

May 16, 2003

JOINT STATEMENT ON THE BAKU-TBILISI-CEYHAN PIPELINE PROJECT

The members of the Implementation Commission established pursuant to Article VI of the Agreement Among The Azerbaijan Republic, Georgia and The Republic of Turkey Relating to the Transportation of Petroleum Via the Territories of The Azerbaijan Republic, Georgia and The Republic of Turkey Through the Baku-Tbilisi-Ceyhan Main Export Pipeline (the "IGA"), convened a meeting in Baku this 16th day of May, 2003 together with representatives of the Baku-Tbilisi-Ceyhan Pipeline Company (BTC Co), after having given proper notice and have issued the following Joint Statement:

1. We note concerns expressed by various non-governmental organizations about the BTC Project. We take these concerns seriously. We are determined to make the BTC Project a model project in all respects, and the environmental, social, and human rights aspects of the project are of fundamental importance. We are committed to BTC Co's objective of, "No accidents, no harm, to people, and no damage to the environment."
2. We believe that some of these concerns, including those relating to public disclosure of the three Host Government Agreements (HGAs) and public consultation and disclosure relating to the Environmental and Social Impact Assessments prepared by BTC Co. in each host country, reflect misunderstandings of fact. We have taken seriously our responsibility to make the process for consideration and ratification of the IGA, the HGAs and related Project Agreements by the respective legislative authorities in each State a matter of public record. Moreover, we have ensured that the process followed for the review and approval of Environmental and Social Impact Assessments complied fully with each State's national laws, and with international standards for public consultation. We have taken care to engage with affected communities and interested stakeholders, and have chosen standards and guidelines that apply to projects obtaining financing from the International Finance Corporation. In adhering to those guidelines, we have developed Public Consultation and Disclosure Plans for each of the host States. We have in fact moved ahead with extensive public consultation and disclosure in accordance with those plans. We are proud of our record in this regard. All of the BTC Project Agreements, including the IGA, HGAs, ESIA's and Project Consultation and Disclosure Plans, as well as other Project information, are available on the internet at the BTC Project's website, www.caspiandevlopmentandexport.com.
3. The Azerbaijan Republic, Georgia, and the Republic of Turkey must disagree with assertions that the IGA and the HGAs do not take proper account of their respective national interests. We see great benefits in developing our respective energy resources and in establishing a regional energy corridor. Each State has followed a process of extensive bilateral and multilateral consultation with other interested states and with representatives of relevant multilateral agencies including their external advisors. The IGA and HGAs were negotiated over an 18-month period by the States and their external advisors, and the IGA and each of the HGAs was approved by the legislative authority of each State after full and fair consideration in accordance with all requirements of each State's national constitution and laws.
4. As part of our dialogue with the NGO community, we are aware of speculation regarding the intent of the parties with respect to provisions of the Project Agreements, and speculation that those provisions might be interpreted or used in a manner that could permit the Project, or the host States, to act in a manner contrary to international human rights, environmental, or social and labor norms. We have considered each of the

provisions identified and have concluded that none of the speculation included in recent correspondence reflects the intent or understanding of the parties with respect to their meaning or operation. We are determined to uphold the highest international standards for BTC and we cannot agree with those speculations. Because of the importance that each of the host States, and the owners and operators of the Project, attach to their commitment that the Project be developed and operated as a model for good environmental, labor and social practices, we have determined to make this Joint Statement to minimize further misunderstandings, in particular in relation to project security and human rights, the environment, social and labor standards.

5. *OECD Guidelines on Multinational Enterprises.* We confirm that the principles and policies set out in the OECD Guidelines on Multinational Enterprises (the “Guidelines”), including the policies that enterprises should “contribute to economic, social and environmental progress with a view to achieving sustainable development” and “respect the human rights of those affected by their activities consistent with the host government’s international obligations and commitments” were fully considered during negotiation of the BTC Project Agreements and are reflected in the BTC Project Agreement structure. BTC Co. and the States have and will continue to work together to ensure that the principles and policies embodied in the Guidelines are implemented. Reflecting this commitment, we confirm all activities undertaken and contemplated to be undertaken with regard to the IGA, the HGAs and the other BTC Project Agreements have been and shall be consistent with the Guidelines in all material respects.
6. *Project Security and Human Rights.* We have heard concern that the IGA and HGAs could be read to require the host States, in fulfilling their commitments regarding protection of the project facilities and personnel, to take actions in breach of international human rights norms, or alternatively to prohibit the host States from taking actions that would prevent project personnel from violating international human rights norms. We reject such an interpretation of the IGA and HGAs, and the companies involved confirm that none of BTC Co or its shareholders, customers or contractors interpret the IGA or HGAs in this manner. The parties confirm to each other their mutual commitment to the goal of promoting respect for and compliance with human rights principles, including those set forth in the Universal Declaration of Human Rights, the United Nations Basic Principles on the use of Force and Firearms by Law Enforcement Officials, United Nations Code of Conduct for Law Enforcement Officials, the European Convention on Human Rights and, in a manner consistent with our national laws, the Voluntary Principles on Security and Human Rights (the “International Norms”). Moreover, given the importance all parties place on this commitment, we reaffirm their commitment promptly to conclude one or more protocols to the IGA and HGAs stating that all pipeline security operations must be conducted in accordance with the International Norms, and set forth specific requirements and limitations in respect thereof.
7. *Environment.* We have also heard concerns that the IGA, HGAs and other BTC Project Agreements could be read to exempt the Project from compliance with evolving world-class environmental standards and practices, including those that apply to land acquisition and the resettlement of affected persons. We consider this interpretation to be incorrect since it neither reflects our intentions nor the manner in which the IGA, the HGAs and the other BTC Project Agreements will be applied. The IGA commits each State to the application of environmental standards and practices that are “no less stringent” than those generally applied within member states of the European Union from time to time. The HGAs and other BTC Project Agreements give effect to this commitment, and provide a dynamic benchmark that will evolve as EU standards

evolve, and as international standards and practices within the petroleum pipeline industry also evolve. We also note that the ESIA's approved in each State reflect the continuing requirement to operate in compliance with these dynamic standards, as well as an additional commitment to the environmental and social policies and guidelines of the World Bank Group. Those policies and guidelines include detailed requirements for the development of a Resettlement Action Plan and for the acquisition of land and resettlement of affected persons in accordance with that plan, and we confirm that BTC Co. has, and will continue, to conduct all land acquisition and compensation activities in accordance with the Resettlement Action Plan developed in accordance with World Bank Group policies for the Project.

8. *Labor.* We confirm our understanding that International Labor Organization conventions on Forced Labor, Freedom of Association and Right to Organize, Collective Bargaining, Discrimination, Equal Remuneration and Minimum Age, all as in effect from time to time, will apply to the development and operation of the Project, and that the Project is and will remain subject to the standards set forth in any and all other international labor and human rights treaties to which any host State is a party from time to time.
9. This Joint Statement constitutes a Project Agreement as defined under the BTC IGA and HGAs and is executed in the English language as of this 16th day of May 2003.