

BP in Georgia Sustainability Report 2012

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Building a stronger,
safer BP

About our report

This report covers the activities of BP Georgia, focusing on performance in 2012 while providing information on developments in 2013. 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.

Cautionary statement

BP in Georgia Sustainability Report 2012 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 2012*. 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.

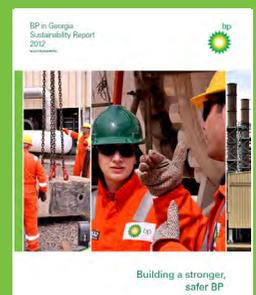
An introduction to Ernst & Young's assurance process

We have reviewed the *BP in Georgia Sustainability Report 2012* 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 30*.



Find out more online

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Front cover

BTC pump station 1

BP Georgia office employees visiting the operating site.

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A view from BP Georgia's General Manager



“

We want to be a force for good in Georgia by listening to what Georgian people want and playing our part to make it happen’

”

Neil Dunn

General Manager, BP Georgia

2012 was one of our best years for safety. We worked approximately 3.4 million man hours, completing some major projects in a wide range of challenging environments, and had just one medical treatment case in the course of the year. We and our contractors drove more than nine million kilometres in 2012 and improved our driving safety record while doing so. This performance is a reflection of real excellence in risk management, project planning and execution and of the effort we are making to hold contractors to BP performance standards.

We continued to prepare for the major capital works to expand the capacity of the South Caucasus gas pipeline (SCP) and replace Soviet-era sections of the Western Route Export Pipeline, commonly known as the Baku-Supsa pipeline. This has involved preparatory work with landowners, government and community stakeholders – including completing and disclosing the Environmental and Social Impact Assessment (ESIA) for the SCP project and preparing the ESIA for WREP. These assessments, together with obtaining the necessary permits to carry out the work, have been major undertakings. While effort to complete permitting for WREP will continue in the months ahead, we will continue to work with our partners so that field work can begin later in 2013. The projects will mark another milestone in our continuing investment in Georgia.

We continue to make a significant contribution to the Georgian economy through the jobs we provide and the taxes we pay. With SCP expansion progressing from a concept to reality, it should not be forgotten that a major part of our contribution to Georgia is in providing gas for domestic use. This provides great value to the country and even more so when the new facilities come on stream. The gas Georgia takes from SCP will increase significantly in future, and will enhance national energy security.

In addition to our financial impacts, we have a less obvious but important influence in Georgian society. We not only provide contracts and employment for local businesses, but we work with them to promote better employment practices. We manage our impacts on the environment, and protect Georgia's cultural heritage when we carry out our operations and projects. We develop capacity through our social projects, supporting business start ups and helping young people build a brighter future. We were, for example, especially proud in 2012 to be the official partner of the Georgian National Olympic Committee and the Georgian National Paralympic Committee and to provide support for the six Georgian Olympic and Paralympic athletes who competed in London. It proved an uplifting experience, and our support for them is continuing.

Many of these initiatives are described in this report – our eighth consecutive annual sustainability report, which we believe sets an example for transparency and good governance. In that spirit, we recognize that we face a number of challenges in the years ahead, such as continuing to build contractor capability in safety, leadership and management. Operating safely is something that is always top of our agenda. In other areas, we want to be a force for good in Georgia by listening to what Georgian people want, and playing our part in making it happen.

Neil Dunn

General Manager, BP Georgia

May 2013

Achievements and challenges

We highlight below our most significant achievements in 2012 and the challenges we face in the future.



Achievements

Continuing operating efficiency

We continued our good record of pipeline operational efficiency, with average efficiency of more than 99% in our delivery operations (page 5).

Excellent safety performance

We carried out our operations and projects with just one recordable injury – while working approximately 3.4 million man-hours and driving more than nine million kilometres (page 15).

SCP expansion progress

We made good progress on plans to expand SCP, including significant amounts of work on the environmental and social impact assessment, which has been prepared for submission to the Georgian government (page 6).

Managing our environmental impact

Our systematic approach to environmental management has been reflected in positive external audits and in our day-to-day management of impacts in operations and projects (page 20).

Pipeline security enhancements

We installed and successfully piloted a fibre optics intruder detection system on a stretch of the Western Route Export Pipeline which has significantly improved our capacity to protect the pipeline from interference (page 5).

Launch of the new BP values and code of conduct

We ran campaigns to raise awareness of the new BP values among our people, including new joiners (page 10).

Challenges

Delivering our major projects

SCP expansion and WREP sectional replacement create a range of operational, safety, environmental and resourcing challenges. Our past experience gives us the experience we need to manage these projects successfully, but we need to demonstrate that expertise by delivering on our commitments to our shareholders, partners, colleagues, and communities (page 7).

Building contractor capability in safety leadership

While we have taken many steps forward, we will need to support our contractors in developing working cultures that give prominence to safety (page 14).

Raising contractor awareness of social risk

We will need to work more with our contractors to increase their awareness of the social impact of the work undertaken in the field, ensuring that we maintain positive relationships with local communities (page 12).

Developing our new employees

We know that sustained effort is needed to develop our new joiners to BP – from providing English language training through to comprehensive technical training to give them the competencies they need for future work in BP (page 10).

How we operate

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

Our goals

We are committed to safe and efficient transportation of oil and gas through Georgia to world markets.

We take steps to build capacity of local people and contractor companies.

We conduct our operations based on BP's values and code of conduct requirements.

In this section

Internal systems and processes help us conduct our business responsibly.



Extensive environmental and social impact assessment enables us to assess potential impacts of the SCP expansion project.



Our activities generate benefit for the Georgian economy and local people.

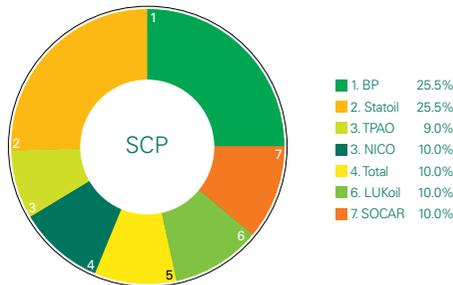
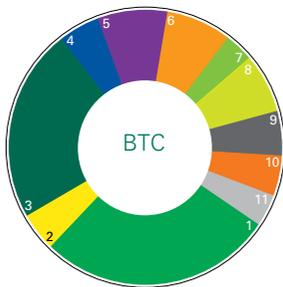
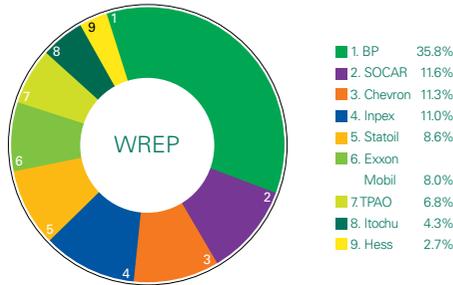


BTC pump station 1
People at work.



BP in Georgia

BP operated interests in Georgia



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

BP is one of the world's leading integrated oil and gas companies on the basis of market capitalization, proven reserves and production. Our objective is to create value for shareholders by helping to meet growing demand for energy in a responsible way. Globally, we employ approximately 85,700 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 seventh full-year of operation. The BTC and SCP pipelines run side by side for 248 kilometres within Georgia, with two BTC pump stations, gas offtake pressure reduction and metering facilities on SCP. There are a total of 16 block valves and 11 check valves on BTC, and six block valves on SCP.

We also operate the Western Route Export Pipeline (WREP) and Supsa terminal on behalf of an international consortium of energy companies. Three hundred and seventy three kilometres of WREP lies within Georgia, with 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.

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

Summary operational performance in 2012

In 2012, we transported more than 246 million barrels of oil through BTC and more than 29 million barrels of oil through WREP with both pipelines operating at more than 99% average efficiency. We safely delivered approximately 143,000 mmscf of gas, equal to more than 25 million barrels of oil equivalent (mmbboe).

In the course of the year, we completed 320 tanker loadings from the marine oil terminal at Ceyhan on the Turkish Mediterranean coast, where the BTC pipeline ends, and 49 tanker loadings from the Supsa terminal, the end point of WREP.

In 2012, we also carried out a variety of maintenance and modification projects on the pipelines and associated facilities. These included beginning the installation of an optical fibre intrusion detection system on WREP to deter illegal hot tapping; completing the installation of a fibre optic cable communication network which allows the unmanned secondary containment sites to be better controlled through the BP network; continuing to install grid power to the Emergency Drain Down Facility (EDDF) and the Supsa terminal; constructing ten sewage treatment plants at various sites along the pipelines; and beginning the construction of permanent accommodation at pump station 2.

SCP expansion

We are continuing to pursue our plans for the full field development of the Shah Deniz field in the Caspian Sea, the source of SCP gas. The plans, which include the development of new production platforms and subsea wells and pipelines, require the construction of two new compressor stations, a pressure reduction and metering station (PRMS) at the Georgia-Turkey border, a 56 kilometre pipeline loop in Georgia in parallel to the existing line, starting from the Azerbaijan-Georgia border and a 16 km access road to the new compressor station in Tsalka.

Environmental and social impact assessment

Following preliminary route and site investigations in 2011, extensive work was carried out on the project's environmental and social impact assessment (ESIA). The ESIA process involves extensive data gathering and analysis of the baseline conditions relating to the project and its potential environmental and social impacts. These include considering potential sensitivities such as community safety and disturbance due to increases in traffic that the project will bring to the area, employment and economic opportunities, the project's impact on infrastructure quality including water resources, roads and local facilities, landscape and visual impacts and cultural heritage, land ownership and registration. A range of alternative project development options are also considered.

Expanding our business in Georgia

We are working with a wide range of stakeholders to communicate our plans for the new projects and understand their concerns.



Mikheil Tsereteli
Deputy General Director,
The Georgian National Museum

The Rescue Archaeology Programme, sponsored by BP and its partners as part of their efforts to protect the cultural resources discovered during the construction of BTC and SCP, represents one of the most significant commitments to cultural heritage ever made by an international pipeline project. This approach provided a useful life-line to Georgian archaeologists and opened the door to new projects. Today, observing the excavations at the SCP expansion project, we are witnessing higher levels of professionalism from Georgian archaeologists, who greatly enhanced their capabilities after the difficult periods of the 1990s.

Comprehensive cultural heritage studies were undertaken at all project locations, including walkover surveys and assessment of project areas and archaeological excavations. The cultural heritage works associated with the project extended to various locations around Tsalka and Marneuli. Archaeological excavations lasted from June to November 2012, and studied locations where project construction activities will take place. These included the new pipeline right of way, associated facilities and access road. Teams contracted by the Georgian National Museum undertook excavations at a number of locations where construction works are planned. These did not reveal exact archaeological sites but confirmed signs of Bronze Age settlements and burials at Tsalka and a medieval settlement at Marneuli.

The ESIA also involved a health impact assessment (HIA). This was carried out by a team of occupational and public health experts who researched and analysed health data locally and in the immediate vicinity of the project. The aim of the HIA process is to assess the potential impacts of the project on the health of local inhabitants to inform decision making and identify management measures for inclusion in a health mitigation plan or commitments register.

We also undertook extensive community consultation. Opportunities for individuals and communities potentially affected by the project to review the assessment and provide their comments are an integral part of the ESIA process. We held public consultation meetings in Tbilisi and the districts and used public

announcements, newspaper advertisements, project description leaflets, feedback forms, and direct consultation. More information about the SCPX project related consultations can be found in the society section of this report.

A limited number of concerns were raised by representatives from communities affected by the project, mostly in relation to individual and community claims for compensation for land used by the project, or restrictions in land use and access. Other issues raised were the potential impacts on village infrastructure from construction and employment opportunities.

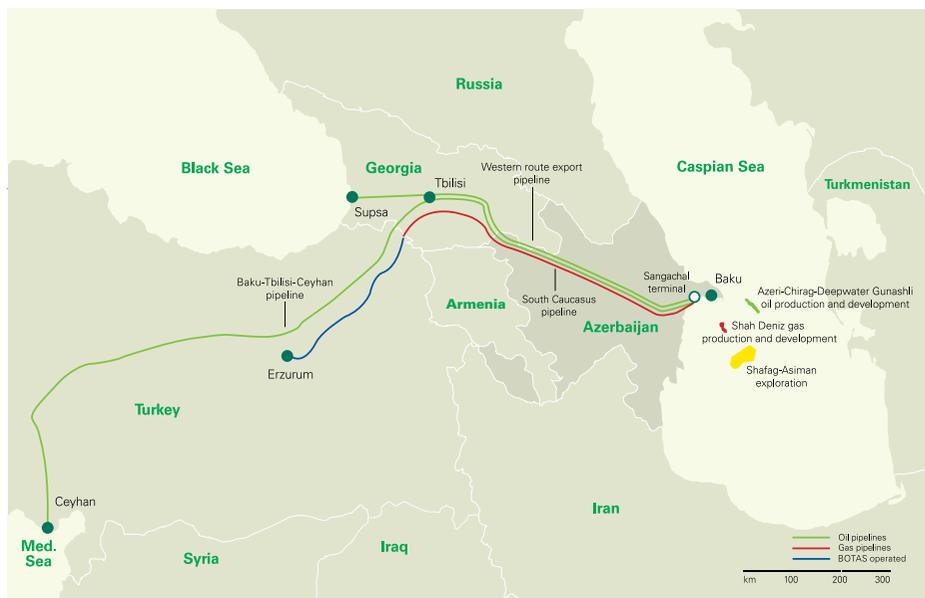
We produced a guide to land acquisition and compensation that provides land owners, land users, local authorities and the public with practical information on the land acquisition and compensation process for the SCPX project. The guide is available on the BP Georgia website. Land acquisition for construction of the permanent facilities (the compressor stations) was completed in 2012, and approximately 82% of the land required for the right of way was also successfully purchased.

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, with the aim of reducing the risk of geo-hazards such as landslides, erosion and flooding and to take the pipeline out of the territory of Akhlagori district. This is intended to reduce the majority of safety and security risks to the pipeline operations and maintenance.

From early in the project, we have engaged with government, NGOs and the scientific community, holding briefings with them in 2011 to outline the schedule and review key issues identified during the baseline studies as well as those put forward at consultation meetings. This included issues relating to land acquisition and compensation arrangements, impacts on land productivity, water resources and infrastructure, employment, and pipeline route selection through the Saguramo Strict Protection Zone of the Tbilisi National Park and the Mtskheta Landscape Protection Zone. These consultations continued as part of the ESIA process in 2012.

BP's interests in the Caspian region



Governance and management systems

We work to enhance safety and risk management, maintain the trust of people and grow value.



BTC pump station 1 in Georgia.

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 deepwater and oil sands, requires particular sensitivity to local environments. We continue to enhance our systems, processes and standards, including how we manage the risks that can be created by the actions of our contractors and the operators of joint ventures in which we participate.

We 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, managing 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 people worldwide. 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 in the future.

Governance and risk management

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

Day-to-day risk identification and management occurs at our group's operations and functions, such as our activities in Georgia. We assess and manage day-to-day operating risks with reference to our management systems and actions to improve the management of risk are put in place where necessary. Periodic review of risks and risk management plans happens at the business and functional levels, including major accident risk and other potentially high-consequence risks.

Oversight and governance occurs at board, executive and function levels to help foster effective group-wide oversight, business planning and resource allocation, intervention and knowledge sharing.

The board provides direction and oversight of BP on behalf of the shareholders for all aspects of our business, including sustainability performance. The board also reviews key group risks and how they are managed and delegates some of its oversight and monitoring activities to its six committees, composed entirely of non-executive directors. These include the safety, ethics and environment assurance committee which reviews BP's processes to identify and mitigate significant non-financial risks and receives assurances that they are appropriate in design and effective in implementation, and the group ethics and compliance committee which provides information and assurance on the ethics and compliance programme.



Tank roof inspection at the pump station 1.

Our operating management system

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



Georgia site leaders on a daily walk around at pump station 2, near Gardabani.



12
years of ISO 14001
certification.

As an operating business, we are accountable for delivering safe, reliable and compliant operations. In this, we are supported by our safety and operational risk (S&OR) function, which provides independent advice, scrutiny, challenge and, if needed, intervention. S&OR, which consists of a central team and teams in the businesses, sets clear requirements, maintains an independent view of operating risk, provides deep technical support to the business, and intervenes and escalates if necessary.

Operating management system

BP's operating management system (OMS) provides the basis for managing our operations in a systematic way.

OMS integrates BP requirements on health, safety, security, the environment, social responsibility and operational reliability, as well as related issues, such as maintenance, contractor relations and organizational learning, into a common management system. It provides us with one systematic and controlled holistic approach for how businesses are managed.

The principles and standards of the system are supported by our environmental and social practices. These set out how our major projects identify and manage environmental and social issues. They apply to projects that involve new access, projects that could affect an international protected area and some BP acquisition negotiations.

Environmental management system

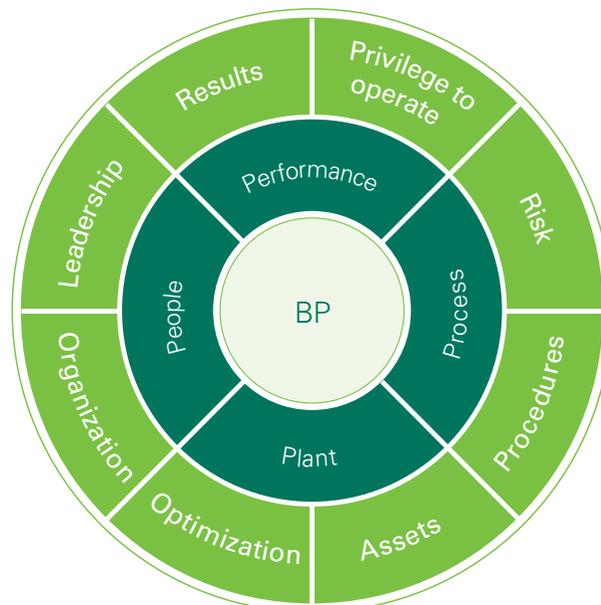
We have long taken a systematic approach to the management of environmental issues in Georgia, not least because of the commitments we made under the environmental and social action plan which was developed during pipeline construction and necessitated a rigorous approach to action tracking and closure. 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 disclosed our record of compliance in our previous sustainability reporting.

The 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, 14 of these annual audits have been carried out, including an audit in 2012.

Responsibility for implementing and maintaining the environmental management system (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.

Our operating management system



Our stakeholders

We regularly engage with a wide range of our stakeholders who are affected in some way by our activities.

Employees

We employ more than 480 people in Georgia, and the size of our workforce has grown over the past three years. In line with our goal of being a local energy company, we have steadily increased the proportion of Georgian nationals working in the business, to reach levels averaging 95% over the past five years. In addition, we have trained and developed local people, who increasingly fill management positions. We have extensive training and development opportunities for all our people and want their careers at BP to be exciting and fulfilling.

Government authorities

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

The 2012 Transparency International Corruption Perceptions Index ranks Georgia 51st of the 176 countries and territories around the world. This ranking puts Georgia first among the countries in the region. In all our interaction with government bodies and regulators, our dealings are governed by our code of conduct, which requires integrity, honesty and transparency in our relationships. In relation to security, for example, we provide training to the SPPD on the Voluntary Principles on Security and Human Rights, a series of principles that guide us on maintaining the safety and security of our operations within a framework that ensures respect for human rights and fundamental freedoms. We have provided training to the SPPD on the need to respect human rights within international standards for the use of force, as recommended by an independent assessment conducted by an international security and human rights expert in 2012.

Georgia's industry

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

Our partners and contractors

As is typical in our industry, we rarely work in isolation. Safe and responsible operations rely on the capability and performance of our suppliers, contractors and partners. We set operational standards through legally-binding agreements and we help to improve standards through training and dialogue. We continue to take steps to build the capacity of local contractors in areas such as safety, environmental performance, employment practice, and social impact awareness.

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

Local communities

We have built strong and constructive relationships over a number of years with the communities affected by our operations. We have a wide range of social programmes, described in this report, which seek to address local needs for infrastructure development, education, environmental protection, youth capacity building and enterprise development. Our team of community liaison officers works hard to stay in regular contact with communities near the pipelines and to understand their concerns and needs.

Talking with local people and other stakeholders helps our businesses to define what a positive or negative impact on the local community means. This is important for all our activities, but particularly for new projects, where our presence may bring about changes in the local area, such as jobs, capacity and capability building for local suppliers and support for community development, but also increased road traffic, changes in land use and landscapes, increased demand for fresh water and varying levels of in-migration.

Non-governmental organizations and civil society organizations

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

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



BP Georgia hosting a Paralympic athlete prior to his departure to the London 2012 Olympic and Paralympic games.

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.



Giorgi Dzvelaia – Back home, at Supsa

Giorgi Dzvelaia was appointed to the position of Supsa terminal operations team leader in January 2012, a role that brings responsibility for all onshore and marine operations, covering the work of 38 BP employees.

Giorgi first worked at Supsa in 1998, and progressed through several roles from operations technician, to operations supervisor to terminal deputy manager in 2006. Following spells as a production engineer and then as site controller at pump station 2 on the BTC pipeline, Giorgi took up a three-year assignment on the Shah Deniz Alpha platform in the Caspian Sea, where he was an offshore operations engineer.

“My time offshore was a great learning experience - working in a complex operating environment, as part of a multinational team alongside people with many different types of experience. Working on a remote platform gives you real insight into the importance of rigorous procedures and the quality of every process you carry out. And of course, I gained new knowledge of gas production and processing and learned a lot through training in areas such as emergency response.

I came back to Supsa for a number of reasons. Professionally, I want to bring the experience I gained offshore to the different environment we have here at the terminal – such as how we can continue to build a strong safety culture. But I came back for personal reasons too – with a new young daughter, it was time to come home and be closer to my family.

The priority for me now is to drive improvements in the way we operate at the terminal, to deliver more reliable operations and sustained excellence. I am pleased I have had the opportunity to gain experience in a number of roles – and I would very much support others doing the same. It would be great, for example, for someone else to have the opportunity to work offshore, as I did, and bring that experience home with them.”

Our workforce

The size and composition of our workforce reflects the type of activities we are engaged in at any one time. While we have consistently increased the number of Georgian nationals working in our business in recent years, expatriate contractors take up positions in Georgia to transfer their knowledge or when their specialist skills are required.

In 2012, the total size of the BP Georgia workforce increased but the proportion of Georgian nationals working in the business decreased slightly. The slight increase in the number of expatriate workers reflects a rise in demand for expatriate staff in connection with the upcoming projects. At the end of 2012, 94% of total employees in BP Georgia were Georgian nationals. Approximately 91% of our managers and supervisors are now Georgian nationals, a proportion which increased by about 4% last year. About 13% of those Georgian managers and supervisors are female.

We also engage more than 70 Georgian contracting companies, employing people who are embedded in our organization and support our daily operations.

In line with our preferred approach, we filled a number of new roles in 2012 by making internal appointments and supplemented this with external recruitment for technician and some other positions. New joiners receive language and technical training during their first year of work with us.

Building skills and experience

We run development courses for team leaders 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 function carries out in-house team leader awareness sessions. These focus on various challenges facing team leaders such as how to handle difficult conversations with employees; conducting performance reviews; recruitment processes; diversity and inclusion; and employee allowances.

We sponsor continuing professional education to help employees gain a formal degree or externally recognized certificate. In 2012, for example, two employees graduated from the Project Management College, supported by BP.

We also seek to give opportunities for our people to move within the BP Azerbaijan-Georgia-Turkey business region in order to broaden their experience. We currently have eight employees on assignment out of the country (in Azerbaijan, Turkey, and the UK), and five who have joined us from Azerbaijan.

We adopted the ‘Challenge’ graduate programme for the first time in Georgia in 2012. The initiative, which is operated across the BP group, provides a

tailored training and development programme for recently recruited graduates. During the programme, which typically lasts 24-36 months, the individuals involved are given roles in at least two different areas of the business, to develop a range of competencies. Graduation is dependent upon successful completion of all training and competency requirements. A profile of Tornike Todria, a Challenge graduate now working in our health and safety team, is provided in the ‘Safety’ section of this report.

Our values

BP’s new values were launched in Georgia towards the end of 2011 and in 2012 we worked with our employees to communicate them and ensure all are aware of how they can be brought to life in everyday behaviour. The values are now included in the BP code of conduct to emphasise their importance in day-to-day decision making.

Our values

Safety

Respect

Excellence

Courage

One Team

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

Respect: We respect the world in which we operate. It begins with compliance with laws and regulations, and we hold ourselves to the highest ethical standards and behave in ways that earn the trust of others.

Excellence: We are in a hazardous business and are committed to excellence through the systematic and disciplined management of our operations. We follow and uphold the rules and standard we set for our company.

Courage: 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.

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

Our code of conduct

We operate under the terms of the BP's code of conduct and continue to highlight its importance to our employees.

Employees discussing BP values at a "We are BP" forum.

Akaki Devidze – On assignment in Azerbaijan

Akaki Devidze recently completed a seven-month assignment in Azerbaijan, working in the midstream finance department as a waste management financial analyst. His role was varied, ranging from supporting input to the group's quarterly budgeting process, to analysis of service providers' expenditure against forecasts, and contributing to the business's five-year plan for 2013-18. A major part of his work involved dealing with a new waste management contract, which covered arrangements for the management of drilling waste - the key waste management challenge facing the business in the region.

Akaki was located in Baku from April to October 2012. "It was a very different experience. Tackling the business issue of waste management, but from a financial perspective, gave me a great opportunity to work across the business, and insight into how a cross-cutting issue like waste management affects the business as a whole. On a personal level, I met many colleagues whom I had only contacted by phone or email before, so it was very valuable for improving communication and building relationships".



In January 2012, members of the BP Georgia leadership team presented their views and shared examples of the new BP values with their teams, followed by a group exercise and in April, we ran two internal 'We are BP' sessions devoted to the refreshed values and behaviours. In total more than 150 employees participated in these sessions, sharing examples of values in action and taking part in exercises and roundtable discussions.

The BP code of conduct

We also operate under the terms of BP's 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, which is available in Georgian, was re-issued across the group in 2011, when it was updated to reflect the new BP values. It applies to our entire workforce, which now numbers some 490 – whether employees or agency staff. 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.

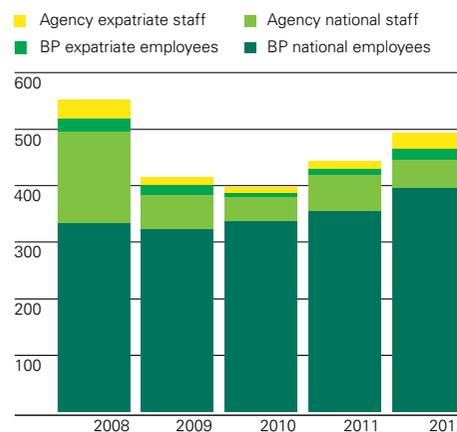
We provided training in 2012 in Georgia about the changes made to the code, beginning with the Georgia leadership team, and following up with training provided by team leaders and managers to their staff at our sites.

We run code of conduct induction for new joiners, covering both BP employees and new agency staff. We provide training on how allegations of fraud and misconduct against the BP standard should be reported, covering the types of possible incidents and who should be notified.

BP Georgia has a dedicated compliance and ethics officer, whose role is to oversee the implementation of the code and support staff with queries that arise. These can include questions about what is permissible under the code and can cover topics such as whether it is acceptable or not to receive or provide gifts or entertainment, or concerns about potential conflicts of interest.

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 officer.

BP Georgia headcount 2012



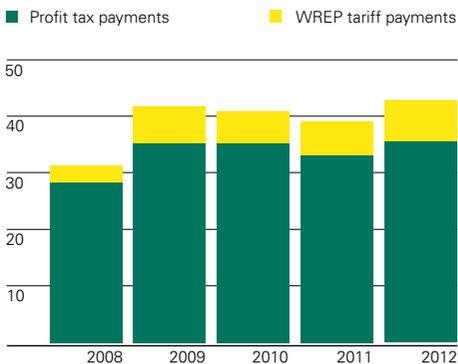
Delivering local benefit

With our support community members rehabilitate the local infrastructure.

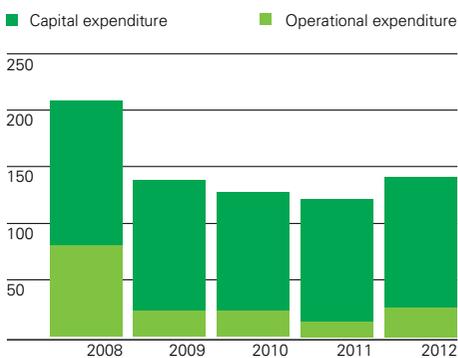
Nato Tkhlashadze BP Georgia Social Team Leader

We recognize that an important part of our impact comes from how we work with our local contractors and how they in turn interact with the community. Working with them to develop their employment practices and giving them training on social impact is another way in which we can have a positive impact in Georgia.

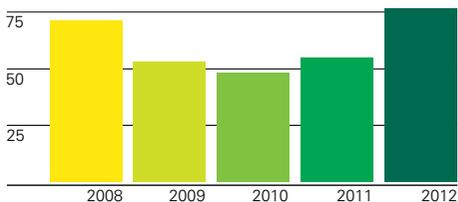
Tax and tariff payments (\$ million)



Operational and capital expenditure (\$million)



Payments to local companies (\$ million)



Our activities have a positive impact for Georgia by generating government revenue, creating jobs, and providing opportunities 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 \$34.6 million in 2012, compared with \$33 million in 2011.
- Tariff payments by all WREP partners of \$6.8 million were made to the Georgian government in 2012.

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

- Government statistics show that our pipeline operations contributed approximately 9% of the total value of service exports in 2012.

We also invest to renew our own business in Georgia:

- Our operational expenditure in Georgia totalled \$118 million in 2012 compared with \$104.5 million in 2011. Capital expenditure amounted to approximately \$26.7 million in 2012, compared with \$19.5 million in 2011.

Working with local contractors

We continue to work with local contractors where possible. In 2012, our payments to local companies totalled \$75.8 million compared with \$54.7 million in 2011. Payments over the past five years are shown in the table below.

When contracting with suppliers, we include provisions that require them to describe their plans for increasing the number of local hires 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.

We also audit our contractors' employment practices, examining issues such as recruitment practices, working conditions, redundancy and

termination procedures, and disciplinary and grievance procedures. In 2012, we carried out an audit of our security services provider Veziri Ltd. to check their compliance with our social and local content requirements as articulated in the BTC ESIA. Along with highlighting the contractor's achievements in complying with the above requirements, the audit report also provides a number of recommendations based on the audit findings. We monitor how the contractor is implementing these findings throughout the year.

We work with our contractors to develop their awareness of social risks and mitigations. We conducted 11 social awareness sessions, covering more than 100 contractor personnel from a range of contractors in 2012, including those involved in catering, civil works and other fields. The sessions, which target technicians and others who work in the field, aim to build awareness of how important social impact is – even during regular operations. Guidance is provided on identifying potential impacts in advance and behaving appropriately in local communities such as when there is an influx of non-local people to a community during a project.

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 21.

Safety

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

Our goals

We take systematic steps to deliver excellent business performance, safely and reliably.

We identify and manage risks, and carry out training and exercises to prepare for an emergency.

We aim to protect the health of employees, contractors, visitors and members of the local community who live or work near our operating sites.

In this section

Applying our OMS to govern our operations and drive safe and reliable performance.



Working with key contractors to develop a safety leadership culture in their organizations.



Information about crisis continuity management and occupational health.



Supsa terminal

Mass casualty medical emergency response exercise.



Our safety performance



Kakha Shevardnadze
Deputy General Manager,
PERI

Site visits are the most effective means of identifying and obtaining comprehensive information on the safe delivery of worksite activities. Construction sites require constant monitoring and observation to keep ahead of safety issues.

Through joint job site safety inspections and observation, we develop a useful and practical analysis of safety issues, along with recommendations for remediation of findings. The cooperative visits we undertake with BP are designed to encourage site supervisors and raise their responsibility for safety. Inspections, conducted at either key events or periodically, identify non-conformances and check if specific tasks are covered by risk assessments and method statements. They are also an effective incentive for staff to promote safety culture on-site.

We also find the safety leadership team meetings, where different company representatives share good practices, safety findings and preventive measures, to be effective. All these contribute to enhancing experience, establishing good practices and enforcing HSE management systems.

The key priority for us is conducting pre-work assessment, outlining hazards and eliminating risks, thus taking good care of our staff and the environment, which is positively reflected in the company's operations.

Our focus is on delivering safe, reliable and compliant operations. Protecting our people and plant, while delivering excellent performance with no major accidents, is a key priority.

We are continuing to apply our operating management system (OMS) at a regional level, to govern our operations and drive safe and reliable performance. As part of our ongoing work to achieve conformance with its requirements, we undertake an annual assessment to check our performance against each of the requirements. We put plans in place to close any gaps and we set priorities for improvement, with the aim of achieving continuous reduction in the levels of risk we face and to drive continuous improvement in performance. We have been audited against OMS by the group audit team in 2011, which has led to action in specific areas recommended by the auditors. This section describes our safety performance and initiatives, which links to specific elements within OMS.

In December 2012, our revised Health, Safety, Security and Environmental Policy was issued to BP employees and contractors. Our commitment to no accidents, no harm to people and no damage to the environment remains unchanged.

Safety performance

In 2012, BP and its contractors worked 3.4 million man-hours and drove nine million kilometres with no fatalities, no major accidents and no days away from work cases.

We had one recordable injury in 2012 (an incident in which a contractor slipped and fell resulting in a dislocated shoulder). We had six vehicle accidents in 2012, none of which were severe. This compares to nine vehicle incidents in 2011, two of which were classified as 'severe'.

Every incident is carefully investigated to identify its cause so that we can take the actions needed to prevent it happening again. We encourage our employees and our contractors to report near misses, and implement lessons learned where possible to reduce the likelihood of similar incidents occurring in future. Fifty seven percent of all the incidents that we and our contractors logged in 2012 were 'near misses', providing opportunity to learn without actual losses.

Assessing, prioritizing and managing risk

We review and update the BP Georgia risk register on a quarterly basis. The purpose of these reviews is to bring various disciplines together to examine previous risk scenarios and identify new ones so that we can continuously improve prevention and mitigation processes. Our leadership is fully engaged in the review process and we systematically follow BP requirements in order to prioritize and manage risks consistently.

Quarterly incident root cause analysis

We investigate all incidents, to identify and implement lessons learned. We have also established quarterly reviews of root cause analysis, with the involvement of operations, maintenance, project, engineering and HSE leaders. The main root causes are analyzed and improvement actions agreed and tracked for further implementation through the action tracking system to ensure consistent and systematic incident reduction in BP Georgia.

Control of Work

In November, we carried out a Control of Work (CoW) gap assessment based on the updated BP group defined practice which sets out 12 elements and provides a formal and consistent approach for managing task-related risks for our employees and contractors when carrying out work activities on behalf of BP.

As part of the exercise, we conducted pre-assessment site visits with the involvement of BP Georgia leadership and regional operations teams as well as BP authorized people with regional responsibility for CoW.

Using the regional assessment tool, we demonstrated conformity with the practice's requirements. We have developed an improvement action plan for implementation at local and regional level and will continue to work towards continuous improvement with CoW requirements.

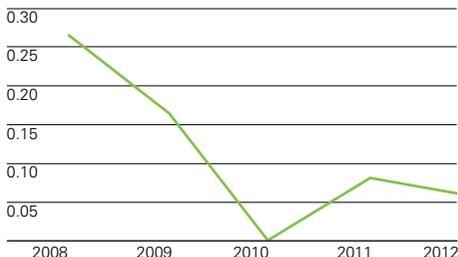
Working with contractors

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

We hold quarterly safety leadership meetings with our contractors, where we review incidents and lesson learned, highlight and deliver key messages, and share experience. We held two contractor executive forums, where we focus on leadership and help contractor executives develop effective safety leadership cultures in their organizations. We engage contractors' executives to visit our sites and see how their teams are working. We had two joint site visits with contractors' executives and examined repair and welding operations on WREP, and civil construction work on BTC. These visits involved contractors' executives discussing hazards and risk mitigations with site supervisors and workforce. Work practices, equipment conditions and housekeeping standards are also reviewed. A number of opportunities to make improvements were identified and action plans developed. Outcomes from the discussions are shared with the wider BP contractor community at a contractors' executive forum.

Managing our contractors

Recordable Injury Frequency (RIF) (per 200,000 hours)



John Pipe MQS Operations Manager

My initial reaction to our visit was a sense of well-being and shared responsibility with MQS becoming a part of the 'One Team Approach' where we all shared our viewpoints to come up with a common goal of 'Safety First'.

Our drive to improve our operations, especially regarding our reputation for site safety, was given recognition. This has empowered me to continue our efforts to improve our safety systems and control of work.



Our ability to conduct safe and reliable operations depends in part on the capability of our contractors.

We also work with contractors' 'Performing Authorities' – those in charge of work in the field whose role is to deliver tasks according to approved procedures and agreed risk mitigations. Our leadership team held six meetings with managers, supervisors and performing authorities of 11 key contracted companies to ensure that they understand how important their role is for our business and that they are empowered to stop work which is unsafe.

Our annual contractors' safety award scheme rewarded three contractor companies in 2012 that had shown exemplary performance:

- CHC Global Operations International Inc. (our helicopter services contractor) in recognition of their systematic compliance with aviation safety requirements and active involvement in emergency exercises.
- IDC Ltd in recognition of the accident-free execution of WREP integrity related projects on the Aragvi river crossing and landslides gabion retaining walls.
- Madohavagi+ LLC, a major driving contractor for BP in Georgia, in recognition of having no vehicle accidents in 2012 while driving more than three million kilometres.

Driving safety

Driving safety continues to be one of the major risks in Georgia as a result of large number of kilometres driven by the BP and contractor workforce and the region's hazardous driving environment. We promote road safety in our business and support road safety initiatives in the community.

BP Georgia workers and contractors drove more than nine million kilometres in 2012 and there were six vehicle accidents, none of which were categorized as 'severe'. We systematically implement the BP Driving Safety Standard and our 'Road to Better Driving' programme through continuous training and inspections both for BP and contractors.

Our actions to promote driving safety in 2012 included implementing BP requirements with contractors, defining an improvement plan and discussing the subject at a dedicated contractor driving safety standard workshop. Our Baku-based driving safety specialists audited a selection of our operations and those of nine contractor companies against BP requirements. The review highlighted a number of challenges, such as the need for contractors to improve and maintain the condition of some of their vehicles. We plan to conduct contractor driving audits every year as part of our annual driving improvement plan that takes account of past lessons. Our safety and transport departments monitor progress against the plan monthly.

We introduced a web-based journey management tool for contractors in 2012. It enables trips to BP sites and facilities to be better planned and coordinated. The tool considers issues such as road and weather conditions and aims to reduce risks based on lessons learned from 2011, like preventing unnecessary trips in winter.

Safety awareness campaigns

To learn from incidents and stop them from happening again, we carry out regular awareness campaigns for BP employees and contractors on safety and major hazards. In 2012, these included:

- Snake and stinging insect awareness.
- Stair code safety.
- Winter driving.
- Indoor electrical safety.
- Carbon monoxide (CO) awareness.

As there were a number of carbon monoxide poisoning accidents in the region, we presented CO detectors to more than 500 employees for installation at home.

Process safety

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

Our safety specialists support operations in raising awareness of process safety risks. We include key process safety risks within employee induction, and on-site we encourage people to report process safety incidents. Management meetings include regular review of key process safety performance indicators, many of which are 'leading' indicators which give an indication of the strength of our controls. Like many organizations in the oil and gas industry, we are becoming more systematic in our reporting of process safety performance.



Meeting with contractors at a construction site.

Preventing accidents and oil spills



BP Georgia's First Challenge Graduate: Tornike Todria

In September 2012, the BP Georgia health and safety team welcomed Tornike Todria as the first ever Challenge Graduate in Georgia, a programme that recruits young individuals within a given discipline in order to develop competent and independent professionals with the potential to make a major contribution to BP's long-term growth and future.

Tornike, a 24 year old Georgian, graduated from the American Academy in Tbilisi in 2007 with high grades and received full scholarship to study in the United States Military Academy at West Point. In 2011, he graduated from there with a Bachelor's degree in management.

Military academy gave Tornike insight into personal safety and risk. He recalls one of the most important notions of all of his military training – 'Everyone is a safety officer' – which means that everybody should make maintaining safe conditions and responsibility for their own and others' safety their primary goal. While in the US, Tornike was an active member of the community which included fundraising for The American Cancer Society, organizing an annual Special Olympics event in New York state, playing as a midfielder in the Academy football team, and being a member of ski and hunting clubs.

On his return to Georgia in 2011, Tornike was hired by Encotec as a project coordinator, and worked on various BP projects. He became interested in career opportunities with BP and applied for the Health and Safety Challenger position.

Tornike is now actively involved in the health and safety team's activities as part of his long term development programme. He is currently assigned to the Western Route Export Pipeline to learn about pipeline related hazards, and control and mitigation measures. He is coached by health and safety team leaders and other team members. He is continuing his active involvement in community life while at BP – having been a member of BP global health initiative 'Run-A-Muck' and playing for the Western Route Export Pipeline futsal team.

"It is a great pleasure to welcome Tornike to the BP Georgia family. The health and safety team is committed to supporting him in his professional development and we would like to wish him all the best in his future career at BP," says Dima Kalmikov, BP Georgia's health and safety team leader.

We work to ensure that we and our contractors are prepared to respond effectively to accidents and oil spills.

S&OR audit actions

Good safety management requires actions for improvement to be completed on time and effectively. Following the group safety and operational risk audit of our sites in 2011, no major findings were identified but some improvement recommendations were made. An implementation plan was developed and all actions due for implementation in 2012 were completed on time. This means that 90% of all the required actions have now been closed, with only 10% left for closure in 2013, as planned. This is testimony to the hard work of those involved from different teams and disciplines, close monitoring and most importantly, systematically working as one team.

Crisis and continuity management

In 2012, we worked closely with regional and group operations and functional representatives to carry out a gap assessment between our existing approach to crisis and continuity management and the requirements of the new BP group defined practice. As a result, we developed a BP Georgia crisis and continuity management gap register and action plan.

We also developed and implemented a new emergency response plan covering BP Georgia operational facilities. The new plan is simpler, more specific and easier to fit to site requirements. On completion and approval of the plan, rollout training was carried out for people at all Georgia facilities, with hard copies of the plan distributed.

Crisis and continuity management training

We carried out crisis, continuity and emergency response training for the various response teams in Georgia. These included:

- Three-day on-scene commanders training for individuals within operations who could be required to take on the role of the on-scene commander during an emergency.
- Training and an exercise for the Georgia country support and business continuity team in country, with a scenario based on elevated political and security risks.
- Two-day major incident management training for key members of the Georgia incident management team. The training was followed by six desktop exercise and individual assessment.

Emergency response exercises

We carried out a total of 151 exercises in 2012, in line with the BP Georgia emergency exercise plan. While these varied in scope, risk profile and participation, all were conducted safely and recorded, with summaries communicated monthly, including lessons learned and improvement actions. Some exercises were carried out for the first time, testing particular scenarios and the capability of

the response system. For example, we held a joint exercise with the state emergency response department involving mobilization of helicopters for search and rescue at our facilities. We also carried out a multi-casualty exercise offshore at our Supsa terminal, involving the handling and evacuation of five injured people from an offshore vessel and the deployment of a multi-casualty trailer at the slipway. These exercises identified opportunities for improving our response processes and develop the competency of operations staff in handling complex emergencies. They also help to establish effective cooperation with national agencies and emergency response contractors.

A highlight of 2012 was our participation in a national scale major disaster response exercise initiated by the Georgian government and led by NATO. Following planning meetings about our role, we organized three pre-readiness oil spill response deployments on the BTC pipeline and one at Lake Kurnisi in collaboration with our oil spill response contractor NRC (National Response Centre). In September, we participated in the exercise, which involved representatives from more than 30 countries. We had representatives in field command centres and on the pipeline route where actual oil spill response deployments took place at four locations. On completion, NATO highly commended our participation and awarded acknowledgement certificates.

Health and wellness

Good health is essential to having a well-motivated workforce and can make a valuable contribution to good safety and operational performance.

Health risk assessment

We carry out an annual health risk assessment and use a BP tool called 'Health map' to identify and prioritize health hazards. This year, we also created a health risk register as a tool for identifying and managing health risks in BP Georgia and fed these into the BP Georgia major risk register.

Our processes for maintaining employee health are wide-ranging. Elements include fitness-for-task assessments and health surveillance and a range of industrial hygiene programmes at sites.

Health programmes and processes

We maintain a number of health programmes and processes. In 2012, these included:

- Industrial hygiene workplace exposure assessments.
- First aid and medical preparedness reviews and mass casualty exercises at the Supsa terminal and pump station 1.
- Regular food safety reviews at operational sites, and an annual food safety audit. We also regularly monitor tap water quality.

Personal health and safety

Good health of our employees makes significant contribution to good safety and operational performance.

Marina Vashakidze Country Manager, NRC

Our company, NRC, was given responsibility for the provision of oil spill response within the national-scale emergency exercise, in coordination with the BP Georgia incident management team. It was one of the most interesting and challenging emergency response exercises we have ever conducted in Georgia.

The challenge was not particularly about the task of deployment since we have a great confidence in our capability, staff and equipment and have practiced numerous deployment strategies for years. It lay much more in the complexity of managing so many tasks simultaneously, including coordination and communication with government structures and third parties, fitting into the coordination centre's incident command system, staying in compliance with our own and BP's incident management procedures, and, of course, carrying out the actual deployment of equipment and personnel at several oil spill response sites. It was the first time that we had had to mobilize teams and equipment from all oil spill response bases while remaining capable of responding to a real emergency. The exercise gave us the chance to identify areas for improvement, and demonstrated the emergency response readiness of BP in Georgia. We all played our role in strengthening national capabilities in complex disaster management.



Dr Alexander Antelava BP Georgia Health Advisor

As one team, we value people and want them to be healthy. There's nothing better than healthy habits and an active lifestyle in achieving good personal health. That's why we promote this to our employees – to be fit and healthy at work and at home for years to come.



Offshore emergency response exercise at the Supsa terminal.

- An occupational health audit of our medical service provider.
 - Occupational health programmes such as first aid management; fitness for task assessments; a skin surveillance programme for high-risk employees (such as those who have regular exposure to chemicals); and substance abuse management, which includes testing for different types of substance use.
 - Annual calibration and certification of medical equipment, carried out by an international external provider.
- Training is also a very important element in promoting good health in the workplace. We delivered training courses in 2012 covering topics such as chemicals awareness; the use of personal protective equipment (PPE); and health and safety incident record keeping. Our trained medical staff also undertook courses to broaden and refresh their skills. These included courses on the management of medical support in the event of a major incident, and on the provision of psychological support for managers and employees.
- We also ran a number of specific health campaigns in 2012:
- The 'Run-A-Muck' Health Challenge campaign which aims to encourage fitness in an enjoyable and competitive manner. This year BP Georgia joined this group-wide initiative for the first time, providing two teams, each comprised of up to ten employees.
 - Participants started exercising daily and entering their exercise minutes online.
 - The '10,000 Step Challenge', which encourages participants to be active by taking at least 10,000 steps every day and recording how far they have walked each day.
 - A new ergonomics initiative ('Remedy'), which examined the relationship between people, the things they do, the objects they use and the environments they work in. Proper attention to ergonomics improves comfort, productivity, reliability and well-being. To support our efforts, we used software tools that use questionnaires, online assessments, training and awareness-raising to minimize the risks that can arise in work environments, such as repetitive strain injury.
 - A healthy heart campaign. Employees were provided with basic guidance to manage their heart health. Simple tests were completed that employees can use to compare their year-on-year results. The assessment included questions on lifestyle as well as objective measurements such as weight, height and selected blood tests.
 - Seasonal campaigns on issues such as influenza, and cold and heat stress. We made particular effort in 2012 to promote employee well-being by holding a number of internal and external sporting competitions, such as in skiing and futsal.

Environment

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

Our goals

We manage our operations in accordance with ISO 14001 management system.

We assess and monitor our environmental impacts to air, land and water and we work to continuously improve our performance.

We work with our contractors to support compliance with our environmental standards.

In this section

Compliance with the ISO 14001 environmental management system.



Working to minimize our environmental impacts.



Ecological management activities and environmental improvement projects.



Water monitoring in Supsa

We carry out ballast water monitoring on our tanker in Supsa.



Environmental management

Our environmental management system, which is regularly tested and checked, helps us to plan and deliver on our environmental commitments.



Temporary storage of topsoil at a construction site.

ISO 14001 and compliance

We continue to manage our operations in accordance with our ISO 14001 certified environmental management system. The system was tested by an external audit in 2012 and recertified.

The fourteenth post-financial audit of the independent environmental consultant acting on behalf of BTC lenders was undertaken in Georgia in 2012. These audits monitor compliance with BTC environmental and social commitments, captured within the operations environmental and social action plan and relevant management plans. No non-compliances were identified.

BP's operating management system obliges us to be in compliance with all applicable health, safety, security and environment requirements. Compliance with our commitments is tracked using a compliance task manager software tool, through which we maintain, update and assign specific commitments and ensure their implementation. We undertook further work in 2012 to review, prioritize and allocate environmental tasks, covering existing items as well as carrying out an updated assessment of applicable national legislation.

Environmental and social impact assessments

The environmental and social impact assessment (ESIA) for the SCP Expansion project rigorously identifies the baseline environmental conditions and the wide range of potential environmental impacts from the project. These include emissions to air from the two compressor stations that will be built – one close to the border with Azerbaijan and the other near Tsalka at an elevation of 1,720 metres. The operation of the compressor stations will give rise to greenhouse gas emissions, oxides of sulphur and nitrogen (SO_x and NO_x) from combustion and will generate noise and vibration as well as visual intrusion. However, rigorous mitigation actions defined in the ESIA process have resulted in these effects being classed as low to medium significance.

The ESIA for the WREP was prepared in 2012. It has identified a range of environmental impacts, including land-related effects in areas where the pipeline needs to be re-routed. The assessment led to changes in the planned route so that cultural heritage and environmental considerations could be taken into account, alongside engineering requirements.

Contractor management

We work with contractors to support compliance with our environmental standards. Our environment team works with our procurement department to include environmental matters within contracts, and we set out the environmental standards and practices that we expect our contractors to follow. We train contractor personnel on how to implement these and we are involved in approving their plans before they start work. We also monitor their physical work on-site, and obtain site completion reports from them which indicate how environmental requirements have been met.

Managing our impact

Waste management

We continue to take steps to improve our facilities for waste management.

We installed a new heavy waste shredder at the waste processing and recycling centre. It will be used to reduce the amounts of waste wood, hard plastic, used tyres and air filters that have been stored since pipeline construction. In total, 11 containers of air filters will be shredded and disposed to landfill; 16 containers of hard plastic and 251m³ of used tyres will be shredded for further recycling.

We have constructed a new storage area for waste chemicals at the central waste accumulation area. This improvement project aims to provide for the long-term and safe storage of waste chemicals.

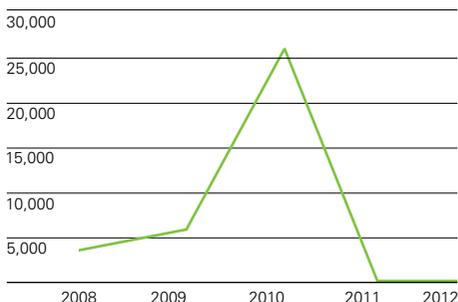
View of construction site with earth works underway.



Managing our impact

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

Volume of oil spilled (litres)



Waste shredder at waste processing and recycling centre.



83Kte

equity share direct
greenhouse gas emissions.



Area for storing waste from BP Georgia sites prior to final disposal.

Emissions and discharge monitoring

We continue to monitor our emissions to air, as well as monitoring aqueous discharges and noise levels. We carry out regular monitoring in accordance with a planned monitoring programme. We met all government regulatory requirements in 2012 relating to emissions and discharges. However, we exceeded lender requirements in the area of aqueous discharge in 2012. After investigation, we identified and took corrective measures to prevent re-occurrence.

In partnership with the Georgia Energy Efficiency Centre, we completed two projects which will act as offsets to our exceeding the nitrous oxide concentration limits specified in the environmental and social action plan committed to BTC lenders. The projects involved installing solar water heating systems in School 203 in Tbilisi for children who are deaf or have diminished hearing, and at the SOSTbilisi Children's village. A third project, installing a solar heating system and carrying out building winterization at Tbilisi 'Baby House', is due for implementation in 2013.

Ecological management

We monitor levels of vegetative cover along the BTC/SCP pipeline right of way. We re-planted species with high conservation value within the areas designated for translocation; for eight species out of eleven the survival rate of a minimum 75% has been achieved. We monitor and control invasive species by applying mechanical control measures that suppress alien species and support a continued succession process of native vegetation. The results of these initiatives are regularly checked through internal verification and independent parties, including review by the independent environmental consultant acting on behalf of the lenders.

Survival rates for replanted woody species at nine selected locations are linked to many variables such as the nature of the habitat, the level of adaptation of particular species, and conditions outside our control such as the weather and soil. Monitoring in 2012 found average survivability

ratings of 54% for deciduous and coniferous saplings at selected locations.

We also carried out ballast water monitoring from tankers in 2012. Monitoring reports found that sanitary and water quality characteristics (hydrochemical, hydrophysical and biological) were in compliance with the methodological requirements set out by the International Maritime Organization. From this, it was concluded that the discharge of tested ballast water into the Supsa port area had not led to the introduction of alien forms or any other negative impact on the local ecosystem.

Environmental improvement projects

We aim to ensure that any modifications to our facilities are undertaken in a way that protects the natural environment. In 2012, for example, we ensured that work to build a new access road to pump station 2 on the BTC pipeline protected trees and bushes on Georgia's Red List. Three options were assessed and the most favourable environmental option was selected which significantly reduced habitat loss compared with the route originally proposed.

We also ensured that a thorough and responsible approach was taken to reinstatement work during the installation of fibre optic cable along a 75 kilometre stretch of WREP. This involved reinstating all temporary project sites including any extra land required for work. Each section where trenching was carried out was backfilled and reinstated. Topsoil was re-applied on the top of the route. All sites and area owners were correctly identified and steps were taken to confirm that owners were satisfied with the reinstatement. No waste was left on any section as waste was collected on a daily basis.

Eco-awards

We and our partners have committed to supporting an eco-awards programme which has benefited from the support of a range of environmental bodies, the government and other institutions. The new government is currently considering its plans for continuing with initiatives in this area.

Society

We aim to make sure that our socio-economic impact in Georgia is positive by running our operations responsibly and making investments that bring benefit to local communities and BP.

Our goals

We aim to build open and constructive relationships with the communities near our assets.

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

We strive to bring lasting benefit to Georgian society.

In this section

Good relationships with the communities form an essential part of working to mutual advantage.



Our community development initiative helps to improve livelihoods and build local economic capacity.



Our programmes making a tangible impact to social and economic wellbeing around the country.



Milk processing facility

Local women working at a milk processing plant, established with our support.



Engaging communities

Community consultation for the SCP expansion project in Tsalka.

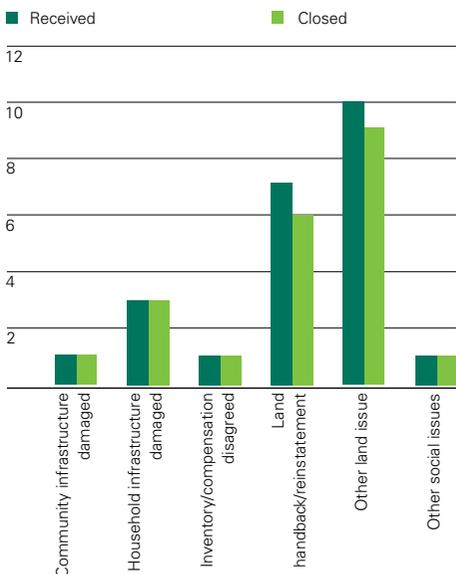
Lika Kvitsinashvili BP Community Liaison Officer

We put lots of effort into delivering important messages to communities to ensure their safety and to protect the environment and the pipelines themselves. We strive to create an environment where the company is seen as a considerate neighbour who lives next door and listens to the community's views, opinions and concerns. Regular engagement is vital to build an atmosphere of trust and understanding and a foundation of mutual care.

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



Grievance resolution in 2012



Community liaison

Our community liaison officers are in contact with local communities on a regular basis to stay abreast of local issues. They listen and respond to concerns and reinforce important messages such as those on safety and restrictions along the pipeline routes. Annually, we distribute a calendar to households which contains information about safety near the pipelines. This year, it also included information about the origin of oil and gas.

We updated the information we maintain on villages near the pipelines in the course of the year to make sure we better understand the issues that might arise during projects and operations and to help determine how often we should meet with village communities. We are well aware that ongoing maintenance and small-scale projects can cause disruption, even if it is smaller in scale than the impact that can arise during construction. In 2012, we worked with communities to minimize the impact of several small-scale projects, including one to develop an access road on BTC/SCP and WREP which was needed to install fibre optic cable along certain sections of the pipeline.

Engagement relating to SCP Expansion

A major part of our work in 2012 involved engaging with communities about the SCP Expansion project. As part of the environmental and social impact assessment (ESIA), we held disclosure meetings, four public meetings (in Tbilisi, Tsalka, Rustavi and Akhaltsikhe), and contributed to the assessment of options for locating the construction camp and pipe laydown areas by considering issues such as their proximity to settlements and potential impact on communities. We distributed leaflets containing information on the project and land issues at municipal, territorial and village levels. We circulated comment sheets to invite suggestions and questions from the public.

Responding to grievances

As part of our approach to engagement, we have a clear process for managing third-party complaints. During 2012, we had three instances where elements of work were interrupted for short periods as a result of community dissatisfaction.

On WREP, heavy equipment movement during maintenance works made a local road temporarily impassable for local transport, which caused some complaints from the local community. The issue was resolved, work resumed shortly afterwards and we worked with our contractor to take more caution when performing road maintenance. In Tsikhisjvari, delays to the repair of a potable water pipe caused temporary disruption to local water supply, leading to community dissatisfaction and brief work interruption.

Residents of the village of Chivchavi near to PSG2 expressed dissatisfaction with our contractor's employment practices, wanting to see more employment from the local community. This resulted in traffic being stopped around the camp over a period of approximately two days. We coordinated a response from the relevant departments in BP and addressed the community's concern through discussions and by tightening our processes for monitoring the social performance of our contractors. As a result of this incident, we developed an action plan which will help us to identify and address similar potential issues across our operations in Georgia.

For all complaints, we seek to respond as quickly and effectively as possible. In 2012, we received a total of 23 grievances, 21 of which were closed.

Supporting local enterprise and business development

Q: What was achieved?

A: The strategies and approaches in CDI phase 3 were driven by the aim of the project: to help communities become increasingly able to implement and sustain self-help projects with minimal external support and thereby improve their livelihoods and opportunities. The programme therefore invited farmers and community groups to participate in a variety of projects including:

- Capacity-building within local civil society organizations.
- Infrastructure rehabilitation.
- Agricultural development.
- The formation and support for farming groups or association and start-up businesses.

Some of the project accomplishments are summarized below:

- 30 economic infrastructure rehabilitation projects were undertaken.
- Through the rehabilitation of irrigational channels and systems, it became possible to irrigate 3,198 hectares of land in nine communities.
- 68% of respondents reported an increase in their harvest of at least 20%, directly connected to rehabilitation activities.
- Better yields resulted in increased household incomes with an average increase of 22% in CDI east communities and 20% in CDI west.
- 11 social enterprises were created. Nine of these have begun to operate successfully.
- 257 agricultural loans were disbursed to farmer through a subsidized loan scheme.
- 635 farmers received marketing training, with more managing better marketing of their produce.
- 78 entrepreneurs were given financial support to start up small businesses. Grant recipients have reported an average increase in income of approximately 28%.

Our Community Development Initiative helps local farmers to increase crops.

We are taking a range of steps in our Community Development Initiative (CDI) to help develop local economic capacity. The initiative is now entering its fourth phase.

The activities within the programme include:

- Renewal of rural infrastructure.
- Agricultural support. Farmers groups are working collaboratively, with sharing of income and expenditure among group members. It involves planning and implementing joint activities and training processes. Demonstration farms are also arranged with individual farmers, attracting other interested members of the community to participate in the learning process.
- Support for income generation through micro-credit: CDI enables financial credit to be made available to rural farmers by providing subsidized agricultural loans in several CDI communities.
- Improving the capacity of Community Based Organizations (CBOs) to manage sustainable community projects with better social cooperation.
- Support for small scale business start-ups. This includes included training in support of business start-ups, focusing on business planning, understanding markets and the concept of the value chain; product and price, product definition and tools for pricing; sales and marketing.
- Support for the establishment of social enterprises – in which business ideas promoted by community-based organizations (CBOs) are supported. Their focus is to provide services required within their local community with the profits generated used to implement projects that will benefit the community further.

CDI phase 4 implementation started in May 2012, contracting two national NGOs as implementing partners as per the programme's nationalization strategy. The initiative built on the previous phase, which has made a real difference to many members of the community, highlighted below.

CDI phase 4 aims to deepen the positive relationship between BP and communities along the BTC/SCP pipelines route, by promoting sustainable forms of social cooperation, improving agricultural production, and developing regional agro-businesses. To date:

- Nine rural infrastructure rehabilitation projects have been completed.
- 88 agricultural demonstration plots have been created.
- 34 businesses, with 48 grant recipients, have been established.
- 108 agricultural loans have been disbursed.

Small business development

Following a tender in 2012, the Georgian Organization of Scouts Movement was selected to implement a further two-year 'Small business development project'. The programme will target 116 villages and four Internally Displaced Persons (IDP), camps in the east and 60 villages in the west of Georgia. The cross-cutting and the major component of the programme is funding and capacity building for start-up businesses and improving the wellbeing of households in those communities. In addition, it will support youth education in the IDP settlements by promoting life-long learning and respect for the natural environment.



Our social programmes and initiatives



Ana Bogveradze

Member of the Youth Group of Zovreti public school

We have tried to remind people of the importance of environmental protection. I think our attempt was efficient and our teamwork, discipline and motivation impressed the population. School students were also fascinated by our presentation and took great interest in the issue.

Giorgi Abulashvili

Director, Energy Efficiency Centre Georgia

BP has become more visible in the energy efficiency arena in recent years and there is now no surprise about their involvement in clean energy technologies and in supporting the more efficient use of energy. It is simply part of their approach to environmental and social responsibility.



63,000

people improved their awareness of energy efficiency.

We support various projects and organizations addressing social needs across Georgia.

Youth capacity building

We completed implementation of the Youth Capacity Building Programme (YCBP) for WREP communities in 2012. The programme, implemented by The Georgian Organization of the Scout Movement, involved approximately 1,700 beneficiaries in 44 schools, and 40 teachers in awareness raising, training and activities designed to develop the capacity of young people in their communities to cope with the environmental challenges facing their communities and to develop key competencies for lifelong learning.

We estimate that the programme indirectly benefited approximately 3,400 people in addition to the 1,700 direct beneficiaries. Some of the project's major achievements included:

- Training 174 students on leadership skills, under the auspices of the Leadership and World Scout Environment Programme. Personal Development training was also provided to more than 500 students. Some 40 teachers also received training in civic education.
- Organizing 544 small-scale environmental projects.
- Implementing 60 micro-grant projects.
- Holding two summer camps which highlighted best practices, lessons learned and action plans for sustainability, involving 173 participants.

Energy efficiency in the community

We completed the implementation of the Community Energy Efficiency Project in 2012, raising energy awareness and enabling the issue of more than 700 subsidized energy efficiency loans.

The focus of the first component of the Project in Georgia (which finished in June 2012), referred to as 'Energy Bus', was to:

- Increase awareness of different energy efficient and renewable energy solutions and provide practical demonstrations and training.
- Provide small loans to interested households through local banks.
- Provide incentive fees to consumers.

In total, in three years of its operation, about 63,000 people visited the bus. It made two full rounds across Georgia, visiting Tbilisi, Kutaisi, Batumi and other major cities, as well as small towns and villages.

The second component of the project focused on providing affordable residential loans for energy efficient solutions, implemented by EBRD through its \$6.6 million concessional credit line to two Georgian commercial banks, and a subsidy scheme of 15% of the purchase value (of energy efficiency devices) funded by BP and co-venturers to the amount of \$0.2 million. In total, more than 700 loans were disbursed by both banks for the total amount exceeding \$1 million. Approximately \$160,000 of subsidies has been paid.

Renewable energy and energy efficiency in Georgian communities

A new BP-funded project with the Energy Efficiency Centre aims to develop a number of energy efficiency and renewable energy demonstration projects (about 15-20 in total) in various communities of Georgia, for the benefit of selected community buildings (kindergartens, hospitals, other public buildings). The aim is to further promote energy efficiency by providing tangible demonstration of the use of energy efficient devices (such as solar panels, micro-hydro power plants, biogas digesters) in everyday environments as well as contributing to CO₂ emission reduction.

Initiatives completed to date have involved the installation of solar water heaters in houses and school buildings for disadvantaged children, and at the School for the Deaf in Tbilisi. Work has also included the installation of building insulation, the introduction of higher-efficiency stoves, replacement lighting and new, more energy efficient windows and doors. In addition to these practical steps, which improve comfort and reduce energy use, the programme is carrying out awareness-raising initiatives across Georgia.



We supported installation of a solar panel at a community kindergarten.

Partnership for safety

We promote safety awareness through our programmes.



George Glonti
Impact Opportunities Manager,
CARE International in
the Caucasus

Through the Community Development Initiative, BP has demonstrated its long-term commitment to creating sustained socio-economic development in communities along the BTC and SCP pipelines. The programme creates an enabling environment, providing opportunities for people to benefit from high-quality, sustainable social investments. It contributes to positioning BP as a 'good neighbour' and partner, manifested in a change in the mindset of the pipeline communities from 'you have to give us' towards 'we can do it together'. The resulting trust, capacities and experience need to be capitalised upon now, through transparent dialogue and relationship building with stakeholders.

Irakli Izoria
Director Partnership for Road
Safety

BP had made a great contribution to the successful work of the foundation. With their support, we have implemented projects to promote youth education in road safety, legislative work, and generally to increase the awareness of Georgian society and to change attitudes. We hope that BP will continue its support in future, the goal of which is to reduce the number of deaths and injuries on our roads.

Improving road safety in Georgia: the Partnership for Road Safety

BP Georgia has provided financial support to the not-for-profit Partnership for Road Safety since 2008. The partnership promotes road safety through education and advocacy in Georgia and has developed a wide range of relationships with government, companies, the media and other civil society organizations in its work to reduce the number of deaths and injuries on Georgia's roads.

Campaigns have included promoting the use of seat belts in vehicles in Georgia. In 2010, legislation making seat belt use mandatory in Georgia was introduced. Independent research has shown that seat belt use has increased dramatically, contributing to a fall in the number of fatalities. In 2012, the organization won a Prince Michael International Road Safety award in recognition of the role it has played in building a better road safety culture in Georgia.

The partnership has also worked to develop an educational programme to raise children's awareness of road safety and to help young people better identify and manage road-related risks. The initiative covered 80 pilot schools in Georgia's seven largest cities. Evaluations showed that levels of knowledge about road safety increased significantly as a result of the initiative. Work has continued in a programme to reduce the numbers of deaths and injuries on roads among people under the age of 12 by raising awareness and providing practical lessons at a specially developed road safety centre.

A further project – 'Be Visible – Be Safe' – has sought to reduce the number of pedestrian fatalities, implemented in Tbilisi, Kutaisi, Zugdidi and Batumi.



We support road safety awareness of children throughout Georgia.

Civil society capacity building



Vakhtang Butskhrikidze
Chief Executive Officer,
TBC Bank

TBC, one of the leading banks in Georgia, recognized the need for a contemporary project management methodology to meet timelines and quality standards in an appropriate fashion. The bank required assistance in project initiation, resource management, quality control and process improvement to satisfy the demands of the market.

Since 2009, TBC has sent numerous participants to the Project Management College to become more flexible and improve processes for quicker, better decision-making about which new products should be brought to market. The training was so effective, however, that not only traditional project managers have attended the training programme but also other employees willing to finance it themselves.

Four members of the board of directors have participated in the curriculum, including the CEO. In attending the College, the executives learned first-hand what they could expect from their direct reports, understood the challenges they faced and became familiar with the issues in adopting and applying the new techniques. Their participation contributed enormously to improved communication at all levels of the organization and helped establish a strong project management culture from the start.

"The Project Management College has proved to be one of the best providers of project management disciplines in Georgia. Several of our middle managers are graduates from the college, which has resulted in better managed projects. We are grateful to BP for providing such a good opportunity."

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

Promoting corporate responsibility

We participate in the UN Global Compact Georgia Network which provides a forum for Georgian companies to share best practice and advance the concept of corporate social responsibility in the business community. BP Georgia's external affairs director was elected chair of the Global Compact steering committee in 2012 and we presented to a multi-stakeholder forum to promote 'CSR and the role of the public sector'.

NGO capacity development

In parallel, we have taken steps 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), we have worked to develop the capacity of local civil society organizations to continue the programme. Following a competitive tender, two local NGOs (Centre for Training and Consultancy and the Regional Development Association) have been selected to oversee the fourth phase of CDI, which will run from 2012-15.

Raising standards in partnership with international organizations

We also partner with international aid agencies and lenders, such as the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD). Having worked previously with the IFC on an initiative to raise standards of corporate governance in Georgia, we have co-funded a three-year IFC project to raise standards in the food processing industry, an important sector for domestic and export markets.

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 2012 totaling €30,000, comprised of our membership fee and an additional grant.



Students at the graduation of the BP-funded Project Management College.

Supporting education

We continue supporting education programmes and initiatives in the country.

Maia Tevzadze IFC Advisory Services

Despite its rich agricultural tradition, volumes of food imports into Georgia had doubled from 2005-09, from \$87.8 million to \$200 million, significantly outweighing exports. One of the reasons behind this was the lack of appropriate food safety standards in Georgia and the fact that local producers paid little attention to food safety issues.

The goal of this IFC managed project was to increase the competitiveness of Georgian food producers by improving their food safety practices. BP and its co-venturers supported the project by providing \$0.6 million co-funding over the project's three years, alongside other financial backing from the Austrian Ministry of Finance. The initiative took action in the following areas:

- Facilitating access to markets for Georgian food processors by increasing awareness of food safety issues and solutions: surveys of food processors at the end of the project showed that much higher levels of awareness had been achieved and that more than 390 firms had improved their knowledge of food safety standards. More than 1,180 individuals had received food safety training through the programme's courses and conferences.
- Piloting the implementation of a food safety management system to build local food safety capacity: this was successfully completed in four companies, leading to increased sales and investment. Overall, investment of approximately \$22.9 million was made against a target of \$4 million.
- Improving food safety regulations and building the capacity of Georgian regulators in line with international best practice: recommendations were provided for two food safety regulations that have since been enacted. Training and capacity building has also been provided to officials.

"BP's support for this project in the food industry is an excellent demonstration of the company's commitment to broad-based economic and social development in Georgia. BP and its partners have recognized that the food industry is an important sector for the Georgian economy and their contribution has been vital in helping the project to raise standards."



We are helping to raise food safety standards in Georgia in cooperation with the IFC.

The Project Management College

The Project Management College (PMC) was established to benefit Georgian public or private sector organizations by improving project management capabilities. The courses provide a Master's Certificate from The George Washington University (GWU) School of Business and a sound foundation for Project Management Professional (PMP) certification from the Project Management Institute (PMI).

In total, 194 students have studied during the College's first three years, with 174 of them graduating with Master's Certificates, and 11 becoming PMPs. Students are drawn from senior to medium level managers from more than 100 different organizations, ranging from private companies, to NGOs, to international organizations and the public sector. The third PMC graduation took place in June 2012, where 55 students were awarded Master's Certificates.

In 2012, we extended our support for the College for two further years, providing additional funding of \$0.55million, with \$0.13 million co-funding from the Free University of Tbilisi. A new curriculum in Programme Management has been introduced, which is being offered exclusively to PMC alumni, representing a further progression route for PMC project managers.

Supporting education

We have financed educational projects that have been designed to make a 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. Supporting education has long been an important element of our community development initiatives in Georgia.

International School of Economics, Tbilisi

We continue to provide financial support to the International School of Economics in Tbilisi, which aims to bring world-class teaching and research methods to the study of economics to benefit the South Caucasus Region. ISET had its seventh admission of students in 2012, from several different countries in the region.

BP Georgia in figures

Data on our safety, environment, people and performance from 2008 to 2012.

Performance	2008	2009	2010	2011	2012
Total hydrocarbon throughput (mmbobe)	281.4	349.7	346.5	313.8	300.7
Social investment (\$ million) ^a	8.0	8.5	8.2	3.4	3.2
Safety ^b	2008	2009	2010	2011	2012
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) injury only ^e – workforce	0	0	0	0	0
Recordable occupational illness and injury ^f – workforce	5	3	0	1	1
Recordable injury frequency (RIF) ^g	0.26	0.17	0	0.07	0.06
Vehicle accidents ^h	6	2	5	9	6
Total vehicle accident rate ⁱ	0.71	0.25	0.71	1.12	0.66
Hours worked ^j – workforce	3,873,410	3,507,005	3,108,395	3,066,299	3,400,626
Kilometres driven ^k	8,503,842	8,120,198	7,077,498	8,055,182	9,152,233
Environment ^l	2008	2009	2010	2011	2012
Number of hydrocarbon spills ^m	2	2	2	0	0
Volume of oil spilled (litres) ^m	4,715	5,520	25,454	0	0
Volume of oil unrecovered (litres) ^m	0	320	3,700	0	0
Direct carbon dioxide (CO ₂) (tonnes)	251,090	285,415	255,321	277,183	266,887
Direct methane (CH ₄) (tonnes)	147	311	325	339	315
Equity share direct greenhouse gas (GHG) (tonnes CO ₂ equivalent)	76,443	88,289	79,122	85,765	83,013
Sulphur dioxide (SO _x) (tonnes)	88	102	90	78	79
Nitrogen oxides (NO _x) (tonnes)	1,992	2,309	2,116	2,017	1,963
Non-methane hydrocarbons (NMHC) (tonnes)	72	1,206	1,204	1,212	1,166
Hazardous waste disposed (m ³)	352	691	545	643.5	480.8
Non-hazardous waste disposed (tonnes) ⁿ	497	423	335	316	394.6
People	2008	2009	2010	2011	2012
Total BP Georgia headcount	536	405	398	438	490
Georgian nationals as % of BP Georgia headcount	93	95	96	95	94

Note: For the year ended 31 December

Notes to figures

- 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** Days Away From Work Case (DAFWC): A work-related injury or illness which has either of the following consequences:
- The member of the BP workforce could not have worked on any day after the injury or illness, irrespective of whether there was scheduled work.
 - The member of the BP workforce comes to work even when a physician or other licensed health care professional recommends that the individual stays at home.
- d** The BP workforce comprises all BP employees, all BP contractors and all BP directors.
- e** Days Away From Work Case frequency (DAFWCf): The number of injury DAFWCs to BP employees for every 200,000 hours worked by BP employees in the same period. The number of injury DAFWCs to BP contractors for every 200,000 hours worked by BP contractors in the same period.
- f** Recordable Occupational Illness and Injury: Two sets of criteria determine recordability, based on the Occupational Safety and Health Administration. If a case meets any of the listed criteria in either the general or specific, it must be considered recordable.
General: Death; Day(s) away from work; Restricted work or transfer to another job; Medical treatment beyond first aid; Loss of consciousness; A significant injury or illness diagnosed by a physician or other licensed health professional.
Specific: Needlestick and cuts from sharp objects that are contaminated with another person's blood or other potentially infectious material; Medical removal under government standards; Occupational hearing loss (current hearing test must show 10dBA shift from current baseline and total cumulative hearing loss must be 25dBA or more above audiometric zero).
- g** Recordable Injury Frequency (RIF):
BP: the total number of Recordable Injuries to BP Employees for every 200,000 hours worked by BP Employees in the same period.
Contractor: the total number of Recordable Injuries to BP contractors for every 200,000 hours worked by BP contractors in the same period.
- h** Vehicle accident: A work-related accident involving a motor vehicle that occurs on or off-road resulting in injury, or loss/damage, or harm to the environment, whether this impacts BP and/or its contractor directly, or impacts a third-party. This is irrespective of whether the accident was preventable or non-preventable. It excludes all accidents where:
- The BP workforce vehicle was legally parked.
 - The journey is to or from the driver's home and normal place of work.
 - Minor wear and tear is the case (e.g. stone damage to a windscreen, minor paintwork damage).
 - An incident is the result of vandalism or theft.
 - A company-provided vehicle is being driven on non-work related activities (e.g. private business, leisure).
- i** Total Vehicle Accident Rate: the sum of all light vehicle, all heavy vehicle and all mobile plant accidents per one million kilometers driven.
- j** Hours worked: The total hours worked by a reporting unit by members of the BP workforce.
- k** Kilometres driven: Total work-related kilometers travelled by BP operated or contractor vehicles. This includes all work-related kilometers driven in hire/rental vehicles or private vehicles.
- l** 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.
- m** Hydrocarbon spill: Any loss of primary containment of one barrel (1 barrel = 159 litres = 42 US gallons) or more of liquid hydrocarbon. A loss of primary containment is an unplanned or uncontrolled release of material from primary containment.
- n** Non-hazardous waste includes general waste such as household garbage, food-contaminated waste 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 2012 (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' ISAE3000.¹

The Report has been evaluated against the following criteria:

- Whether the Report covers the key sustainability issues relevant to BP in Georgia in 2012 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 2012 including the ESIA reports for the SCP expansion and WREP replacement projects
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 2012.



Ernst & Young LLP,
London
May 2013

¹ International Federation of Accountants' International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE3000).

Glossary

BTC

Baku-Tbilisi-Ceyhan pipeline

CBO

Community Based Organization

CDI

Community Development Initiative

CO₂

Carbon dioxide

DAFWC (f)

Days away from work case (frequency)

EDDF

Emergency drain-down facility

EMS

Environmental management system

EU

European Union

EUGBC

EU-Georgia Business Council

ESIA

Environmental and social impact assessment

GHG

Greenhouse gas

HSE

Health, safety and environment

IDP

Internally Displaced Persons

IEC

Independent environmental consultant

IFC

International Finance Corporation

ISSET

International School of Economics at Tbilisi State University

Mmboe

Million barrels of oil equivalent

Mmscf

Million standard cubic feet

NGO

Non-governmental organization

PMC

Project Management College

PSG

Pump station Georgia

SCP

South Caucasus Pipeline

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.

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 2012 is available in English, Mandarin Chinese, Russian and Spanish. www.bp.com/aboutourreporting

Country and site reporting

We have published country reports on our operations in Angola, Australia, Azerbaijan, Canada, Germany, New Zealand, Southern Africa, Trinidad and Tobago and Turkey. We also maintain a library of site reports for more than 30 of our major operations. www.bp.com/countrysustainabilityreports

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

Feedback

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

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

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

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