects designed to improve the safe and reliable operation of WREP facilities including the first phase of valve replacement work. Phases 2 and 3 will take place in 2012 and will replace a total of five valves in Georgia. Phases 4 and 5 are scheduled for 2013, when the work will be complete.

We also have many technical controls in place that are designed to maintain pipeline integrity. They include regular pipeline surveys (known as 'pigging') to assess the possibility of internal corrosion, technical surveillance and maintenance of the pipeline route, the use of leak detection technology systems, and geographical hazard monitoring for natural hazards such as landslides, erosion and flooding. We analyze risks to the pipelines systematically and our safety and operations teams report those risks to group, where necessary. An important aspect of pipeline security involves preventing illegal tapping.

We have been transparent in presenting our initial proposals for SCP expansion and the WREP sectional replacement project with the Georgian government, non-governmental organizations, and the scientific community, holding briefings with them in 2011, outlining the schedule and reviewing key issues related to the projects. This has included outlining detailed information on the proposed route of WREP which runs through a landscape protection zone adjacent to a UNESCO world heritage site.

From September 2011, we started early environmental and social impact assessment consultations on the SCP expansion and WREP sectional replacement with local government and community leaders. Our community liaison officers supported contractors in conducting a household survey to compile baseline data on issues

such as community health, livelihoods and socio-economic status. This will be valuable information for the future, enabling us to assess the impacts of our activities on local communities. We also conducted archaeological excavations at two locations on WREP to inform the impact assessment and to meet legislative requirements.

We are particularly mindful of the safety challenges that the SCP expansion and WREP sectional replacement projects will bring, especially because we will be undertaking these projects in parallel with existing operations. Our focus on safety and risk management remains unchanged.

Social development

In addition to the direct benefits created by our business activities, we have long supported a wide range of community projects that help to build the fabric of Georgian society.

Several of these projects have involved the development of physical infrastructure such as the refurbishment of schools or community facilities. We have, for example, helped to finance the construction of a municipal landfill site in Rustavi for non-hazardous waste which is now being operated by the local authority. Other projects involve human capacity building, such as working with youth groups or developing civil society organizations by providing training. Recent developments are described in the Society section of this report, on page 18.

Governance and management systems

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

Governance

BP's systems of governance, management and operation are designed to help us conduct our business responsibly, particularly with respect to safety, environmental, social and financial considerations. These systems reflect our support for globally-recognized standards on safety, human rights and security.

Globally, BP operates according to a system of internal controls that involve the board of directors providing oversight, and stringent systems for management of business, risk and people.

Across all BP international operations, established practices support the management of potential environmental and social impacts from projects and operations. These practices cover projects from pre-appraisal stage through to operations, and reinforce BP's values and responsibilities. Included in these practices are seven impact management processes that ensure early understanding of potential risks and allow for management of risks through all project phases.

Operating management system (OMS)

BP's operating management system (OMS) includes health, safety, security, environmental and operational reliability, as well as maintenance, contractor relations and organizational learning. The system includes a robust planning process to ensure that current year needs are met along with the organization's long-term need to build capability and processes. It also provides a mechanism for setting priorities relative to the opportunities and risks in our business.

Its principles and standards are supported by detailed company practices, as well as other technical guidance materials. Certain standards and practices are implemented company-wide. These include, among others, the assessment, prioritization and management of risk; incident investigation; integrity management; and environmental and social requirements for major new projects.

BP continues to evolve its operating management system by incorporating lessons from incident investigations, including Deepwater Horizon, as well as audits, risk assessments and strengthening mandatory practices.

Environmental management system (EMS)

The operating management system (OMS) mandates that major BP operating sites maintain external ISO 14001 certification. ISO 14001 is an international standard that consists of a set of requirements for environmental management systems (EMS). The system is built on our three fundamental commitments:

- To meet or exceed legal requirements and industry standards.
- To prevent pollution.
- To continually improve.

We have long taken a systematic approach to the management of environmental issues in Georgia, not least because of the commitments we made under the environmental and social action plan which was developed during pipeline construction, which have necessitated a rigorous approach to action tracking and closure. The management system is based on the ISO 14001 'plan-do-check-act' cycle, which is also fully incorporated into the OMS improvement cycle.

Our operations here have been certified against ISO 14001 for 12 years, with the scope of activities covered under the system expanding steadily. As required under ISO, the system is regularly audited by an external assessor and we have openly reported on our record of compliance in our previous sustainability reporting.

The efficiency and effectiveness of our environmental performance is also regularly reviewed by other audits such as the annual reviews by the independent environmental consultant appointed on behalf of the original project lenders. To date, 13 of these annual audits have been carried out. In addition, our approach and actions are subject to internal review by the group safety and operational risk (S&OR) audit team, with the latest such audit taking place in 2011.

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

BP's strategy and sustainability

We strive to be a safety leader in our industry, a world-class operator, a responsible corporate citizen and a good employer. We are working to enhance safety and risk management, earn back trust and grow value.

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

We can only operate if we maintain the trust of people inside and outside the company. We must earn people's trust by being fair and responsible in everything we do. We monitor our performance closely and aim to report in a transparent way. We believe good communication and open

dialogue are vital if we are to meet the expectations of our employees, customers, shareholders, and the local communities in which we operate.

We are working to become a simpler business, with a clear focus on what we do best. Our distinctive capabilities include exploration, operations in deep water, the managing of giant fields and gas value chains, and our world-class downstream business – underpinned by technology and relationships. Strong financial performance is vital, because it enables us to make the investments necessary to produce the energy that society requires as well as to reward and maintain the support of our shareholders. By supplying energy, we support economic development and help to improve quality of life for millions of people. Our activities also generate jobs, investment, infrastructure and revenues for governments and local communities. Our portfolio includes lower-carbon options with the potential to make a significant contribution, now and into the future.

Our people and values Developing the skills and experience of Georgian nationals



We know that the BTC and SCP pipelines have been constructed to world-class engineering standards, and that BP has worked hard to build relationships with local communities near the pipelines as well as wider society in Georgia. Our expectation is that BP will apply any lessons it has learned from the past to the future projects it has planned, and to be clear about how the company can continue to contribute to Georgia's social and economic development.

R. Michael Cowgill
 President of Georgian American University, VP & Treasurer, American Chamber of Commerce, Georgia

Our people and values

We aim to develop the skills and experience of local people, providing them with career opportunities within a work environment that is shaped by distinctive values and a clearly articulated code of conduct.

Nationalizing our workforce

Over the past five years, the proportion of Georgian nationals working within our business here has steadily increased and we have succeeded in placing more Georgian nationals in leadership positions. The size and composition of the workforce reflects the type of activities the business is engaged in, for example there are more expatriate contractors employed when specialist skills are required.

In 2011, the total size of the BP Georgia workforce increased but the proportion of Georgian nationals working in the business in Georgia decreased slightly. The increase in expatriate employees reflects increased mobility within the region, evident in more Azerbaijani nationals taking on work assignments in Georgia. Similarly, more Georgians have taken up posts in Azerbaijan and beyond. At the end of 2011, 95% of employees in BP Georgia were Georgian nationals. We also have hundreds of local Georgian contractors embedded in our organization supporting our daily operations.

Building skills and experience

We run development courses for team leaders designed to help them develop their managerial skills. These include courses on improving personal performance, effective team working and managing agency personnel.

In addition, our human resources (HR) function carries out in-house team leader awareness sessions. These focus on various challenges facing team leaders such as managing under-performers, the process of recruitment and how to handle disciplinary cases. We ran three of these courses in 2011.

We sponsor continuing professional education to improve employee qualifications. Team leaders from our maintenance support and logistic departments, for example, are involved in the project management professional development programme.



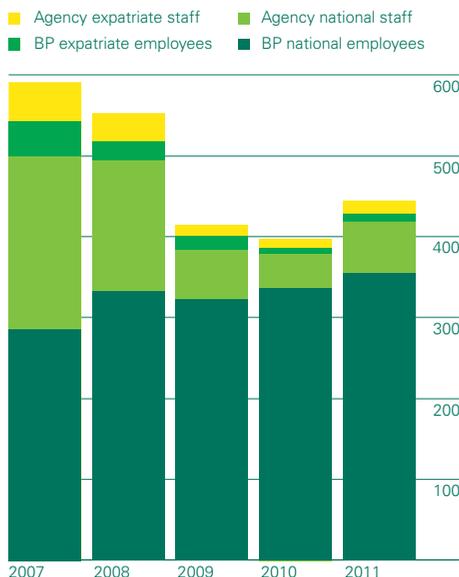
Tinatin Lortkipanidze gaining broader experience – at work with S&OR in Baku

In 2011, Tinatin undertook an eight-month assignment in Baku where she worked as part of a four member audit and assessment team within the planning, performance and learning organisation in safety and operational risk (S&OR).

Her role, which built upon work she had done previously within the safety and operations team in Georgia, involved verifying that actions arising from the S&OR audit in Azerbaijan had been effectively implemented. The work involved not only checking that the paperwork was right, but assessing whether the actions taken fully met the audit requirements. "It was the first time an audit of this type had been done in these offshore and wells organizations, and as a result there were a lot of actions to verify – about 500 altogether, approximately 300 of which needed to be tackled in the first year. It was a huge task, and needed real attention to detail as well as support from our colleagues with technical expertise and those with designated accountability for taking action," said Tinatin.

While the professional challenges were tough, the personal benefits were great. According to Tinatin: "Personally, it was very good to go. I got to know many different people, at all levels of the organization. I had not previously lived or worked in Azerbaijan and it was exciting to have the chance to do so. Professionally, simply working in this larger part of the business broadened my perspective. If you are given an opportunity like this, you should do all you can to take it."

BP Georgia headcount 2011



Our people and values We integrate our values in all aspects of our operations

Our values

In 2011, we renewed the BP values to reflect our aspirations for the future. The renewed values are also explicitly linked to our code of conduct.

The new values were launched in Georgia towards the end of 2011. We have developed a communications and engagement plan to highlight their importance in the working life of the BP Georgia workforce. The values are set out below:

We are integrating our values and behaviours into our performance management, reward, recognition, training and recruitment processes. We will use key performance indicators to track progress, such as the number and percentage of employees who have discussed values and behaviours with their team leader as part of the annual performance management process.

The BP code of conduct

We also operate under the terms of the BP code of conduct, which sets out the basic rules we must all follow in BP and explains how our values should guide all our decisions.

The code was re-issued across the group in 2011, updated to reflect the new BP values. We continue to highlight its importance because it gives us the guidance and support we need to conduct our business ethically and to comply with the law.

In Georgia, we have run face-to-face inductions on the code for new joiners and agency employees. All BP staff must also complete e-learning courses on the code every three years.

We provide other mandatory e-learning courses on preventing conflicts of interest and eliminating bribery and corruption. Training on anti money-laundering is also provided for specific audiences in procurement and finance.

We provide a number of channels for people to report potential breaches of the code or other legal requirements, including the confidential helpline, OpenTalk, which is operated by an independent company and is available anytime, every day of the week. We encourage our people to discuss any potential problems with their line manager, HR or legal department representative, or the in-house ethics and compliance leader in BP Georgia.

<h2>Safety</h2>	Safety is good business. Everything we do relies upon the safety of our workforce and the communities around us. We care about the safe management of the environment. We are committed to safely delivering energy to the world.
<h2>Respect</h2>	We respect the world in which we operate. It begins with compliance with laws and regulations. We hold ourselves to the highest ethical standards and behave in ways that earn the trust of others. We depend on the relationships we have and respect each other and those we work with. We value diversity of people and thought. We care about the consequences of our decisions, large and small, on those around us.
<h2>Excellence</h2>	We are in a hazardous business, and are committed to excellence through the systematic and disciplined management of our operations. We follow and uphold the rules and standards we set for our company. We commit to quality outcomes, have a thirst to learn, and to improve. If something is not right, we correct it.
<h2>Courage</h2>	What we do is rarely easy. Achieving the best outcomes often requires the courage to face difficulty, to speak up and stand by what we believe. We always strive to do the right thing. We explore new ways of thinking and are unafraid to ask for help. We are honest with ourselves, and actively seek feedback from others. We aim for an enduring legacy, despite the short-term priorities of our world.
<h2>One Team</h2>	Whatever the strength of the individual, we will accomplish more together. We put the team ahead of our personal success and commit to building its capability. We trust each other to deliver on our respective obligations.

Safety

Our first priority is to keep a relentless focus on safety

More than **150 emergency response exercises** were carried out across the BP Georgia business

Our goal is to deliver excellent business performance, **safely** and **reliably**

More than **3 million man hours worked** in 2011 by BP and our contractors with **one recordable injury**



Find out more online
bpgeorgia.ge
bp.com/sustainability

Our safety performance We use a variety of approaches to maintain a clear focus on personal and process safety

Safety performance

Our focus is on delivering safe, reliable and compliant operations: protecting our people and plant while delivering excellent performance with no accidents.

In 2011 BP Georgia and our contractors' workforce drove more than eight million kilometres and worked more than three million man hours delivering various tasks associated with site operations, inspections, maintenance, repairs, excavations, welding, aviation, driving, marine transportation, diving and lifting with one recordable injury.

More information on our safety performance, and other aspects of our performance, is provided in the performance data table on page 24.

Learning from near miss reporting

In 2011 one of our leadership priorities in safety was to promote more near miss reporting and to learn as much as possible to prevent further



Site safety inspection at BTC pump station 2 in Georgia



S&OR assurance programme implementation represents a great achievement as BP Georgia and our colleagues in Azerbaijan demonstrated a highly professional approach. Achieving this significant business milestone helped us continuously improve our risk management processes and drive safe and reliable operations with a one-team attitude.

David Tsutskiridze
Safety Team Leader,
BP Georgia

accidents. As a result the number of near misses reported in 2011 and associated lessons learned was more than double that of 2010.

We also initiated detailed quarterly analysis of incident causes which help us in minimizing future risk. As an example, in 2011, number of reported near misses increased, while there were no major accidents. This highlights the importance of combining good reporting process with the trend analysis for preventing major accidents.

Driving safety

Driving is risky in Georgia. The number of vehicle accidents increased from five in 2010 to nine in 2011 as we reported all minor damages to vehicles as well as accidents due to third party vehicle violations. To prevent road traffic incidents, we are continuously assessing our drivers' competency with a focus on defensive driving skills and risks presented by pedestrians and third-party vehicles. We review driving statistics monthly indicators to see how driving is managed and feed this information back to our drivers and contractors so that they can improve.

Safety and operations auditing

We use audits to check on the integrity of our systems and processes and to verify that we conform with group requirements.

An audit by the group safety and operational risk (S&OR) audit team was carried out in 2011 which checked our conformance with operating management system (OMS), mandatory group practices and engineering technical practices. We met our objective of having no 'category 1 findings' (findings that would need immediate management attention due to the potential for major impact) and no 'repeat findings' (incomplete actions from a previous audit report).

There were no findings in relation to control of work, pipeline integrity or driving safety, but the need for continuous improvement was identified in some areas such as personal safety and health risk assessment, and documenting marine, aviation and security procedures.

Active contractor management

Contractors carry out a wide range of activities on our behalf and we work to instill a 'one team' approach under our control of work requirements.

We hold regular safety leadership team meetings with contractors, to discuss safety performance, share lessons learned and roll out safety campaigns.

Risk Management and emergency response

We identify and manage risks, and carry out training and preparation in case of emergency



Emergency response exercise at the containment site 1 near Marneuli, Georgia

In addition, we hold executive forums with contractor leaders twice per year in which we discuss best practices in leadership and safety culture.

We have safety awards dedicated to our contractors, rewarding those that show outstanding behaviour or performance in fields such as safety culture, incident reporting and risk minimization.

One such company whom we recognized in 2011 was the organization that provides horse patrol services on our pipeline. They won an award for long-term good performance. Another winner was a new contractor with no previous experience of working with BP who demonstrated outstanding willingness to learn about our health and safety requirements and implement them in their project.

Focusing on health and well-being

We recognize the fundamental importance of having a healthy workforce, and the contribution that good health can make to good safety and operational performance.

As in previous years, we carried out an annual health risk assessment in 2011, using a tool called health map, in which a risk assessment component prioritizes health hazards. Challenges relating to occupational health, industrial hygiene and environmental health and well-being were managed throughout the year, involving fitness for task assessments, substance abuse testing, and managing food safety and water quality.

We also carried out seasonal campaigns on topics such as flu and other initiatives such as heart health campaigns and 'Smoke free, inside, outside, everywhere'. We made particular effort in 2011 to promote employee well-being, carrying out a range of internal sporting competitions.

Risk management and emergency response

Risk reviews

We carry out quarterly risk review sessions, as required by BP group defined practice, to prioritize and manage operating risks. In line with group requirements, the risk register we maintain includes the assessed impact and probability for each risk identified and sets out the various risk reduction measures in place.

Emergency response

Across the BP Georgia business, we carried out more than 150 emergency response exercises in 2011. The majority of these were practical exercises on site, including scenarios such as responding to an oil spill, a medical emergency or fire fighting. Desk-based exercises were also conducted. A major exercise in 2011 involved our teams, our oil spill response contractor and BP Shipping and generated many opportunities for learning. We have also upgraded our fire-fighting capability by purchasing a fire-fighting vehicle and hiring four fire fighters.

Emergency rescue

During severe weather in February 2011, 21 members of the Tsalka community were stranded on the road in life-threatening conditions caused by high winds, snow and extremely cold temperatures. On receiving a call for help, BP Georgia management decided to mobilize a team from Seacor, our oil spill response contractor based in the region, to go to their aid.

Using a snow-cat machine, the team successfully rescued everyone in a safe and professional manner, with no injuries or damage.

"I am very pleased that we were in a position to help these people during this sudden and severe weather. I am proud of the Seacor Georgia and BP Georgia teams who co-ordinated their capabilities to ensure the well-being of the rescued people," said Neil Dunn, BP Georgia General Manager.

Dima Kalmikov, BP Georgia's Health and Safety Team Leader, expressed his sincere gratitude to all Seacor Georgia employees for supporting the Tsalka authorities during the rescue operations: "It is a great example of being a good neighbour and a real member of the local community."



Dima Kalmikov
Health and safety team leader, BP Georgia

Environment

Taking a systematic approach helps us to minimize the environmental impact of our activities



All our operations are **ISO 14001 certified**

13th
Independent audit monitoring BTC environmental and social commitments undertaken

New wildlife rehabilitation center completed as part of BTC's emergency response plan


Find out more online
bpgeorgia.ge
bp.com/sustainability

Environmental management

We take a systematic approach to managing and minimizing the environmental impact of our activities in Georgia.

ISO 14001 and compliance

We continued to manage our operations in accordance with our ISO 14001 certified environmental management system. The system was tested by an external audit in early 2011. Certification was maintained successfully, with no system-wide gaps identified.

The thirteenth post-financial audit of the independent environmental consultant acting on behalf of BTC lenders was undertaken in Georgia in September 2011. These audits monitor compliance with BTC environmental and social commitments, captured within the Operations environmental and social action plan and relevant management plans.

The audit included operational and project sites, focusing on ongoing activities. It demonstrated BP Georgia's dedication to manage project specific commitments. Previous non-compliances relating to stack emissions monitoring and wastewater discharges were closed.

Our environmental operations were also reviewed as part of the internal group safety and operational risk audit in June 2011. Recommendations relating to compliance tasks and hazardous waste risk management were made and are being acted on locally.

We also maintain a compliance assurance process by systematically reviewing national legislation, identifying amendments and distributing information within compliance bulletins. Compliance with our commitments is tracked using a task manager tool where we maintain, update and assign specific commitments and ensure their implementation.



Wildlife rehabilitation center at the BTC pump station 1 in Georgia



The wildlife rehabilitation centre was formed to provide the expertise and capacity needed to save oiled wildlife in emergency situations, to have trained staff and dedicated volunteers (such as government agencies, oil industry personnel, and wildlife groups) ensuring that each live individual affected receives expert and compassionate care. Moreover, setting up the centre was an endeavour that required enormous time, energy and effort from us all.

Eka Rukhadze
Environmental advisor,
BP Georgia

Waste management

We continued to take steps to minimize waste and improve the effectiveness of waste management. We began to recycle used batteries, generating cost savings from the reduction in waste export volumes. Approximately 62m³ of hazardous battery waste has been recycled to date. Our own facility for non-hazardous BP waste continues to operate effectively.

Emissions monitoring

We continue to monitor our emissions to air and discharges to water and land. In 2011, we achieved full compliance with project specified standards in noise emissions and ambient air quality. Bi-annual ground and surface water monitoring along the BTC pipeline and pumping stations was completed, demonstrating no indication of hydrocarbon presence and thus fulfilling our commitment against government requirements.

We made progress in initiating three energy-efficiency projects which will act as offsets to our historical excess of the nitrous oxide concentration limits specified in the environmental and social action plan committed to BTC lenders. This approach and these projects were agreed with the lenders in 2010. The three projects were selected from 13 alternatives, taking into account, among other factors, that the project scale should be commensurate with the excess NO_x emissions.

Environmental protection

We take action to protect the natural environment, whether by fulfilling long-term plans or taking action to respond to emergencies



Bio-restoration the BTC ROW

Ecological management

We completed the construction of the wildlife rehabilitation centre in 2011. The facility is co-located with PSG1 and is now fully operational. We provided training to volunteers from state and non-governmental organizations in wildlife survival and rehabilitation skills. The operation of the facility fulfills a commitment made under the BTC emergency response plan.

In 2011, we have administered a cross-country bio-restoration monitoring initiative involving contract and tendering process for acquiring satellite imagery. Analysis of vegetation cover and species diversity identified positive trends for 2011 in three countries across the region.

We introduced an updated tool for monitoring the results of bio-restoration at selected locations along the BTC/SCP pipeline routes. A new reporting format enables us to provide qualitative and quantitative information on bio-restoration outcomes on a quarterly basis.

To ensure compliance with ESIA requirements, we defined a draft cross-country strategy for ballast water management. As part of this, random chemical and biological monitoring was undertaken for ballast water in line with International Maritime Organisation Ballast Water Management Convention requirements. Monitoring demonstrated compliance with applicable international standards.

Protecting the environment – flood response at PSG2

Thirteen employees at the BTC PSG2 site had a tough job on hand when on the night of 12 July, they confronted flooding following heavy rain. The team's prompt and effective action resulted in no oil release to the environment and remarkably, the site remained fully operational.

At approximately 10 p.m., following heavy rain, flood water had entered the site, quickly filling the retention pond and backing up the oily water separator, drains and channels.

The emergency response team was mobilized immediately to put measures in place to prevent any oil release. This involved laying absorbent booms across the retention pond, pumping out clean water and preventing oil escaping from drain pits. At the same time, an additional main oil line pump was started and the station suction pressure reduced to allow the drain sumps to be pumped out to the BTC line, as designed.

Working all night, in pouring rain, using site resources, the team managed to recover oil from all affected areas. The team battled against extremely heavy rain and flooding without rest, before being able to stand down at 4 a.m.

On the following day, with the risk of flooding averted, PSG2 went into recovery mode, continuing to pump water from the retention pond, pits and channels and cleaning up the minor oil staining at localized areas around the site. Immediate measures were put in place, such as deepening irrigations channels and installing larger flumes to increase the capacity to cope with unusually large water volumes. A long-term strategy was agreed involving an annual survey of the terrain around all operational sites to ensure that owned or third-party drainage and irrigation systems are in good repair.

Zaza Ramishvili, PSG2 Site Controller, remarks: "Despite the severe weather, all our people were extremely dedicated and responded to the threat. The skills gained during emergency exercises and team spirit contributed to the successful response."

Vova Emirov, PSG2 Field Safety Officer, recalls: "All of us were woken by abnormally heavy rain and within several minutes we were out on site, observing a stream of water rapidly filling the retention pond. There was no panic; each emergency response team member knew exactly what to do. The aim was to prevent even a single drop of oily water escaping from the site boundaries. Real professionalism was shown, considering that for several hours we had to work in pouring rain, in flood waters of half a metre."

Alistair Liddle, then Georgia exports operations manager, added: "This was tremendous team effort. The site response was excellent in terms of how effectively the incident was managed and also how people worked very hard in extreme conditions with no complaints whatsoever. The support received from Tbilisi was also noteworthy, as people from different functions quickly swung into action. This was a team effort which we can all be proud of."



Zaza Ramishvili
Site controller, BTC pump station 2, Georgia

Environmental improvement projects *We carry out projects and initiatives in line with the basic principle of continuous environmental improvement*

- 1 Bio-restoration on the BTC pipeline
- 2 Rare species conservation project – one of the winner of the eco-awards program



Environmental improvement projects

We completed the decommissioning of the Akhaltsikhe camp in 2011, which involved the removal of waste and site clean-up.

Following the clean-up works, which covered waste and contamination issues, the decommissioned plot of land was handed over to the landowners in accordance with contract requirements.

In compliance with project requirements for wastewater discharge, we completed the construction of new sewage treatment plants at the area 80 permanent accommodation site and four WREP locations. This takes the total number of treatment plants we have completed in Georgia since 2010 to 10.

We also completed the modification of retention ponds and discharge systems at BTC pumping stations.

Eco-awards

Under this initiative, we and our partners provided \$900,000 to the Eurasia Partnership Foundation in 2008, to implement an eco-awards programme over a three-year period. The initiative has benefited from the support of a range of environmental bodies, the government and other institutions.

Interest in the programme has continued to grow. A total of 73 proposals for awards were received in 2011, compared with 51 in 2010 and 49 in 2009.

The programme has increasingly supported projects from across Georgia, with 63% of the organizations supported from regional areas. In 2011, four of the six organisations who received awards were from regional locations and all six projects supported in 2011 have involved implementation in the regions.

The awards are addressing environmental issues, while simultaneously providing economic development opportunities for local communities. For example, the project run by Rural Communities Development Agency aims to help small-scale farmers and disadvantaged villagers in selected communities in the districts of Chokhatauri and Khobi to overcome poverty and sustain their livelihoods by building skills in environmental protection and the use of renewable energy resources.

Some projects have contributed to the formation of public-private partnerships, thereby improving co-operation between the state and the society. For example, the Friends' Association of Vashlovani Protected Area, which was created as a result of a successful project supported in 2009 and implemented by the International Union for Conservation of Nature, co-operates productively with the Agency of Protected Areas of Georgia. Part of the project activities are implemented in the protected area. The fact that developing protected areas is one of the government of Georgia's priorities creates a supportive environment for the project. In addition, the initiative has already stimulated interest from private businesses.

Society

We aim to make sure that our socio-economic impact in Georgia is positive by running our operations responsibly and investing in communities for the benefit of local people and BP

**National Energy
Globe Award** for the
community energy
efficiency programme –
Energy Bus

500+

Farmers trained in
production techniques,
food safety and
budgeting

8+

years we have
been implementing
community development
programmes



Find out more online
bpgeorgia.ge
bp.com/sustainability

Engaging with communities Meaningful engagement with communities is an essential aspect of our business

Engaging with communities

We engage regularly with the communities who live near our pipelines to maintain constructive relationships with them.

Community liaison

Our community liaison objectives and communication tools are described in a community communication plan. We have designated community liaison officers who liaise with locals on a regular basis. They stay abreast of local issues, listen and respond to concerns, and reinforce the messages on safety and restrictions along the pipelines.

Our target groups are village heads/trustees, local residents, complainants, and landowners. We also maintain contact with district officials such as regional governors and district Gamgebelis (heads).

We are continuing to develop relationships with communities along the Western route and are therefore collecting and updating the information we hold on pipeline villages, local authorities and informal leaders.

Civil society capacity building

We work in partnership with a large number of organizations to help build the fabric of Georgian civil society. While this involves partnership with international aid agencies and lenders, such as the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD), we have sought to increase the role of Georgian non-governmental organizations (NGOs) in delivering the capacity building programmes we support.

For example, within our Community Development Initiative (CDI), described below, we have worked with our current implementing partner, Care International, to develop the capacity of local civil society organizations to continue to implement the initiatives once the formal programme comes to an end. A competitive tender was held in 2011, managed by Care International, which resulted in two NGOs (Centre for Training and Consultancy, and the Regional Development Association) being selected to undertake CDI activities in eastern and western pipeline communities.



Supporting education

Supporting education has long been an important element of our community development initiatives in Georgia. We have financed projects designed to make quick impact, such as refurbishing school buildings, as well as longer-term initiatives that develop the capabilities of students in leadership, advocacy and project management.

International School of Economics, Tbilisi

We continue to provide financial support to the International School of Economics in Tbilisi, which had its sixth admission in 2011. Graduates serve both in public and private sector and several of them continued their PhD studies in world-renowned PhD programmes abroad.

1 Participants of the youth capacity building project

2 Project Management college graduation ceremony

3 Children from the WREP communities at the summer camp

The Project Management College

We also continue to provide financial support to the Project Management College, which provides training on project management disciplines to participating students. This year, the college announced that it would be offering a new one-year modular course on programme management in addition to its existing courses. We continue to be the major funder of the college, and we committed in 2011 to providing funds for a further two years (2012 and 2013). We received recognition for our development of the Project Management College in Georgia in BP's group-wide internal awards.

Helping communities and businesses We are helping to build local economic capacity by supporting agriculture, rural infrastructure and business enterprise

Supporting local enterprise and business development

We are taking a range of steps in our Community Development Initiative (CDI) to help develop local economic capacity.

The initiatives within the programme include:

- Renewal of rural infrastructure.
- Agricultural support.
- Support for income generation through micro-credit.
- Civil society capacity building.
- Support for small scale business start-ups.
- Support for the establishment of social enterprises in which business ideas promoted by community-based organizations are supported.

Social enterprise focus is to provide services required within the local community with the profits generated being used for the benefit of the community.

Rural infrastructure

A total of 29 infrastructure rehabilitation projects were undertaken during 2011. The community contribution allowed larger projects to be undertaken than CDI financing alone would have been able to achieve. We are assessing the social and economic impact of the infrastructure rehabilitation projects and will outline results in 2012.

Through the programme, we make specific efforts to develop community-based organisations (CBOs) by setting up social enterprises in target communities. By creating enterprises, the CBO takes a step towards becoming self-sustaining, supporting its members and the local community.

Eleven enterprises have been set up, providing agricultural services, minibus services, and cattle breeding. CBOs worked with community members to identify potential future projects which will be financed from the profits.

Agricultural support

Our agricultural support programme is focused on helping organizations market their goods, and to become more mature, service delivering entities. Farmers groups are working collaboratively, with equal sharing of income and expenditure among group members. They are planning and implementing joint activities and training processes.



Business woman of the year Nino Zambakhidze

CDI Farmers to Market business partner GBZ celebrated a major success in 2011: Nino Zambakhidze, the head of the company, became business woman of the year in recognition of her work in creating a milk production factory and fodder production plant in Akhaltsikhe district, with co-funding from the CDI/Farmers to Market initiative. Nino was nominated within the category for small business development, one of 15 nominations in total. The Mercury 2011 Business Award ceremony was held in May 2011 in Tbilisi. The event was organized by the Ministry of Economics and Sustainable Development. The most successful companies were assessed by a 200-man jury.



At the milk production factory in Akhaltsikhe

Demonstration farms are arranged with individual farmers, attracting other interested members of the community to participate in the learning process. The programme is working with 51 demonstration farmers and 30 agricultural groups.

Access to credit

CDI enables financial credit to be made available to rural farmers by providing subsidized agricultural loans in several CDI communities. In total, 256 agricultural loans have been made to CDI farmers to date.

Business start-ups

We have provided training in support of business start-ups. This has focused on business planning, understanding markets and the concept of the value chain; product and price, product definition and tools for pricing; sales and marketing. Seventy seven people were granted support and 58 small-scale businesses were started. The businesses include running village markets, livestock breeding, poultry farming, beekeeping, and providing small workshops.

Our social programmes and initiatives

The Farmers to Market Initiative (2008-2011)

The Farmers to Market project, which ran from 2008-2011, focused on providing relevant training to farmers in order to enable them to increase the quality and quantity of their produce.

Some 500-600 farmers have been trained in individual and group sessions, on improved production techniques, food safety and budgeting. This resulted in 72% of farmers reporting increases in their volumes of production.

Key outputs from the programme have been:

- 792 farmers have directly received financial and non-financial benefits from engagement with consolidation centres (CCs) established under the programme.
- 76% of beneficiary farmers report that they used improved knowledge on production gained through training.
- 85% of farmers report increased livelihood security as a result of co-operation with CCs.
- CCs provided advisory services to 391 pipeline farmers.
- 792 farmers directly sold their produce to CCs.

Social projects and initiatives

We support various projects and organizations addressing social needs across Georgia



The Community Development Initiative provides communities with tangible benefits by improving socio-economic aspects of their lives. It also empowers people and equips them with the skills for addressing community needs without external support in future.

Eteri Kvirikashvili
Community Development
Advisor, BP Georgia

- 89% of target farmers experienced an increase in annual family incomes (19% on average) as a result of co-operation with CCs.
- 289 pipeline farmers participated in four trade shows.
- Five CCs remain in operation, demonstrating their financial sustainability by the end of the project.

Youth capacity building

Under this initiative, which seeks to provide practical and developmental help to young people, we awarded micro-grants to 44 target schools on WREP to implement small rehabilitation activities in schools. These projects were implemented in 2011.

At the end of the year, 15 new grants were awarded to winning schools. The grants provided motivation for the youth groups to become more active.

As part of the initiative, two six-day summer camps were organized by the project's implementing partner, Scouts of Georgia. In these:

- 173 children from the target schools enjoyed summer holidays, acquired leadership, team-building and scouting skills, became more sensitive to environmental issues and integrated with others from different regions of Georgia.
- 86 other students acquired basic leadership skills, enabling them to act as group leaders in the future.



National Energy Globe award ceremony in Austria

- Seven leaders established links with the youth capacity building project beneficiaries and strengthened their leadership abilities.

In 2011, 238 youths joined the groups, bringing 1,115 people together. More than 350 small scale environmental activities were conducted by the youth groups. Approximately 280 individuals with the best academic performance undertook a personal development training course.

Supporting the EU-Georgia Business Council

We support the EU-Georgia Business Council (EUGBC), which was established with a \$300,000 grant under its BP pledge agreement with the government of Georgia, signed in October 2004. The council works with other business councils based in Georgia to promote trade and exports. Members include the Georgian Chamber of Commerce and Industry, the American Chamber of Commerce, the Federation of Georgian Businessmen and the Association of Georgian Exporters. We provided financial support to EUGBC in 2011 totaling \$42,054 comprised of our membership fee and an additional grant.

Energy efficiency awareness-raising

We launched the Energy Bus initiative in March 2009, a three-year effort to raise awareness in Georgian communities of how to use energy efficiently and safely. The initiative also seeks to help people install renewable energy and energy-efficient products in their homes.

The bus, a mobile information and demonstration unit, displays information, products and technology that promote energy efficiency. Since it began its visits in April 2009, the Energy Bus has hosted approximately 58,000 visitors.

The Energy Bus project won a National Energy Globe Award in 2011. This prestigious award, which is international in scope, was presented to the team in Austria. The project was the only award winner from Georgia.

The project will come to an end in 2012. However, we have decided to continue to support energy-efficiency initiatives and are beginning a two-year project which envisages the construction or installation of various energy-efficiency devices in communities across Georgia. The initiative will be both practical and demonstrational and will seek to build on the higher levels of energy-efficiency awareness initiated by the Energy Bus. We are in discussions with the implementing NGO to determine the precise focus and scope of the new initiative.

Our performance

Five-year performance data, trends and interpretation

For the year ended 31 December	2007	2008	2009	2010	2011
Performance					
Total hydrocarbon throughput (mmbœ)	221.4	281.4	349.7	346.5	313.8
Social investment (\$ million) ^a	8.7	8.0	8.5	8.2	3.4
Safety^b					
BP employee fatalities	0	0	0	0	0
BP contractor fatalities	0	0	0	0	0
Days away from work cases (DAFWC) ^c – workforce ^d	0	0	0	0	0
Days away from work cases frequency (DAFWCF) ^e – workforce	0	0	0	0	0
Recordable injuries ^f – workforce	1	5	3	0	1
Recordable injury frequency (RIF) ^g – workforce	0.04	0.26	0.17	0	0.07
Total vehicle accidents	5	6	2	5	9
Total vehicle accident rate ^h	0.49	0.71	0.25	0.71	1.12
Hours worked – workforce (million hours)	4.46	3.87	3.51	3.11	3.07
Kilometres driven (million)	10.10	8.50	8.12	7.08	8.06
Environmentⁱ					
Number of spills – loss of primary containment ^j	2	2	2	2	0
Volume of oil spilled (litres)	75,290	4,715	5,520	25,454	0
Volume of oil unrecovered (litres)	0	0	320	3,700	0
Direct carbon dioxide (CO ₂) (tonnes)	408,273	251,090	285,415	255,321	277,183
Direct methane (CH ₄) (tonnes)	271	147	311	325	339
Equity share direct greenhouse gas (GHG) (tonnes CO ₂ equivalent)	122,346	76,443	88,289	79,122	85,765
Sulphur dioxide (SO _x) (tonnes)	109	88	102	90	78
Nitrogen oxides (NO _x) (tonnes)	2,704	1,992	2,309	2,116	2,017
Non-methane hydrocarbons (NMHC) (tonnes)	91	72	1,206	1,204	1,212
Hazardous waste disposed (m ³)	383	352	691	545	643.5
Non-hazardous waste disposed (tonnes) ^k	463	497	423	335	316
People					
Total BP Georgia headcount	591	536	405	398	438
Georgian nationals as % of BP Georgia headcount	84	93	95	96	95

^a Figures show BP and partner spending. They include 'cash out' spending and support provided under the BTC grant and the BP pledge. For more information on BP pledge and BTC Grant please see *BP in Georgia Sustainability Report 2005* and *BP in Georgia Sustainability Report 2006*, respectively.

^b Safety data shows performance for BP in Georgia as a whole, encompassing our in-country activities described in this report (projects, operations (BTC, SCP, WREP, Supsa, and operations support), administrative support, and Air BP).

^c 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 the member of the BP workforce comes to work even when a physician or other licensed health care professional recommends that the individual stays at home.

^d The BP workforce comprises all BP employees, all BP contractors and all BP directors.

^e DAFWCF workforce: The number of injury DAFWCs to the BP workforce for every 200,000 hours worked in the same period.

Trends and interpretation

Performance

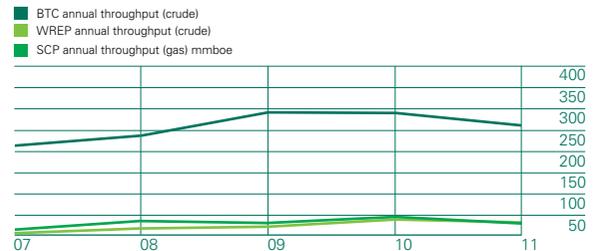
The total throughput of hydrocarbons through the BTC, SCP and WREP pipelines decreased in 2011 when compared to 2010. This resulted from the high number of shutdowns in our offshore activities in the course of the year, most of which were planned, in order to carry out required maintenance.

Social investment spend, at \$3.4 million, was lower in 2011 than in previous years. This was due to 2011 being the first year in which lower levels of BTC grant payments were made, as set out in our original agreement made in 2004.



Performance
www.bp.com/performance

Total throughput of hydrocarbons through BTC/SCP/WREP (mmboe)



Safety

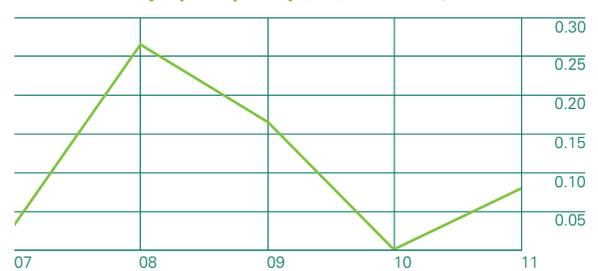
There was one recordable injury on 2011, leading to a slight increase in our recordable injury frequency from the rate of zero in 2010.

The number of vehicle accidents increased in 2011, as did the total vehicle accident rate. As discussed in the safety section of this report, we are taking action in areas such as defensive driving and continuing driver training and monitoring to minimize the risk of incidents.



Performance
www.bp.com/safety

Recordable Injury Frequency (RIF) 2007-11 (per 200,000 hours)



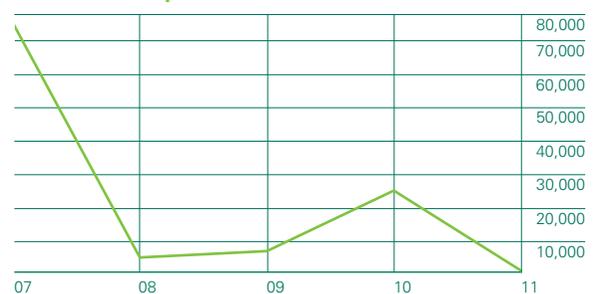
Environment

The increase in hazardous waste in 2011 when compared with 2010 reflects the higher amount of oily liquid waste generated at facilities through unplanned events, though not resulting in any spills.



Performance
www.bp.com/environment

Volume of oil spilled (litres) 2007-11



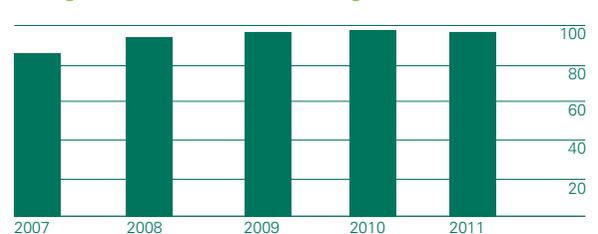
People

The total BP Georgia headcount increased in 2011 by approximately 10%. The proportion of Georgian nationals within the total BP Georgia headcount was 95% in 2011.



Performance
www.bp.com/employees

Georgian nationals as % BP Georgia headcount 2007-11



^f A recordable injury is a work-related injury and illness incident that results in a fatality, DAFWC, restricted work or job transfer, or medical treatment beyond first aid.

^g RIF: The total number of recordable injuries to the BP workforce for every 200,000 hours worked in the same period. This is a commonly-used industry measure of personal safety performance.

^h TVAR: total vehicle accident rate – the sum of all light vehicle, all heavy vehicle and all mobile plant accidents per one million kilometres driven.

ⁱ All environment data relates to total BP-operated emissions with the exception of 'equity

share direct greenhouse gas (GHG)' emissions which shows the BP share of emissions from operations on an equity share basis. Presented data covers BP-operated activities for all three pipelines (BTC, SCP and WREP) and associated facilities in Georgia.

^j Under the BP group definition, oil spills are any liquid hydrocarbon release equal to or more than one barrel (159 litres, equivalent to 42 US gallons). A loss of primary containment is an unplanned or uncontrolled release of material from primary containment.

^k Non-hazardous waste includes general waste such as household garbage, food-contaminated waste, glass and other materials which cannot be recycled.

Independent assurance statement to BP management

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

BP in Georgia Sustainability Report 2011 (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 organisation. 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' ISAE3000.

The Report has been evaluated against the following criteria:

- Whether the Report covers the key sustainability issues relevant to BP in Georgia in 2011 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 selected internal documents relating to the sustainability performance of BP in Georgia in 2011 including independent review reports.
2. Reviewed the outcome of BP Georgia's own processes 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?
We are not aware of any key sustainability issues relevant to BP Georgia which were raised in the media or the outcome of BP Georgia's own materiality process 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

As auditors to BP p.l.c., Ernst & Young are required to comply with the requirements set out in the Auditing Practices Board's (APB) Ethical Standards for Auditors. Ernst & Young's independence policies 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 2011.



Ernst & Young LLP, London
June 2012

Glossary

BTC

Baku-Tbilisi-Ceyhan pipeline

CC

Consolidation centre

CDI

Community Development Initiative

CO₂

Carbon dioxide

DAFWC (f)

Day away from work case (frequency)

EBRD

European Bank for Reconstruction and Development

EDDF

Emergency drain-down facility

EMS

Environmental management system

EU

European Union

EUGBC

EU-Georgia Business Council

GHG

Greenhouse gas

HSE

Health, safety and environment

IFC

International Finance Corporation

ISET

International School of Economics at Tbilisi State University

Mmboe

Million barrels of oil equivalent

Mmscf

Million standard cubic feet

NGO

Non-governmental organization

PSG

Pump station Georgia

SCP

South Caucasus Pipeline

WREP

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

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

Feedback

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

bpgeosust@bp.com

BP Georgia
24 S. Tsintsadze Street
0160, Tbilisi
Georgia

Previous BP in Georgia Sustainability reports are available at www.bpgeorgia.ge

Group reporting

Our website, www.bp.com/sustainability, is an integral part of our group sustainability reporting, covering a wide set of issues and reporting on them in more depth. The website also includes detailed information about our environmental and safety performance.

BP Sustainability Review 2011 is available in Arabic, English, Mandarin Chinese, Portuguese, Russian and Spanish.

www.bp.com/sustainabilityreview2011

Country and site reporting

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

www.bp.com/countrysustainabilityreports

www.bp.com/site-reports

Case studies

Our case studies demonstrate our sustainability efforts in action around the world and provide insight into how our policies and practices can make a difference at the local level.

www.bp.com/casestudies

Acknowledgements

Design: Besik Danelia, IBDesign Ltd. Tbilisi, Georgia

Photographs: BP staff, contractors, Gogita Bukhaidze