



BP in Georgia
Sustainability Report 2007



The BP group

BP provides energy from oil and gas and from other low carbon sources for transportation, heat and light, and retail brands and products used in everyday life. We operate globally, with business activities and customers in around 100 countries and approximately 97,600 employees. We have exploration and production interests in around 29 countries. Just under 40% of our fixed assets are located in the US and around 25% in the UK and the rest of Europe.

In 2007, the BP group produced the equivalent of 3.8 million barrels of oil and gas per day for customers across the world. BP replaced its annual production by 112% in 2007, taking its proved reserves of oil and gas to 17.8 billion barrels. Among new discoveries made in 2007 was a major reservoir below the Shah Deniz field in Azerbaijan, one source of current supplies of gas into Georgia. The group's capital spending totalled \$19.2 billion in 2007, up from \$17.2 billion in 2006.

This report: its scope and process

This report, BP's fourth annual sustainability report for Georgia, describes our activities in Georgia in 2007 and outlines our performance across a range of indicators. In BP, we define sustainability as the capacity to endure as a group, by renewing assets; creating and delivering better products and services that meet the evolving needs of society; attracting successive generations of employees; contributing to a sustainable environment; and retaining the trust and support of our customers, shareholders and the communities in which we operate. The report covers these issues by describing how we seek to act as a responsible operator in all the business activities we control and have a positive influence more widely through contributing to Georgian society.

As in our previous reports, we have used a formal process to determine which issues are of most significance to internal and external parties. We do this to ensure the report covers the key sustainability issues and presents a balanced and reasonable view of our performance. The report, as in all previous years, has been independently verified.

- 1 A view from our country manager
- 2 Highlights in 2007
- 3 Responsible operations
 - 4 BP in Georgia
 - 6 Health and safety
 - 8 Environmentally sound operations
 - 9 Dialogue and engagement
 - 11 Performance data and commentary
- 12 Our role in society
 - 13 Education
 - 14 Enterprise development
 - 16 Access to energy
- 17 Assurance statement
- 18 Glossary of terms and further information

On the cover: Pump Station 2, in Tetrtskaro

A message from the group auditor Ernst & Young

We have reviewed the *BP in Georgia Sustainability Report 2007* 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 17.

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



A view from our country manager

Hugh McDowell, BP Georgia's country manager, sets out his perspective on BP Georgia's performance in 2007, and the challenges ahead.

How would you characterise BP Georgia's year in 2007? It has been a year of sustaining pipeline operations safely and at high levels of throughput. We managed the transition from projects effectively, and we progressed from there to establish a pattern of working which is efficient and safe. We have faced challenges and difficult decisions, of course, but we tackled those directly and maintained a high level of performance.

What have you been particularly proud of in 2007? Managing our complex facilities and operations across the entire country without a single day away from work case (DAFWC) is something that gives me – and should give every member of our staff – tremendous pride. We know that safety is something we can never take for granted. So while we can celebrate a good year's performance, we must remain vigilant – every day.

What is even more pleasing is that we managed to achieve these safety levels while significant production milestones were reached – delivering first commercial gas through the South Caucasus Pipeline (SCP), increasing throughput in the Baku-Tbilisi-Ceyhan pipeline (BTC), and running BTC in Georgia at 100% efficiency in the final months of the year, with pump stations managed by Georgian personnel – all of these steps represent a remarkable achievement.

What do you see as the main future challenges? Maintaining the performance levels we achieved in 2007 is a challenge in itself. We also face short-term challenges such as completing

the Kodiania special projects and recommissioning the western route pipeline. But there are longer-term issues to tackle as well, such as working with local contractors, helping them where we can to build their capacity in business, project management, technical, safety, and environmental management and performance.

We also have to respond to the fact that people have high expectations of BP in Georgia. As a major foreign investor with an important role in Georgia's economy and society, there are lots of pressures on us – expectations from national government, the concerns and hopes of local communities and the aspirations of our employees. We have to listen to all these groups and make clear what we are in a position to deliver and influence. I am proud we have already developed a good track record of transparency and integrity. Building on this will be an important challenge in the years ahead.

And what are your thoughts on BP as a sustainable business in Georgia? We are already a major player in Georgia as the operator of world-class and world-scale petroleum industry assets. We are focused on building top performance into our operations and have every intention of operating here for many years to come. This report shows how we aim to be sustainable, by operating responsibly and by being progressive in pursuing social and environmental goals. I hope it contributes to a process of understanding and mutual advantage for us and all those interested in our activities in Georgia.

A handwritten signature in black ink, appearing to read 'Hugh G McDowell', written over a horizontal line.

Hugh G McDowell
BP Georgia Country Manager
May 2008

Highlights in 2007

Achievements

Safety performance Our activities were carried out in Georgia in 2007 without a single fatality or DAFWC. Our recordable injury frequency and total vehicle accident rate were both lower than in 2006. We are proud of this achievement but never complacent about safety performance (*pages 6-7*).

Localization We made further progress in increasing the percentage of our workforce who are Georgian nationals, reflecting the deployment of a large proportion of local staff as our activities settle into routine operations (*pages 9-10*).

Operating efficiency The throughput of oil in the BTC pipeline increased significantly in 2007, its first full year of



operation. Operating efficiency in the Georgia section of the pipeline reached 100% in the final four months of the year – meaning that there was no downtime in transferring oil through the country in this period (*page 4*).

Building on our social programmes

We supported initiatives promoting enterprise development and education, building on our past community investment and regional development initiatives (*pages 12-16*).

Challenges



Western Route Export Pipeline (WREP) maintenance To safeguard the integrity of the western route pipeline and facilities, we decided to suspend operations throughout 2007 to enable us to perform necessary maintenance along the pipeline and in one location reroute a section of pipeline where our analysis detected a risk of landslide (*page 4*).

Gas delivery Start-up issues with gas production from the Shah Deniz field in the Caspian meant that the delivery of commercial gas into the Georgian market was later than anticipated, but the volumes delivered post start-up in March 2007 were as contracted (*page 4*).

Delays to Kodiana special projects Factors including severe winter conditions, permitting delays and capacity issues with contractors have meant that we have not met our own timescales for progress on the special projects in the Kodiana section of the BTC pipeline. We plan for these projects to be complete in 2008 (*page 4*).

Building contractor capability We continue to see the need to build local contractor capability to ensure that the Georgian companies we engage in our operations achieve the levels of professionalism we require, in areas such as safety, human resource management and environmental management (*pages 9-10*).

1



Team of BP employees at Pump Station 1, in Gardabani

Responsible operations

- 1.1 **BP in Georgia**
- 1.2 **Health and safety**
- 1.3 **Environmentally sound operations**
- 1.4 **Dialogue and engagement**
- 1.5 **Performance data and commentary**

Operating responsibly lies at the heart of our business. This demands that we maintain high and consistent standards in our day-to-day operations – including operating safely, maintaining the integrity of our assets, protecting the natural environment and respecting those communities affected by our business.

This section of the report provides an overview of our business activities in Georgia and outlines how we strive to operate in a responsible manner.

1.1 BP in Georgia

In all our activities we seek to operate responsibly, ensuring we continue to earn our licence to operate. This requires not only operating our assets as efficiently and safely as possible, but also being mindful of a range of broader impacts – such as those our activities have on the natural environment and cultural heritage, on local economic capacity and on the security and well-being of individuals and communities affected by our operations.

The Baku-Tbilisi-Ceyhan pipeline In its first full year of operation, we improved the operating efficiency of the BTC pipeline in Georgia. Efficiency rates, measured by the extent to which we successfully transported the oil delivered through the Georgian section of the pipeline, reached 100% for the last four months of 2007.

Oil flow rates through BTC have steadily increased, bringing around 600,000 barrels of oil per day (bpd) to world markets and increasing towards the pipeline's current capacity of one million barrels of oil per day. In 2007, 255 tanker loadings were completed from the marine oil terminal at Ceyhan on the Turkish Mediterranean coast, where the BTC pipeline ends.

The South Caucasus Gas Pipeline Following the commissioning of SCP in 2006, first commercial gas was delivered into the Georgian market in January 2007. Start-up complications in the Shah Deniz field in the Caspian meant that the delivery of gas was later than anticipated, but volumes delivered after start-up were as required and at the contracted values. The successful delivery of SCP gas into Georgia was a major step forward for the country.

The Western Route Export Pipeline

Maintenance work on the western route pipeline continued in 2007, following a maintenance repair programme in 2005 and 2006 and further work that reviewed the risks associated with landslides in some areas of the pipeline route.

As a precaution, we took the decision to cease operations on the western route pipeline to ensure its integrity. We rerouted a 1.1 kilometre section of the pipeline passing through the Zestaponi region where the risk of landslide was perceived. We plan for the pipeline to resume operations in 2008.

Kodiana special projects We made progress with the additional 'special project' facilities linked to the BTC/SCP pipelines in the Kodiana region which were requested by the Georgian government. We secured a number of permits from government authorities and acquired land rights where necessary. These approvals enabled construction to begin on the BTC/SCP secondary containment sites (settlement basins and dams with sluice gates to contain oil safely in the unlikely event of a pipeline rupture) and on the Emergency Drain Down Facility (the EDDF – an 8,500m³ steel tank constructed within a



We completed the construction of the first phase of the Kodiana security base, handing over the accommodation facility to the government's Strategic Pipelines Protection Department (SPPD).



secondary underground concrete tank for the draining and storage of oil from any Kodiana section of the BTC pipeline in certain emergency situations). We completed the construction of the first phase of the Kodiana security base, handing over the accommodation facility to the government's Strategic Pipelines Protection Department (SPPD).

Although progress on these projects was on occasion hindered by the early onset of winter and late snows, difficulties in securing permits and lack of contractor capabilities, we are planning to complete all work on them in 2008.

In addition, we repaired a number of community roads and bridges that had been affected during pipeline construction and constructed new permanent access roads to valve stations along the BTC/SCP pipeline. Further reinstatement work, planting approximately 175,000 saplings and carrying out grass seeding, was undertaken along the pipeline right of way and a biodiversity monitoring programme initiated.

Air BP Air BP continued to provide service to its customers at Tbilisi international airport. Operations throughout the year were carried out without a DAFWC or reported recordable injury.

Emergency response and security

During 2007 we continued to improve our own emergency response capability, undertaking site-based drills and table-top exercises, and our security team continued to take steps to enhance the plans, procedures and systems we use to protect our plant, people and information.

The government also continued to make progress in reducing theft of oil

from pipelines by closing down illegal refineries, cancelling licences, strengthening the criminal justice system and adopting zero tolerance towards this type of illegal activity.

We had two hydrocarbon spills of over one barrel in Georgia in 2007, both very different in nature. The first was a small spill in April 2007, which resulted in the release of less than two barrels of diesel into secondary containment within an office yard. Complete diesel recovery and clean up activities were completed on the day the leak was discovered.

The second was more serious and involved the discovery in December 2007 of an 'illegal tap', an attempt to siphon oil from the western route pipeline which had resulted in approximately 472 barrels of oil leaking from the pipeline. Our incident management team was activated and their response ensured the direct recovery of approximately one-third of the oil. Remediation work has been carried out for the remainder.

Security and human rights

We commissioned a report assessing our performance against security and human rights commitments by the US law firm Foley Hoag LLP which was published in May 2007. The report found no instances of human rights abuses in connection with our activities in Georgia but identified areas where our approach could be improved. We are addressing these. For example, we have provided training on basic human rights, the Voluntary Principles on Security and Human Rights, communication skills and the use of force for our private sector security firm in 2007.

Financial and economic impact Our financial and economic impact in Georgia is significant. It has been estimated that approximately 7% of foreign investment in Georgia came from BP and its partners in 2007. We are an important contributor to national government revenues through the payment of taxes and transit fees.

Due to the shutdown of the western route pipeline for maintenance, no western route tariff payments were made in 2007. Profit tax payments, however, linked to the throughput on the BTC pipeline, totalled \$25.4 million from all the BTC business partners in 2007. This compared with \$7.8 million in 2006.

With the completion of BTC and SCP pipeline construction in 2006, our levels of capital investment in Georgia declined in 2007. From the inception of the BTC and SCP projects in 2003-04 to their completion in 2006, total capital expenditure amounted to \$978 million on BTC and \$615 million on SCP. Our operational expenditure on BTC/SCP and WREP totalled \$111.6 million in 2007 compared with \$72.1 million in 2006.

Working with local contractors A large number of Georgian contractors have been employed as we have moved from projects to operations. For example, a Georgian construction and engineering company has worked alongside the main Turkish contractor in carrying out site works on the EDDF. Four Georgian companies have been engaged on construction work related to roads, bridges, the security base and many areas of operational support. In 2007, our payments to local companies totalled \$79.4 million compared with \$86.8 million in 2006.

1.2 Health and safety

As stated by our chief executive officer Tony Hayward, “safe and reliable operations are BP’s number one priority today. They will remain BP’s number one priority while I am the CEO of BP.” Ensuring the health and safety of all those involved in or affected by our activities requires a constant focus on the need to operate safely. We continue to seek to build a stronger awareness of safety, particularly among our contractor workforce.

Safety performance Our activities in Georgia in 2007 were completed without a single DAFWC.

We believe this good performance is attributable to a combination of factors including positive safety leadership, targeted effort to manage key risks, a thorough programme of training and greater local experience. The nature and location of work being undertaken also changed, shifting from a large number of individual construction sites to work at a smaller number of more contained locations. This resulted in a reduction in some high-risk activities, such as driving in difficult terrain.

Whatever the work, safety risks remain and we continue to emphasize the attention that needs to be paid to safe operations.

Safety leadership Our senior staff and supervisors have sought to demonstrate the importance of safety through visible leadership. Team leaders have regularly visited sites, where they have coached and supervised operational staff contractors. Regular safety leadership meetings, involving BP managers and contractors, have helped to share lessons across teams and enabled us to manage performance closely. All these actions

have sought to reiterate the priority given to safe operations.

Driving safety We continued to address issues relating to vehicle safety in 2007, applying the requirements of the BP Driving Safety Standard which mandates minimum requirements for the condition of vehicles. Through contracts, we applied these standards to contractor vehicles as well as our own. While the number of kilometres travelled reduced by approximately one-third in 2007 compared with 2006, it still amounted to over 10 million kilometres and we believe



We take steps to protect the health of our workforce in their day-to-day activities, as well as ensuring we are properly prepared to respond to health-related risks and emergencies.

The focus on vehicle safety contributed to the marked decrease in the number of recorded vehicle accidents, which reduced from 33 in 2006 to five in 2007.

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Training Our safety training in projects and operations in 2007 covered technical courses on topics such as chemical hazard awareness, safe systems of work, incident management and fire fighting according to the national fire protection association standard. We also focused on behavioural topics, including the introduction of a new programme of behavioural safety observation training, called 'safety observations and conversations' (SOCs). SOC's aim to supplement our previous focus on personal safety with a deeper focus on process safety.

A new training and evaluation system introduced in Georgia in 2007 was the Competency Management Assessment System (CMAS). CMAS provides a structured approach to verifying the competency of operators, using standards and qualified assessors. Its aim is to ensure that every person doing a job at our operating sites is assessed to show they can perform all functions associated with their job with the minimal supervision necessary. We met our internal target for carrying out technician competency assessments and are continuing to create development plans for key operations leaders.



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Health We take steps to protect the health of our workforce in their day-to-day activities, as well as ensuring we are properly prepared to respond to health-related risks and emergencies.

A health risk assessment was carried out in 2007 to identify operational health risks and develop programmes and guidelines to protect staff. We undertook training on food safety, hypothermia and cold-weather injuries, first aid and carried out pre-employment health assessments. We also considered how to respond to less-predictable health risks. For example, a general emergency medical plan for BP Georgia was issued and health-related emergency exercises were carried out.

Emergency response Having the capability to respond to emergencies, whether they are related to health, safety, security

or the environment, is a key part of risk management, in which training and preparedness are critical. In 2007, site emergency drills were carried out and table-top training exercises were conducted. We updated our emergency response equipment upgrade strategy. We issued specific emergency response plans for the two BTC pump stations located in Georgia and for the Akhaltsikhe camp. We updated the country support plan which defines the role of the BP Georgia country leadership team and the relationship between our Tbilisi-based incident management team and our colleagues in BP Azerbaijan.

Our incident management team was mobilized on eight occasions in 2007. In each case, debriefings ensured that lessons learned were shared.

1.3 Environmentally sound operations

In 2007, the independent environmental consultant acting on behalf of the BTC lenders issued the completion certificate confirming compliance in all material respects with the project's environmental and social action plan and environmental law. We recognize this achievement does not represent the end of our commitments and continue to take steps towards the systematic management of our environmental impacts.

Emissions management We seek to minimize emissions from routine operations. Some air emissions, including CO₂, increased in 2007 compared with 2006 while others such as emissions of methane and sulphur dioxide (SO₂) declined. Section 1.5 of this report provides detailed data and commentary.

Progress towards ISO 14001 We took steps in 2007 towards obtaining certification against the international environmental management system standard ISO 14001 for the BTC/SCP pipelines and associated facilities. We are tackling development points raised by an external precertification audit and aim to achieve certification in 2008.

Waste management Progress was made in 2007 to fulfil our internal commitment to adhere to EU standards of waste management for the BTC pipeline and associated facilities.

We acquired a site near Rustavi for the construction of a permanent landfill facility for non-hazardous waste generated by our activities. We appointed an international engineering consulting company to develop plans for the facility's construction and operation. Permitting, impact assessments and project designs have

begun. Our plan is to have the site constructed and operating in 2008. We have committed to assist the local authority in developing a municipal facility adjacent to the BP landfill site which will serve the local community.

We appointed an international contractor to negotiate and manage the export of hazardous waste, given that no EU-compliant facilities exist in Georgia. First deliveries of this waste to facilities in Germany and the Netherlands took place early in 2008.

Reinstatement and protecting biodiversity

We continued to restore land along the BTC/SCP pipeline right of way and temporary facilities, restoring topsoil and vegetation to mitigate impact and carrying out vegetation cover and species diversity monitoring. Although we have no formal requirement to do so, we began a photo-landscape monitoring programme at selected locations to demonstrate progress in restoring the landscape, including the use of high-resolution satellite imaging. We have also undertaken habitat restoration projects in locations on the western route pipeline.

In 2007, we and our co-venturers supported the sixth consecutive annual biodiversity competition. Thirty-eight



project proposals were received and evaluated, with prizes awarded for the best project and best contribution to environmental journalism. We are continuing support for a number of biodiversity projects begun during pipeline construction.

Remediation Following a legal agreement that enabled us to regain access to the affected land, we were able to complete remediation work on soil and surface and ground water contaminated by an oil spill in 2002 which resulted from an illegal tap on WREP.

1.4 Dialogue and engagement

Our activities in Georgia bring regular interaction with government, communities, non-governmental organizations (NGOs), the media, contractors, and business partners. We aim to ensure that dialogue and engagement with them creates mutual advantage. We also, of course, seek an open and positive engagement with our own staff, working to create an environment of mutual trust and respect.

Government relations Our activities necessitate regular contact with Georgian government authorities to make progress on operational issues such as permitting, which are important for our continuing operations.

We continue to face legal and administrative challenges in relation to the treatment of state land, resulting in the inability to register our land rights. This has left these state land parcels subject to possible privatization, which has occurred on occasion, including land that we have previously purchased. We have also encountered permitting delays, which reflect the need to continue the improvement of institutional capacity and administrative processes within relevant government institutions.

While we face challenges, there have been examples of how a constructive relationship with government can provide mutual benefit. We have, for instance, continued to deliver security training for the government's SPPD under a protocol agreed with the government in 2004. We have also provided further financial support for the provision of non-lethal security equipment in accordance with this agreement.

Capacity building We continue to inform NGOs about our activities in Georgia,

building on the 'Pipeline Monitoring and Dialogue Initiative' (PMDI) which engaged 36 civil sector representatives in reviewing and auditing our activities in 2006. We initiated a round-table discussion with PMDI participants in 2007 to inform them of business developments and to update them on how their recommendations had been taken forward.

Where appropriate, we support the work of other organizations working towards a culture of greater openness in Georgian civil society. In 2007, for example, reports were published by the Georgian Young Lawyers Association which carried out monitoring of the BTC grant to the government of Georgia, and on BTC land and cultural heritage related issues. We participated in discussion of these reports.

We continued to fund English language training (for up to 27

journalists), provided by the British Council.

A BP-supported business and economics centre opened in the Georgian Parliament in February 2007. We contributed \$400,000 to the establishment of the new research centre, in partnership with the International Association of Business and Parliament.

Developing contractor capability As part of our goal to become a local energy company, we work with local contractors to improve their skills and capabilities so they can meet the demanding standards we set.

Applying good safety practice is a fundamental requirement. Our twice-monthly safety leadership meetings, regularly chaired by contractor company delegates, have focused on learning

BP Georgia workforce headcount

	2004	2005	2006	2007
Number of Georgian nationals	389	398	492	499
Number of whom are BP employees	228	271	274	280
Number of whom are contractors	161	127	218	219
Number of expatriates	142	138	162	92
Number of whom are BP employees	37	38	26	26
Number of whom are contractors	105	100	136	66
Total workforce number	531	536	654	591



Business and economic centre in the Georgian parliament

To support transparent dialogue between Georgian businesses, parliament and government, BP provided financial support in 2006 to establish a business and economic centre in the Georgian parliament. The centre provides independent analysis for members of parliament and officials, producing research papers and pre-legislative reviews, dealing with written

inquiries and supporting round-table discussions. The centre's activities are undertaken according to a code of principles which support its objectivity and operates under the patronage of the president of the European parliament. The centre, located in a renovated part of the parliamentary complex, estimates that 20% of MPs are already regular users of its services. BP has agreed to continue funding the centre for a further three years.

lessons from incidents and near misses, and sharing good practice with a view to instilling the right behaviours and attitudes.

We have sought to develop contractor capability in other disciplines, such as human resources management. We provided training to contractors on topics such as the Georgian labour code, transparent recruitment and grievance and disciplinary procedures and audited compliance with employment practice and workers rights commitments in our employment and training management plan. We have sought to manage the transition to using more Georgian contractors in the Kodiana special projects, which has involved a management of change process to bring them up to speed with the necessary environmental and operational performance requirements.

Engaging with communities We continue to work with the villages and communities affected by our operations on the BTC/SCP routes and WREP.

Our Community Liaison Officers (CLOs) maintain regular contact with village communities, listening to local views and complaints and raising awareness of BP and its activities. We were able to close the majority of grievances in 2007, which related mainly to issues raised during pipeline construction.

We have continued our programme of returning land required during pipeline

construction to the original landowners for their future use.

Engaging our people As part of the transition from projects to operations, we have sought to increase the number of Georgian nationals working in the business and to develop their experience so they can assume leadership positions. For example, site controller and supervisor positions previously held by expatriate staff are now held by Georgian nationals.

The total size of our workforce decreased in 2007, reflecting the demobilization of workers once the pipeline construction projects had been completed. The proportion of Georgian staff, however, increased significantly, reaching 84%.

We strive to maintain an open working environment in which everyone is treated with respect and dignity. We communicate with our employees through newsletters and staff updates. We use focus groups, team meetings and events to provide opportunities for engagement and to set out relevant context, direction and business priorities.

Underpinning our aspiration for an open environment is the BP code of conduct, which represents BP's commitment to personal integrity, defining what is expected of every BP employee in the areas of health, safety, security and the environment; employees; business partners; governments and communities; and company assets and financial integrity.

As in previous years, we completed our internal ethics certification process in 2007 in which each business or functional team is asked to produce a certificate indicating the extent to which it has complied with laws, regulations and the code of conduct. We continued to make employees and contractors aware of OpenTalk, our independent confidential helpline, enabling them to enquire or raise concerns about compliance, ethics or the code of conduct.

We acted on issues raised in the 2006 People Assurance Survey (PAS), an assessment of employee opinion carried out every two years. For example, in response to concerns about pay and benefits, we introduced a long-term savings plan for national employees in 2007 and improved the terms of the medical insurance package for national staff.



1.5 Performance data and commentary

	2004	2005	2006	2007
Safety^a				
BP employee fatalities	0	0	0	0
BP contractor fatalities	1	1	0	0
Days away from work cases (DAFWC) ^b – workforce ^c	12	4	3	0
Days away from work cases frequency (DAFWCf) ^d – workforce	0.12	0.06	0.07	0
Recordable injuries ^e – workforce	105	30	5	1
Recordable injury frequency (RIF) ^f – workforce	1.06	0.41	0.12	0.04
Total vehicle accidents	69	35	33	5
Total vehicle accident rate ^g	3.76	1.30	2.06	0.49
Hours worked – workforce	19,776,554	14,527,840	8,158,739	4,459,899
Kilometres driven	18,335,771	26,844,882*	15,999,715	10,101,030

Commentary

There were no fatalities or days away from work cases in 2007 resulting in an improved recordable injury frequency. The marked reduction in the number of vehicle accidents was the principal reason behind the improvement in total vehicle accident rate. The number of kilometres driven also declined.

* The kilometres driven figure for 2005 amends a misprint in the *BP in Georgia Sustainability Report 2006* where this figure was shown as 28,844,882.

Environment^{h,i}				
Direct carbon dioxide (CO ₂) (tonnes)	32,029	35,421	146,084	408,273
Direct methane (CH ₄) (tonnes)	202	220	396	271
Equity share direct greenhouse gas (GHG) (tonnes CO ₂ equivalent)	12,362	13,687	47,675	123,863
Sulphur dioxide (SO _x) (tonnes)	39	44	197	109
Nitrogen oxides (NO _x) (tonnes)	589	651	1,751	2,704
Non-methane hydrocarbons (NMHC) (tonnes)	1,834	1,990	1,823	91
Number of spills (loss of primary containment)	1	1	3	2
Volume of product spilled (litres)	15	70,914	10,416	75,290
Volume of product unrecovered (litres)	10	0	0	51,000
Hazardous waste disposed (m ³) ^k	311	388	243	383
Non-hazardous waste disposed (tonnes)	603	670	378	463

Commentary

The increase in CO₂ emissions in 2007 reflects the use of all turbines at all the pipeline pump stations, the use of additional generators and of additional equipment to dry the gas and compress it. The increased equipment use reflects the higher production throughput in the pipelines. The decrease in SO_x emissions in 2007 compared with 2006 is primarily due to the transition to using gas as a fuel for turbines (which has lower sulphur content) instead of diesel gas. NO_x emissions, however, have increased in 2007, largely as a result of this shift. The fall in emissions of non-methane hydrocarbons results primarily from the decrease in emissions from loading processes at the Supsa terminal, as a result of the shutdown in 2007 of the western route pipeline.

Employees				
Total BP Georgia workforce	531	536	654	591
Georgian nationals in BP Georgia workforce (%)	73	74	75	84

Commentary

The significant increase in the percentage of Georgian nationals in the BP Georgia workforce in 2007 reflects the withdrawal of expatriate contractors on conclusion of the construction of BTC/SCP and our continuing efforts to develop the skills and experience of Georgian nationals.

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

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

^c The BP workforce comprises all BP employees, all BP contractors and all BP Directors.

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

^e A recordable injury is a work-related injury and illness incident that results in a fatality, a day away from work case, restricted work or job transfer, or medical treatment beyond first aid.

^f RIF: The total number of reported recordable injuries to the BP workforce for every 200,000 hours worked in the same period.

^g TVAR: Total Vehicle Accident Rate: the sum of all light vehicle, all heavy vehicle and all mobile plant accidents per one million kilometres driven.

^h 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.

ⁱ Data for 2004 and 2005 covers BP operated activities on the western route pipeline and the Supsa terminal. Data for 2006 and 2007 covers BP operated activities for all three pipelines (BTC, SCP and WREP) and associated facilities in Georgia.

^j In accordance with the BP group definition, hydrocarbon spills are those equal to or over one barrel (equal to 159 litres, or 42 US gallons).

^k The figures for waste reporting show amounts of hazardous and non-hazardous waste disposed. This information has been calculated for 2004-07 from existing data and is reported for the first time.

2



Children at a BP organized charity event

Our role in society

- 2.1 Education
- 2.2 Enterprise development
- 2.3 Access to energy

Conducting our own activities in a responsible manner is the key part of our corporate responsibility framework. We also aim to ensure that our presence in Georgia, and wherever we operate, brings wider benefit. Using our collective experience and resources, and working in partnership with others, we seek to respond to local needs and conditions and contribute to building the capacity of individuals, communities and institutions.

Our community and social programmes support projects with a wide range of aims and themes. Many of them support initiatives in education and local enterprise development. Others promote good governance by supporting transparency.

2.1 Education

Supporting education has been an important element of our community investment programmes in Georgia since their inception. We have supported projects designed to make quick impact, such as refurbishing school buildings, as well as longer-term initiatives that enhance the skills and capabilities of students.

Support for schools The Improved Schools Project, which was implemented as part of our Community Investment Programme (CIP-ISP), seeks to provide opportunity for young people to participate more effectively in Georgia's social and economic growth. The project has supported school rehabilitation, teacher training, awareness raising campaigns on educational reform and the organization of summer camps. Since 2004, we have spent over \$2.6 million on educational projects under CIP.

Our programme of investment in schools around the Supsa terminal started in 2007. It has involved school building rehabilitation, providing training to boards of trustees and supporting various initiatives with schoolchildren. These included support for eco-clubs, which are organized by pupils and

undertake environmental projects around the school. We supported a foreign language competition in which 25 schools and 645 students participated, and supported awareness raising and training events on topics including leadership and how to resolve conflicts.

We have also supported small-scale projects in community schools located within two kilometres of the western route pipeline (WREP). Schools are encouraged to submit applications to BP for grants which can be used for building refurbishment or to promote broader educational aims. For example, we supported a series of safety quizzes in schools, encouraging children to learn about safety around the pipeline. By having this programme managed by our community liaison officers, we aim for

it to be as responsive as possible to the needs of the villages concerned.

Assistance for postgraduate study In 2007, we provided financial support to nine Georgian students to undertake post-graduate education in the UK. This was the third annual group of students, in a programme run in partnership with the British Council.

We continued to contribute funding for the International School of Economics in Tbilisi (ISET) established in 2006 with core support from BP and the governments of Georgia, Sweden and Norway to promote excellence in postgraduate economic study and research. In its first year of operation, ISET made appointments to its faculty, filled administrative positions and moved to a new building.



Training educational boards of trustees

To support schools in communities along the BTC and SCP pipelines and around the Supsa terminal, we have supported programmes implemented by CARE International to train school boards of trustees. These initiatives reinforce a Georgian government programme to appoint and develop the capability of school trustees. Training has covered topics such as school board management, conflict resolution and clarifying roles and responsibilities. Initial feedback from recipients has been positive, indicating that the skills and knowledge gained have helped clarify strategies, roles, and the conduct of board meetings. We are considering an expansion of the topics which might be covered in future. For example, guidance on school financial management, human resource management, and securing greater parental involvement in the school have been suggested.

2.2 Enterprise development

One of the key priorities of the government of Georgia is to increase employment. We are playing our role by employing nearly 500 Georgian nationals. By using local contractors and suppliers, we create additional jobs, develop lasting skills and contribute to Georgia's economic development and stability. But we also undertake wider initiatives, often in conjunction with partners, to help develop enterprise through providing access to finance, improving access to markets, and providing training and development opportunities.

Supporting agricultural development

Given the importance of agriculture to many communities along the pipeline routes, we initiated a three-year programme in 2007 to support business development in the agricultural sector. The project builds on support already given to farmers living near the pipeline route and is being implemented by CARE International. It aims to bring direct benefit to some 600 farmers in more than 20 communities by improving their access to markets and creating associations and centres in support of their activities.

Promoting enterprise development

Supporting enterprise is one of the key aspects of the Regional Development Initiative (RDI). Initiated by BP and its co-venturers in 2005, following extensive consultations with various stakeholders in the region, the RDI in Georgia was formally launched in 2007. It is designed to help bring sustainable socio-economic benefits to people in Georgia, Azerbaijan and Turkey.

One of the fundamental principles of the programme is to work in partnership with development agencies and governments, thereby ensuring effective co-ordination and delivery. The European Bank for Reconstruction and

Development (EBRD), the Millennium Challenge Corporation, the International Finance Corporation, and the Canadian International Development Agency are among the partner organizations. The RDI is based on the concept that for every dollar contributed by oil and gas companies, an equivalent (or greater) amount will be invested by other organizations.

Eight projects have so far been approved and are at various stages of development. They show how help is being channelled through different types of project, all with the goal of removing barriers to wealth creation and facilitating enterprise. Support for



Supporting start-up businesses for women

A project under our Community Investment Programme is providing training for women who want to start up in business. The initiative reflects the fact that many Georgian women are economically marginalized and have had little opportunity to develop business projects. Following training on business planning and proposal writing, applications were submitted and grants provided to 11 approved projects, run by 16 women in total. Grants were of a value of up to approximately \$800 per business idea. The projects covered a range of initiatives, including poultry farming, the production of dairy products and baked goods, and sewing.

Georgia corporate governance project

The goal of this RDI project, launched in April 2007, is to improve the corporate governance practices of Georgian companies, helping them to operate more effectively and allowing them easier access to capital. The main objectives of the project are to increase knowledge among Georgian companies and banks about corporate governance and to help them implement best international practices; to work closely with the government to improve the legislative framework regulating corporate governance in Georgia; and to increase public awareness of corporate governance issues. We have provided \$400,000 supplemented by a further \$550,000 from IFC and \$828,000 from Canadian International Development Agency.

In the course of 2007, project participants contributed to amendments to new securities market legislation, in particular its provisions relating to conflict of interest and disclosure. This was a significant step towards protecting the rights of minority shareholders. Training has been provided to 35 Georgian companies and banks on corporate governance issues and seminars have been held on topics ranging from banking corporate governance to internal control for companies and banks. A total of 69 individuals attended the seminars including representatives from companies, banks and NGOs.

infrastructure development is being provided in projects to improve solid waste management in Borjomi and to design water and wastewater treatment systems in Borjomi and Bakuriani. Projects are being carried out that seek to increase the availability of finance, including micro-finance. There is also an initiative to reduce administrative burdens on small businesses, along with a programme to improve the corporate governance practices of Georgian companies. The milk processing and beekeeping sectors are receiving technical and financial assistance within a project to promote private sector business development in the Greater Borjomi region.

Total investment in Georgia under the RDI has so far been \$13.5 million. From 2008, BP and its co-venturers plan to invest approximately \$4 million per year.



Promoting trade and investment We continued to chair and support the EU-Georgia Business Council (EUGBC), set up with BP and Statoil financial assistance in 2006 to develop trade and investment ties between Georgia and

the EU. EUGBC activities in 2007 included discussions with EU and European Investment Bank officials on trade, investment and co-operation and active support of the Georgian wine industry and other EUGBC members.

Providing access to finance

A project under the Regional Development Initiative is providing on-lending capital and technical assistance to the Constanta Foundation, which provides loans to micro and small enterprises through its network of branches across the country.

A \$3.5 million concessional credit line to increase its lending capacity is being provided by the European Bank for Reconstruction and Development (EBRD). We are also providing \$500,000 of capital for lending as well as technical assistance to strengthen Constanta's systems of internal control, train local staff and cover legal fees for preparing loan documentation, at a value of \$100,000.

2.3 Access to energy

Across BP, we work to bring affordable sources of energy to communities where it is needed. In Georgia, this means not only providing direct access to much-needed supplies of energy – which we are doing by providing gas to the domestic market – but also by helping to develop the country’s energy infrastructure. This role involves providing support for upgrading physical assets and building the capacity of organizations and individuals to understand the importance of energy and use it wisely.

Refurbishing the north-south main gas pipeline Under an agreement signed with the Georgian Oil and Gas Corporation (GOGC), BP and its co-venturers continued to provide technical advice during 2007 in support of a major rehabilitation of the north-south main gas pipeline, maintenance of which is critical to ensuring the continued supply of gas and electricity to Georgia’s population.

Constructed in the 1960s, and last rehabilitated in the 1980s, the pipeline

is an important but ageing part of the national gas distribution system. We have contributed \$1.1 million to technical support for refurbishment, in the context of a \$40 million rehabilitation project funded by the US government’s Millennium Challenge Corporation. Our team provided training to GOGC staff in project management, covering topics such as scheduling and reporting, cost control, contractor management, safety and environmental management, and

the use of geographical information systems.

Raising awareness of energy efficiency

We are planning a three-year initiative in Georgia which will aim to raise awareness of energy efficiency and renewable energy solutions, and provide affordable loans to households and small businesses to invest in energy efficient products. This programme builds on a similar initiative implemented by BP in Azerbaijan from 2004-07.



Promoting understanding of the energy industry

In October 2007, Transparency International Georgia began implementing a project with funding from BP Georgia to promote understanding of the energy sector. The programme aims to increase public awareness of the energy sector and disseminate information about energy sector reforms. It involves intensive training for journalists, producing tri-annual newspaper inserts that include

comprehensive articles on energy issues, producing and disseminating monthly reports, and awarding a quarterly journalism award on energy issues.

“The project we are implementing with BP funding effectively enables us to educate and update journalists about changes in the state’s energy policy and circumstances. It also reinforces the role of the journalist in informing the public about these issues, which is very important for the work we do to fight corruption by promoting transparency, accountability and public engagement.”

Tamuna Karosanidze, Executive Director, Transparency International Georgia

Independent assurance statement

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

Independent assurance statement to BP management

The *BP in Georgia Sustainability Report 2007* (the Report) has been prepared by the management of BP Georgia, who are responsible for the collection and presentation of information within it. Our responsibility, in accordance with BP management's instructions is to carry out a limited assurance engagement on the Report as outlined below, in order to provide conclusions on the claims, data and coverage of issues within it.

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

What we did to form our conclusions

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

The Report has been evaluated against the following criteria:

- Whether the Report covers the key sustainability issues relevant to BP in Georgia in 2007 which were raised in the media, BP Georgia's own review of material sustainability issues, and selected internal documentation.
- Whether sustainability claims made in the Report are consistent with the explanation and evidence provided by relevant BP managers.

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

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

1. Reviewed a selection of external media reports and internal documents relating to the sustainability performance of BP in Georgia in 2007 as a check on the scope and appropriateness of statements made in the Report.
2. Reviewed BP Georgia's process for determining the key issues to be included in the Report.
3. Reviewed information or explanation about the Report's sustainability performance data and statements. Whilst we reviewed documentation to support the sustainability data contained within the Report, we did not test the data processes for gathering, collating and reporting data at country or site level.

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

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

1. Does the Report cover the key issues?

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

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

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

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

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

We confirm annually to BP whether there have been any events including the provision of prohibited services that could impair our independence or objectivity. There were no such events or services in 2007.

 ERNST & YOUNG

Ernst & Young LLP
London, May 2008

Glossary of terms and further information

BTC	Baku-Tbilisi-Ceyhan pipeline
CLO	Community liaison officer
CMAS	Competency Management Assessment System
CO ₂	Carbon dioxide
DAFWC (f)	Day away from work case (frequency)
EBRD	European Bank for Reconstruction and Development
EDDF	Emergency drain down facility
EU	European Union
EUGBC	EU-Georgia Business Council
GHG	Greenhouse gas
GOGC	Georgian Oil and Gas Corporation
IFC	International Finance Corporation
ISP	Improved schools project
NGO	Non-governmental organization
PAS	People assurance survey
PMDI	Pipeline monitoring and dialogue initiative
RDI	Regional development initiative
SCP	South Caucasus Pipeline
SOC	Safety observations and conversations
SPPD	Strategic Pipelines Protection Department
WREP	Western Route Export Pipeline (also known as the Baku-Supsa pipeline)

BP's sustainability reporting

BP communicates non-financial commitments and performance at group, country and site levels in both print and online media.

Group level

The BP Group Sustainability report is available in English, German, Mandarin Chinese, Russian and Spanish and BP's performance is presented as interactive charts.

www.bp.com/sustainability

www.bp.com/hsechartingtools

www.bp.com/sustainabilityworldwide

Country level

Reports are available describing our operations in Angola, Azerbaijan, Germany, New Zealand, Southern Africa, Trinidad & Tobago and Turkey.

www.bp.com/countrysustainabilityreports

www.bp.com/worldwide

Site level

Verified site reports and a focus on air quality, access to water and water quality, biodiversity and waste management are also available.

www.bp.com/sitereports

www.bp.com/environmentalmappingtool

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, 38 Saburtalo Street, 0194, Tbilisi, Georgia.

Copies of previous BP in Georgia Sustainability reports may also be obtained free of charge from this address.

Acknowledgements

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