

**BAKU-TBILISI-CEYHAN PIPELINE**  
**ENVIRONMENTAL AND SOCIAL ACTION**  
**PLAN**

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described in more detail in Section 8.2 and 8.4.

This ESAP refers in places to policies, plans and commitments of BTC Co., The BTC Co. shareholders and BP Exploration (Caspian Sea) Limited, as Manager for the BTC Project, for its activities in Azerbaijan, Georgia and Turkey (referred to in places as “AGT” or the “AGT Projects”), that relate not only to the BTC Project, but to the development of the South Caucasus Pipeline Project (the “SCP Pipeline”) and the Azeri, Chirag and deep-water Gunashli (“ACG”) and Shah Deniz fields as a whole. For purposes of the CTA, such references are excluded to the extent they refer to activities other than those comprising the BTC Project.

All references to policies, plans, systems and programmes of BTC Co., BP Exploration (Caspian Sea) Limited, as Manager for the BTC Project, or contractors for BTC Co. shall be deemed to refer to those in effect from time to time as required by the Participants Agreement, the Intergovernmental Agreement (the “IGA”) the Host Government Agreements (the “HGAs”) and all applicable laws, permits and authorizations. Therefore, if relevant policies, plans, systems or programmes change (subject to any restrictions on change in this ESAP), the updated policies, plans, systems or programmes will apply for purposes of this ESAP rather than those in effect as of the date of the ESAP. References in this ESAP to “Environmental and Social Impact Assessments”, “Environmental Impact Assessments”, “ESIAs” or “EIAs” are to environmental and social impact assessments and environmental impact assessments relating to the BTC Project produced for, and approved under, the HGAs, together with all related approvals (and any related requirements for further work) from the relevant regulatory authorities, as such environmental

and social impact assessments or environmental impact assessments and related approvals may be amended, supplemented or replaced from time to time in accordance with any necessary authorization, approval, consent or review by the Ministry of Ecology and Natural Resources (“MENR”) in Azerbaijan, the Ministry of the Environment (“MOE”) in Georgia, the Government of Georgia and the MOE in Turkey or their successors, as applicable.

Except as otherwise expressly stated herein, this ESAP may be amended only as agreed between BTC Co. and the Intercreditor Agent. The ESMS outlined herein is a working document, which by its nature, requires flexibility. Therefore, the ESMS may be modified as a result of the management of change procedure outlined in Section 6.7.1.1 or management review as outlined in Section 6.8. In the event that there is an inconsistency between the ESAP and the CTA, the CTA will prevail.

For the purposes of the CTA it is the responsibility of BTC Co. to meet the commitments set out in this ESAP and to ensure that all environmental and social commitments undertaken on behalf of the BTC Project, including any such commitments that may be delegated to contractors, are in compliance with the terms and requirements of all agreements, laws, permits and authorizations applicable to the BTC Project.

All information relating to physical characteristics of the BTC Project is estimated. In addition, measures, weights and amounts stated herein represent approximate figures. Actual measures, weights and amounts may vary depending on various factors, including actual characteristics of available or appropriate equipment. Note, however, that the environmental standards for pollutants outlined in Annex E are not estimates.

A list of the abbreviations used in this ESAP is included for convenience of reference as Annex A.

The ESAP is being disclosed publicly by the Senior External Lenders and PR Insurers together with the Intergovernmental Agreement, Host Government Agreements, Lump Sum Turnkey Construct for Turkey, the EIA, ESIA's and certain other environmental and social documents as part of a comprehensive public disclosure package. These documents are also available on the internet at [www.caspiandevlopmentandexport.com](http://www.caspiandevlopmentandexport.com).

## 2. INTRODUCTION

### 2.1 Project Overview

The “BTC Project” comprises the development, financing, construction and operation of a dedicated crude oil pipeline system with an approximate capacity of one million barrels per day of crude oil from the Sangachal terminal near Baku in Azerbaijan, through Georgia and Turkey (the “States” or “Project States”), to a new export terminal to be developed at Ceyhan on the Mediterranean coast of Turkey (the “BTC Pipeline”). The pipeline will cover a total distance of approximately 1,760km, of which approximately 442km will be in Azerbaijan, 248km will be in Georgia and 1,070km will be in Turkey. The pipeline system will incorporate a number of Above Ground Installations (“AGIs”) in each country, as follows:

- **Azerbaijan.** During the initial stages of development, permanent AGIs within Azerbaijan will comprise the terminal facilities at Sangachal constructed for BTC Co., all necessary pipeline block and check valves, a cathodic protection system, a fibre optic communications system, a computer-based control system and one intermediate pigging station. It is anticipated that a later stage of development will be undertaken to bring the Azerbaijan section up to its design flow capacity and that this development will comprise a pump station and additional intermediate pigging station.
- **Georgia.** In Georgia, the AGIs will include one intermediate pigging station, two pump stations, sixteen block valve stations, ten check valve stations, one metering station and one custody transfer station.
- **Turkey.** In Turkey, the AGIs will include the terminal facilities on the Mediterranean coast at Ceyhan constructed for BTC Co., four pump stations, one pressure reduction station, fifty-two block valve stations, metering stations (at the first pump station and at the Marine Terminal at Ceyhan, Turkey) to measure the quantities entering and leaving the pipeline and facilities for monitoring and maintaining the internal integrity of the pipeline.

The pipeline and related facilities are being developed principally to accommodate new production from the ACG offshore fields (together, the “ACG Fields”) as existing pipelines and other transportation capacity in the region are insufficient for the export of this new crude oil production. An initial phase of development of the Chirag field, known as the Early Oil Project, has already been completed, and three further phases of development of the ACG Fields are anticipated, the first two phases of which have been sanctioned (“Phase 1” and “Phase 2”). Following completion of all three further phases of the planned development of the ACG Fields in 2008, over one million barrels of crude oil per day is expected to be produced. The BTC Pipeline will also be the principal export route for other crude oil production in Azerbaijan and the Southern Caspian, including condensate from the Shah Deniz field and the shallow water Gunashli field. It is also anticipated that the BTC Pipeline will prove to be an attractive export option for some crude oil production from Kazakhstan.

In February 2003, the SCP Pipeline project, which will transport gas from the Shah Deniz field to the Georgian/Turkish border for delivery to Turkish gas markets, was sanctioned. The 690km

long pipeline will be constructed as a separate project parallel to the BTC Pipeline in Azerbaijan and Georgia and, like the BTC Pipeline, will be buried. Construction and operation of the Azerbaijani and Georgian portions of the BTC and SCP Pipelines will be coordinated so as to take advantage of synergies of the two projects.

Affiliates of Amerada Hess Corporation, BP plc, ConocoPhillips, Eni S.p.A., Inpex Corporation, Itochu Corporation, the State Oil Company of the Azerbaijan Republic (“SOCAR”), Statoil ASA, Total, Turkiye Petrolleri A.O. (“TPAO”) and Union Oil Company of California (“Unocal”) (together, the “Sponsors” or the “BTC Sponsors”) have entered into a number of project documents, including a Participants Agreement, pursuant to which they have established a project company, BTC Co. in order to develop, implement and carry out all activities relating to the BTC Project. Through a Management Services Agreement between BTC Co. and BP Exploration (Caspian Sea) Limited (the “Management Services Agreement”), BTC Co. will assign responsibility for the day-to-day administration of the business and affairs of BTC Co. and overall supervision of the construction and physical and commercial operation of the pipeline in Azerbaijan and Georgia to BP Exploration (Caspian Sea) Limited (the “Manager”).

With regards to those components of the BTC Project that are located in Turkey (the “Turkish Section”), BTC Co. has engaged Bota<sup>o</sup>, the state-owned Turkish petroleum pipeline corporation. Bota<sup>o</sup> will be responsible for the design, engineering, procurement, construction, inspection, start-up, demonstration and testing of the BTC Project facilities in Turkey in compliance with the BTC Project Agreements relevant to the Turkish Section and the Lump Sum Turnkey Agreement between Bota<sup>o</sup> and BTC Co. (the “LSTK”). The Government of Turkey has appointed a Bota<sup>o</sup> affiliate company to operate the facilities that comprise the Turkish Section of the BTC Project. The Bota<sup>o</sup> affiliate, in its capacity as operator of the facilities in Turkey, will enter into an Operating Agreement with BTC Co. Pursuant to the Management Services Agreement, the Manager will supervise, direct and control all contractors and subcontractors on behalf of BTC Co., including Bota<sup>o</sup> for the Turkish Section, and as a result will be responsible for implementing the obligations of BTC Co. under this ESAP.

Several agreements impact the construction, development and operation of the pipeline and affect the BTC Project’s environmental and social policies. Short descriptions of these agreements are provided below.

- The Intergovernmental Agreement (the “IGA”), signed by representatives of the Azerbaijan Republic, Georgia and the Republic of Turkey on November 18, 1999, sets out each project State’s support for the development, construction and operation of the pipeline in each country and the transit of petroleum liquids through the pipeline. The mutual obligations of the project States under the IGA form the basis of the undertakings contained in all agreements entered into with the BTC investors, and are enforceable by the States against one another under international law. The IGA is an international treaty, which became effective on June 21, 2000, after ratification by the parliaments of each State. Each State has also enacted the IGA into national law and the IGA, together with the HGAs, is part of the prevailing legal regime in each country with regards to the BTC Project.

Article IV of the IGA requires that the environmental and safety standards for the construction, operation, repair, replacement, capacity expansion or extension and maintenance of the project facilities comply with (i) international standards and best practices within the petroleum pipeline industry which shall “in no event be less stringent than those generally applied in the member states of the European Union” and (ii) the requirements specified in the HGAs. The reference to EU standards provides a benchmark and floor for what will be considered “international standards and best practices” for purposes of the project – the IGA ensures that the BTC Project must meet or exceed EU standards. Annex E provides more information about EU standards relevant to the BTC Project at the date of the ESAP.

- The HGAs originated as agreements between each of the project States on the one hand and Affiliates of each of the Sponsors on the other (the “HGA Contracting Parties”). The HGAs are substantially similar for each of the Project States and set out the legal and fiscal regime under which the HGA Contracting Parties undertake the BTC Project and the mutual rights and obligations of the host governments and Affiliates. BTC Co. succeeded to the rights of the HGA Contracting Parties under the HGAs on August 1, 2002 and the HGAs are now agreements between BTC Co. and each of the host governments. Among other things, the HGAs state that in developing and operating the BTC Project, BTC Co. shall comply with present and future Azerbaijani, Georgian and Turkish laws or regulations of general applicability with respect to public health, safety and protection and restoration of the environment to the extent that such laws and regulations are no more stringent than the current international petroleum industry practices in effect from time to time and do not conflict with the terms of the HGAs. The HGAs also obligate BTC Co. to comply with good international petroleum standards and practices generally observed by the international community with respect to comparable petroleum projects. The HGAs are enforceable as contractual arrangements between each State and BTC Co. and through all mechanisms available for enforcement of local laws.
- BTC Co. has entered into the ACG Transportation Agreement with Amoco Caspian Sea Petroleum Limited, BP Exploration (Caspian Sea) Limited, Delta Hess (ACG) Limited, Delta Hess Khazar Limited, ITOCHU Oil Exploration (Azerbaijan) Inc., SOCAR, Statoil Aspheron a.s., TPAO and Unocal Khazar Ltd., each of which is an “Investor ACG Shipper”. Subject to the terms and conditions of the ACG Transportation Agreement, each Investor ACG Shipper has committed to ship all of its crude oil production from the ACG Fields through the pipeline except for any production it ships through the Western Route Export Pipeline, which is currently the export route for most of the ACG Fields production of the Investor ACG Shippers. BTC Co. may from time to time enter into other transportation agreements with other shippers, subject to the terms set out in the CTA.
- The shareholders of BTC Co., and the South Caucasus Pipeline Company (“SCPC”), which is developing the SCP gas pipeline, entered into a Cooperation Agreement on April 15, 2002, effective as of June 11, 2002 (the “Cooperation Agreement”), which seeks to (i) preserve the rights of both projects under their respective host government

agreements, (ii) identify and secure cost savings to the BTC and SCP projects through appropriate sharing of construction development and operational efficiencies on a transparent basis, (iii) establish the principles for cost sharing between the projects, (iv) establish the appropriate allocation of risks and liabilities between the projects and (v) establish a mechanism to share information and discuss implementation of the projects. In this regard, the Cooperation Agreement provides for an integrated BP team to implement common activities, which include contracting, logistics, telecommunications, security, social/environmental impact assessments, land acquisition and pipeline route. The Cooperation Agreement includes, among other things, provisions providing (i) unrestricted access rights of each project to any shared infrastructure, rights of way and facilities and (ii) the right of each project to step-in and operate any shared infrastructure and facilities where the other project fails to adequately do so, to ensure that each project is protected from operating issues of the other project with respect to common activities. As construction progresses, the projects will enter into further agreements supplementing the Cooperation Agreement, as necessary.

## **2.2 Mitigation of Potential Impacts During Design**

The environmental and social approach to the BTC Project has been one of avoidance of adverse impacts and enhancement of potential benefits. Where it has not been possible to avoid adverse impacts, a sequential process of impact reduction, minimization and mitigation has been followed. This has been achieved through, among other things, an iterative engineering design programme, environmental risk assessment and extensive public consultation.

In keeping with this approach, the BTC Project represents the results of a process of assessment of alternative options for the export of crude oil produced from the ACG Fields to the world market, which has taken more than five years and involved the consideration of numerous development options (including a no development option), a detailed route selection and narrowing process and careful pipeline planning and design.

The ESIA's contain a detailed discussion of the development and evaluation of project alternatives, rationale for selecting a pipeline, process of route selection and narrowing, design process and construction planning, identification of environmental and social impacts and selection of mitigation and management measures with respect to the BTC Project's design, construction and operation.

Additionally, in order to ensure consideration of the input of interested and potentially affected parties, BP Exploration (Caspian Sea) Limited, acting as Manager, and international and local ESIA consultants initiated a detailed stakeholder identification process targeting a wide range of stakeholders, defined as individuals or groups who may be affected by or have an interest in the BTC Project. These stakeholders were consulted at various stages of the BTC Project's planning and development as part of the Public Consultation and Disclosure Programme as documented in the Public Consultation and Disclosure Plans ("PCDPs") and their input, among other things, identified potential environmental and social impacts and influenced selection of mitigation and management measures. More detailed descriptions of the identification of stakeholders and the consultation process are included in Sections 4.2 and 4.3 of the Azerbaijani and Georgian

PCDPs, Sections 4.1 and 4.2 of the Turkish PCDP, Section 7.2 of the Azerbaijani and Georgian ESIA and Section 3.2 of the Turkish ESIA.

Mitigation of potential residual social impacts associated with the construction and operation of the BTC Project will principally be achieved through the implementation of the social impact assessment in Section 11 of the Azerbaijani and Georgian ESIA and Section 17 of the Turkish ESIA, communications with the local population in accordance with the PCDP and implementation of the Resettlement Action Plan (“RAP”). Additional elements of the project’s environmental and social management system (for example, the management plans associated with employment and procurement) will also contribute to the mitigation of specific social issues.

### **2.3 Contact Information**

The contact person for BTC Co. for environmental and social affairs is the person listed below, or such other person or persons as BTC Co. may designate by written notice to the intercreditor agent acting on behalf of the Senior External Lenders and PR Insurers, who will be appointed under the Intercreditor Agreement (the “Intercreditor Agent”) from time to time.

#### Environment and Social Contact Person

Name:

Office Address:

Phone/Fax:

Mobile:

E-mail address:

[The appropriate contact person will be listed in the final ESAP.]

### **3. SOURCE DOCUMENTS**

The BTC Project has produced a number of comprehensive environmental and social documents, including country-specific ESIA, amended ESIA or ESIA addenda, as applicable, the Supplemental Lender Information Package (“SLIP”), Resettlement Action Plans, Public Consultation and Disclosure Plans and an Invitation to Tender document (“ITT”) outlining certain contractor requirements (together, the “Source Documents”). Additionally, the Project has agreed to certain conditions for further work imposed by the MENR in Georgia and the MOE in Azerbaijan in connection with their approval of the ESIA for their country. As discussed in more detail below, the Source Documents form the basis of the project’s environmental and social commitments.

#### **3.1 ESIA and the SLIP**

Integrated ESIA have been conducted for the BTC Project. The Manager engaged international environmental and social consultants to assist in the preparation of the ESIA. The ESIA for Azerbaijan was prepared by AETC and ERM, the ESIA for Georgia was prepared by URS and ERM and the EIA for Turkey was prepared by ERM, each in accordance with the terms of the HGA for the relevant country. The Turkish EIA covers both environmental and social elements and, thus, will be referred to as an ESIA.

The BTC ESIA have been publicly disclosed in the project countries and internationally in electronic and hard copy formats. The Azerbaijani documents have been issued in Azerbaijani, Russian and English, the Georgian documents in Georgian, Russian and English (the appendices of the ESIA were issued in Georgian and English) and the Turkish document in Turkish and English. The documents have also been made available through a public internet site at [www.caspiandevelopmentandexport.com](http://www.caspiandevelopmentandexport.com). Each ESIA was subject to a 60-day in-country public disclosure period, during which governments and regulators had an opportunity to review and comment on the documents. The Azerbaijani, Turkish and Georgian governments provided ESIA comments after which addenda to the Azerbaijani and Turkish ESIA and an amended Georgian ESIA responding to the comments were prepared. The amended Georgian ESIA and the Azerbaijani and Turkish addenda were publicly disclosed and reviewed by the relevant government, each of which has now approved the applicable ESIA package. The Georgian and Azerbaijani governments attached certain requirements for further work to their approval of the ESIA. BTC Co. will treat these requirements as if they were contained in the amended Georgian or Azerbaijani ESIA, as applicable, and, as such, the commitments will be implemented, monitored and reported on in the manner described below.

In addition to governmental and regulatory review, the ESIA have been reviewed by potential lenders, including ECAs and Multilateral Agencies. In response to comments from this review, and to ensure the disclosure package meets relevant lender group requirements, the BTC Project has prepared a SLIP comprised of four sections: Part A covers the BTC Pipeline, Part B cover Azerbaijan, Part C covers Georgia and Part D covers Turkey. The SLIP will be publicly disclosed by the project and lenders at the same time as the ESIA.

BTC Co. has also produced an Environmental and Social Overview covering the ESIA's for each country and country-specific non-technical summaries. The non-technical summaries have been translated and disclosed in information distribution centres in the three project countries.

The ESIA's, amended ESIA, ESIA Addenda, requirements for further work and SLIP describe the existing environmental and social conditions at the project facilities and sites and along the pipeline route, the design, construction and operation of the pipeline and related facilities and the measures which will be taken to prevent, minimize and mitigate any potential adverse impacts of the BTC Project on the ecology and population. In doing this, the ESIA's, SLIP and related documents set forth various environmental, social and other commitments relating to the BTC Project. As discussed more fully in the ESMS structure (see Section 5), BTC Co. has organized each of these commitments into country-specific Commitments Registers that track each commitment and indicate where responsibility for meeting each commitment lies.

BTC Co. will publicly disclose any material amendments or supplements to the ESIA's in the project countries and internationally and any environmental and social commitments relating to material ESIA amendments or supplements will be integrated into the ESMS structure.

If an ESIA is amended, supplemented or replaced for any reason not described in Section 6.7.1.2 a copy of the draft document will be provided to the Senior External Lenders and PR Insurers for review, comment and approval at the same time it is supplied to the approving authority. If the Senior External Lenders and PR Insurers do not respond with comments within 30 days it will be assumed that they have no comments. Senior External Lenders and PR Insurers will be provided with a copy of the approved document along with the approval letter from the relevant governmental authority upon its effectiveness. Prior approval by the Senior External Lenders and PR Insurers is not required for the BTC Project activities covered in the amended, supplemented or replaced ESIA to proceed, although the relevant government approval must be obtained.

Each element of the ESMS and the environmental and social plans of (i) BTC Co., (ii) the in-country management teams and (iii) the construction contractors in effect from time to time will be structured, and BTC Project development and operations will be conducted, to comply in all material respects with the ESIA's (as amended, supplemented or replaced from time to time) and the commitments in the SLIP reflected in this ESAP.

### **3.1.1 Other Environmental and Social Documents**

In addition to the ESIA's, a Scoping Study, Risk Assessment and Baseline Study have been prepared for each country in accordance with the terms of the applicable HGA. BTC Co. will also prepare an Oil Spill Response Plan ("OSRP") for each country that meets the criteria set out in the relevant HGA and an OSRP for the facilities at Ceyhan, which will comply with the guidelines set out in the International Finance Corporation ("IFC") policy on Oil and Gas Development (Offshore) (December 2000). Any commitments arising out of the Oil Spill Response Plans that are not set out in the ESIA's will be integrated into the Action Tracking System ("ATS") as described in Section 6.6.4.1.

### **3.1.2 Additional ESIA Studies and Surveys**

A large number of studies and surveys have been completed in connection with the preparation of the ESIA's, as described in the ESIA's and related documents. As project implementation continues, several additional studies and surveys will be conducted as part of the project's efforts to manage and mitigate environmental impacts. Tables 1 through 3 set forth the studies and surveys expected to be completed prior to the commencement of relevant construction activities or operations for each country. These studies and surveys have been targeted to specific issues or impacts within each country. Any commitments arising out of these studies and surveys will be recorded and tracked through the ATS, Contractor Implementation Plans and Procedures or, in the case of ecological management, the Ecological Management Plan. Ground water monitoring will be undertaken prior to operations in order to establish the baseline contamination status of water in the aquifers. Monitoring will be conducted at existing wells, and also at wells drilled specifically for the BTC groundwater monitoring programme. This monitoring will be conducted before and after line fill and, over a period of time, will provide sufficient data to trend seasonal variations. Copies of the completed studies will be provided to the Intercreditor Agent for distribution to the Senior External Lenders and the PR Insurers.

**Table 1 Additional ESIA Studies and Surveys for Azerbaijan**

<b>Study/Survey</b>	<b>Expected Timing</b>
Ground Nesting Bird pre-clearance survey	Prior to relevant construction (Spring/summer 2003)
<i>Iris acutiloba</i> pre-construction translocation programme	Prior to relevant construction (Spring/summer 2003)
Cultural heritage – Archaeology Phase III (data recovery) as required	Prior to relevant construction
Groundwater Monitoring Study – collection of additional data on existing abstractions	Prior to relevant construction (Spring 2003)
Groundwater Monitoring Programme – development of groundwater monitoring well network	Summer/autumn 2003 – timing not construction related
Detailed identification and recording of sensitive downstream receptors	Prior to linefill in Azerbaijan – during development of detailed Oil Spill and Emergency Response Plans
Oil Spill Response Planning will be carried out as defined in the OSRP framework (see Table 18)	Construction period

**Table 2 Additional ESIA Studies and Surveys for Georgia**

<b>Outstanding Study/Survey</b>	<b>Expected Timing</b>
Pre-clearance floral surveys (Red Data Book Species)	Prior to relevant construction (Spring/summer 2003)
Translocation of Red Data Book species	Prior to relevant construction (Spring/summer 2003)
Pre-clearance bird surveys	Prior to relevant construction (Spring/summer 2003; 2004)
Pre-clearance brown bear surveys	Prior to relevant construction (Spring 2003; 2004)
Pre-clearance reptile survey (snake eyed lizard)	Prior to relevant construction (Spring/summer 2003; 2004)
Water use surveys (spring and surface waters)	Prior to relevant construction
Cultural heritage – Archaeology Phase III (data recovery)	Prior to relevant construction
Cultural heritage – Monuments Further Work	Prior to relevant construction
Oil Spill Response Planning will be carried out as defined in the OSRP framework (see Table 18)	Construction period
Aquifer monitoring wells – Borjomi area	Timing not construction related
Tree Inventory	Completed September 2002

**Table 3 Additional ESIA Studies and Surveys for Turkey**

<b>Study/Survey</b>	<b>Expected Timing</b>
Landscape Plans for facilities	Construction period
Karst Investigation Studies verification studies along route changes in the Sivas Gypsum Karst	Prior to relevant construction
Water supply sustainability studies for groundwater and surface water supplies for temporary and permanent facilities	Prior to relevant construction
A Groundwater Protection Strategy will be developed applying the steps defined in Environmental Management and Monitoring Plan (“EMMP”)	Construction period
Soakaway discharge assessment at facilities	Prior to relevant construction
Special Area Reinstatement Plans (“SARPs”) and associated surveys	Prior to relevant construction
Pre-clearance surveys: identification of sensitive fauna on pipeline right of way and relocation outside of right of way (see Attachment 1 to the EMMP)	Prior to relevant construction
Pre-clearance surveys: Vegetation Mapping of right of way in Ecologically Sensitive Areas (55 No. ESAs) and PT3	Prior to relevant construction
Marine turtle survey (duration of monitoring during operations to be determined)	Construction and operation period
Marine Biological Environment: Update marine ecological survey immediately following construction and approximately 2 years following construction to ascertain recovery	Operation period
Outstanding Cultural Heritage extensive surveys at remaining camp locations and new access roads	Prior to relevant construction
Cultural Heritage: Phase 3 excavations to be carried out at locations defined as result of intensive surveys	Prior to relevant construction
The Oil Spill Response Planning will be carried out as defined in the OSRP framework (see Table 18)	Construction period
Marine Environmental Risk Assessment: Shipping Lane Risk Assessment	Complete

Study/Survey	Expected Timing
Note: The term “Pre-construction” and “Construction” refer to site-specific work. “Construction period” refers to all work to be performed prior to Operations.	

### 3.1.3 Changes to the Development Plan and Expansions

The project design and pipeline routing were the result of an extensive engineering, design and social and environmental assessment process and, thus, other than as set out in the CTA, BTC Co. may not change the Development Plan for the BTC Project in any material respect or, other than as set out in the CTA, engage in an Expansion without the consent of the Senior External Lenders.

- Changes to the Development Plan.** In each situation where BTC Co. may change the Development Plan without the consent of the Senior External Lenders and such change does not amount to an Expansion, the change will be treated as a Class III change as defined in Section 6.7.1.2. BTC Co. will notify the Lenders [15] days prior to the commencement of any construction activity related to the change in the Development Plan or, to the extent the change in the Development Plan does not involve construction activity, implementation of that change in project operations. The notification will include either a draft amendment, supplement or replacement ESIA and a description of any expected changes to the ESAP or related plans or a statement explaining why the change does not require an amendment, supplement or replacement ESIA. Amendments, supplements or replacement ESIAs will be required if and only to the extent necessary to reflect the proposed change, and any such amendments, supplement or replacement ESIAs must comply with Applicable Lender Environmental and Social Policies and Guidelines and applicable laws in all material respects. Any resulting environmental and social commitments will be reflected in the relevant ATS. If the change to the Development Plan is consistent with the ESIA as then in effect and does not require amendment or supplement to the ESIA or replacement of the ESIA, then Lender notification is the only action required under this ESAP in connection with that change. BTC Co. will provide any additional information reasonably requested by the Senior External Lenders regarding proposed amendments, supplements or replacements to an ESIA, the ESAP or related plans.
- Expansions.** BTC Co. will undertake an Expansion only after preparation of an amendment, supplement or replacement for the relevant ESIA, if and only to the extent necessary, and approval of that amendment, supplement or replacement ESIA by the relevant regulatory authority. Any amendment, supplement or replacement will be provided to the Independent Environmental and Social Consultant at the same time as to the relevant authority. The CTA requires that prior to proceeding with an Expansion the [Independent Environmental and Social Consultant/Senior External Lenders] confirm that the Expansion complies in all material respects with this ESAP. For purposes of such confirmation, this ESAP requires that in connection with any Expansion BTC Co. must amend, supplement or replace the ESIA, ESMS, Contractor Control Plans, and Oil Spill Response Plans if, and only to the extent necessary to reflect such Expansion, and any such amendment, supplement or replacement must comply in all material respects with

Applicable Lender Environmental and Social Policies and Guidelines The intention is that the review by the Independent Environmental and Social Consultant of any Expansion will be completed as promptly as possible. Any dispute as to whether an amendment, supplement or replacement ESIA, ESMS, Contractor Control Plan or Oil Spill Response Plan complies with Applicable Lender Environmental and Social Policies and Guidelines may be submitted for dispute resolution in accordance with the CTA.

- **Reporting.** Any amendment, supplement or replacement ESIA, ESMS, Contractor Control Plan, or Oil Spill Response Plan relating to a change in Development Plan or Expansion will be described in the annual and quarterly project reports to the Senior External Lenders and PR Insurers described in Sections 8.2 and 8.4.

### **3.2 Resettlement Action Plan**

The BTC Project has also produced a RAP in accordance with World Bank Operational Directive 4.30 “Involuntary Resettlement” (“World Bank OD 4.30”), which have been translated and publicly disclosed in each country. Because no physical resettlement of people is expected, the RAP focuses on the impact of the pipeline on the income and livelihood of people in communities surrounding the pipeline. The RAP is based on, among other things, studies conducted to identify people who will be directly affected by BTC Co.’s land acquisition and assess the impact of the pipeline on their income and livelihood, public consultation, consultation with non-governmental organizations (“NGOs”), international and local law and World Bank OD 4.30. The RAP and the land acquisition process laid out therein aim to ensure that compensation for land meets international standards and is in accordance with national law. Country-specific commitments relating to land acquisition and compensation are outlined in the applicable Commitments Register, and as discussed in Section 6.4.4, responsibility for implementing these commitments lies with

RAP Funds in Turkey and Georgia and details of mitigation measures for Ceyhan fisherman impacted by the BTC Project in Turkey are being developed in consultation with local communities and specialists. Any necessary actions arising from these updates will be added to the ATS. BTC Co. land acquisition and resettlement activities will be conducted in accordance with the RAP in all material respects.

### **3.3 Public Consultation and Disclosure Plan**

The Public Consultation and Disclosure Plan (“PCDP”) was designed to outline a plan for public consultation that will:

- Provide timely information about the project and its potential impact on pipeline affected communities and other stakeholders;
- Provide opportunities to those groups to voice their opinions and concerns in a way which is most appropriate to their circumstances; and
- Provide an opportunity for feedback to, and discussion with, those communities concerning measures proposed.

The PCDP, therefore, provides an outline for consultation at the national and local levels to address issues relating directly to the pipelines, including:

- Identifying project stakeholders and mechanisms for stakeholder feedback and information sharing;
- Providing an outline for consultation at the local and national levels, starting at the project planning stage and continuing throughout construction, operation and decommissioning of the pipeline;
- Ensuring that issues raised by project stakeholders are addressed in the ESIA reports, as well as in project decision-making and design;
- Identifying the resources required to implement the plan and development of procedures to monitor implementation; and
- Providing grievance mechanisms for local stakeholders.

The PCDPs will be updated to April 30, 2003 and will include a commitment to produce a plan outlining the ongoing communication strategy for the project. BTC Co. public consultation activities will be conducted in accordance with the PCDPs in all material respects.

### **3.4 Invitation to Tender**

As part of the contractor selection process, BTC Co. produced the Invitation to Tender (“ITT”). The ITT consists of a series of documents describing policies and requirements to be met by each contractor throughout the contract term. The ITT’s content is derived from BP standards and other policies applicable to the BTC Project. The ITT covers ethical conduct, employees, relationships and HSE performance of contractors. Key requirements include those related to:

- Environmental and social management systems,
- Construction constraints,
- Environmental requirements for temporary facilities,
- Contaminated land,
- Solid waste management,
- Oil spill response,
- Landscape and minimization of visual impact,
- Waste management,
- Water management, and
- Environmental requirements for permanent facilities.

Because the ITT is part of the contract between BTC Co. and the construction contractors, the contractors are contractually committed to implementing the policies and requirements therein. The ITT further requires contractors to develop certain management plans, which BTC Co. must approve prior to commencement of construction. Failure by a contractor to comply with the terms of the ITT constitutes sufficient grounds for termination by BTC Co. of the construction contract.

#### **4. BTC ADDITIONALITY PLANS**

The BTC Project has committed to providing benefits to the States and project communities above and beyond the mitigation measures outlined in the Source Documents. The BTC Project will have a wide range of economic and social benefits for Turkey, Azerbaijan and Georgia as a whole, as well as for those individuals living along the pipeline route. These benefits include revenue creation, local access to employment, employment training and education programmes and opportunities for local procurement and SME development. In addition, BTC Co. is developing a Project Environmental Investment Plan (“PEIP”) and a Project Community Investment Plan (“PCIP”). BTC Co. is responsible for creation, implementation and management of the PEIP and PCIP in all three project countries.

Both the PEIP and PCIP will target the communities affected by the BTC Project and will be made up of several individual projects chosen to further each plan’s goals or themes. Individual projects will be selected by means of Requests For Proposals (“RFPs”), which have been or will be submitted by national and international NGOs and other potential partners and will be subject to a review procedure. The PEIP and PCIP have been designed to go beyond direct mitigation and deliver additional environmental and community investment to affected communities.

##### **4.1 Project Environmental Investment Plan**

In line with its commitment to good stewardship of the environment, the project has chosen to support a PEIP, the principal objective of which is to deliver actions that benefit the promotion and conservation of biodiversity. BTC Co. will commence the PEIP in 2003 and it will be continued through the construction phase of the project.

A number of specific goals underpin this principal objective, namely:

- To provide additional benefits (additionality) that go further than just mitigation of impacts;
- To address areas of key stakeholder concern as identified in the ESIA consultation processes;
- To respond to ongoing initiatives, issues and suggestions raised by stakeholders during the consultation process undertaken as part of the pipeline process to ensure that the PEIP is complimentary and avoids duplication;
- To achieve maximum benefit from the level of financial input;
- To comply with World Bank Operational Policy 4.04 “Natural Habitats” (November 1998);
- To maximize opportunities for wider national and international application of outcomes;
- To include international stakeholders in the development of the PEIP and reporting on the outcome of the actions; and
- To align with the International Convention on Biological Diversity and BP’s position on biodiversity.

There will be an Environment Investment Plan (“EIP”) in each country, which will fund a number of country-specific projects and be implemented through national and international NGO partnerships.

The scale of investment in each programme will depend on a number of factors, including leveraging of additional funding, availability of in-kind resources and the spread of projects to be supported. BTC Co. has allocated a total of US\$ 6.65 to the PEIP. Allocations across the Project States are: US\$ 1.5 million in Azerbaijan, US\$ 2.3 million in Georgia and US\$ 2.85 million in Turkey. Individual programme allocations are expected to vary between US\$ 100,000 and US\$ 600,000.

The programme is described in more detail in the Project Environmental Investment Plan document attached hereto in Annex G.

References:

LEVEL 2 – PROJECT WIDE		
Project Environmental Investment Programme		
LEVEL 3 – IN-COUNTRY		
AZERBAIJAN	GEORGIA	TURKEY
Request for Proposals	Request for Proposals	Request for Proposals
EIP Proposals	EIP Proposals	EIP Proposals
EIP Projects	EIP Projects	EIP Projects

#### 4.2 Project Community Investment Plan

To underline the commitment to the communities and the population along the pipeline route, BTC Co. has developed a PCIP. The overall purpose of the PCIP is to provide positive benefits through the promotion of sustainable social and economic development for the communities along the pipeline route within Azerbaijan, Georgia and Turkey. BTC Co. will commence the PCIP in 2003 and it will run for an initial period of three years.

The PCIP goes beyond mitigation and compensation of affected people for adverse impacts. As such, the PCIP is an important element of the project’s commitment to sustainable human progress. The PCIP will endeavour to bring additional benefits to the settlements along the pipeline route in order to establish itself as a ‘good neighbour’, and to meet policies and objectives set out in the respective ESIA’s. Therefore, the PCIP aims to build the capacity of pipeline affected communities to implement and sustain self-help projects with minimal external support and to improve the livelihoods and opportunities of pipeline affected peoples through PCIP intervention.

The PCIP covers priority geographic areas and key sectors and themes:

- Economic opportunities and income generation,
- Strengthening of rural and agricultural systems in the communities,
- Health and sanitation infrastructure, and
- Social and economic infrastructure.

There will be a Community Investment Plan (“CIP”) in each country, which will fund a number of country-specific projects. The allocations made for CIP activities vary across the three countries. US\$ 8 million was allocated to each of Azerbaijan and Georgia and US\$ 9 million was allocated to Turkey. The management teams in Azerbaijan and Turkey opted for a phased approach whereby a second stage will build on the results of the initial CIP activities following a gap analysis and mid-term review. The management team in Georgia opted for a three-year programme with a mid-term evaluation to implement lessons learned in the first eighteen months of activity.

The PCIP is described in more detail in the Project Community Investment Plan document attached hereto in Annex G.

References:

LEVEL 2 – PROJECT WIDE		
Project Community Investment Plan		
LEVEL 3 – IN-COUNTRY		
AZERBAIJAN	GEORGIA	TURKEY
Request for Proposals	Request for Proposals	Request for Proposals
CIP Proposals	CIP Proposals	CIP Proposals
CIP Projects	CIP Projects	CIP Projects

## **5. ENVIRONMENTAL AND SOCIAL MANAGEMENT PHILOSOPHY**

### **5.1 Overview**

The goal of the BTC Project's ESMS is to describe measures and actions that have been or will be implemented by BTC Co. (or its agents), Bota°, in-country management teams, Engineering, Procurement and Construction Contractors ("EPC Contractors") and construction contractors during the design, construction and operation of the BTC Project. As outlined above, the BTC Project has completed a number of comprehensive environmental and social studies and produced Source Documents outlining commitments to eliminate or reduce key identified environmental and social impacts to acceptable levels. The commitments outlined in the Source Documents have been distilled into three country-specific Commitments Registers, which list each commitment, its source, who is responsible for fulfilling the commitment and the commitment's "implementation trail", or how the commitment will flow through the management system. The Commitments Registers are attached hereto as Annex D.

As discussed more fully in Sections 6 and 7, the commitments in the Commitments Registers will be implemented by BTC Co., Bota° and contractors in the construction phase, and BTC

Successful implementation of the ESMS will require that the individual actions presented in the ESMS are appropriately undertaken by the responsible project participants.

The information and statements contained in the ESMS Structure, Construction ESMS and Operations ESMS are considered to be accurate and applicable to the BTC Project in its current form. However, as the project progresses through final design and engineering, construction and operations, changes in the scope of the ESMS are likely to occur. Accordingly, it may be necessary to modify or delete some of the environmental and social management measures and actions contained in the ESMS to properly reflect project changes. Similarly, it may be necessary to add new ESMS measures and actions to appropriately address new or unforeseen project situations. In either case, all modifications or augmentations of the project's environmental and social management strategies, measures and actions will be accomplished through change processes and mechanisms. Moreover, the Construction ESMS or Operations ESMS shall not be amended, supplemented or replaced ("Modified") in a manner that is inconsistent with the Applicable Lender Environmental and Social Policies and Guidelines in any material respect. The management of change process that will be utilized during the Construction ESMS is outlined in Section 6.7.1.1.

### **5.2 Legal, Regulatory and Policy Requirements**

The environmental and social performance of the BTC Project is governed by the requirements of the following (in order of precedence):

- The Constitutions of Azerbaijan, Georgia and Turkey, respectively, for the elements of the project within each country;
- The requirements of the IGA and HGAs, including the requirement to comply with international standards and best practices within the Petroleum pipeline industry, in no

event to be less stringent than those generally applied in the member states of the European Union or, with respect to Georgia, the Netherlands and, in some circumstances, Austria;

- National legislation and international conventions in force in the host countries, as applied to each country, to the extent they do not conflict with the standards listed above;
- International Financial Institution Policies; and
- 

One of the primary functions of the ESMS is to ensure that the BTC Project is developed, constructed and operated in a manner that materially complies with the legal and regulatory requirements described in more detail below.

As discussed in Section 2.1, each host government has entered into an IGA and related HGA. The IGA and HGAs record each State's support for the project and set forth the legal framework on which the BTC Project will be developed, constructed and operated.

Article IV of the IGA requires that the environmental and safety standards for the construction, operation, repair, replacement, capacity expansion or extension and maintenance of the project facilities comply with (i) international standards and best practices within the petroleum pipeline industry which shall "in no event be less stringent than those generally applied in the member states of the European Union" and (ii) the requirements specified in the HGAs. The reference to EU standards provides a benchmark and floor for what will be considered "international standards and best practices" for purposes of the project the IGA ensures that the BTC Project must meet or exceed EU standards.

Each HGA includes a Code of Conduct that sets out additional environmental, social, technical and safety standards pursuant to which BTC Co. must construct and operate the BTC Project. The Azeri and Turkish HGAs require that BTC Co. comply with "good international Petroleum industry standards and practices generally observed by the international community with respect to Petroleum projects comparable to the Project". In addition to the standards and practices generally observed in the international community, the Georgian HGA references the relevant environmental standards and practices applied in the Netherlands and, with respect to mountainous and earthquake-prone territory or when the Netherlands has no relevant standard, the relevant environmental standards and practices of Austria.

The environmental and social standards and practices derived from the IGA and HGA framework documents are summarized in a detailed matrix of environmental standards that will be publicly disclosed in each Project State as part of the SLIP and is attached hereto as Annex E. The descriptions of the IGA and HGAs requirements included in this ESAP, including Annex E, are summaries only and are qualified by reference to the full text of relevant documents, which are publicly available.

In May 2003, BTC Co. and the three host governments entered into a Joint Statement reiterating the commitments of BTC Co. and the governments to leading environmental, social and labor standards relating to the project. The Joint Statement is a Project Agreement under the HGA,

making it a binding obligation of all parties. The Joint Statement is publicly available at [www.caspiandevlopmentandexport.com](http://www.caspiandevlopmentandexport.com).

Each host government has also approved an ESIA and OSRP for the BTC Project. BTC Co. is required under the HGAs to comply with the terms of those documents in the development, construction and operation of the BTC Project.

The applicable standards and practices that will apply to the project are derived from EU standards, relevant national standards and those standards and practices generally prevailing in the international petroleum industry and may change over time. Like operations and facilities in any regulated industry, the BTC Project's operations, facilities and practices will be structured to comply with the applicable regulations and standards as in effect at any given time. To the extent new environmental and social standards introduced are (i) stricter than those that BTC Co. or BOTA<sup>a</sup> applies at any given time and (ii) applied retroactively (e.g., they require changes or modifications to facilities already constructed), the project will alter practices or upgrade facilities and technology as necessary to ensure compliance. In this regard, BTC Co. will monitor the development of new laws in order to ensure that BTC Co. complies with such laws.

BTC Co. is committed to meeting the standards and practices set out in the IGA and HGAs, or ensuring that the standards and practices are met, in the construction and operation of the BTC Project. The environmental standards relevant to the Azerbaijani, Georgian and Turkish sections of the project are discussed in more detail in Section 6 of the Azerbaijan and Georgian ESIA's and Appendix D to the Turkish ESIA.

### **5.3 Lender and PR Insurer Policies and Guidelines and Good Practice**

A number of the Senior External Lenders and PR Insurers have informed BTC Co. that they apply relevant World Bank Group environmental and social policies and guidelines for purposes of project assessment and require ongoing compliance with those policies and guidelines. In addition, the Export-Import Bank of the United States ("Ex-Im") has developed specific guidelines for industrial projects and oil and gas projects that apply to the BTC Project. BTC Co. has agreed with the Senior External Lenders and PR Insurers that it will comply in all material respects with the World Bank Group and Ex-Im policies and guidelines that will be attached as an Appendix to the CTA, and that, subject to the cure periods and other terms set out in the CTA, it will be an Event of Default for purposes of the relevant section of the CTA if BTC Co. fails in the development or operation of the BTC Project to comply in any material respect with such policies and guidelines. These policies and guidelines, in the form attached to the CTA and as interpreted by IFC, for the World Bank Group policies and guidelines, and Ex-Im, for the Ex-Im guidelines, as at the date of the CTA, are referred to together as the "Applicable Lender Environmental and Social Policies and Guidelines", and are listed below.

- World Bank Operational Policy Note 11.03 "Management of Cultural Property" (September 1986)
- World Bank Operational Directive 4.30 "Involuntary Resettlement" (June 1990)
- World Bank Group General Environmental Guidelines (July 1998)
- World Bank Guidelines for Oil and Gas Development (Onshore) (July 1998)
- World Bank Guidelines: Thermal Power (July 1998)

- IFC Operational Policy 4.04 “Natural Habitats” (November 1998)
- IFC Policy Statement on Forced Labour and Harmful Child Labour (March 1998)
- IFC Hazardous Materials Management Guidelines (December 2001)
- IFC Waste Management Facilities Guidelines (July 1998)
- IFC General Health and Safety Guidelines (July 1998)
- IFC Oil and Gas Development (Offshore) (December 2000)<sup>1</sup>
- Ex-Im Environmental Guidelines – General Industrial Projects and General Environmental Guidelines
- Ex-Im Environmental Guidelines – Oil & Gas Development

If any of the World Bank Group or Ex-Im policies or guidelines change prior to the execution of the CTA, or new policies or guidelines are adopted, the policies in effect at the date of the mandate letter between the BTC Investors and IFC/EBRD, dated December 10, 2001, shall apply.

In addition, the sections of IFC Operational Policy 4.01 “Environmental Assessment” (“OP 4.01”) relating to the contents of an ESAP or ESIA will constitute “Applicable Lender Policies and Guidelines” for purposes of preparation of the Operations ESAP as contemplated in Section 7 and any amendment, supplement or replacement to an ESIA.

BTC Co. has and will continue to take into account a number of good practice guides and manuals prepared by the lenders, including the following:

- IFC Doing Better Business Through Effective Public Consultation and Disclosure: A Good Practice Manual
- IFC Handbook for Preparing a Resettlement Action Plan
- IFC Investing in People: A Community Development Resource Guide For Companies
- OPIC Environmental Handbook (April 1999)
- IFC Good Practice Guide for Management of HIV/AIDS in the workforce

The Senior External Lenders and PR Insurers have also informed BTC Co. that they have applied a number of policies in the course of their review and appraisal of the BTC Project, including policies relevant to the preparation of this ESAP, IFC Policy on Disclosure of Information (September 1998) and IFC Operational Policy 7.50 “International Waterways” (November 1998). These policies do not constitute “Applicable Lender Environmental and Social Policies and Guidelines” because:

- the policies are reflected in this Environmental and Social Action Plan or other finance documents relating to the BTC Project,
- their requirements have been met prior to the date of the CTA, or
- they are relevant to project appraisal and review and do not constitute a source of ongoing requirements.

#### **5.4 Environmental and Social Principles and Policy**

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<sup>1</sup> The offshore oil and gas guidelines apply only as relevant to terminal facilities at Ceyhan.

BTC Co. has nominated BP Health, Safety and Environment (“HSE”) policies as the basis on which the BTC Project will be developed and executed and one of the functions of the ESMS will be to ensure that the project is constructed and operated in a manner that is materially consistent with these policies as applied by BP and these policies will be applied in all material respects. In Turkey, the BP and B will both be applied. To the extent any conflict arises between the BP and Bota° policies over time because of a change in policies, Bota° is contractually obligated to follow BP’s policies and, in the event of a conflict, BP’s policies will prevail. BP’s commitment to HSE performance is outlined in both BP’s policy and the Azerbaijan Business Unit HSE Policy. General expectations and requirements relating to HSE are outlined in the document Getting Health, Safety and Environment Right (“GHSER”). All BP operations worldwide are required to implement management processes that ensure that the requirements of GHSER are met.

BP’s corporate policy document entitled “What We Stand For” outlines B policy. This policy broadly covers five key themes:

- ethical conduct,
- employees,
- relationships,
- finance and control, and
- health, safety and the environment.

Ethical performance, human rights and conflict are either explicitly or implicitly addressed in BP’s corporate policies.

These policies are outlined in more detail in Section 1.6.4 of the “Regional Review” and Section 1.3.5 of the “Environmental and Social Overview Baku-Tblisi-Ceyhan Pipeline Project”. Both of these documents will form part of the public disclosure package.

References:

LEVEL 1 – POLICY		
BP Corporate Policy: “What We Stand For “		
BP HSE Policy		
BP Ethics Policy		
Voluntary Principles for Security and Human Rights		
Regional Review		
Azerbaijan Business Unit HSE Policy		
LEVEL 2 – PROJECT		
AGT Mission and Commitment Statement		
Environmental and Social Overview Baku Tblisi Ceyhan Pipeline		
LEVEL 3 – IN-COUNTRY		
AZERBAIJAN	GEORGIA	TURKEY
		Bota° HSE Policy

### 5.5 Bota° Contractual Arrangements

In Turkey, as discussed in Section 2.1, a LSTK is in place between Bota° Project Directorate and BTC Co. for delivery of the BTC Pipeline. Pursuant to the LSTK, Bota° is responsible for pipeline design, construction, commissioning and maintenance. As the management contractor, Bota° is responsible for:

- Implementing and administering an HSE program, including development of an HSE manual, to ensure compliance with the requirements of the LSTK;
- Producing, or causing to be produced, an environmental impact assessment of pipeline and terminal activities and associated operations, including any other study or assessment necessary to produce such environmental impact assessment;
- Creating an oil spill response plan with regard to spills within or that could affect the project area;
- Developing and implementing a Project Environmental Plan to ensure compliance with applicable environmental and social requirements; and
- Ensuring that contractors’ construction activities are compliant with ESIA commitments.

After the BTC Pipeline is constructed, the Turkish Section will be operated by Bota° International Limited in accordance with the Agreement for the Operations of Facilities in the Republic of Turkey. Article 4 of the Agreement for the Operation of Facilities specifies the -Operation, Start-up, Initial Operations and the Operations phases, as well as the various HSE management arrangements that Bota° must put in place at the appropriate stages. The listed services include the development and implementation of an ESMS for operational requirements.

The environmental and social responsibilities and activities of Bota° are similar to those of BTC Co., as the actual construction activities are sub-contracted to construction contractors in both cases. However, in Turkey, BTC Co. has an assurance role to oversee Bota°. For the purposes

## **5.6 Construction ESMS and Operations ESMS**

The Construction ESMS concentrates on the ESMS components that are in place to manage the construction phase. The primary functions of the Construction ESMS are to ensure that (i) the pipeline is constructed in accordance with relevant legal and regulatory standards and (ii) the commitments made in the Source Documents relating to construction are implemented either by BTC Co. directly or by the construction contractors in all material respects. The Construction ESMS is outlined in detail in Section 6.

Similarly, the Operations ESMS will ensure that (i) the pipeline is operated in accordance with relevant legal and regulatory standards in all material respects and (ii) the commitments made in the Source Documents relating to operations are implemented in all material respects. The Operations ESMS will cover the commercial life of the pipeline and, in addition to meeting ESIA commitments, will also meet ISO 14001 requirements, which include continuous environmental improvement. The Operations ESMS is outlined briefly in Section 7.

Both the Construction ESMS and the Operations ESMS will be designed and implemented in a manner that is materially compliant with this Section 5.



For purposes of the CTA, such references are excluded to the extent they refer to activities other than those comprising the BTC Project.

The ESMS structure encompasses six project management teams.

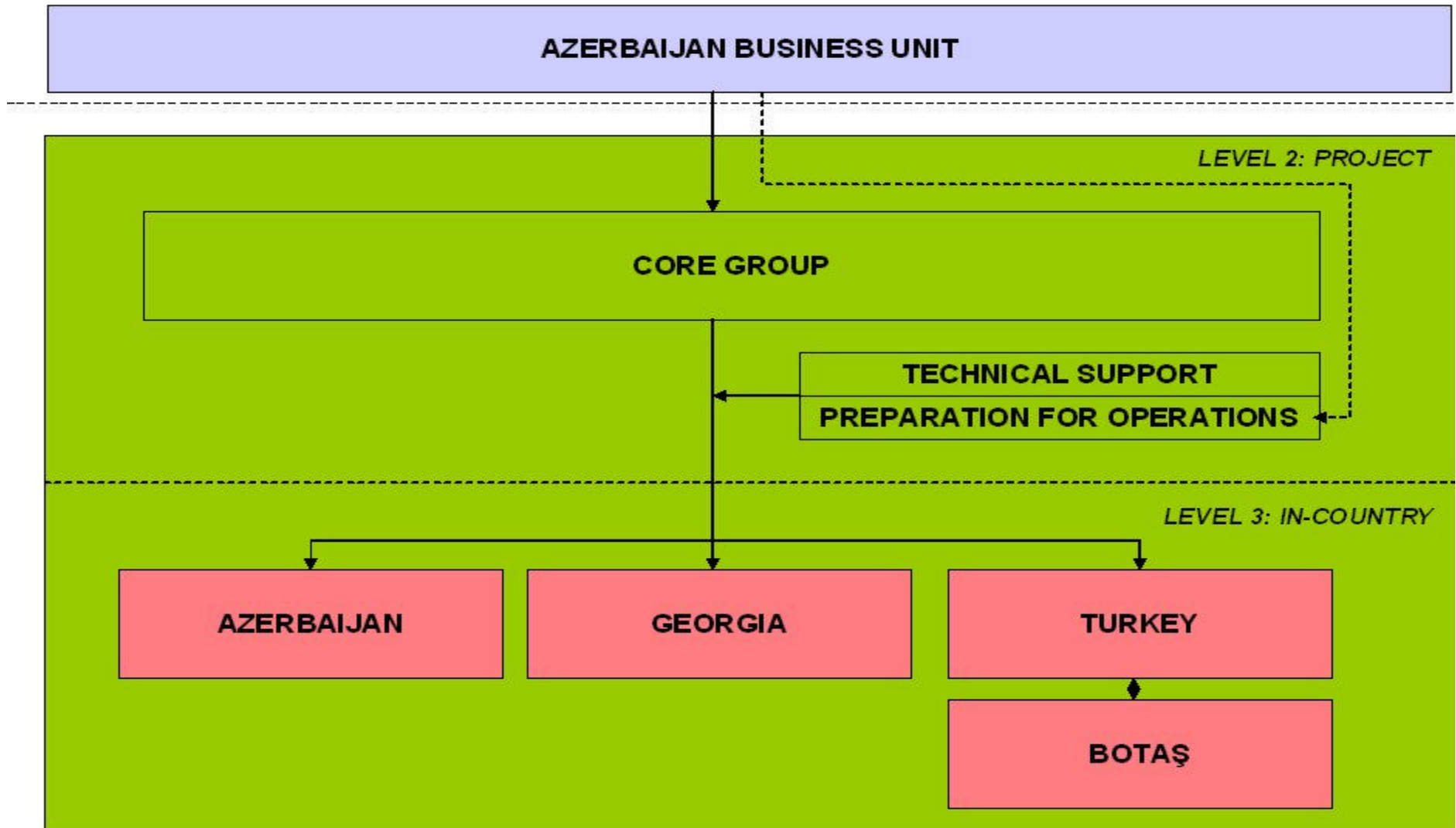
**Table 4 Management Teams**

<b>Management Team</b>	<b>Primary Responsibility</b>
Core	Overall project assurance, cross country consistency of BTC and SCP and liaising with the Azerbaijan Business Unit and BP Corporate
Azerbaijan	Project management and delivery of the Azerbaijan section of the BTC Pipeline and facilities in Azerbaijan
Georgia	Project management and delivery of the Georgian section of the BTC Pipeline and facilities in Georgia
Turkey	and delivery of the Turkish section of the BTC Pipeline and facilities in Turkey
London	Technical support and design assurance to the in-country teams for BTC
Operations	Preparation for BTC operations and integration with existing operations in the Azerbaijan Business Unit

The relationship between these teams is shown in Figure 1.

**FIGURE 1 PROJECT MANAGEMENT TEAMS**

*LEVEL 1: BTC/BP*



As well as addressing the project activities over which BTC Co. has direct control, the ESMS considers areas over which the project can exert “significant influence”, including the environmental and social performance of its major contractors and suppliers and those benefits BTC Co. will create via additionality programs.

## **6.1 Key Features of the Environmental and Social Management System**

The ESMS has been designed with the following key features in mind:

- (1) The management system integrates environmental and social management into the project.
- (2) The management system is multilevel and takes cognisance of the way the project is organized and structured.
- (3) The management system is dynamic and can accommodate change and improvements.
- (4) The environmental and social management components of the management system take advantage of elements which are common to project management and integrate with Health and Safety, Project Compliance, Security, Government and Public Affairs where appropriate.
- (5) The management system facilitates alignment between the project’s construction and operations phases.
- (6) The management system enables transparent translation of the Source Documents commitments to action.
- (7) The management system is consistent with the requirements of ISO standard 14001.
- (8) The management system is consistent with BP’s internal requirements as described in GHSER.
- (9) The management system is all inclusive – e.g., all environmental and social management issues are managed through this system; nothing is outside the system.
- (10) The management system takes cognisance of the contractual agreements with Bota° for BTC in Turkey.
- (11) The management system takes account of the environmental and social requirements laid out in BTC HSE Requirements - Major Contracts with the contractors conducting BTC work.

## **6.2 Multilevel Management System**

The BTC Project requires a multilevel management system with project management components that operate across or are common throughout the project and those which are specific to each country. The framework by which each country manages environmental and social issues is substantially similar, with many common processes and procedures.

The ESMS functions on four levels:

Level 1 – AGT/BP policy

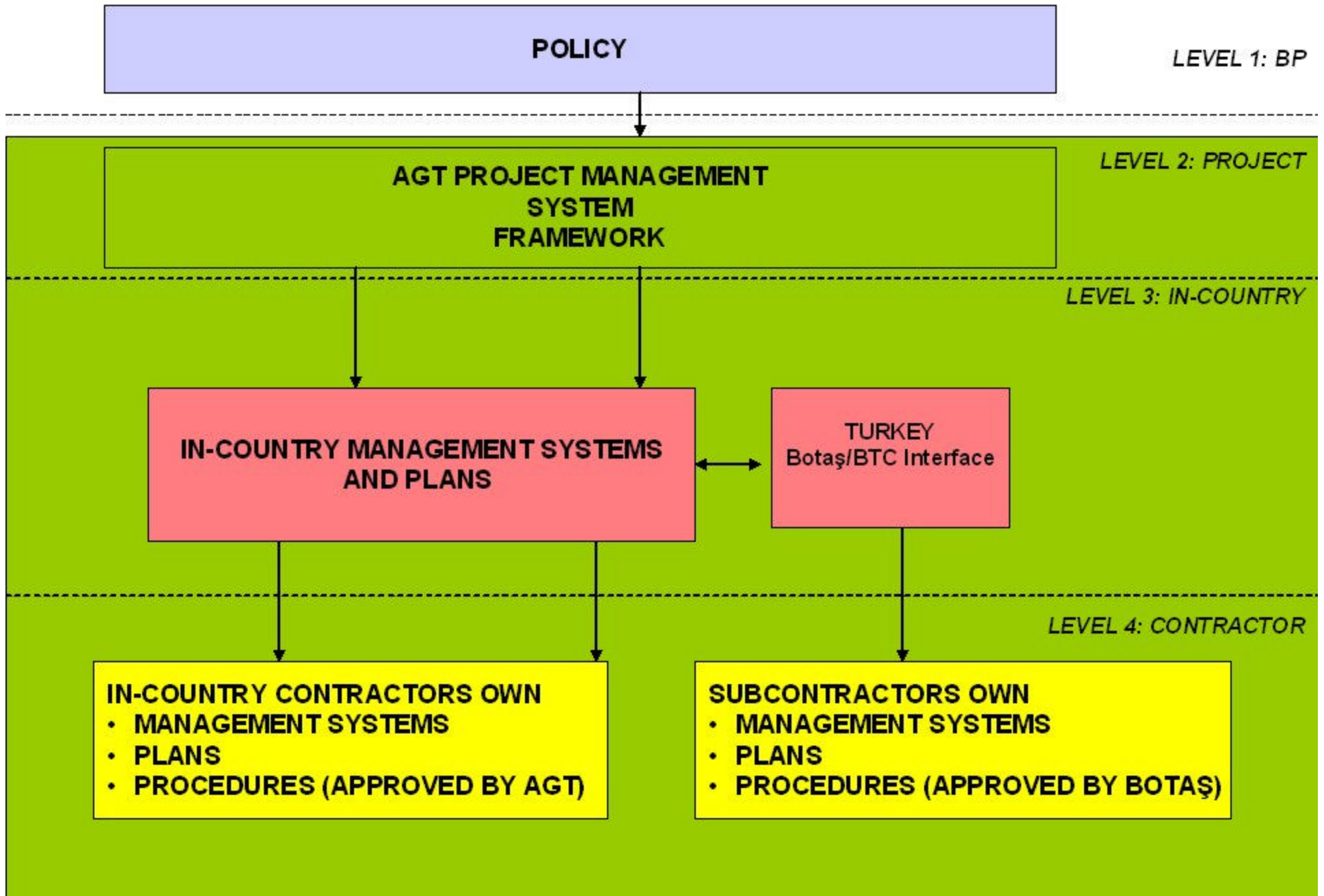
Level 2 – Project Wide

Level 3 – In-country

Level 4 – Contractor

This multilevel management system is described pictorially in Figure 2. Level 4 of this ESMS is primarily related to construction.

**FIGURE 2 MULTILEVEL MANAGEMENT SYSTEM**



BTC Co. is ultimately responsible for the management of the environmental and social commitments made in the Source Documents and BP policy and ensuring that (i) these commitments are implemented and (ii) the project's environmental and social performance complies in all material respects with applicable legal, regulatory and policy standards. BTC Co. has delegated responsibility for implementation of some commitments related to the environmental and social impacts resulting from its construction activities to construction contractors through the construction contracts. BTC Co. has not, however, delegated its role in assuring these commitments are met. Similarly, although BTC Co. has given the contractors some flexibility in carrying out site selection studies, localized impact/risk assessments and selecting mitigation and monitoring measures, all work done by the contractors will be carried out in a manner satisfactory to BTC Co. In Turkey, Bota° is the delegated authority with BTC Co. providing oversight as described in Section 6.3.5.

Although certain environmental and social activities are delegated to the contractor, a number of activities are independent of the contractors and remain the direct responsibility of BTC Co. and/ or Bota°. These activities include the management of protected areas and species and environmental and social investment. In Azerbaijan and Georgia, BTC Co. is responsible for land acquisition processes committed to in the RAP. In Turkey, this is the responsibility of Bota°.

#### **6.2.1 Management System Mapping Documentation**

Each in-country team has developed an Environmental and Social Management System Manual that outlines country-specific environmental and social management system arrangements. The in-country management system follows the same or similar format to the Construction ESMS and aims to direct and provide assurance that the construction contractors and any subcontractors comply with the environmental and social requirements defined by the BTC Project. The key documents which map the management system are outlined below.

Table 5 outlines the various levels and the management system components which are found at each level.

**Table 5 Multilevel Management System Structure**

<b>Level</b>	<b>Level Description</b>	<b>Description of What is Found at this Level</b>
1 – Policy	BP Corporate BP Azerbaijan Business Unit BTC Co.	Key BP/BTC policy and regulation elements which govern the BTC Project.
2 – Project	Cross Project and Common Elements	Management System Framework Document: Focuses primarily on Levels 1 and 2 and the relationship with Level 3.  Processes and procedures relevant to E&S which apply across the project.
3 – In-country	In-country Management and Assurance	Country-specific Management System Manual: Focuses on Level 3 and the relationship with Level 2 and Level 4.  Country-specific Management System Elements: <ul style="list-style-type: none"> <li>- Legal Standards and Requirements</li> <li>- Commitments Register</li> <li>- In-country organization</li> <li>- Contractor Control Plans</li> <li>- Additionality Programmes (CIP, EIP)</li> <li>- Training and Awareness Programmes</li> <li>- In-country communications</li> <li>- Monitoring programmes</li> <li>- Audit and follow-up programmes</li> <li>- Reporting</li> <li>- In-country Management Review</li> </ul>
4 – Contractor	Construction Management System	Management system which meets the following contract required objectives: <ul style="list-style-type: none"> <li>- the intent of ISO14001</li> <li>- requirements of the ESIA's and related documentation</li> <li>- ITT</li> <li>- reporting and review procedure</li> </ul> Contractor Specific Management System Elements including: <ul style="list-style-type: none"> <li>- Contractor Implementation Plans and Procedures</li> </ul>

		- Method Statements
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References:

LEVEL 2 – PROJECT WIDE		
ESMS Framework Document		
LEVEL 3 – IN-COUNTRY		
AZERBAIJAN	GEORGIA	TURKEY
Environmental and Social Management System Manual	Environmental and Social Management System Manual	Environmental and Social Management System Manual (BTC)
		Environmental and Social Management System Manuals (Bota <sup>o</sup> )

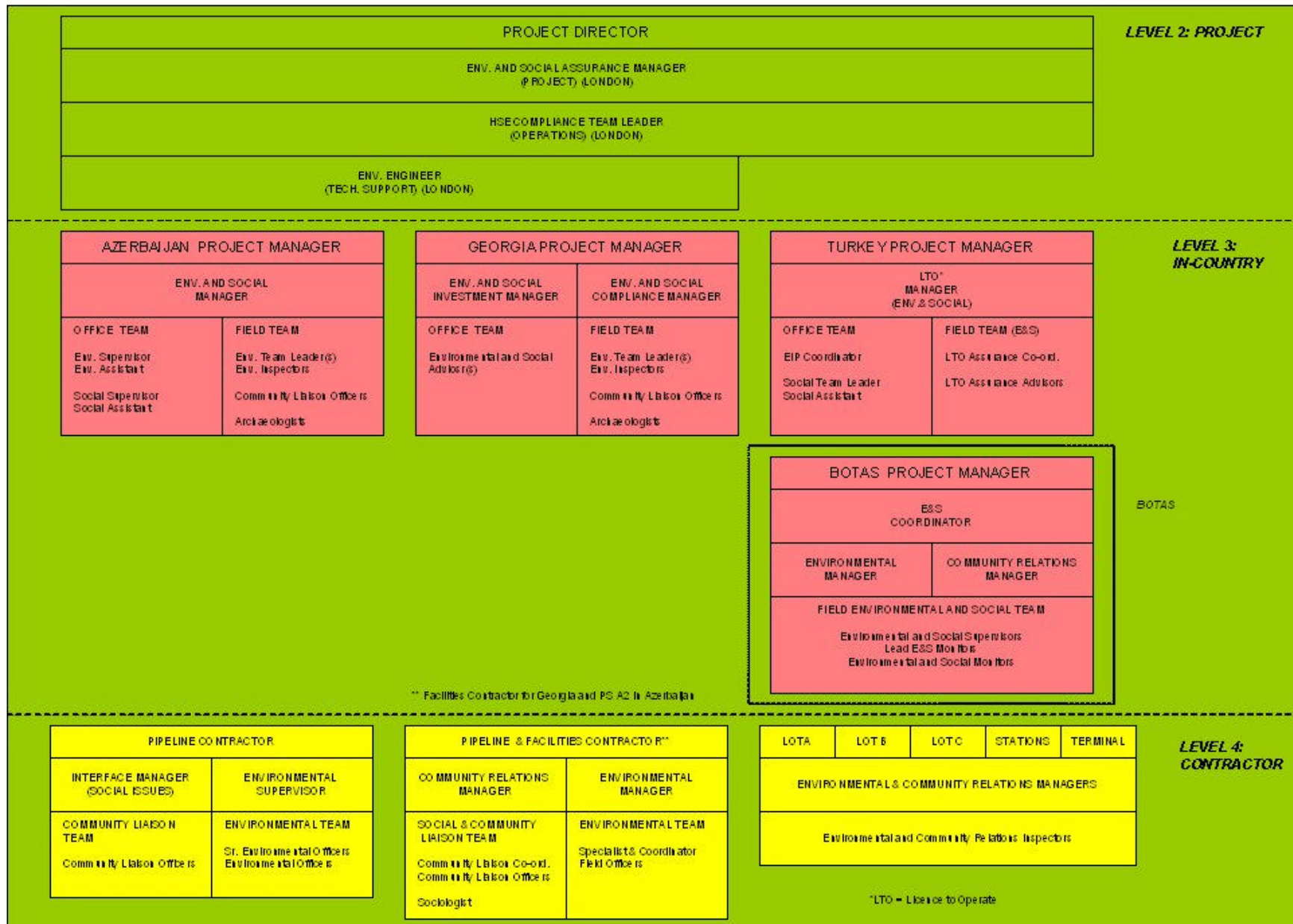
## 6.2.2 Structure and Responsibility

### 6.2.2.1 Structure

For the execution phase, the project environmental and social organization is illustrated in Figure 3. This figure outlines the organization from Level 2 through to Level 4. The details of the in-country environmental and social organization including contractors are found in the respective country Environmental and Social Management System Manuals.

The organizational structure may change to improve the environmental and social management should the need arise.

**FIGURE 3: ENVIRONMENTAL AND SOCIAL PROJECT ORGANISATION**



### 6.2.2.2 Responsibilities

Each member of the project at all levels, including but not limited to BTC Co., Bota° and construction contractors, has the responsibility for environmental and social aspects commensurate with their own particular area of expertise, project tasks and area of activity. It is the responsibility of all managers to ensure that work under their control is carried out in a safe, environmentally sound and socially responsible manner and that staff have the necessary training, competency and tools in order to conduct their work in accordance with environmental and social considerations. The environmental and social responsibilities of project staff are defined in the job descriptions for each respective position.

The accountabilities and environmental and social responsibilities of the key roles are summarized in Table 6. The specific environmental and social teams in place in each country are explained in the country-specific Environmental and Social Management System Manual and the Project Organization Chart.

**Table 6 Key Personnel Responsibilities**

<b>Role</b>	<b>Responsibility</b>
Project Director	<ul style="list-style-type: none"> <li>ultimately responsible for ensuring that environmental and social matters are properly implemented according to BP policies, applicable regulations, ESIA commitments and the ITT</li> </ul>
Project Environmental and Social Assurance Manager	<ul style="list-style-type: none"> <li>responsible for ensuring that there is a consistent approach and standard applied to environmental and social management across the project and providing overall assurance to the Project Director on environmental and social matters</li> </ul>
Project In-Country Managers	<ul style="list-style-type: none"> <li>fully responsible for meeting applicable environmental and social project requirements, goals and objectives and operating in accordance with the project ESMS in the respective countries</li> </ul>
In-country Environmental and Social Managers	<ul style="list-style-type: none"> <li>fully responsible for organizing, managing and monitoring the environmental and social activities carried out in the respective countries</li> </ul>
License to Operate (“LTO”) Manager	<ul style="list-style-type: none"> <li>responsible for providing overall direction and functional management of the Turkey LTO team which covers environmental, social and community relations issues</li> </ul>
Environmental and Social Supervisors/ Assistants	<ul style="list-style-type: none"> <li>responsible for technical management, resource support and assurance of the field environmental and social teams and activities</li> </ul>
Field Environmental Assistants	<ul style="list-style-type: none"> <li>responsible for environmental protection on site ensuring that all relevant works are carried out in compliance with environmental procedures and regulations and all workers and supervisors are aware of and observing environmental requirements</li> </ul>
Community Liaison Officers (“CLOs”)	<ul style="list-style-type: none"> <li>work primarily in the field and are responsible for liaising with the communities on the pipeline route in matters such as HSE, social issues, recruitment and social investment</li> </ul>

Role	Responsibility
Archaeologists	<ul style="list-style-type: none"> <li>responsible for ensuring that cultural heritage is protected and agreed protocols are established and followed</li> </ul>

Contractors are responsible for managing and executing their activities in accordance with project environmental and social requirements and providing the necessary resources to ensure that environmental and social contractual obligations are implemented.

References:

LEVEL 2 – PROJECT WIDE		
Project Organization Chart		
Job Descriptions: Core Team; London Technical Team; Operations Team		
LEVEL 3 – IN-COUNTRY		
AZERBAIJAN	GEORGIA	TURKEY
In-country Organization Chart	In-country Organization Chart	In-country Organization Chart
Job Descriptions	Job Descriptions	Job Descriptions

### 6.2.3 Training, Awareness and Competence

The behaviour of people at all levels of the project is critical to its success and to the achievement of the environmental and social goals. Environmental and social training programmes are in place across the project to ensure that project personnel are aware of the project’s environmental and social issues and their responsibilities related to these issues. A specific training programme is in place in each country to cover both environmental and social awareness and competency training for environmental and social field staff, which is particularly relevant for locally recruited field staff. The training programme describes:

- The training modules and tools which are in place,
- Basic contents of the training modules and tools,
- Who is required to complete the training, and
- Roles and responsibilities with respect to training.

In addition, job specific training is provided to staff carrying out activities with environmental and social implications. This may include, where relevant, waste incineration operation, fuel handling, reinstatement specifications and local procurement. Country-specific training programmes have been developed for this purpose.

The in-country environmental and social teams, working together with line management, are responsible for developing and providing necessary training to BTC personnel to ensure environmental and social awareness and competency. Similarly, Bota° is responsible for developing and implementing training programs in Turkey. As a part of the Contractor Control Plans, the contractors are required to provide a training and awareness programme to implement environmental and social procedures including programmes on overall environmental awareness and those necessary for specific job related issues. These programmes will be detailed in the Contractor Implementation Plans and Procedures. Where appropriate, courses will be shared between BTC Co., Bota° and their contractors.

The commitments can be categorised in terms of mitigation, offset or additionality and can be explained as follows:

- **Mitigation Commitments** - relate to measures that will be taken to directly mitigate or manage those impacts which could not be prevented through design. These commitments may either be geographically or aspect specific; e.g., air quality, landscape.
- **Offset Commitments** – relate to measures that will be taken to offset environmental impacts that cannot be mitigated directly; e.g., replanting trees away from the pipeline right of way to compensate for trees felled during construction that cannot be replanted on the right of way due to safety and pipeline integrity considerations. IFC Operational Policy 4.04 “Natural Habitats” (November 1998) requires that mitigation measures are implemented in cases where there would be significant conversion or degradation of natural habitats. Such mitigation measures may include offset mitigation. The BTC Co. paper on Safeguard Policy Requirements attached hereto as Annex G describes the project’s planned offset measures in detail.

- **Additionality Commitments** – relate to measures over and above any mitigation undertaken by the project, which provide benefits to local communities and environment. The aim of the additionality programmes is to contribute to long term sustainability in the areas in which BTC Co. operates.

### 6.3.2 Transparency of Commitment Implementation

The Source Document commitments have been translated into actions with supporting management, control and implementation plans developed by BTC Co., coupled with in-country resources and contractors’ agreements to direct and complete their respective actions.

The ESIA’s represent the culmination of an extensive and vigorous process to identify the potential environmental and social impacts associated with the BTC Project, assess their impacts and recommend mitigation actions, where applicable. These actions have been outlined in the country-specific Commitments Registers, which have been established to enhance transparency. These registers contain all of the commitments made in the Source Documents relating to the environmental and social impact process and serve as the linking mechanism between the Source Documents and the ESMS. Commitments are translated through to the ESMS primarily by way of Contractor Control Plans and BTC Co. and Bota<sup>o</sup> commitments to act, which are described in Sections 6.4.2 and 6.4.4, respectively.

These plans contain either instructions on how the commitments will be implemented by BTC Co. or a description of the mechanisms that will allow BTC Co. and Bota<sup>o</sup> to ensure that the contractors fulfil their contractual commitments and, in turn, implement the mitigation actions for which they are responsible. The latter set of management plans are termed “Contractor Control Plans”. The contractor in turn, implements his obligations through Contractor Implementation Plans and Procedures. This process is described in further detail under Section 6.4.3 and outlined in Figure 6. Geographically specific commitments will be integrated, where appropriate, into various construction management tools such as GIS, march charts, alignment sheets, “walk-down route” tables and field manuals. Geographically specific aspects will also be discussed during 3-month look-ahead meetings held monthly between the in-country team and contractors, as well as through informal communication.

Figure 4 outlines how the commitments from the Source Documents are translated through to the ESMS in both in the construction phase and operational phase.

Commitments arising after the Commitments Registers and Contractor Control Plans are finalized (e.g., any commitments arising from ongoing ESIA activities as described in Section 3.1.2) will be included in the ATS, as described in Section 6.6.4.1.

References:

LEVEL 2 – PROJECT WIDE		
Environmental and Social Overview		
Regional Review		
LEVEL 3 – IN-COUNTRY		
AZERBAIJAN	GEORGIA	TURKEY
BTC ESIA + related addenda	BTC ESIA + related addenda	BTC EIA + related addenda
SCP ESIA + related	SCP ESIA + related	

addenda	addenda	
HSE Contract Requirements	HSE Contract Requirements	Lump Sum Turnkey Agreement between BTC Co. and Bota°
People and People Management Contract Requirements	People and People Management Contract Requirements	HSE and Social Contractual Requirements for Bota° subcontractors
Resettlement Action Plan	Resettlement Action Plan	Resettlement Action Plan
MENR Requirements for further work	MOE Requirements for further work	
Commitments Register	Commitments Register	Commitments Register

## Environmental and Social Objectives

The main objectives that apply to the project execution phase are outlined in the AGT Pipeline’s Commitment Statement as shown in Figure 5, with environmental and social objectives outlined under “Environment” and “Communities”, respectively. These are high level environmental and social objectives (Level 2).

In addition, each in-country project team may develop country-specific objectives and targets that align with main project and ESIA objectives and goals. Country-specific objectives and targets can be found in the respective country Environmental and Social Management System Manuals. References:

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**Figure 5 Pipeline Commitment Statement**

# AGT PIPELINES PROJECT

## Commitment Statement

### OUR MISSION

The AGT Team will deliver the largest pipeline project in BP's history, setting new standards by laying two multicountry pipelines over 2,400 km in 3 construction seasons

### OUR DELIVERABLES

- SAFETY**
  - An Accident and Injury Free Culture
  - No fatalities
  - Adopt best international safety practices and improve year on year safety performance
- ENVIRONMENT**
  - Achieve environment and social approvals (national and lender)
  - Deliver ESIA environmental and social commitments
  - Enhance biodiversity through Environmental Investment Programme Implementation
  - Engage key NGOs to build constructive relationships
- COMMUNITIES**
  - Leave a positive impact on communities along the route, e.g. through Community Investment Programme
  - Engage and add value to local economies in a sustainable way
- SCHEDULE**
  - Deliver oil to the Turkish border by 15th October 2004 and load the first tanker at Ceyhan by 10th May 2005
  - Deliver gas to the Turkish border in accordance with the Sales and Purchase Agreement
- COST**
  - Deliver BTC within the approved budget and preserve the BTC/SCP synergies
- OPERATIONS**
  - Deliver 1st year midstream availability of 95% BTC / 98% SCP utilising a highly trained operations team based on national staff
- CONTRACTORS**
  - Train and care for the workforce
  - Maintain contractor motivation and engagement to ensure delivery of project commitments and goals
- PEOPLE**
  - Nurture a powerful, motivated and aligned project team
  - Treat people with respect and recognise individual and team performance
  - Show leadership in everything we do
- SECURITY**
  - Ensure a peaceful and secure environment aligned to our ethical standards
- ENGINEERING**
  - Sustain consistent technical integrity and engineering design philosophy throughout the execute phase
- REPUTATION**
  - Conduct all of our businesses in an ethical manner

### OUR PRINCIPLES

We will accomplish this by:

- Being one team, one project - internationally networked
- Setting clear objectives and leading by example
- Nurturing a culture founded on trust, openness and respect
- Harnessing the power of diversity
- Being responsible for our own health and safety and the health and safety of others
- Standing for each others success and celebrating our accomplishments

### 6.3.3 Legal and Other Requirements

One of the primary functions of the ESMS is to ensure compliance with the legal, regulatory and policy objectives set out in Section 5. The project will monitor changes in applicable law, policy and regulations and will communicate material changes as appropriate.

Changes to requirements or legislation will result in an update of the requirements register.

LEVEL 3 – IN-COUNTRY		
AZERBAIJAN	GEORGIA	TURKEY
Requirements Register	Requirements Register	Requirements Register

### 6.3.4

BTC Co. will abide by the following strategy to manage environmental matters in order to ensure that commitments related to environmental and social topics are satisfied:

- BTC Co. has developed Contractor Control Plans, which will be provided to the contractor and include a set of environmental requirements, specifications and procedures that the contractors are contractually obligated to follow. Where appropriate, the Contractor Control Plans include those commitments from the Commitments Register that are relevant to that particular plan.
- Prior to commencement of relevant construction, each contractor must:
  - Develop necessary Contractor Construction Implementation Plans and Procedures relevant to the activity being carried out, and
  - Develop and agree with BTC Co./Bota° a set of Key Performance Indicators (“KPIs”) and measures.

Procedures, KPIs and assurance processes prior to the initiation of work by that contractor. To be approved, the Contractor Implementation Plans and Procedures must provide mechanisms by which the contractor can implement the relevant commitments set forth in the applicable Contractor Control Plan.

Assurance monitoring of the implementation of the Contractor Construction Plans is discussed in detail in Section 6.5.1.1.

## **6.4 Implementation**

### **6.4.1 Commitment Implementation**

As set forth in Section 6.3.2, the project has developed country-specific Commitments Registers to enhance transparency that contain all of the commitments made in the Source Documents relating to known environmental and social impacts. The Commitments Registers serve as the linking mechanism between the Source Documents and the ESMS. Commitments arising from the mitigation measures that will be managed by the project are primarily translated through to the ESMS by means of project management plans and Contractor Control Plans, which are discussed in more detail below. The Commitments Register and Contractor Control Plans are summaries and management tools, and to the extent they include commitments drawn from the Source Documents, those commitments are qualified for purposes of this ESAP by the text of the relevant Source Document.

### **6.4.2 Contractor Control Plans**

The primary means of assuring the operational control of contractor executed activities during the construction phase of the project will be the Contractor Control Plans. These plans contain minimum procedural requirements that each contractor must follow and implement at their work sites and act as the primary link between the Source Documents, Commitments Registers and the contractor. Thus, the plans outline the environmental and social requirements and commitments the contractor is obligated to meet and implement. These plans fulfil the following purposes:

- They translate Source Documents commitments into implementation by the contractor (the construction contract is integral to this process);
- They serve as a key tool by which BTC Co. can verify that the Contractor Implementation Plans and Procedures and method statements that specify how the activities specific to a contract will be carried out to ensure compliance with project commitments comply with the Source Documents; and
- They provide transparency and assurance that commitments made through the ESIA process are being translated through to the construction contractor who is responsible for implementation.

The Contractor Control Plans represent a performance based approach to mitigation insofar as they describe performance targets to be met by the construction contractor when implementing mitigation measures and outline procedures that BTC Co./Bota° intend to adopt to ensure that these targets are met or exceeded. The methods for ensuring that the contractors are implementing the control and mitigation measures include, but are not limited to, KPIs and measures, spot checks, inspection and audit. Where possible and appropriate, the performance targets are defined in terms of numerical standards. In instances where such standards have not been developed or are not defined, qualitative measures based on industry best practice form the basis of an auditing programme.

The Contractor Control Plans generally include the following elements:

- Introduction,
- Policy and Legislative Requirements,
- Impact Mitigation,
- Verification and Monitoring, and
- Record Keeping and Reporting Requirements.

The Contractor Control Plans and the scope of each plan are attached to this ESAP as Annex F. The information and statements contained in the Contractor Control Plans are considered to be accurate and applicable to the BTC Project in its current form. However, as the project progresses through final design, engineering and construction, changes may occur. These changes will be reflected in the ESMS or the Contractor Implementation Plans and Procedures.

The Contractor Control Plans and BTC/Bota<sup>o</sup> Management Plans for each country are listed in Table 7, together with the equivalent plan as referenced in the relevant ESIA. In some instances, the title or content of the Contractor Control Plan differs from the title or content of the plan as set out in the relevant ESIA. This difference is the result of new commitments resulting from additional work that has been conducted since the submission of the ESIA's, for example, the Response to Comments (Georgia), ESIA Addendum (Azerbaijan) and the SLIP and RAP. Small adjustments in the names of the Contractor Control Plans were also made to match the titles selected by the individual Contractors during preparation of their Contractor Implementation Plans and Procedures.

Table 7 also illustrates the existence of some plans in one country but not in others. This is a result of the varying scope of the commitments from country to country, and individual country preferences in assigning commitments to particular plans.

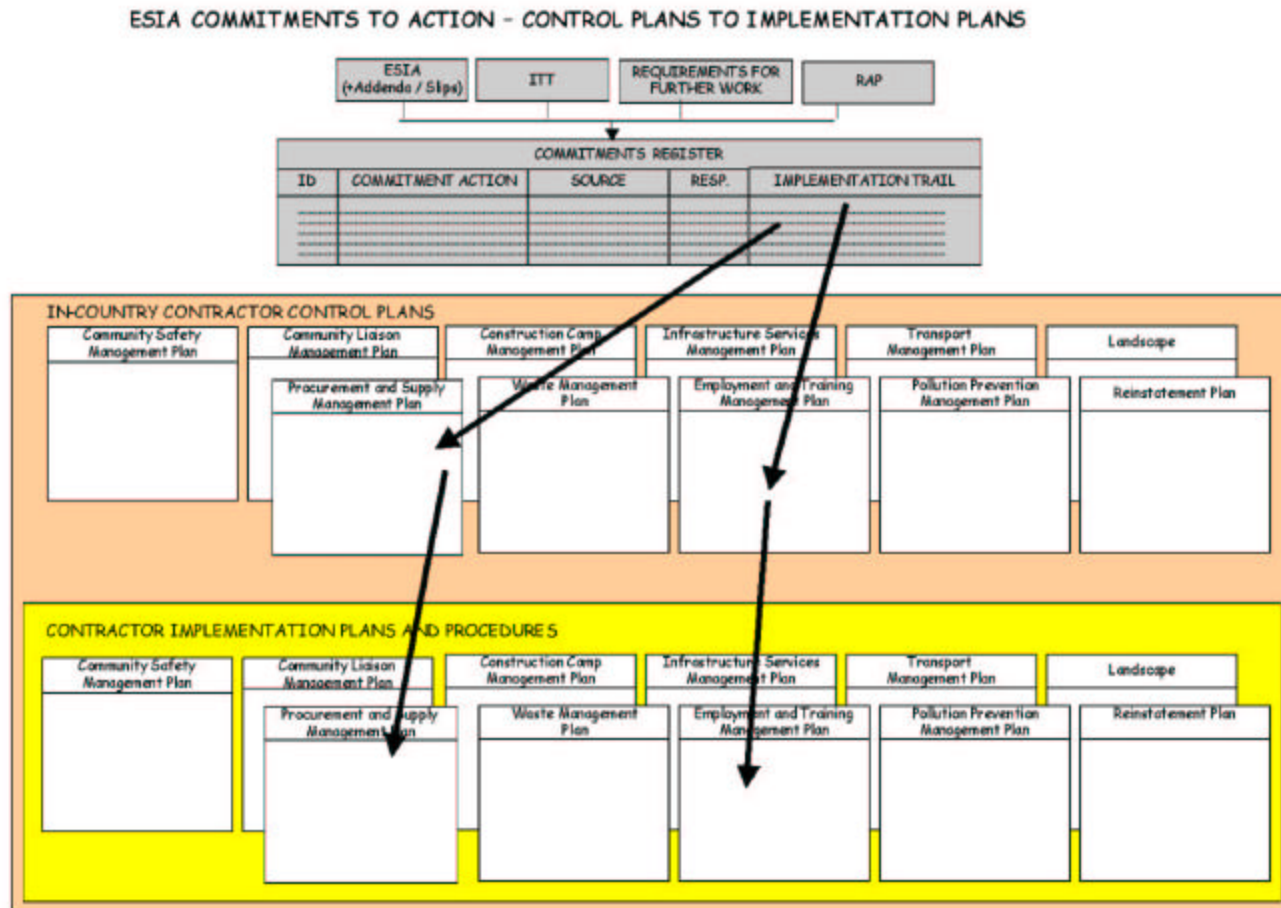
**Table 7 Contractor Control Plans and BTC Management Plans**

<b>Plan Referenced in the ESIA</b>	<b>Current Plans</b>	<b>Implementation Responsibility</b>
<b>Azerbaijan</b>		
	BTC Azerbaijan Environmental and Social Management System Manual	BTC
	BTC Azerbaijan Environmental and Social Assurance Plan	BTC
Construction Camps	Construction Camps (CCP)	Construction Contractor
Infrastructure and Services	Infrastructure and Services (CCP)	Construction Contractor
Pollution Prevention	Pollution Prevention (CCP)	Construction Contractor
Reinstatement Summary Plan	Reinstatement (CCP)	Construction Contractor
Community Liaison	Community Liaison (CCP)	Construction Contractor
Community Safety	Community Safety (CCP)	Construction Contractor
Transport	Transport (CCP)	Construction Contractor

Employment and Training	Employment and Training (CCP)	Construction Contractor
Procurement and Supply	Procurement and Supply (CCP)	Construction Contractor
Waste Management	Waste Management (CCP)	Construction Contractor
	Landscape (CCP)	Construction Contractor
Emergency Response		
Resettlement Action Plan	Resettlement Action Plan	BTC Co.
Cultural Heritage Management Plan	Cultural Heritage Management Plan Cultural Heritage Chance Finds Protocol	BTC Co.
	Ecological Management Plan	BTC Co.
Community Investment Programme	Community Investment Programme	BTC Co.
Environmental Investment Programme	Environmental Investment Programme	BTC Co.
<b>Georgia</b>		
	BTC Georgia Environmental and Social Management Manual	BTC
Worker Camp Management Plan	Construction Camps (CCP)	Construction Contractor
Infrastructure and Services	Infrastructure and Services (CCP)	Construction Contractor
Pollution Prevention	Pollution Prevention (CCP)	Construction Contractor
Reinstatement Summary Plan	Reinstatement (CCP)	Construction Contractor
Community Liaison	Community Liaison (CCP)	Construction Contractor
Community Safety	Community Safety (CCP)	Construction Contractor
Transport	Transport (CCP)	Construction Contractor
Employment and Training	Employment and Training (CCP)	Construction Contractor
Procurement and Supply	Procurement and Supply (CCP)	Construction Contractor
Waste Management	Waste Management (CCP)	Construction Contractor
Landscape	Landscape (CCP)	Construction Contractor
Emergency Response		
Resettlement Action Plan	Resettlement Action Plan	BTC Co.
Cultural Heritage Management Plan	Cultural Heritage Management Plan Cultural Heritage Chance Finds Protocol	BTC Co.
	Ecological Management Plan	BTC Co.
Community Investment Programme	Community Investment Programme	BTC Co.
Environmental Investment Programme	Environmental Investment Programme	BTC Co.
<b>Turkey</b>		
	BTC Turkey Environmental and Social Management Manual	BTC Co.

	BTC Turkey Environmental and Social Assurance Plan	BTC Co.
	Botas Environmental and Social Management Manual	Bota°
	Botas Social Management Manual	Bota°
EMMP	Environmental and Social Management Plan	Bota°
	Environmental Management (CCP)	Construction Contractor
	Ecological Management Plan (CCP)	Construction Contractor
Construction Impacts	Construction Impacts (CCP)	Construction Contractor
Pollution Prevention	Pollution Prevention (CCP)	Construction Contractor
Reinstatement	Reinstatement (CCP)	Construction Contractor
Community Liaison	Community Liaison (CCP)	Construction Contractor
Community Safety	Community Safety (CCP)	Construction Contractor
Traffic Management	Transport (CCP)	Construction Contractor
Employment and Training	Employment and Training (CCP)	Construction Contractor
Procurement and Supply Plan	Procurement and Supply (CCP)	Construction Contractor
Waste Management Plan	Waste Management (CCP)	Construction Contractor
Aggregates Management Plan	Aggregates (CCP)	Construction Contractor
Emergency Response Plan	Emergency response	Construction Contractor
Social Management and Monitoring	Included in the Construction Impacts, Community Liaison, Community Safety, Employment and Training and Procurement and Supply CCPs	Construction Contractor
Resettlement Action Plan	Resettlement Action Plan	BTC/Bota°
Cultural Heritage Management Plan	Included in the Environmental and Social Management Plan (Bota°) and Environmental Management CCP	Bota°
Community Investment Programme	Community Investment Programme	BTC Co.
Environmental Investment Programme	Environmental Investment Programme	BTC Co.
Oil Spill Response Plan	Oil Spill Response Plan	Bota°

**Figure 6 Contractor Control Plans to Implementation Plans**



### 6.4.3 Contractor Implementation Plans and Procedures

An example of the linkage from Contractor Control Plans to Contractor Implementation Plans and Procedures is outlined in Figure 6. This figure outlines the Contractor Control Plans and Contractor Implementation Plans and Procedures for Georgia. As indicated in Table 7, there are slight variations in plans in each country.

Prior to the start of relevant construction, each construction contractor is contractually obligated by the ITT to produce implementation plans, procedures and method statements that specify how the activities relevant to their contract will be carried out in a manner that will meet the environmental and social commitments set out in the Contractor Control Plans, which embody the commitments and conditions, legislation and contractual requirements set out in the Source Documents. The Contractor Implementation Plans and Procedures will generally include:

- Roles and responsibilities;
- Description of technical detail together with design, equipment and operating procedures to direct implementation of the commitments in the Contractor Control Plan;
- Monitoring objectives and specific details of monitoring measures, including parameters to be measured, methods used, locations, frequency, detection limits and threshold for corrective action; and
- Reporting procedures and requirements for reporting to BTC Co.

The Contractor Implementation Plans and Procedures, when taken together with this ESAP and the Contractor Control Plans, will be consistent with IFC OP 4.01 Annex C, Guidance Note C and the OPIC Environmental Management and Monitoring Plan Requirements in all material respects. Each construction contractor is also obligated by the ITT to have an environmental and social management system in place, which includes resources and organization to ensure that the project's environmental and social goals and objectives are satisfied. The construction contractor's assurance function is discussed in more detail in Section 6.6. This inherently flexible approach is essential to accommodating each individual construction contractor's preferences and experience, and in recognizing the critical importance of accounting for local conditions in the design and implementation of the mitigation measures.

BTC Co. must approve Contractor Implementation Plans and Procedures and method statements prior to the commencement of the relevant construction activity.

BTC Co. will produce hydrotest plans prior to the commencement of any hydrotesting activities and provide draft plans to the Senior External Lenders at least 20 days prior to the relevant hydrotesting activities for review and approval based on compliance with Applicable Lender Policies and Guidelines, provided that lender approval will not be required for the relevant hydrotesting activities to proceed.

BTC Co. will ensure that Waste Implementation Plans and Procedures are produced within 30 days of commencement of relevant construction.

BTC Co. has management plans and processes to address the implementation of Source Document commitments that are under its direct control. BTC Co. has produced management plans to manage commitments under their direct control. These plans include:

- RAP Monitoring Plan
- Archaeological Late Finds Protocol for Azerbaijan,
- Archaeological Late Finds Protocol for Georgia,
- Ecological Monitoring Plan for Azerbaijan,
- Ecological Monitoring Plan for Georgia,
- Health & Safety Management Plan,
- Safeguard Policy Requirements,
- PCIP, and
- PEIP.

The Cultural Heritage Plans for Azerbaijan and Georgia are outlined in the relevant ESIA's.

- Bota° Environmental and Social Management Plan, and
- Bota° Cultural Heritage Plan (including Archeological Late Finds Protocol)

Turkey's ecological management plan is laid out in the Ecological Management and Environmental Management Contractor Control Plans.

In Turkey, BTC Co. is responsible for the additionality programme. All other areas are the responsibility of Bota°.

The BTC Co. and Bota° Management Plans are attached hereto as Annex G and H, respectively. Land acquisition and compensation commitments as set out in the RAP discussed in Section 3.2.

#### **6.4.5 Key Performance Indicators and Targets**

In addition to the project specific objectives and goals, BTC Co./Bota° and the construction contractors have developed a series of environmental and social key performance indicators ("KPIs") and related targets that address the mitigation of impacts or implementation of additionality programmes. For the construction phase, the majority of these KPIs relate to mitigation activities and fall under the domain of the contractors. In Turkey, KPIs between BTC Co. and Bota° will be agreed. Bota° is responsible for ensuring that these KPIs are measured and reported by their construction subcontractors. Performance against the indicators will be measured on a monthly basis for some indicators and a quarterly basis for others. The KPIs are similar across the project although there may be slight differences to allow country-specific issues to be captured. This is especially true for Turkey.

The construction contractor’s KPIs cover the following topics:

- Environmental and Social Management,
- Waste Management,
- Spills,
- Procurement and Supply Chain Management,
- Training,
- Atmospheric Emissions,
- Water Management,
- Community Relations,
- Employment,
- Infrastructure,
- Cultural Heritage; and
- Temporal Constraints.

BTC Co. has developed specific BTC KPIs and targets to track performance of key elements, such as ecological management, which falls outside the areas of contractor activities.

As discussed in Section 6.6.1.1, BTC Co./Bota° will monitor contractor’s performance against KPIs. However, KPIs are only one of the methods that BTC Co./Bota° will use to monitor mitigation of impacts and implementation of additionality programmes. Other methods to be utilized include spot checks, inspection and audit, as described more fully in Sections 6.5 and 6.6, below.

**6.4.6 Pre-construction Surveys**

Additional surveys of the pipeline right of way will be conducted prior to construction in each relevant sector to identify sensitive species and habitats that fall within or near the right of way. These surveys build on and/or supplement work done as part of the ESIA’s. Wherever possible, minor deviations to the right of way will be taken to avoid these sensitive species and areas. For

References:

<p>These KPIs and targets supplement the general compliance requirements outlined through Contractor Control Plans (See Section 6.4.2).  <b>LEVEL 2 – PROJECT WIDE</b></p>
Environmental and Social KPIs – Pipeline Construction Contractors
Environmental and Social KPIs – Facilities Contractors
Environmental and Social KPIs – BTC Co.

**6.5 Checking and Corrective Action**

**6.5.1 Monitoring: Audit, Inspection and Monitoring of Performance**

For the purposes of this section, the term “monitoring” can apply to environmental monitoring of physical, chemical or ecological parameters (such as noise, biological oxygen demand, habitat etc.); qualitative monitoring through audit and inspection and monitoring of performance through monitoring of KPIs. Monitoring includes both the monitoring of the implementation of mitigation measures, and where possible, monitoring the effectiveness of the mitigation measure.

Monitoring is integral to the BTC Project activities at all levels. A large proportion of BTC Co.’s environmental and social role during the construction phase will be related to monitoring and, more specifically, assuring that the construction contractors are implementing environmental and social commitments related to their respective activities in a manner consistent with the Contractor Control Plans. In Turkey, Bota<sup>o</sup> will provide assurance that its subcontractors are implementing environmental and social commitments that are relevant to their activities in an appropriate manner. Additionally, there are assurance and monitoring components for those activities that remain under BTC Co.’s and Bota<sup>o</sup> direct control.

The project’s monitoring system is layered and aligns with the project levels as described throughout the document, as set out in Table 8.

**Table 8 Project Monitoring Systems**

<b>Assurance Level</b>	<b>Responsibility</b>
Level 1 BP/BU Monitoring	Monitoring by BP that the project is complying with company policies, expectations and best practice
Level 2 BTC Co. Project Monitoring	Assurance that the project as a whole is meeting the requirements and that there is a consistent approach across the project
Level 3 BTC Co. In-country Monitoring (Azerbaijan and Georgia)	Assurance by BTC Co. in-country that: <ul style="list-style-type: none"> <li>- the contractor and their subcontractors are adhering to the requirements of the ESIA, contracts, legislation, emission standards, E&amp;S design criteria, method statements, lender institution requirements, BTC environmental and social objectives, and BP’s corporate requirements</li> <li>- the contractor is in compliance with their approved Contractor Environmental and Social Plans</li> </ul>
Level 3 In-country Monitoring (Turkey)	In-country monitoring includes monitoring by BTC Co. that Bota° is providing adequate project management to ensure that: <ul style="list-style-type: none"> <li>- their construction contractors are adhering to the requirements of the EIA, contracts, legislation, emission standards, E&amp;S design criteria, method statements, lender institution requirements, BTC environmental and social objectives and BP’s corporate requirements</li> <li>- their construction contractors are in compliance with their approved environmental and social plans</li> </ul>
Level 4 Contractor Compliance	Each construction contractor will monitor compliance of its own activities and that of its subcontractors. The construction contractor’s self assurance programme will include monitoring the following: <ul style="list-style-type: none"> <li>- Performance of the mitigations measures</li> <li>- Compliance with mitigation plans and procedures</li> <li>- Performance in areas covered by KPIs and measures as outlined in Section 6.6.1.1</li> <li>- Activities performed by their subcontractors</li> </ul>

In addition, a number of external bodies including NGOs and the lender group will provide independent monitoring. The project expects NGO monitoring to include monitoring of RAP implementation and PEIP and PCIP activities.

**6.5.1.1 Monitoring of Construction Contractor and Subcontractor Activities**

BTC Co. will review the Construction Contractor’s Implementation Plans and monitoring programme by periodically reviewing time series results and auditing procedures and spot checking monitoring, both randomly and in response to questionable results.

In Turkey, BTC Co. will monitor Bota<sup>o</sup> performance and Bota<sup>o</sup> will monitor its construction subcontractors. However, BTC Co. may also perform periodic monitoring directly at the subcontractor level in Turkey.

Monitoring of construction contractors is comprehensively covered in the monitoring section of each Contractor Control Plan. Additionally, each countries' Environmental and Social Management System Manual outlines in-country monitoring programmes.

Contractor monitoring falls into the following categories:

- Audit and Inspection,
- Compliance with license/permit requirements,
- Contractor Control Plan Compliance Check, and
- Performance against KPIs.

References:

<b>LEVEL 1 – BP</b>		
Project Health, Safety, Environmental Reviews		
<b>LEVEL 2 – PROJECT WIDE</b>		
Audit Procedure		
<b>LEVEL 3 – IN-COUNTRY</b>		
<b>AZERBAIJAN</b>	<b>GEORGIA</b>	<b>TURKEY</b>
Audit Schedules	Audit Schedules	Audit Schedules

#### 6.5.1.2 Environmental Monitoring by BTC Co.

In addition to monitoring contractor activities, BTC Co. is responsible for monitoring a number of activities that are independent of the construction contractor. These activities generally fall into the following categories:

- Ecological Monitoring,
- Land Acquisition Monitoring,
- CIP Implementation Monitoring, and
- EIP Implementation Monitoring.

In Turkey, BTC Co. is responsible for monitoring:

- Land Acquisition Monitoring,
- CIP Implementation Monitoring, and
- EIP Implementation Monitoring.

Bota<sup>o</sup> is responsible for Ecological Monitoring in Turkey with BTC providing assurances oversight of Bota<sup>o</sup> monitoring activities.

### 6.5.1.3 Monitoring by the Contractor

The contractor will be responsible for monitoring the performance of the mitigation measures against its Contractor Implementations Plans and KPIs. The contractors will each implement their own quality system to ensure appropriate rigor and control. BTC Co. may, in addition to the inspection and audit functions described above, conduct random, independent checks of contractor compliance.

The CCPs outline environmental parameters to be monitored (where applicable) and each contractor is required to have a monitoring programme in place which meets the requirements of the CCP. The monitoring programme will detail the monitoring and measuring requirements as appropriate to the component being monitored, and may contain the following elements:

- Parameters to be measured,
- Methods for monitoring,
- Sampling locations,
- Detection limits, indicating relevant legislation and standards,
- Action levels,
- Corrective actions,
- Quality Assurances and Quality Controls,
- Government responsibilities within the monitoring programme,
- Allocation of responsibilities,
- Frequency and timing, and
- Progress and reporting of results.

BTC Co., or Bota<sup>o</sup> may chose to carry out checks of the construction contractors monitoring results by carrying out duplicate or additional sampling.

### 6.5.1.4 Ecological Monitoring

In general, ecological monitoring will cover the following aspects subject to individual country requirements.

- Rare floral species:

A number of floral species have been identified during the baseline surveys that are considered rare or endemic. Where practicable, rare species will be removed from all project areas before construction starts, transplanted, maintained and replaced during the re-instatement process. Specific monitoring requirements are being developed; however, the survival rate of the transplanted species will be a key indicator of the monitoring programme.

- Faunal species monitoring

#### 6.5.1.5 Groundwater monitoring

Groundwater monitoring will be carried out prior to operations to establish a baseline where commitments have been made in the ESIA's.

References:

LEVEL 3 – IN-COUNTRY		
AZERBAIJAN	GEORGIA	TURKEY
Environmental Monitoring Programme	Environmental Monitoring Programme	Environmental Monitoring Programme
Construction Constraints Schedule	Construction Constraints Schedule	Construction Constraints Schedule for Ecologically Sensitive Areas

### 6.6 Audit and Inspection

A formal internal audit programme is in place in each country to evaluate the compliance with both the Contractor Control Plans and Contractor Implementation Plans and Procedures. The audit programme will involve regular auditing of contractor field operations, as well as of their reporting and documentation. In Turkey BTC Co.'s audit programme is focused predominantly on Bota°, while Bota°'s audit programme focuses on audit of its construction contractors.

Additionally, BTC Co. and Bota° will have self-audit mechanisms in their audit programmes to ensure their own activities are audited.

Contractors are responsible for developing and implementing audit programmes consistent with BTC requirements to gain assurance that their activities and activities of the subcontractors comply with the environmental and social requirements in the Contractor Control Plans and Contractor Implementation Plans and Procedures.

The results of the auditing will be used to indicate areas of non-compliance and to allow for corrective measures to be implemented.

Site inspections in the form of site walks will be employed to visually assess practices adopted by the contractor and BTC Co./Bota° with respect to all construction activities and sites. Site inspection is one of the main functions of the field personnel and, as such, part of their day-to-day activities. Site inspection programs may or may not be formalized in each country, depending on country needs.

Audit schedules are set to ensure environmental integrity can be verified through compliance with regulations, standards, policies and the procedures set out in the project Contractor Control Plans and site specific Contractor Implementation Plans and Procedures.

#### **6.6.1.1 Performance against Key Performance Indicators**

Each construction contractor is required to monitor its environmental and social performance against KPIs and report performance to BTC Co.'s in-country management team on a monthly basis. The contractor is also required to ensure that KPIs are communicated to all relevant parties prior to the start of construction.

BTC Co./Bota° will monitor KPIs as part of the overall assessment of a contractor's performance.

There is a mechanism included in the construction contracts in Azerbaijan and Georgia which enables BTC Co. to withhold up to 5% of an invoice if HSE performance is unsatisfactory. BTC Co. will measure the contractor's performance against KPIs as part of its performance assessment. A similar system is in place between Bota° and its subcontractors in Turkey.

Additionally, BTC Co. performance against BTC KPIs will be monitored in-country and reported to the BTC project.

#### **6.6.2 Land Acquisition Monitoring**

The acquisition and use of land for the project will require distinct programmes of monitoring and review activities as described in the Resettlement Action Plan ("RAP"). The RAP has been prepared in accordance with IFC Operational Directive 4.30 "Involuntary Resettlement" (June 1990) ("IFC OD 4.30") and has been publicly disclosed. Primary responsibility for project resettlement monitoring will rest with BTC Co. The Community Liaison Officers ("CLOs") will have day-to-day responsibility for undertaking monitoring of project-affected people throughout resettlement preparation and re-establishment periods. The BTC Social/Community Liaison Managers will provide guidance and support to the CLOs and to those field personnel allocated social responsibility. BTC Co. will also support annual expert monitoring which will be conducted by an Expert RAP Monitoring Panel, as described in the RAP.

In Turkey, BTC has engaged independent expert monitoring organizations to monitor the implementation of RAP commitments. In addition, CLO and Social/Community Liaison Manager positions in Turkey will be held by Bota° staff.

Table 9 below presents the expected monitoring framework associated with land acquisition and RAP activities. Copies of the RAP Monitoring Reports and RAP Completion Audit Report will be provided to the Senior External Lenders and PR Insurers. Moreover the Expert RAP Monitoring Panel's reports will be made public after they are presented to the BTC Co. board through publication on the project website, with translation of the executive summary of the report in the same languages as the RAP. Although only the BTC portion of the report is required for purposes of this ESAP, it is expected that the reports shown below will cover both the Phase 1 and BTC projects.

**Table 9 RAP Monitoring Programme and Reports**

<b>Monitoring Report Type</b>	<b>Frequency</b>	<b>Prepared By</b>	<b>For</b>	<b>Comment</b>
Internal RAP Monitoring Report	Quarterly	BTC E&S Department	BTC Co. management team (may also be reviewed by Expert RAP Monitoring Panel during 6-monthly reviews)	10-15 page report (plus supporting documentation) summarising progress against the RAP; outline of any issues and agreed related actions; summary schedule of grievance status; key issues arising from any stakeholder or affected people consultations or meetings
Expert RAP Monitoring Report	Six monthly	Expert RAP Monitoring Panel, comprising 3 international resettlement consultants	BTC Co. board with copies provided to Senior External Lenders and PR Insurers  Report to be made available publicly after presentation to the BTC Co. board	25-35 page report (plus supporting documentation) summarising assessment of progress towards living standard restoration, livelihood restoration; IFC OD 4.30 standards compliance; discussion of any RAP issues of concerns; identification of any areas of non-compliance and agreed corrective actions; and summary of resettlement status
RAP Completion Audit Report	One-off audit conducted 36 months following construction completion or at such time as Expert RAP Monitoring Panel assesses living standards and livelihoods	Expert RAP Monitoring Panel	BTC Co. board with copies provided to Senior External Lenders and PR Insurers  Report to be	RAP Completion Audit to verify that BTC Co. has complied with undertakings defined in the RAP and that land acquisition and compensation has been completed in compliance with IFC OD 4.30 principles

Monitoring Report Type	Frequency	Prepared By	For	Comment
	restoration to be complete. Any uncompleted items found will be subject to a further audit to confirm completion.		made available publicly after presentation to the BTC Co. board	

### 6.6.3 PEIP and PCIP Monitoring

PEIP monitoring is discussed in Section 2.6 of the PEIP and PCIP monitoring is outlined in Section 5 of the PCIP. Both the PCIP and PEIP are attached hereto in Annex G.

References:

LEVEL 2 – PROJECT WIDE		
CMT Audit Programme (includes External audit) Audit Procedure		
LEVEL 3 – IN-COUNTRY		
AZERBAIJAN	GEORGIA	TURKEY
Environmental and Social Audit Programme	Environmental and Social Audit Programme	Environmental and Social Audit Programme

### 6.6.4 Non-compliances

Non-compliances will be identified as a result of audits, inspections or environmental monitoring.

BTC Co. will rank non-compliances according to three levels, allowing the project to provide early warning of any problems so that it can resolve issues, if any, before they cause environmental damage. The ranking of non-compliances will generally align with the following levels:

- **Level I:** A non-compliance situation not consistent with the original requirements but not believed to present an immediate threat to an identified important resource, community or employee health and safety. Repeated Level I concerns may become Level II concerns if left unattended.
- **Level II:** A non-compliance situation that has not yet resulted in clearly identified damage or irreversible impact to sensitive important resource, but requires expeditious corrective action and site specific attention to prevent such effects. Repeated Level II concerns may become Level III concerns if left unattended or are continuously recurring.

- **Level III:** A critical non-compliance situation, typically including material damage to a specifically protected sensitive resource or a reasonable expectation of impending material damage. Intentional disregard of specific prohibitions is also classified as Level III.

Level III non-compliances result in a stop work order as discussed in Section 6.7.1.4. Level II non-compliances will generate a corrective action request and a formal non-compliance notice to the construction contractor. Level I non-compliances will generate a corrective action request or a recommendation for further action. Level I non-compliances which are not closed out in a timely manner or show repeat non-compliances by the construction contractor may also generate a formal non-compliance. These formal non-compliance notices will be tracked in-country. The construction contractor will need to demonstrate effective corrective actions before the non-compliance is removed from the system.

Corrective actions identified as a result of any audit or review will be assigned an owner who will take responsibility for the action through to completion and close out.

Corrective actions identified as a result of any audit or review will be assigned an owner who will take responsibility for the action through to completion and close out. The contractor (or in-country construction manager) will be responsible for rectifying the situation in an appropriate and expeditious manner consistent with the severity of the impact and taking advantage of all resources reasonably available to remedy the impact. Corrective actions will be documented and will be subject to potential audit by the in-country management team and BTC Co. The non-compliance will also be documented in the Action Tracking System discussed below in Section 6.6.4.1.

BTC Co. will notify the Senior External Lenders of all Level III non-compliances as Serious Incidents as set out in the CTA and summarized in Section 6.7.1.6. A summary of any Level II and III non-compliances, and corrective actions will be included in the project’s quarterly and/or annual report, as applicable. Additional information regarding corrective actions will be provided, if available, upon reasonable request.

References:

<b>LEVEL 2 – PROJECT WIDE</b>
Non-compliance and Corrective Actions

**6.6.4.1 Action Tracking**

An Action Tracking System (“ATS”) has been established for the BTC Project to provide an on-going record of all significant project risks and health, safety and environmental related actions derived from design through to construction and commissioning. The ATS will also hold (i) new commitments arising after the Commitment Registers are disclosed including, but not limited to,

commitments arising from the ongoing ESIA activities described in Section 3.1.2; (ii) recommendations generated from internal and external reviews, studies and audits, reports and field inspections, and (iii) any other new actions. Where relevant, contractor implementation procedures or BTC Co. procedures will be amended to incorporate actions from the ATS.

The ATS is project wide but can be broken down to the relevant management team.

BTC Co./Bota° will check compliance with the actions through action tracking and audit. The construction contractors are responsible for managing and tracking their own actions.

The contractor is also required to have a system for tracking actions. Actions which arise from audits of the construction contractor may be imputed into BTC Co., Bota° or the construction contractor's systems.

References:

LEVEL 2 – PROJECT WIDE
Action Tracking

## **6.7 Administration**

### **6.7.1 BTC Control Plans and Procedures**

#### **6.7.1.1 Management of Change**

The project recognizes that, as is the case with any major natural resources project, change will be an inevitable feature of the project. A systematized approach to change is necessary for effective management of the project. Therefore, the project has put in place a procedure to manage all change initiated during the course of project development and execution.

Similar processes for assessment and approval of changes exist across the entire project. Change can be initiated throughout the management levels, including by contractors. The management of change is addressed by the suite of change control processes, e.g., Technical Queries, Deviations and Non-compliances. Contractors will use their own change procedures that interface with BTC/Bota<sup>o</sup> processes.

The need for the change is managed by the respective in-country team and supported where necessary by other appropriate teams, including technical specialists in London or the Core Management Team. Construction contractors may identify and request changes to project scope.

The management of change process ensures that key changes are identified and managed. After formal initiation a potential change is reviewed where key project management, material and technical areas, including environmental and social aspects, are considered, as each could be influenced and in turn affect others. Examples of the environmental and social actions that may occur as a result of a change and, thus, fall under the management of change process include the following:

- Additional environmental and social assessment to determine the impact of the change,
- Additional mitigation measures to manage impacts from the change,
- Modify a mitigation action based on field experience and associated corrective action,
- Assess the environmental and social impact from a contractor concession or deviation request,
- Change or acquire additional land and subsequent land compensation, and
- Consult with or inform external stakeholders of the change.

Changes originating from a contractor will

Notice is approved by the BTC/Bota<sup>o</sup> team, the contractor will be advised in writing with a Variation Order (“VO”) and the instruction will be copied to the BTC/Bota<sup>o</sup> team managers as identified in the change notice distribution matrix.

A Change Notice Log will be kept by the Change Control Coordinator. Documentation of changes, deviations and variations are held in the Document Control Centre (“DCC”).

References:

LEVEL 2 – PROJECT WIDE
Management of Change
Deviation Requests
Variation Requests and Variation Orders

**6.7.1.2 Notification of Change**

BTC Co. will notify the lenders of changes to BTC Project operations through both periodic and other reporting as described in this ESAP. Decisions regarding the notification method will be based on the three tiered notification of change structure outlined below. BTC Co. will not notify lenders of a Class I change. It will include a description of any Class II change in its quarterly or annual report, as applicable, and will notify the lenders of a Class III change at least 15 days before the relevant change is implemented. Any Class III notification will include relevant details of the impact and any mitigation measures to be taken to minimize and/or reduce the impact (and any additional environmental and social impact assessment undertaken to determine the extent of the impact and appropriate mitigation measures).

If the ESIA(s) are amended or supplemented to encompass a Class III change, or a new ESIA is produced, a draft of the updated, amended or new ESIA will be provided to the Senior External Lenders for review and comment at least 15 days before the relevant change is implemented. If there is no response within that time frame, it will be presumed that there are no comments. Prior lender approval will not be required for construction to continue based on an updated, amended or new ESIA, although the BTC ESIA's as updated, amended or replaced will be required to comply with Applicable Lender Environmental and Social Policies and Guidelines and applicable laws in all material respects. The Independent Environmental Consultant's quarterly report and the project's quarterly and annual report will document the construction status in the change area, the impacts and the mitigation measures.

- **Class 1:** changes include changes to the pipeline, access, construction camp, pipeyard, or other locational changes within the corridor width/area described and studied in the ESIA/source documents.
- **Class II:** changes include changes requiring development or other project activity outside of the ESIA study area (not to exceed the 500m preferred route corridor described in the ESIA's) where no sensitive habitats (primary forest, etc.) or species are disturbed. BTC Co. will conduct Phase 1 cultural properties survey, or other appropriate environmental and social studies or surveys, relevant to the change. The change will not impact significant cultural or archaeological finds, either because none exist or they can be avoided. The change will not result in significant impacts to communities or landowners that are not covered by mitigation, compensation or other measures previously adopted by the project.
- **Class III:** changes include any BTC Project activities or facilities that are not described in the ESIA's or fall outside the 500m preferred route corridor described in the ESIA's

where either (i) one or more of the following are encountered or impacted: significant cultural properties where data recovery will be required, natural habitat, sensitive species or (ii) physical relocation or economic displacement of households not covered by the principles and types of compensation measures contained in the relevant part of the RAP will be required.

**6.7.1.3 Emergency Response**

The ESIA's identify potential emergency situations and describe the required response to accidents and emergency situations.

The initial response to any incident will be managed through the construction contractor Emergency Response Plan (“ERP”) and procedures and the Level 3 in-country ERP. A key aspect of the in-country and contractor ERPs will be the response to incidents such as diesel spills, which could have an environmental impact. Prevention, control and response to minor spills are also addressed within the Contractor Control Pollution Prevention Plans, which are annexed hereto. The in-country and contractor ERPs will form the basis for response to unplanned events and will be supported by the Azerbaijan Incident Management Plan and, ultimately, the BP Crisis Management Plan.

The process for reporting and following up on environmental and social incidents is outlined in the Incident Reporting and Investigation Procedure described in Section 6.7.1.5.

References:

<b>LEVEL 1 – POLICY</b>		
BP Crisis Management Plan		
Azerbaijan Incident Management Plan		
Incident Management System		
<b>LEVEL 2 – PROJECT WIDE</b>		
Project Emergency Response Plan		
<b>LEVEL 3 – IN-COUNTRY</b>		
<b>AZERBAIJAN</b>	<b>GEORGIA</b>	<b>TURKEY</b>
In-country Emergency Response Plan	In-country Emergency Response Plan	In-country Emergency Response Plan

#### **6.7.1.4 Stop Work**

The general procedure and description of those activities and incidents which will result in a stop work situation are outlined in a project wide stop work procedure. This procedure will be used during all phases and operations of the project in all locations. The stop work procedure covers the stoppage of work due to immediate/imminent risks to health and safety, environmental and social issues and significant non-compliance with health, safety, environmental and social plans which have the potential to cause a material adverse impact on the environment or project affected communities.

Every person working on the project has the right to stop work on HSE&S grounds. In some cases the decision to stop work will require professional judgment, communication and consensus between construction and field environmental and social personnel.

ng and investigation procedure designed to promptly identify and respond to incidents. BTC Co./Bota<sup>o</sup> will initiate an investigation into any significant incident to identify:

- The facts surrounding the accident/incident are established,
- Management systems and practices are thoroughly reviewed,
- Root causes are identified, and
- Recommendations are made to prevent any recurrence.

Actions arising from the incident reporting and investigation will be managed through the ATS.

Incident reporting and investigation will apply to all significant BTC-related accidents and incidents including the following types of incident:

- Fatalities,
- Workplace injuries and illness,
- Security breaches,
- Spills and leaks,
- Significant environmental and community incidents,
- Vehicle accidents, and
- High potential near misses.

Depending on the character of the incident, it will be reported within the relevant Business Unit, to the BTC Co. shareholders, to related projects (Phase I, SCP) and to the lenders (as described in Section 6.7.1.6).

References:

<b>LEVEL 2 – PROJECT WIDE</b>
<b>Incident Reporting and Notification Procedures</b>

#### **6.7.1.6 Lender Incident Reporting**

The requirements for incident report to lenders are set out in the CTA and summarized in this Section. This summary is qualified by and subject to the CTA. BTC Co. will provide four types of incident reports to the Intercreditor Agent for distribution to the Senior External Lenders and the PR Insurers:

- **Serious Incidents.** BTC Co. will provide notice to the lenders within four business days of becoming aware of any accident or incident that has a material adverse effect on the environment (including social or community impact) or worker health and safety that occurs as a result of BTC Project operations.
- **Shareholder reports.** BTC Co. will promptly provide the lenders with a copy of any report prepared for the shareholders by BTC Co. or BP as Manager regarding any accident or incident that has a material adverse effect on the environment or worker health and safety that occurs as a result of BTC Project operations.
- **Unmatured Events of Default.** BTC Co. will report any Project Event of Default or Unmatured Project Event of Default or Event of Default (as defined in the Participants Agreement and summarized below) and any steps taken to remedy such default.
- **Environmental claims/ESAP breaches.** BTC Co. will report any event (other than implementation of the Development Plan in accordance with the terms of the Finance Documents) which could be reasonably expected either to give rise to material environmental claims against BTC Co., or to constitute a material breach of the ESAP by BTC Co.
- **Compliance certificates.** BTC Co. will provide the lenders with compliance certificates on each Payment Date certifying that it has no knowledge of a Sponsor Event of Default or Project Event of Default outstanding, or if such an event exists, specifying any remedial actions being taken.

A number of Events of Default relate to environmental and social matters and as a result would trigger reporting by BTC Co. For example, an Event of Default will occur if:

- Subject to certain cure periods and notice requirements, BTC Co. fails in the development and operation of the project to comply in any material respect with any (i) applicable Environmental Law; (ii) the ESAP; or (iii) Applicable Lender Environmental and Social Policies and Guidelines;
- BTC Co. breaches a representation or warranty, including the representation that the environmental and health and safety policies and procedures of BTC Co. do not conflict in any material respect with the ESAP; and
- BTC Co. breaches a covenant, including BTC Co.'s covenants to comply in all material respects with (i) the ESAP and Applicable Lender Environmental and Social Policies and Guidelines; (ii) all Environmental Laws applicable to it; and (iii) its obligations under the HGAs (including compliance with the environmental standards set out therein).

Pursuant to this structure, BTC Co. will promptly notify the lenders if it has knowledge of any material non compliance (or any pending material non compliance) with the ESAP, Environmental Law or Applicable Lender Environmental and Social Policies and promptly

provide the lenders with a copy of any report to shareholders covering any incident that has a material adverse effect on the environment or worker health and safety that occurs within the operational right of way of the pipeline.

## 6.7.2 Communication

### 6.7.2.1 Stakeholder Communication and Consulting

Communication with all stakeholders is a key element for success of the BTC Project. As set out in Section 3.3, a PCDP was produced as part of each country’s ESIA to outline and carry forward the consultation process overall and in the respective country. The PCDPs will be updated to cover project communication and consultation through April 30, 2003. It is important to maintain and continue the consultation process which began during the ESIA process throughout the execution phase of the project, therefore, the updated PCDPs will include a commitment to produce a plan for ongoing consultation and communication.

The likely objectives of ongoing communication during the construction phase of the project will be to:

- Provide stakeholders affected by the project with regular information on the progress of work and any implications for these stakeholders;
- Inform BTC Co. of any stakeholder-related issues that may impact construction;
- Monitor implementation of mitigation measures and the impact of construction through direct monitoring and feedback from stakeholders;
- Identify any significant new issues that may arise during the construction period; and
- Manage any complaints against the BTC team or contractors.

References:

LEVEL 2 – PROJECT WIDE		
Project Communications Plan		
LEVEL 3 – IN-COUNTRY		
AZERBAIJAN	GEORGIA	TURKEY
Public Consultation and Disclosure Plan	Public Consultation and Disclosure Plan	Public Consultation and Disclosure Plan
Communications Plan	Communications Plan	Communications Plan

### 6.7.2.2 Internal Communication

Internal communication on environmental and social matters between various levels of the BTC Project will take place on a formal and informal basis.

The key formal mechanisms for communication will be meetings and reporting. Internal reporting is described in Section 6.7.3.1. Key meetings where environmental and social issues are discussed are outlined in Tables 10-14. These schedules may change to reflect project needs and experience over time.

**Table 10 Project Business Unit Meetings**

Meeting	Participants		
	Level 1	Level 2	Level 3
Quarterly Meeting	Business Unit Leader	Performance Unit Leader Project Director CMT Commercial Manager	In-country Managers

**Table 11 Cross Project Meetings**

Meeting	Participants		
	Level 2	Level 3	Level 4
Quarterly Project Sponsor Meeting <ul style="list-style-type: none"> <li>- Azerbaijan Pipeline Contract</li> <li>- Azerbaijan Facilities Contract</li> <li>- Georgia Pipeline and Facilities Contract</li> <li>- Turkey Bota°</li> <li>- Turkey Pipeline Contractors</li> <li>- * Lot A</li> <li>- * Lot B</li> <li>- * Lot C</li> <li>- * Facilities</li> <li>- * Marine Terminal</li> </ul>	Project Director	In-country Project Manager	Construction Contractor  Senior Management
Quarterly Performance Reviews <ul style="list-style-type: none"> <li>- Azerbaijan</li> <li>- Georgia</li> <li>- Turkey</li> <li>- London</li> <li>- Operations</li> </ul>	Project Directors  Core Management Team Members	In-country Management Team	
Monthly Project HSES Meeting	Project Director  Project E&S Assurance Manager  Project H&S and Technical	In-country Project Managers	

<b>Meeting</b>	<b>Participants</b>		
	Level 2	Level 3	Level 4
	Compliance Manager  Project H&S Assurance Manager		
Weekly Conference Call	Project E&S Assurance Manager	In-country E&S Mangers	

**Table 12 In-country Project/Contractor Meetings Turkey**

Meeting	Frequency	Attendees		
		BTC Co. (Turkey)	Bota°	EPC Contractors
BTC Co. / Bota° E&S Meeting	Weekly	LTO Manager	E&S Coordinator	N/A
		CIP / Social Team Leader, as needed	Environment Manager	
			CR Manager	
Construction / HSE Meeting	Monthly	Project Managers	Project Managers	N/A
		Construction Managers	Construction Managers	
		LTO Manager	E&S Coordinator	
		CIP / Social Team Leader, as needed	Environment Manager	
			CR Manager	
LOT A Progress/ ESHS Meeting	Weekly	Delivery Manager	Site Manager	Site Manager
		LTO Assurance Coordinator, or	Environment Manager / CR Manager, or	Environment Manager, or
		LTO Assurance Advisors	Lead Environment Monitor	CR Manager, or
			Environment & CR Supervisors	Environment Inspectors
				CL Officer
LOT B Progress / ESHS Meeting	Weekly	Delivery Manager	Site Manager	Site Manager
		LTO Assurance Coordinator, or	Environment Manager / CR Manager, or	Environment Manager, or
		LTO Assurance Advisors	Lead Environment Monitor	CR Manager, or
			Environment & CR Supervisors	Environment Inspectors
				CL Officer
LOT C Progress / ESHS Meeting	Weekly	Delivery Manager	Site Manager	Site Manager
		LTO Assurance Coordinator, or	Environment Manager / CR Manager, or	Environment Manager, or
		LTO Assurance Advisors	Lead Environment Monitor	CR Manager, or
			Environment & CR Supervisors	Environment Inspectors
				CL Officer
Stations Progress / ESHS Meeting	Weekly	Delivery Manager	Site Manager	Site Manager
		LTO Assurance Coordinator, or	Environment Manager / CR Manager, or	Environment Manager, or
		LTO Assurance Advisors	Lead Environment Monitor	CR Manager, or
			Environment & CR Supervisors	Environment Inspectors
				CL Officer
Terminal ESHS Meeting	Weekly	Delivery Manager	Site Manager	Site Manager
		LTO Assurance Coordinator, or	Environment Manager / CR Manager, or	Environment Manager, or
		LTO Assurance Advisors	Lead Environment Monitor	CR Manager, or
			Environment & CR Supervisors	Environment Inspectors

**Table 13 In-country Project/Contractor Meetings Azerbaijan**

<b>Azerbaijan</b>			
<b>Meeting</b>	<b>Frequency</b>	<b>Direct Attendees (or designed personnel)</b>	<b>Attendees (Direct or through conference call)</b>
BTC Co. / Contractors Progress HSES Meeting	Weekly	BTC Co. Environmental Supervisor BTC Co. Social Supervisor BTC Co. Contract Delivery Manager Contractors E&S Manager	BTC Co. Environmental Field Supervisor BTC Co. Lead Community Liaison Officer Contractors Field Supervisor Contractors Lead Community Liaison Officer
BTC Co. / Contractors Progress Meeting	Weekly	BTC Co. Contract Accountable Manager, Contracts people, planners, H&S Professionals, E&S Professionals	
BTC Co. / Contractors HSES Meeting	Monthly	BTC Co. Project Manager BTC Co. Environmental and Social Manager BTC Co. Social Coordinator BTC Co. Community Relations Manager Contractors Construction Manager Contractors Project Manager Contractors E&S Manager Contractors Field Supervisor	
Project Sponsor Meeting	Quarterly	Senior Contractor & BTC Manager	

**Table 14 In-country Project/Contractor Meetings Georgia**

<b>Georgia</b>			
<b>Meeting</b>	<b>Frequency</b>	<b>BTC Attendees</b>	<b>Contractor Personnel Attendees</b>
BTC Co. / Contractors E&S Progress Meeting - Pipeline	Weekly	Pipeline/Facility Delivery Managers E&S Manager	Project Director Pipeline Project Manager Environmental Manager Social Manager

Informal communication between the various teams will take place on a regular basis through conference calls, e-mail and face to face conversations. Informal communication will increase sharing of learning across the project, enhance cross project alignment and strengthen the linkage to the Azerbaijan Business Unit. Informal communication will also ensure that there is an avenue for personnel at all levels to raise environmental and social issues directly with the Core Management Team when necessary.

### 6.7.3 Reporting

#### 6.7.3.1 Internal Reporting

There is a comprehensive reporting programme in place for the BTC Project which encompasses both internal and external reporting.

**Table 15 Project Reporting (Level 2 to Level 1)**

<b>Reporting Parameter</b>	<b>Frequency</b>
Ethics Survey	Annual
HSE Assurance Letter	Annual
GHSER Self Assessment	Annual
Emissions Forecasting	Quarterly
Summary Environmental and Social Report	Monthly

#### 6.7.3.2 In-Country Reporting (Level 3 to 2)

Reporting programmes are largely similar across the project but there may be country-specific or contract specific reporting parameters. The following list represents the standard parameters that will be reported across the three countries:

**Table 16 In-Country Reporting (Level 3 to 2)**

<b>Reporting Parameter</b>	<b>Frequency</b>
KPIs and Measures	Monthly
Environmental and Social Incidents	Monthly
Environmental Monitoring Non-compliances	Monthly
Audit Findings	Monthly
Additionality Programmes	Monthly
Consultation and Community Liaison	Monthly
Key Issues	Monthly

**6.7.3.3 Contractor Reporting (Level 4 to Level 3)**

Contractors are required to report to in-issues on a monthly basis.

**Table 17 Contractor Reporting (Level 4 to Level 3)**

<b>Reporting Parameter</b>	<b>Frequency</b>
KPIs and Measures	Monthly
Environmental and Social Incidents	Monthly
Monitoring Results	Monthly
Audit Findings	Annual
Consultation and Community Liaison	Monthly
Key Issues	Monthly

**6.7.3.4 External Reporting**

The external reporting required by lenders is set forth in Section 8.

**6.7.4 Record Keeping**

The management of environmental records will be consistent with the project's document procedure. Documents will be legible, dated and readily identifiable, each with a unique number and a revision number to identify the most current version of the document, following the document numbering system for the project.

Controlled documents will be identified in a document register, which will be maintained by the document controller throughout the construction phase of the project. The document register identifies the current revision of the document, the date issued and the document custodian. These records will be available to all project personnel for viewing.

Construction contractors will be responsible for ensuring their documents are in conformance with the projects document control system. The Contractor Control Plans specify BTC Co./Bota° and contractor roles and responsibilities with regards to record keeping. Specific

personnel responsibilities will be detailed in the Contractor Implementation Plans and Procedures.

Management of construction site base records, i.e., waste transfer notes, MSDS and laboratory analyses, will be handled by site specific document control procedures.

#### **6.7.5 Document Control**

Information and communication provide the foundation for identifying, assessing, controlling and responding to potential environmental and social impacts resulting from the project. Information will be made available and will be readily accessible to all personnel who require it and, particularly, those who have a responsibility to ensure effective management of the project's environmental and social impacts.

BTC Co./Bota° has established a system to control all documents arising from BTC activities. This system securely manages drawings, design data, project information, management and controls, HSE&S and other documentation, including definition of responsibilities for maintaining this information.

The contractors are responsible for controlling documents that have been prepared to direct and support their activities as needed to execute the BTC Project.

References:

LEVEL 2 – PROJECT WIDE
AGT Information Management and Technology Plan
AGT Electronic Document Management System
Security of Information
Document Numbering and Submission Instructions to AGT Project EPC Contractors and Third Parties
Project Procedure – Issuance of Documentation to EPC Contractors (Revisions to EPC Contract Award Packages)

#### **6.8 Management Review**

In addition to compliance audits, management system audits will be carried out in each country and across the project.

This ESMS is dynamic and will change based on feedback derived through the many assurance processes which are in place, as mentioned in Sections 6.6 and 6.7.

The Construction ESMS will not be Modified in a manner that is inconsistent with Applicable Lender Environment and Social Policies in any material respect and any material modifications will be summarized in the quarterly and annual reports to the Senior External Lenders and PR Insurers required by Section 8.2 and 8.4.

## **7. OPERATIONS ESAP AND OPERATIONS ESMS**

The portions of the ESAP relating to the Construction ESMS will be updated or modified as appropriate by BTC Co. to reflect the transition from constructions to operations (this ESAP, as so updated or modified, is referred to as the “Operations ESAP”). The Operations ESAP will be developed prior to linefill, will be in effect at the commencement of linefill, and will comply with the sections of OP 4.01 relating to the content of an ESAP. A draft of the Operations ESAP will be provided to the Senior External Lenders for review at least 120 days prior to linefill. The Operations ESMS reflecting the Operations ESAP will be certified to ISO 14001 within 9 months of commencement of pipeline operations and will comply with the Applicable Lender Environmental and Social Policies in all material respects. OSRPs will be produced by the project separately, in accordance with Section 7.2. Lender approval is not required for operations to commence based on the Operations ESAP, although it will be an event of default, subject to applicable cure periods, under the CTA if the Operations ESAP does not comply after the commencement of operations with Applicable Lender Environmental and Social Policies in all material respects.

Similar to the construction management system, one of the primary functions of the Operations ESAP will be to ensure that the commitments made in the ESIA's relating to operations are implemented. The Operations ESAP will cover the commercial life of the BTC Project and will implement a structure by which BTC Co., in conjunction with the project Manager, can effectively manage and monitor implementation of the operational commitment found in the Source Documents.

It is recognized that several components of the management system will be common from construction to operations. The primary difference between the two systems is the need to integrate the management of the construction contractor into the construction phase, while in the operations phase, the management system will be integrated into the existing management system structure within the Azerbaijan Business Unit, which is already ISO 14001 compliant.

The lender review period for ESIA's and Class III changes will be increased from 15 to 30 days after operations commence.

### **7.1 Transition to Operations**

The completion of handover by contractors from construction to full operational control for BTC Co. will be contingent upon the completion by contractors of all the construction phase commitments as detailed in the Commitment Registers in all material respects. Transition plans for the management of this transfer of responsibility, programmes and procedure shall be developed and agreed in sufficient time to achieve an orderly hand-over.

The following environmental and social requirements will be handled by transition plans:

- Monitoring Programmes, including reinstatement monitoring and ground water monitoring (pre-operations),
- Additionality Programmes, and
- Integration of Construction ESMS into Operations ESMS.

## 7.2 Oil Spill Response

Prior to linfill, BTC Co. will develop a country-specific OSRP for each Project State to cover all of the facilities operated by BTC and Bota°. A framework of the oil spill response planning process is contained in each ESIA. This framework document sets out the schedule, implementation strategy and framework for OSRPs. The development of the various plans is being undertaken in conjunction with existing operations such that it dovetails into existing response systems in place within the BP Azerbaijan Business Unit, including the incident management system mentioned in Section 6.7.1.5.

The OSRPs will include:

- Response and organization notification and callout procedures, contact details, roles and responsibilities, risk assessment and response action plans;
- Environmental mapping of habitats vulnerable to potential petroleum spills in the entire BTC Pipeline System;
- Situational scenarios of potential spillages and responses, taking into consideration local circumstances;
- Plans for the provision of relevant petroleum spill clean up equipment, materials and services;
- Plans for the deployment of relevant equipment and emergency response notification details of the organization required to handle petroleum spill response; and
- Plans for the treatment and disposal of resulting contaminated materials.

In Turkey, Bota° will prepare the OSRP documentation and be responsible for purchasing and maintaining oil spill response equipment, as well as undertaking training and providing the necessary resources to enable an appropriate response to an oil spill.

The OSRP for each Project State will address the institutional and legal requirements that may exist in that state. Details of policies and conventions applicable in the host countries are included in the ESIA's. Applicable policies and conventions include the Convention for the Protection of the Mediterranean Sea against Pollution, 1976 (the Barcelona Convention); the Convention on the Protection and Use of Transboundary Watercourses and International Lakes; the International Convention on Oil Pollution Preparedness Response and Cooperation and the Convention on the Conservation of European Wildlife and Natural Habitats.

The HGAs require BTC Co. to submit a copy of the OSRP to each host Government upon its completion. In order to gain approval from the host Governments, each OSRP must be compliant with the terms relating to environment, health, safety and social impact in the HGAs. BTC Co. will comply with the OSRPs in all material respects.

The OSRP for the marine terminal at Ceyhan will comply with IFC’s policy on Oil and Gas Development (Offshore) listed in Section 5.3. Any material Modifications to the country-specific OSRPs will be summarized in the quarterly and annual reports to the Senior External Lenders and PR Insurers required by Section 8.2 and 8.4.

**Table 18 Oil Spill Response Plans**

<b>Oil Spill Response Plan</b>	<b>Target Dates</b>	<b>Coverage</b>
<b>Azerbaijan</b>		
Framework for Development of the Oil Spill Response Plan – BTC Azerbaijan (set out in Appendix 7 of the Azerbaijani ESIA)	Complete	Provides a framework for the development of the Oil Spill Response Plan for the BTC Project in Azerbaijan in accordance with Appendix 3, § 3.7 of the Azerbaijani HGA.
Oil Spill Response Plan – BTC Azerbaijan	Prior to commencement of linefill in Azerbaijan	Oil Spill Response Plan for the BTC Project in Azerbaijan in accordance with Appendix 3, §3.7 of the Azerbaijani HGA.
<b>Georgia</b>		
BTC Oil Pipeline Project: Oil Spill Response Planning – Framework for Development of a Comprehensive Oil Spill Response Capability for the BTC Project (set out in Appendix E, Annex V to the Georgian ESIA)	Complete	Provides a framework for the development of the Oil Spill Response Plan for the BTC Project in Georgia in accordance with Appendix 3, § 3.7 of the Georgian HGA.
Oil Spill Response Plan – BTC Georgia	Prior to commencement of linefill in Georgia	Oil Spill Response Plan for the BTC Project in Georgia in accordance with Appendix 3, §3.7 of the Georgian HGA.
<b>Turkey</b>		
Framework for Development of the Oil Spill Response Plan (set out in Appendix C (6) of the Turkish EIA)	Complete	Provides a framework for the development of the Oil Spill Response Plan for the BTC Project in Turkey in accordance with Appendix 5, § 3.7 of the Turkish HGA.
Oil Spill Response Plan – BTC Turkey (prepared by Bota <sup>o</sup> )	Prior to commencement of linefill in Turkey	Oil Spill Response Plan for the BTC Project in Turkey in accordance with Appendix 5 § 3.7 of the Turkish HGA.

The oil spill framework documents listed above and the Oil Spill Response Strategy attached to the ESAP detail the schedule for production of the OSRPs and their content. The final ESAP

will be updated to reflect OSRPs produced prior to the date of the CTA and will contain an agenda for production of any remaining OSRPs that will cover:

- Timing for production relative to commencement of linefill,
- Provision of draft OSRPs for lenders for review before linefill,
- Approval of the OSRPs by an independent oil spill response plan consultant based on compliance with the Applicable Lender Policies and Guidelines on behalf of the lenders, and
- A requirement for an oil spill response exercise before linefill commences.

A more detailed description of BTC Co.'s strategy for establishment of oil spill response capabilities for the BTC Project is described in the oil spill response strategy attached hereto as Annex G.

It will be an event of default under the CTA, subject to applicable cure periods, if the BTC OSRPs do not comply after the commencement of linefill with the Applicable Lender Policies and Guidelines in all material respects.

References:

LEVEL 1 - POLICY		
BP Crisis Management Plan		
Azerbaijan Incident Management Plan		
Incident Management System		
LEVEL 2 – PROJECT WIDE		
Project Emergency Response Plan		
Oil Spill Response Plan Framework Document		
LEVEL 3 – IN-COUNTRY		
AZERBAIJAN	GEORGIA	TURKEY
In-country Emergency Response Plan	In-country Emergency Response Plan	In-country Emergency Response Plan
Oil Spill Response Plan	Oil Spill Response Plan	Oil Spill Response Plan

### 7.3 Community Relations and Consultation in Operational Phase

The objective of the community relations programme in the operational phase is to:

- Maintain constructive relationships between communities and the pipeline operators, to assist in the operation of the pipeline,
- Maintain awareness of safety issues among communities along the pipeline route,
- Monitor compliance with land use constraints among land owners along the pipeline route, and
- Monitor community attitudes toward the pipeline and operating company.

community liaison team during the operational phase. The precise structure and role of the operations phase community liaison team will be determined prior to the commencement of operations. It is currently envisaged that personnel based in each country will staff the team. Members of this team during the operational phase will be required to:

- Hold regular meetings with communities along the pipeline route as appropriate;
- Monitor the pipeline route to ensure compliance with land use constraints;
- Inform BTC Co. of issues arising from liaison with communities; and
- Immediately inform BTC Co. of major breaches of safety or land use constraints, or serious complaints from communities along the pipeline route.

BTC Co. will report to the lender group and the public in the project annual report with respect to ongoing public consultation, community investment and community liaison activities.

## **8. PROJECT REPORTING TO LENDERS AND LENDER MONITORING**

### **8.1 Audit Programme**

BTC Co. will undertake an internal audit programme to review the environmental and social activities of the project and its contractors. The scope and extent of the audit programme will be in accordance with the Construction ESMS and Operations ESMS developed for the BTC Project in each project country. A summary of the results of the audit programmes will be provided in the quarterly and annual reports to the Senior External Lenders and PR Insurers described below and further details will be provided on request.

### **8.2 Project Quarterly Report (Construction)**

BTC Co. will provide quarterly reports focusing on environmental and social matters to facilitate lender monitoring and give the lenders additional assurance that it is complying with its obligations during the construction period. The quarterly report on environmental and social matters will include, among other things, a statement by BTC Co. that it has complied with the ESAP, applicable Environmental Laws and Applicable Lender Environmental and Social Policies and Guidelines in all material respects, or a description of any non-compliance and the steps being taken to remedy it. A detailed table of contents showing the topics to be covered in the BTC Co. quarterly report is attached hereto as Annex B. The first quarterly report will relate to the first full calendar quarter after loan signing.

The quarterly report will be provided in English not more than 60 days after the end of each quarter. The full project quarterly report will be publicly released and made available on the project's website in English. The executive summary of this report will be translated by BTC Co. into Russian, Azeri, Georgian and Turkish, publicly released and made available on the project's website.

The Lender Independent Environmental Consultant will conduct quarterly verification visits during construction and annual verification visits during operations. The scope of the verification visits will be set forth in the updated ESAP developed prior to loan signing.

### **8.3 Project Annual Report (Construction and Operations)**

During construction and operations, BTC Co. will prepare for the BTC lenders an annual report in English summarizing its environmental and social performance. The annual report will include, among other things, a statement that BTC Co. has complied with the ESAP, applicable Environmental Laws and Applicable Lender Environmental and Social Policies and Guidelines in all material respects, or a description of any non-compliance and the steps being taken to remedy it. The annual report will also include a description of changes as described below. A detailed table of contents for the annual report is attached hereto as Annex C. The table of contents will be modified following completion of construction to delete items that are relevant only to construction.

The annual report will be produced by BTC Co. no more than 120 days after year end. The full report in English will be publicly released and placed on the project website. In addition, as with the quarterly report, the executive summary of the annual report will be translated into Russian, Azeri, Georgian and Turkish and publicly released.

#### **8.4 Other Periodic Reporting**

BTC Co. will also provide copies of the following reports to the BTC lenders.

- *RAP Monitoring.* BTC Co. will provide the lenders with copies of the project's quarterly RAP monitoring reports, the Expert Panel's six monthly RAP Monitoring Reports and the Expert Panel's Completion Certificate. The project will include a discussion of RAP monitoring and compliance in its annual report.
- *CDAP reports.* BTC Co. will provide the lenders with any reports publicly released by the Caspian Development Advisory Panel.

The CTA also includes other reporting requirements, including quarterly and annual financial statements prepared in accordance with US GAAP and quarterly reports following physical construction.

#### **8.5 Other Information**

Additional information relating to any alleged breach of any Environmental Law, and any remedial actions taken or to be taken with respect thereto, shall be provided to the Intercreditor Agent from time to time upon its reasonable request for such information, provided such information relates to the BTC Project and either is within the possession of BTC Co. or is information that it is legally entitled to obtain. The Intercreditor Agent will coordinate the provision of information to the Senior External Lenders and PR Insurers.

## **9. HEALTH AND SAFETY PROGRAMME**

BTC Co. health and safety commitments are included in the Health and Safety Plan attached to this ESAP as part of Annex G.

BTC ESAP Abbreviations

ACG	-	Azeri, Chirag and deep water Gunashili
AETC	-	Azerbaijan Environment and Technology Centre
AGIs	-	Above Ground Installations
ATS	-	Action Tracking Systems
BTC	-	Baku-Tbilisi-Ceyhan Pipeline
BU	-	Business Unit
CIP	-	Community Investment Plan
CLO	-	Community Liaison Officer
CMT	-	Core Management Team
CTA	-	Common Terms Agreement
DCC	-	Document Control Centre
E&S	-	Environmental and Social
EBRD	-	European Bank for Reconstruction and Development
ECAs	-	Export Credit Agencies
EIA	-	Environmental Impact Assessment
EIP	-	Environmental Investment Plan
EMMP	-	Environmental Management and Monitoring Plan
EPC	-	Engineering Procurement and Construction
ERM	-	Environment Resources Management
ERP	-	Emergency Response Plan
ESIA	-	Environmental and Social Impact Assessment
ESMS	-	Environmental and Social Management Systems
EU	-	European Union
Ex-Im	-	Export-Import Bank of the United States
GHSER	-	Getting Health, Safety and Environment Right
HGA	-	Host Government Agreement
H&S	-	Health and Safety
HSE	-	Health, Safety and Environment
HSES	-	Health, Safety, Environmental and Social
IFC	-	International Finance Corporation
IGA	-	Intergovernmental Agreement
ISO	-	International Standard Organization
ITT	-	Invitation to Tender
KM	-	Kilometre(s)
KPIs	-	Key Performance Indicators
LSTK	-	Lump Sum Turnkey Agreement
LTO	-	License to Operate

MENR	-	Ministry of Ecology and Natural Resources
MOE	-	Ministry of the Environment
NGO	-	Non-Governmental Organization
OPIC	-	Overseas Private Investment Corporation
OSRP	-	Oil Spill Response Plan
PCDP	-	Public Consultation and Disclosure Plan
PCIP	-	Project Community Investment Plan
PEIP	-	Project Environmental Investment Plan
PSA	-	Production Sharing Agreement
RAP	-	Resettlement Action Plan
RFPs	-	Requests for Proposals
RoW	-	Right of Way
SARPs	-	Special Area Reinstatement Plans
SCP	-	South Caucasus Pipeline
SLIP	-	Supplemental Lender Information Package
SME	-	Small and Medium sized Enterprises
SOCAR	-	State Oil Company of the Azerbaijan Republic
TPAO	-	Türkiye Petrolleri A.O.
URS	-	URS Corporation
VO	-	Variation Order

**Project Environmental and Social Quarterly Report (Construction)**

1. Executive Summary
2. Description of highlights and key achievements and brief summary of construction progress during the quarter.
3. ESIA/EIA and permitting
  - 3.1. Update on status of country-specific requirements for further work, including the requirements set out in the Georgian and Azeri ESIA approvals and expected timing for completion of the relevant work.
  - 3.2. Description of any changes in ESIA (Class II and III) during the quarter.
4. ESAP implementation
  - 4.1. Update on any ESAP commitments to lenders in relation to preparation of studies or reports or other actions during the quarter;
  - 4.2. Summary of any significant changes in the ESMS and any activities significantly affecting the ESMS during the quarter;
  - 4.3. Update on Contractor Implementation Plans and Procedures approved by BTC Co. or any material changes to existing Contractor Implementation Plans and Procedures approved by BTC Co. during the quarter; and
  - 4.4. Statement indicating whether BTC Co. and its agents have complied in the development and operation of the BTC Project with the ESAP, applicable Environmental Laws, and Applicable Lender Environmental and Social Policies and Guidelines in all material respects and summary of any (i) material non-compliance and the steps being taken to remedy it and (ii) material modifications of ESIA's plans or programmes materially in contravention of the operational policies and directives listed in the ESAP.
5. Update on any reportable incidents or Level II and Level III non-compliances and the project's response to such incident or non-compliances during the quarter.
6. Summary of any Class II changes during the quarter and update on any Class III changes reported during the quarter.
7. Update on environmental and social training activities during the quarter.
8. Summary of consultation and communication activities during the quarter.

9. Summary of land acquisition and compensation activities during the quarter.

10. Summary of key health and safety statistics for the quarter.

## Outline of Project Environmental and Social Monitoring Annual Report <sup>2</sup>

Each annual report will separately address each of the topics listed below for BTC activities conducted in Azerbaijan, Georgia and Turkey.

1. Executive Summary
2. ESIAs/ EIA and Permitting
  - 2.1. Summary of any material modifications to the Azerbaijani, Georgian and Turkish ESIAs during the year.
  - 2.2. Summary of material permits issued during the year and any applicable conditions.
  - 2.3. Update on status of country-specific requirements for further work under the ESIAs or permits.
3. Compliance with Standards and Applicable Law
  - 3.1. Summary of any notices of non-compliance, remedial action, any fines or penalties paid and final disposition of any regulatory proceedings.
  - 3.2. Summary of air emissions.
  - 3.3. Summary of environmental discharges.
  - 3.4. Summary of material modifications to the ESMS or Contractor Control Plans as described in the ESAP.
  - 3.5. Statement indicating whether BTC Co. and its agents have complied in the development and operation of the BTC Project with the ESAP, applicable Environmental Laws and Applicable Lender Environmental and Social Policies and Guidelines in all material respects and summary of any (i) material non-compliance and the steps being taken to remedy it and (ii) material modifications of ESIAs, plans or programmes materially in contravention of the operational policies and directives listed in the ESAP.
4. Oil Spill Response
  - 4.1. Summary of oil spill response plans completed, updated or amended during year (as described in the ESAP).

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<sup>2</sup> Following completion of construction, the annual report will not cover items that are relevant only to construction. In addition, if matters are covered in the Operations ESAP that are not reflected in the contents for the annual report, this Annex B will be amended as appropriate to cover these matters.

- 4.2. Spill summaries (Azerbaijan, Georgia and Turkey).
- 4.3. Spill response and remediation summaries.
- 4.4. Summary of material modifications to the oil spill response plans described in the ESAP.
5. CIP and EIP Programming
  - 5.1. Summary of programming for the past year.
  - 5.2. Comparison of actual total expenditures and budgeted total expenditures.
  - 5.3. Description of expected budget and programming for the coming year.
6. Environmental and Social Monitoring Programme
  - 6.1. Summary of ESMS monitoring commitments completed during the year, including summary of results, comparison of environmental performance to applicable Environmental Standards and summary of performance against KPIs.
  - 6.2. Summary of environmental and social training.
7. Project Communication
  - 7.1. Update of ongoing communication with external stakeholders.
  - 7.2. Update of community liaison activities.
8. Summary of results of RAP Monitoring
9. Summary of Key Health and Safety Statistics
  - 9.1. Lost time.
  - 9.2. Injuries.
  - 9.3. Fatalities.
10. Audits
  - 10.1. Summary of the result programmes.

**Country Specific Commitments Registers**

1. Azerbaijan
2. Georgia
3. Turkey

**Environmental Standards Table**

**Contractor Control Plans**

**BTC Co. Management Plans**

1. RAP Monitoring Plan
2. Archaeological Late Finds Protocol for Azerbaijan
3. Archaeological Late Finds Protocol for Georgia
4. Ecological Monitoring Plan for Azerbaijan
5. Ecological Monitoring Plan for Georgia
6. Health & Safety Management Plan
7. Safeguard Policy Requirements
8. Project Community Investment Plan
9. Project Environmental Investment Plan
10. Oil Spill Response Strategy

2.