

# Sustainability Review 2008



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## 100 years of operating at the frontiers



Meeting the energy demands  
of today and tomorrow



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### About this Review

At BP we define sustainability as the capacity to endure as a group: by renewing assets; creating and delivering better products and services that meet the evolving needs of society; attracting successive generations of employees; contributing to a sustainable environment; and retaining the trust and support of our customers, shareholders and the communities in which we operate.

*BP Sustainability Review 2008* is aimed at all readers with an interest in BP's sustainability performance.

This year, in response to stakeholder feedback and research, we have updated the structure and content of *BP Sustainability Review 2008*. The new structure is based around five key sustainability topics identified by our materiality process: safe and reliable energy, diverse and affordable energy, cleaner energy, people energy and local energy. The Review covers BP's position, strategy and performance on each topic. Each chapter is titled to provide a clear indication of the topics contained within them, which we hope is more intuitive for our audiences to navigate.

Those readers wanting more detail are encouraged to visit the comprehensive environment and society section of *bp.com*, which covers a wider set of issues and reports on them in more depth.

 This document is available to view or order at [www.bp.com/sustainability](http://www.bp.com/sustainability)

 For glossary of terms and acronyms see page 24.

### Cover image

A technician keeps watch at BP's Atlantic liquefied natural gas facility, Trinidad & Tobago.

BP p.l.c. is the parent company of the BP group of companies. Unless otherwise stated, the text does not distinguish between the activities and operations of the parent company and those of its subsidiaries.

### Cautionary statement

*BP Sustainability Review 2008* and online *BP Sustainability Report 2008* contain certain forward-looking statements concerning the businesses, operations and strategy of BP. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements depending on a variety of factors including future levels of industry product supply; demand and pricing; operational problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; exchange rate fluctuations; development and use of new technology; changes in public expectations and other changes in business conditions; the actions of competitors; natural disasters and adverse weather conditions; wars and acts of terrorism or sabotage; and other factors discussed elsewhere in this document and in *BP Annual Report and Accounts 2008*.

### An introduction to Ernst & Young's assurance process

We have reviewed the contents of *BP Sustainability Review 2008* to provide assurance on the information reported. This work included testing relevant management information, interviewing BP management and reviewing external media sources. Our conclusions, which can be found on page 23, have been prepared against the main principles of the AA1000 Assurance Standard (2003). Several of our specific observations have also been included on relevant pages of this Review.

# This is BP

BP wants to be recognized as a great organization – competitively successful and a force for progress. We have a fundamental belief that we can make a difference in the world.

We help the world meet its growing need for heat, light and mobility. We strive to do that by producing energy that is affordable, secure and doesn't damage the environment.

## Our main brands



## Our values

BP is progressive, responsible, innovative and performance driven.

### Progressive

We believe in the principle of mutual advantage and build productive relationships with each other, our partners and our customers.

### Responsible

We are committed to the safety and development of our people and the communities and societies in which we operate. We aim for no accidents, no harm to people and no damage to the environment.

### Innovative

We push boundaries today and create tomorrow's breakthroughs through our people and technology.

### Performance driven

We deliver on our promises through continuous improvement and safe, reliable operations.

These values guide us in the conduct of our business. In all our business we expect high ethical standards and act in accordance with our code of conduct.

## Our strategy

BP's strategy is to create value for shareholders by producing energy in a way that is affordable, secure and doesn't damage the environment. We will participate across the hydrocarbon value chain to:

- Explore for, develop and produce more fossil fuel resources that the world needs.
- Efficiently manufacture, process and deliver better and more advanced products.
- Be a material contributor to the transition to a low-carbon future.

We expect Exploration and Production (E&P) to be our core vehicle of growth.

We expect to make investments across the full life cycle of our assets with an increased emphasis on technology as a source of productivity, access and competitive advantage. We expect to strengthen our position further by securing new access and achieving exploration success.

In Refining and Marketing (R&M), we expect to continue building our business around advantaged assets in material and significant energy markets. We intend to invest selectively in international businesses, including lubricants and petrochemicals, where we believe there is the potential to deliver strong returns. We also intend to continue investing in improving the safety and reliability of our operations. Additionally, we intend to drive further operational performance and productivity by investing in the upgrade of manufacturing capabilities within our integrated fuels value chains.

In Alternative Energy, we are focusing our investment activity in new energy technology and low-carbon energy businesses, which we believe will provide long-term options to meet energy demand and provide BP with significant long-term growth potential. These are wind, solar, biofuels and carbon capture and storage (CCS).

## How we create value

Powerful partnerships grounded in mutual advantage.

Excellence in project delivery and the integration of technology.

A highly diverse energy portfolio, pioneering energy efficiency and innovation.

## Group chief executive's review

# Driving forward

Tony Hayward Group Chief Executive

April 2009

### Highlights

- Progress with safe and reliable operations.
- Reduction in organizational complexity.
- Focused investment in low-carbon energy.

Tony Hayward, BP's group chief executive (GCE), discusses sustainability-related issues, including some frequently raised by those who read BP's reports on environmental and social performance.

**Q With so much of your focus on improving BP's performance, does this mean that the environment and your other sustainability commitments to stakeholders are less important?**

Not at all. I don't see a distinction between sustainability and performance. My aim for BP is that its performance should be sustainable – in other words everything we do each day should contribute in some way to the long-term health of BP and that of the environment and society. We measure performance accordingly, not only with financial metrics but also with the data on safety, the environment and employees that you see in this Review. This reflects my top three priorities as chief executive: safety, people and performance. You can see a similar balanced approach in our new operating management system (OMS), which is to be implemented at each BP site. It covers everything from compliance and risk management through to governance and measuring results. By including all these elements, we're looking to the future as well as the present and I believe that is the foundation for responsible and best-in-class performance.

**Q You have talked about reducing complexity – what does this mean?**

It means creating fewer interfaces between different teams so that issues can be considered and decisions taken more efficiently. This has two added benefits. First, it means everyone is clear about their accountabilities. Second, it removes layers of management and reduces costs. We have also introduced a new leadership framework to clarify our expectations for leaders' behaviours across BP. This is

supported by training through our managing essentials programme. At the frontline, the OMS gives operations teams much more clarity on what is expected of them. The actions we have taken over the past two years to reduce complexity and costs in BP mean that we are well positioned to meet the challenge of the current economic downturn.

**Q In 2008 you committed to various projects that appear uneconomic as we move into 2009 with a global recession in prospect. Will you continue to invest in these projects?**

We will continue to invest in projects that we believe are viable and necessary to meet demand for energy over the longer term. We keep all plans under review, but are mindful that energy investments are measured in decades and need to be tested against a range of possible future scenarios. We believe energy demand will rise in the long term, given the pace of industrialization in Asia and elsewhere. This approach is part of a wider balance we seek to strike, taking action on costs to respond to the current challenges and continuing to invest for long-term growth. At BP, we've been managing volatility for 100 years and our investment strategy is designed to balance long-term goals with short-term oil price cycle changes.

**Q Is BP back-tracking on its commitments on climate change?**

No. I'm proud that we are widely recognized as the first global energy company to call for action publicly over climate change and I unambiguously support that position today. We continue to strive for energy efficiency in our operations and are investing in low-carbon energy as well as engaging with governments and regulators to shape legislation that will facilitate progress towards a low-carbon economy and make it commercially viable.

**Q Why is only around 5% of BP's capital investment in alternative energy?**

Today the vast majority of our returns come from oil and gas and they are likely to continue to do so. However, we also invest a significant amount in alternative energy technology compared with our peers and, for us, the key question is which technologies will make the greatest contribution to meeting energy demand while providing BP with strong growth businesses. We are prioritizing areas with significant long-term growth potential – wind, solar, biofuels and CCS – and we directed the majority of our \$1.4 billion investment in low-carbon energy in 2008 to these areas. There is a complicated – and still emerging – incentive framework required to make lower carbon energy choices competitive with current energy sources.

**Q How can a company that claims to go 'beyond petroleum' invest in the Canadian oil sands, where production is so energy-intensive?**

A diversity of supplies is needed to meet future demand for reliable energy, ranging from zero-carbon technologies to more energy-intensive projects. Canadian oil sands, for example, provide a more secure source of oil supply to consumers in North America. We recognize that oil sands projects raise significant environmental challenges, but we are actively seeking ways to undertake ours in a way that minimizes the environmental footprint.



**May 2008**

Tony Hayward speaking with employees at BP's Texas City refinery, US.

**Q Given mounting concern that a peak in oil production is close, with the International Energy Agency (IEA) admitting that the production decline rate for mature oil fields is nearly 7% a year, how will BP go about meeting future demand?**

As a geologist and a businessman, I don't believe the world is running out of oil in the near or foreseeable future. The data shows that there are around 40 years of proved oil reserves left in the ground and 60 years of natural gas, at today's consumption rates, not including unconventional hydrocarbons. When it comes to meeting demand, the problems are above ground not below it.

**Q How can policy frameworks help the industry to meet future demand sustainably?**

The policy frameworks should support investments necessary to meet future energy demand as well as address the challenge of climate change. In order to stimulate investment, we need stable fiscal and regulatory policies and active support for a free and open energy market. We also need measures that enable the industry to find and develop new sources of oil and gas. Energy efficiency needs to be encouraged as it benefits both the environment and the economy.

In order to address climate change, carbon needs to be priced, preferably through cap-and-trade systems, so that its cost is included in everything from taking a train to turning on a light. There should also be transitional incentives that make low-carbon energy competitive with other energy sources, rewarding cost reductions and deployment at scale. And, in order to make our investments effective and efficient, we need a step-change in investment in research, development and deployment of energy technology.

**Q Has BP really improved the safety and integrity management of its operations since the Texas City fire and explosion in 2005 and the Alaskan pipeline leaks in 2006?**

Yes. Safe and reliable operations are BP's number one priority and we have taken a series of actions to improve performance. The short-term programme has included improving processes to assess risks of major accidents and new standards for control of work and integrity management. For the longer term, we have introduced the OMS to improve the management of safety risks and the quality of performance in our operations worldwide. While I deeply regret every fatality or injury, I'm encouraged by the overall improvement in our safety performance in 2008, as detailed in this review and our online report – and recognize we still have a lot to do.

**Q Why would someone want to work at BP?**

BP is celebrating its centenary this year. The qualities that first drove us 100 years ago continue to drive us now. We've always been an organization that operates at the frontiers and that strives to make a difference in the world. A person joining BP now can expect a varied and challenging career in a successful, global business with a strong sense of its role and contribution to the world. That sounds to me like an exciting and interesting place to work. ●

**Speeches by Tony Hayward**  
[www.bp.com/speeches](http://www.bp.com/speeches)

## BP in 2008

2008 was a record financial year for the group, with replacement cost profit of \$25.6 billion, up 39% on 2007. The year was one of the best in the past decade for our E&P business, with significant discoveries in the US Gulf of Mexico, Angola, Algeria, Egypt and the North Sea. Excluding production-sharing impacts, 2008 oil and gas production rose by 5%. Nine new major projects started up, including Thunder Horse in the US. This enabled us to achieve resource replacement of more than 200% and reserves replacement of more than 100% in 2008. This continues our track record of 100% plus reported reserve replacement ratio over the past 15 consecutive years. In our R&M business, we restored our Texas City and Whiting refineries to full economic capability.

### 31 January

BP Egypt makes a significant gas discovery at record depths in the Nile Delta.



### 1 February

BP and its partner Marathon Petroleum West of Shetlands make a new oil discovery in block 204/23 in the UK continental shelf.

### 10 March

BP launches a new leadership framework creating a single common set of expected leadership accountabilities and behaviours. These focus on valuing expertise, energizing people, acting decisively and delivering results.

### 21 March

The Whiting refinery in the US is restored to its full clean fuel capability of 360,000 barrels per day.

### 31 March

BP completes a deal with Husky Energy to create an integrated North American oil sands business by means of two separate joint ventures, one of which entails Husky taking a 50% interest in BP's Toledo refinery. The Toledo refinery is intended to be expanded to process approximately 170,000 barrels per day of heavy oil and bitumen by 2015.

### 3 April

BP America announces significant discovery at its Kodiak prospect in the Gulf of Mexico.

### 20 April

The Azerbaijan International Operating Company, operated by BP, starts oil production from the Deepwater Gunashli platform complex.

### 24 April

BP announces it is to take a 50% stake in Tropical BioEnergia, a joint venture established by Brazilian companies Santelisa Vale and Maeda Group to operate a 435-million-litre-per-year ethanol refinery in Edéia, Goias state, Brazil.



### 21 May

BP and its co-venturers, ENI UK and Petro Summit Investment UK, make an oil discovery, known as Kinnoull, in North Sea block 16/23s.

### 14 June

Commissioning begins at the Thunder Horse platform in the Gulf of Mexico. By the end of 2008 four wells had started up with production of around 200,000 barrels of oil equivalent per day at the end of the year, signalling the completion of commissioning.



### 3 July

A year of volatile prices reaches its peak as the oil price hits a record \$144.22 per barrel of dated Brent. On the same day, gasoline prices jump to a new US record of \$4.092 a gallon on average.

### 3 July

BP announced as the Official Oil and Gas Partner for the London 2012 Olympic and Paralympic Games.

### 24 July

Robert Dudley, chief executive officer of TNK-BP, reaches the conclusion that the interests of TNK-BP would be best served if he performed his duties outside Russia.

### 29 July

Multi-billion-dollar project announced to modernize and upgrade the Whiting refinery, increasing its processing capability of Canadian heavy crude.

### 4 September

BP and its Russian partner in TNK-BP, Alfa Access-Renova, sign a memorandum of understanding to resolve the dispute between the partners and align their respective interests.

### 16 September

Hurricanes Gustav and Ike halt oil production across most of the Gulf of Mexico, requiring the shutdown of our Texas City refinery. On-site inspections find minimal signs of damage to most of BP's platforms other than the Mad Dog drilling derrick.

### 14 October

BP makes an oil discovery at its Freedom prospect in the Deepwater Gulf of Mexico.

### 20 November

Successfully commissioned in first quarter 2008, BP celebrates the safe completion and start-up of the second purified terephthalic acid plant of BP Zhuhai Chemical Company Limited, Guangdong province, China.

### 24 December

Oil price falls to \$33.66 per barrel of dated Brent.

### 31 December

Full economic capability at Texas City refinery is restored.

## How we operate

### Board and executive committees



BP operates globally in more than 90 countries under a system of internal control that extends from the high-level corporate governance policies, used to guide the board's activities, through to the detailed processes that are applied in our day-to-day operations.

### Corporate governance

The board is responsible for direction and oversight of BP. The board has set an overall goal for BP, which is to maximize long-term shareholder value through the allocation of its resources to activities in the oil, natural gas, petrochemicals and energy businesses. The board delegates authority for achieving this goal to the GCE.

The board operates according to a set of board governance principles that provide, among other things, that a majority of its directors will be non-executive and that all directors will stand for re-election by shareholders each year. In December 2008 the board consisted of 14 directors, 10 being non-executive. The board's permanent committees, composed entirely of non-executives, include the audit committee and the safety, ethics and environment assurance committee (SEEAC). The board and its committees monitor the identification and management of the group's risks. SEEAC monitors non-financial risk. Amongst its activities during the year, SEEAC reviewed information and reports from the safety and operations (S&O) function. It also received the first annual report and other regular updates from L Duane Wilson, who was appointed by the board in 2007 as an independent expert to monitor BP's progress in implementing the recommendations of the BP US Refineries Independent Safety Review Panel (Panel). Committee members also undertook a series of site visits during the year, including visits to BP's refinery operations in Rotterdam and coalbed methane operations in Durango, Colorado.

The GCE maintains a comprehensive system of internal control, which is defined as the holistic set of management systems, organizational structures, processes, standards and behaviours that are used to conduct our business and deliver returns for shareholders. Key elements of the system are: the control environment; the management of risk and operational performance; and the management of people and individual performance.

Controls include the BP code of conduct (*see page 20*), our leadership framework (*see page 19*) and our principles for delegation of authority, designed to make sure employees understand what is expected of them.

As part of the control system, the GCE's senior team – known as the executive team – is supported by sub-committees to own and monitor specific group risks. These include the group operations risk committee (GORC), the group financial risk committee (GFRC) and the group people committee (GPC).

Group risks – the important risks that could affect the achievement of our objectives – have responses designed to deal with the risks in the most appropriate way. These range from group standards, which set out processes for major areas such as safety and integrity, through to detailed administrative instructions on issues such as fraud reporting.

People management, described fully under People energy (*see page 18*), is based on performance objectives through which individuals are accountable for delivering specific elements of the group plan within agreed boundaries.

 For more detail visit [www.bp.com/corporategovernance](http://www.bp.com/corporategovernance)

# Our performance

## Five-year performance data, trends and interpretation

For the year ended 31 December

	2004	2005	2006	2007	2008
<b>Safety<sup>a</sup></b>					
Fatalities – employees	4	1	0	3	<b>2</b>
Fatalities – contractors	7	26	7	4	<b>3</b>
Days away from work cases – workforce	230	305	188	167	<b>175</b>
Days away from work case frequency (DAFWCF) <sup>b</sup> – workforce	0.08	0.11	0.085 <sup>c</sup>	0.075	<b>0.080</b>
Recordable injuries – workforce	1,513	1,471	1,067	1,060	<b>951</b>
Recordable injury frequency (RIF) <sup>b</sup> – workforce	0.53	0.53	0.48 <sup>c</sup>	0.48	<b>0.43</b>
Hours worked – employees (million hours)	241	242	207	204	<b>195</b>
Hours worked – contractors (million hours)	330	313	236 <sup>c</sup>	241	<b>245</b>
Number of oil spills – loss of primary containment <sup>d</sup>	578	541	417	340	<b>335</b>
Volume of oil spilled (million litres)	5.7	4.4	2.2	1.0	<b>3.4</b>
Volume of oil unrecovered (million litres)	1.5	1.2	0.4	0.3	<b>0.9</b>
Direct carbon dioxide (CO <sub>2</sub> ) <sup>e</sup> (million tonnes (Mte))	76.8	73.2	59.3	59.2	<b>57.0</b>
Indirect carbon dioxide (CO <sub>2</sub> ) <sup>f g</sup> (Mte)	9.9	13.9	10.1	10.7	<b>9.2</b>
Direct methane <sup>e</sup> (Mte)	0.23	0.23	0.24	0.20	<b>0.21</b>
Direct greenhouse gas (GHG) <sup>e</sup> (Mte CO <sub>2</sub> equivalent (CO <sub>2</sub> e))	81.7	78.0	64.4	63.5	<b>61.4</b>
Flaring (E&P) (thousand tonnes (Kte) of hydrocarbons)	1,343	1,514	1,241	1,124	<b>1,718</b>
Sulphur dioxide (Kte)	126	124	106	99	<b>64</b>
Nitrogen oxides (Kte)	215	218	196	204	<b>190</b>
Non-methane hydrocarbons (Kte)	245	298	225	187	<b>163</b>
Discharges to water (Kte)	57	46 <sup>h</sup>	71 <sup>h</sup>	61	<b>73</b>
Fresh water withdrawal <sup>i</sup> (million cubic metres)	493	479	342	326	<b>341</b>
Hazardous waste <sup>i</sup> (Kte)	159	237	270	170	<b>199</b>
Environmental and safety fines (\$ million)	4.8	56.0	2.5	22.5	<b>1.1</b>
Environmental expenditure (\$ million)	1,948	2,914	4,026	3,293	<b>2,519</b>
Customer emissions <sup>k</sup> (MteCO <sub>2</sub> )	588	554	523	506	<b>515</b>

## People<sup>a,l</sup>

Number of employees – group	102,900	96,200	97,000	98,100 <sup>m</sup>	<b>92,000<sup>n</sup></b>
Number of employees – group leadership	610	606	625	624	<b>583</b>
Women in group leadership (%)	15	17	17	16	<b>14</b>
People from UK and US racial minorities in group leadership (%)	4	5	5	5	<b>6</b>
People from beyond the UK and US in group leadership (%)	19	20	20	19	<b>19</b>
OpenTalk cases	343	634	1,064	973	<b>925</b>
Dismissals for non-compliance and unethical behaviour <sup>o</sup> (excludes dismissals from the retail business, including those for minor or immaterial incidents)	252	478	642	944	<b>765</b>

## Performance

Total hydrocarbons produced (thousand barrels of oil equivalent (mboe) per day)	3,997	4,014	3,926	3,818	<b>3,838</b>
Total refinery throughputs (thousand barrels per day (Kbd))	2,607	2,399	2,198	2,127	<b>2,155</b>
Total chemicals production <sup>p</sup> (Kte)	13,358	14,076	14,064	14,028	<b>12,427</b>
Replacement cost profit <sup>q</sup> (\$ million)	15,946	20,168	22,111	18,370	<b>25,593</b>
Taxes to governments – comprising income taxes and production taxes paid (\$ million)	8,595	11,995	17,690	13,267	<b>19,690</b>
Dividends paid to shareholders (\$ million)	6,041	7,359	7,686	8,106	<b>10,342</b>
Benefits to employees – including wages, salaries, share-based payments, benefits and pensions <sup>r</sup> (\$ million)	9,965	10,746	10,643	11,511	<b>12,280</b>
Contracts terminated or not renewed due to non-compliance or unethical behaviour	41	77	69	48	<b>22</b>
Contribution to communities (\$ million)	87.7	95.5	106.7	135.8	<b>125.6</b>

<sup>a</sup> Quantitative performance indicators have been chosen, with external input, to reflect the most important sustainability issues for BP. Data is reported here only from operations under BP management control, except in footnote f. We use consistent processes that seek to provide acceptable estimates to enable year-to-year comparisons.

<sup>b</sup> DAFWCF and RIF are the annual frequency per 200,000 hours worked.

<sup>c</sup> 2006 DAFWCF, RIF and contractor hours worked have been corrected from 0.083, 0.47 and 244 respectively.

<sup>d</sup> Oil spills are defined as any liquid hydrocarbon release of more than or equal to one barrel (159 litres, equivalent to 42 US gallons).

<sup>e</sup> Direct GHG emissions are the physical emissions from operations on an equity share basis. TNK-BP direct emissions are not included.

<sup>f</sup> Indirect GHG emissions are a consequence of the import by operations of steam, electricity and heat on an equity basis from third-party sources. TNK-BP indirect emissions are not included.

<sup>g</sup> Prior to 2005, the BP CO<sub>2</sub> protocol allowed credit for exported power against reported indirect emissions.

<sup>h</sup> Does not include discharges in new category of discharges to third-party treatment at 8,000 and 7,000 tonnes in 2005 and 2006 respectively.

<sup>i</sup> Global data for freshwater withdrawal reflects our best estimate at the time of publication (certain data is not available for our onshore E&P operations in the Lower 48 United States between 2004 and 2008). The 2007 total for freshwater withdrawal has been revised downward since last year's report to reflect improved estimates from Texas City.

<sup>j</sup> Data prior to 2005 has been restated to correct inadvertent overstatements of hazardous waste at the Whiting refinery, US.

<sup>k</sup> Estimate rebased in 2008: all years now based on BP's total reported production rates of natural gas and share of all refinery throughputs only.

<sup>l</sup> Employees are defined as individuals who have a contract of employment with a BP group entity.

<sup>m</sup> 2007 data corrected from 97,600 to 98,100.

<sup>n</sup> As at 31 December.

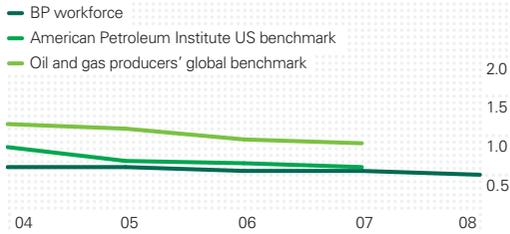
<sup>o</sup> Misconduct-related dismissals of employees and contractors (other than those in the retail businesses) fell by 19% in 2008 as compared with 2007. While employee dismissals are in line with prior years, contractor dismissals across BP declined by 25%; this change is driven most significantly by the 51% decrease in R&M contractor dismissals, primarily the result of improvements in US refining operations.

<sup>p</sup> Aromatics and acetyls and olefins and derivatives production reported within R&M.

<sup>q</sup> Replacement cost profit reflects the replacement cost of supplies. The replacement cost profit is arrived at by excluding from profit inventory holding gains and losses and their associated tax effect. Inventory holding gains and losses, for this purpose, are calculated for all inventories except for those that are held as part of a trading position and certain other temporary inventory positions. BP uses this measure to assist investors in assessing BP's performance from period to period.

<sup>r</sup> A minor amendment has been made to the comparative figures for 2006 and 2007 to include some employee costs that had been previously incorrectly excluded.

**Personal safety – recordable injury frequency<sup>a b</sup>**  
(per 200,000 hours worked)

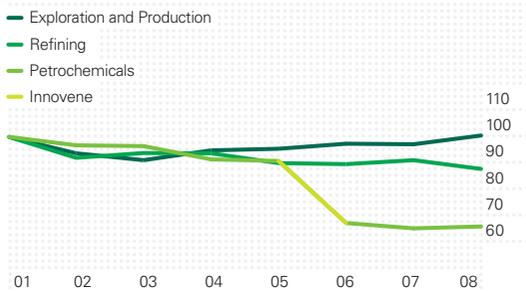


**Safety**

For our total workforce (employees and contractors), our reported RIF in 2008 was 0.43 per 200,000 hours worked, compared with 0.48 for 2007 and our DAFWCF was 0.080 compared with 0.075 in 2007. BP annually benchmarks these safety performance indicators against its peers through industry associations and other groups.

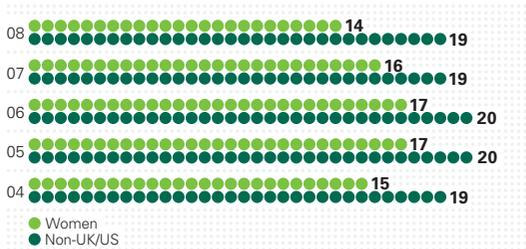
Group operations risk committee

**Normalized greenhouse gas emissions<sup>c d e</sup>**  
baselined to 2001 (2001 = 100)



On environment, one way we judge GHG performance is by normalizing GHG emissions against a 2001 baseline for each of our major business sectors. Compared with 2007, refining delivered an improved efficiency from 1,024 to 986teCO<sub>2</sub>e/kbdUEDC, over 10% lower than in 2001. Petrochemicals increased slightly from 346 to 349teCO<sub>2</sub>e/kte, still some 34% lower than 2001, although this is largely due to the sale of Innovene in 2005. E&P increased by 3% in 2008 to 25teCO<sub>2</sub>e/mboe which is about the same level as in 2001. BP is working with its peers to improve comparability in this area to better facilitate benchmarking.

**Diversity and inclusion<sup>f</sup> (%)**

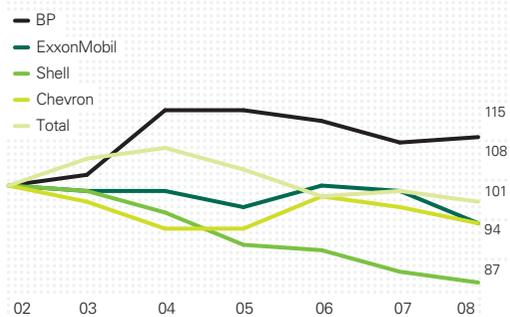


**People**

Since we started reporting the composition of our group leader population in 2000, the percentage of women leaders has increased from 9% to 14%. The number of leaders from outside the US or UK has increased from 14% to 19%. Meanwhile, the number of group leaders from US or UK racial minorities has increased from 4% to 6% since 2000, with an increase in the US from 6% in 2000 to 13% in 2008.

Group people committee  
Global diversity council

**Supermajor oil production 2002-2008**  
(barrels of oil equivalent, as reported in company disclosures, indexed to 2002)



**Performance**

During the year we benefited from record high oil prices. Replacement cost profit for the year was a record \$25.6 billion, with a return on average capital employed greater than 20%. In 2008 BP, on a combined basis of subsidiaries and equity-accounted entities, added 1.7 billion barrels of new oil and gas to its reserve base, a replacement ratio of 121%, excluding acquisitions and divestments – BP's 15th consecutive year of reported reserves replacement of more than 100%.

Executive team  
Group financial risk committee  
Resources commitments meeting

<sup>a</sup> Workforce refers to employees and contractors.

<sup>b</sup> Our 2006 RIF data was corrected from 0.47 to 0.48.

<sup>c</sup> Chart based on direct GHG emissions in tonnes of CO<sub>2</sub>e, per mboe for E&P, per KbdUEDC for refining and per Kte for petrochemicals.

<sup>d</sup> The refining measure was recalculated and rebased to 2001 using the updated Solomon Associates' UEDC calculation methodology. The UEDC data is calculated by Solomon Associates every other year. As the 2008 Solomon data is not yet available, we have used internal data for this and interim years.

<sup>e</sup> Measures utilize the GHG emissions from businesses that account for more than 85% of the group total reported GHG emissions. It relates to oil- and gas-related activity for E&P, all refineries and all petrochemicals assets. Emissions from specific 'downstream' and natural gas liquids activities and assets located within E&P are excluded from the measure.

<sup>f</sup> The percentage of women and individuals from countries other than the UK and US among BP's top 583 leaders (2007 624, 2006 625).

## Safe and reliable energy

# Are BP's operations becoming safer and more reliable?

Delivering energy safely and reliably lies at the heart of our business. Our values incorporate the goal of 'no accidents, no harm to people and no damage to the environment'. We are implementing a new OMS worldwide and investing in people, plant and processes to drive continuous improvement in our safety and operational performance.



For more detail visit

[www.bp.com/safety](http://www.bp.com/safety)

[www.bp.com/environmentalmanagement](http://www.bp.com/environmentalmanagement)



## A step-change in safe and reliable operations

BP's commitment to safety comes from the top. The GCE, Tony Hayward, and his executive team have consistently emphasized that safety, people and performance are our top priorities.

Implementation of the OMS, a cornerstone of our approach to achieving safe, reliable and responsible operations at every BP site, progressed significantly in 2008. We believe embedding the OMS will help us deliver a further step-change in the effectiveness of how we manage our people, processes and plant and protect the environment.

When fully implemented, the OMS will be our single framework for operations, consolidating BP's requirements relating to process safety; environmental performance; legal compliance in operations; and personal, marine and driving safety. It is informed in part by some of the recommendations made by the Panel and, for our US refineries, it provides a framework for action to implement those recommendations.

The OMS establishes a set of requirements and provides businesses with a systematic approach to improve operating performance on a continuous basis. BP businesses implementing the OMS must work to integrate group requirements within their own processes to meet legal obligations, address local stakeholder needs, reduce risk and improve efficiency and reliability. A number of mandatory operating and engineering technical practices have been defined within the OMS to address process safety and related risks.

We are introducing the OMS over a four-year period, in a series of waves, each consisting of a cross-section of businesses. Eight sites completed the transition in 2008: two US petrochemicals plants – Cooper River and Decatur in the US; two refineries – Lingen and Gelsenkirchen in Germany; and four E&P businesses – North America Gas, Gulf of Mexico, Colombia and the Endicott field in Alaska. Implementation is continuing across the group. A number of other sites, including all refineries not already operating under the OMS, are expected to complete the transition in 2009.

Implementing the OMS is involving detailed planning at the relevant site or business, including gap assessments supported by external facilitators. Each site or business implementing OMS will produce its own local OMS enabling it to focus on risks and mitigation actions most relevant to its location – to be captured in a local OMS handbook. They are developing prioritized improvement plans, which will be subject to annual review, to ensure a systematic approach is taken to performance improvement. The transition to the OMS, at local and group level, is

being handled in a formal and systematic way to ensure the change is managed safely and comprehensively.

Experience so far has supported our expectation that having one integrated operating system will bring greater simplicity and clarity, and that the process of change is supporting our renewed commitment to safe operations.

We are on track to meet our target of implementing the OMS across the group by the end of 2010.

### Striving for process safety leadership

We remain fully committed to becoming a recognized industry leader in process safety management.

We have continued to implement our six-point plan to address immediate priorities for improving process safety. Progress against the plan's commitments is regularly monitored by the GORC, which is chaired by the GCE. We also continued to respond to recommendations made by the Panel and engaged with the Independent Expert who reports to the board on BP's progress in implementing the Panel's recommendations.

To improve performance, actions have been taken to reduce complexity and clarify roles and accountabilities. We have directed resources to where they are most needed, deploying functional S&O staff into the businesses. We have extended efforts to develop our operators, managers and executives through targeted training on operations. We continued to build our team of S&O auditors, responsible for analyzing compliance with group and legal requirements and making sure required actions are completed.

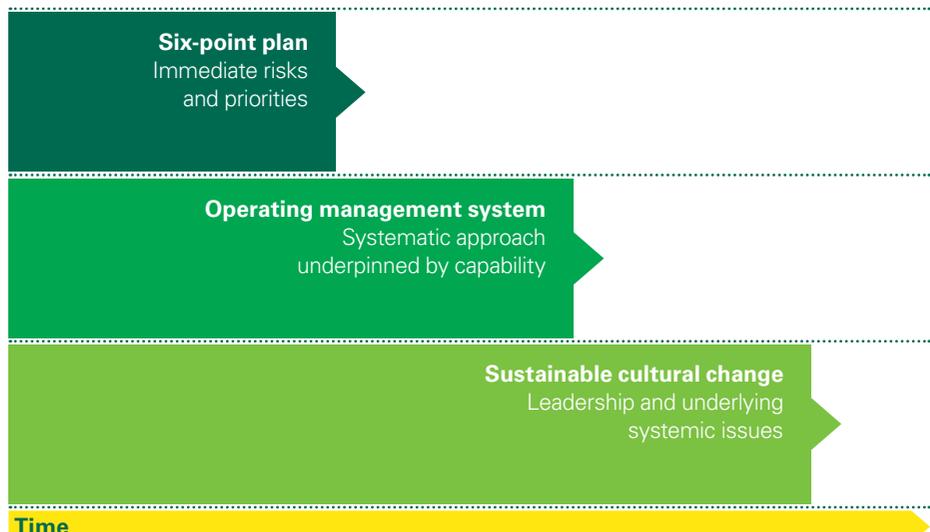
We have made progress in identifying and reducing process safety risks at our US refineries through a systematic, risk-based process that prioritizes the activities needed to close gaps. We completed safety audits and took corrective actions, continued to relocate workers to lower-risk accommodation, and confirmed an improved process safety culture in an employee opinion survey.

We continue to work with the Center for Chemical Process Safety in the US and other industry organizations to share learning on process safety and develop performance indicators.

### Safeguarding people and assets

Delivering safe and reliable performance also requires us to respond to external events beyond our control. We responded to the military conflict in Georgia in 2008, providing for the safety of employees and managing the precautionary shutdown and restart of pipeline operations. In the aftermath of Hurricane Ike, we safely restored production at the Texas City refinery and managed damage to the Mad Dog platform in the Gulf of Mexico.

## Operating management system relationship to safety and operations group strategy



Embedding the operating management system will help BP deliver a step-change in the effectiveness of how we manage our people, processes and plant and protect the environment.

## Safety performance

### Personal safety

There were five workforce fatalities in 2008, compared with seven in 2007. One resulted from fatal injuries sustained during operations at our Texas City refinery; one was the result of a fall from height at the Tangguh construction activities in Indonesia; one fatality was on a land farm near Texas City; and two were driving fatality incidents in Mozambique and South Africa. We deeply regret this loss of life. GORC reviews every major incident and we continue to seek to learn as much as possible from each incident.

Our workforce reported RIF was 0.43 in 2008. This was an improvement on the rate of 0.48 recorded in both 2007 and 2006. Our DAFWCF was 0.080 in 2008, compared with 0.075 in 2007.

### Process safety

We measure lagging indicators of process safety, which record events that have already occurred and leading indicators that focus on the strength of our controls to prevent undesired incidents. Twenty-one major incidents – which include those resulting in fatalities, significant property damage or significant environmental impact – were reported in 2008. Two of the major incidents were related to hurricanes and eight were related to driving incidents.

We also track and analyze high potential incidents – those that could have resulted in a major incident. A total of 150 of these were reported, a decrease of 15% compared with 2007.

There were 335 oil spills of one barrel or more in 2008, similar to the 2007 performance of 340 oil spills. The volume of oil spilled in 2008 was approximately 3.5 million litres, an increase of around 2.5 million litres compared with 2007. This was largely the result of two incidents, one at Texas City and one at the Whiting refinery, which accounted for around two-thirds of the volume of oil spilled, the great majority of which remained contained, with the oil recovered.

### Engaging with stakeholder concerns

When planning and executing new projects, we consult with stakeholders to address environmental and social concerns. For example, in April 2008 the fifth Papua stakeholder review meeting was conducted in Bintuni, Papua. Approximately 80 participants from various groups of stakeholders, including the Regent and Vice Regent of Teluk Bintuni, traditional and religious leaders and non-governmental organizations (NGOs) attended. The focus of the annual meeting was to provide an update on the Tangguh liquefied natural gas project and its social programme activities and to receive feedback from stakeholders.

We worked in other locations in 2008 with local regulators, such as those in Alaska and Colorado, to minimize the impact of oil and gas development on critical wildlife habitats. To further protect biodiversity, we helped NGOs develop a web-based tool – the Integrated Biodiversity Assessment Tool, which builds from the World Database on Protected Areas – enabling companies to access critical biodiversity information.

## Independent Expert's annual report

In May 2007, L Duane Wilson, a member of the BP US Refineries Independent Safety Review Panel (Panel), was appointed by the BP board as the Independent Expert to monitor progress in implementing the Panel's recommendations. Mr Wilson periodically briefs SEEAC on progress and submits an annual report to it. His second annual report was submitted in March 2009.

### Comment and summary from Sir William Castell, Chairman of SEEAC

"The board welcomes the insights, analysis and challenges communicated by Mr Wilson. From my position as Chairman of SEEAC, it is clear that his engagement, which focuses on US refineries, is proving extremely valuable as BP continues to implement the Panel's recommendations.

Overall, it is Mr Wilson's view that the board, executive management and refining management have demonstrated strong support for the multi-year programme required to deliver this goal and that substantial resources have been deployed and significant effort expended in this regard.

Since the publication of *BP Sustainability Report 2007*, Mr Wilson has highlighted some areas of significant progress as well as some areas where he feels more focused attention would be beneficial.

Areas of notable progress observed by Mr Wilson include:

- BP's 'tone at the top' has continued to reinforce valuable positive messages on the importance of process safety.
- Plans for implementing the Panel's recommendations have become embedded in the planning and resource allocation processes at all US refineries.
- BP has introduced and regularly reviews new metrics to enhance monitoring of process safety performance by executive management and the board.
- BP has continued to develop and implement the OMS to achieve consistent and efficient implementation of operating processes and systems across BP. Implementation has begun in all US refineries with plans for all five refineries to be operating under the OMS by the end of 2009.
- The S&O audit programme has matured into a comprehensive, high-quality programme. Three US refineries were audited in 2008 as part of the regular audit programme and these audits each provided valuable process safety insights.

- Results of the 2008 US Refining process safety culture survey indicated good progress in improving process safety culture when compared with a similar survey undertaken in 2006.
- Training programmes for enhancing process safety competencies have been further developed, with substantive progress made in delivery of these programmes.
- US Refining implemented an effective process safety management review system in 2007, which was reviewed in 2008 and will be further enhanced on an ongoing basis.

Summary of areas where Mr Wilson believes more focused attention is warranted:

- Following reductions in overtime, four of the five US refineries now have moderate average overtime rates. However, very high overtime rates continue for a small percentage of individuals at four US refineries. Further reductions are planned to reduce the potential for fatigue.
- Quarterly reports addressing a number of process safety-relevant programmes and overdue actions across BP are reviewed by executive management and by SEEAC on behalf of the board; however, these reports do not yet encompass the full scope of overdue-action-item reporting from US Refineries that was recommended by the Panel.
- Improvements are recommended to the learning summaries and investigation reports associated with incident investigations at US refineries. It was observed that US Refining has responded by improving processes and allocating additional resources.
- All five US refineries have commenced work to implement the Panel's recommendation to use industry best-practices for safety instrumented systems (SIS). However, overall work programmes at the sites have been risk-based, and none of the US refineries has yet developed comprehensive SIS plans that enable Mr Wilson to determine whether the sites are on track to meet stated target dates.
- While process safety metrics were included in the variable pay bonus criteria for US Refining for 2008, year-end performance scores for specific items were not itemized. Consequently, Mr Wilson was unable to determine whether the reward structure is providing appropriate incentives to meet BP's and US Refining's process safety goals and objectives. In addition, variable pay plans will need to include additional process safety performance objectives to fully comply with the Panel's recommendations.

- While the audit and verification process is comprehensive and high quality, some process safety audit action items have due dates that, in the opinion of Mr Wilson, appear to be too long given the apparent risk associated with the findings they address.

In summary, Mr Wilson believes that BP has continued to make significant progress in implementing the Panel's recommendations, although a substantial amount of work remains. The board and management of BP remain committed to implementing those recommendations and welcome Mr Wilson's insights as we progress."

Mr Wilson's second annual report, issued in March 2009, can be viewed online.

 **For more detail visit**  
[www.bp.com/independentexpertreport](http://www.bp.com/independentexpertreport)

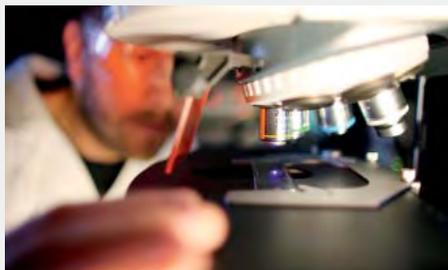
## Managing our environmental impacts

Just as the OMS sets a framework for safe operations, it also provides sites with a systematic approach to reducing environmental risk. It is consistent with the ISO standard for accredited environmental management systems, building on and developing the rigorous approach we have taken in the past.

We have taken a progressive stance on several environmental issues for more than a decade, launching voluntary initiatives to reduce GHG emissions, for example. In reviewing our environmental strategy in 2008, we determined to retain focus on the fundamental priorities of managing risk, with a particular focus on sensitive areas; driving continuous improvement; and complying with applicable laws and regulations.

### Specific observations from Ernst & Young

We have seen evidence that BP maintains regular communication with key stakeholders on sustainability subjects and has a process for recording these dialogues. However, BP's sustainability reporting would benefit from explaining not only the engagement processes, but also how these stakeholder views have been taken into consideration alongside business needs when determining BP's response to challenging issues.



## Using technology to address environmental concerns

Research and development of new technology helps us find ways to reduce the environmental impact of providing energy.

As well as supporting research into ways to address issues, such as the growing demand for natural resources, we carry out nearer-term collaborative projects that focus on operational priorities.

E&P's environmental technology programme, for example, examines environmental risks linked to upstream activities such as access, seismic surveys, drilling and operations. One of the programme's projects, which is jointly funded with British Gas and led by a team at the University of Nottingham, UK, aims to develop more energy-efficient and cost-effective methods for managing the challenge of waste offshore, especially for oil-based drill cuttings.

In R&M, technology research seeks to minimize environmental impacts from our own operations and from the use of our products. We are supporting, for example, independent research into emerging technologies for improving wastewater treatment options from refining. The project, triggered by plans for modernizing the Whiting refinery in the US to enable increased processing of Canadian heavy crude oil, has included screening new technologies for removing ammonia and total suspended solids from wastewater, and is also examining novel approaches to treating heavy metal discharges. The technologies under assessment are likely to have wider application at other refineries facing similar challenges.

We also participate in many joint industry technology projects, such as those overseen by the Global Petroleum Industry Research Institute. Projects cover diverse themes, such as produced water, monitoring technologies, or research to understand how offshore sounds affect marine mammals.

## Managing risk in new projects

Our processes for assessing risk in new projects have led to improvements in subsequent management. After two years of implementation, we are updating our environmental requirements for new projects (ERNP) to include social indicators and integrating them in an environmental and social group defined practice, part of the OMS.

Several new projects have used the social indicators when screening for environmental and social risks. The findings have helped the projects to focus on the most important social and environmental risks when performing the impact assessments.

By embedding the new requirements within the OMS, we are reinforcing our commitment to them, emphasizing that reviewing and mitigating environmental and social risks is an important issue for us and our stakeholders.

We used the ERNP to review environmental impact assessments completed by our joint venture partner, Husky Energy, on the Sunrise oil sands project in Alberta, Canada. The review confirmed that project design features, including low-impact bitumen recovery processes and maximizing recycled water use, are seeking to minimize impacts. We continue to work to integrate environmental and social mitigation measures within the project, considering, for example, possible use of CCS technologies.

## Responding to emerging issues

As part of the OMS, we are formalizing how we identify, monitor and respond to emerging environmental issues, such as access rights to water, to ensure we can assess and respond at an early stage of an issue's development.

On some issues, our early response has enabled us to be better prepared for regulation. For example, the implementation of our own energy-efficiency and GHG-reduction programmes has given us insight into reducing emissions while delivering bottom line value, which will help our operations prepare to meet more stringent regulations.

**For more detail on our environmental emissions**  
see pages 6 and 7.

**For more detail visit**  
[www.bp.com/environmentalperformance](http://www.bp.com/environmentalperformance)

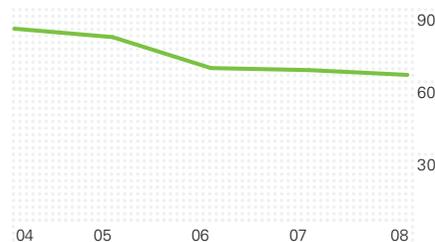
## Days away from work case frequency

(per 200,000 hours worked)



## Direct greenhouse gas emissions<sup>a</sup>

(million tonnes of carbon dioxide equivalent)<sup>b</sup>



<sup>a</sup> Data is reported on an equity-share basis. TNK-BP emissions are not included.

<sup>b</sup> BP's reported GHG emissions include methane emissions converted to the quantity of CO<sub>2</sub> that would create an equivalent warming effect.

## Environmental performance

Operations at our major operating sites, except at two locations, are covered by certification to ISO 14001. The Texas City refinery, after completing planned work to strengthen its environmental management systems, is now working on re-certification in 2009. Our Angola business is working towards an expansion of its existing certificate to include its offshore production facilities by the end of 2009.

Over the next few years, we intend to phase out reporting of aggregated environmental data on non-GHG emissions and discharges, such as sulphur dioxide and nitrogen oxide emissions, in favour of increased reporting of local, disaggregated data. This change, informed by stakeholder feedback, will emphasize the importance of managing and reporting emissions of local pollutants in a manner appropriate to the local context.

For GHG emissions, where the environmental impact is global, we intend to continue to report aggregated BP emissions. Our total 2008 GHG emissions of 61.4MteCO<sub>2</sub>e on a direct-equity basis were 2.1Mte lower than the 63.5MteCO<sub>2</sub>e reported in 2007. The principal reason for the drop in emissions is the change in BP Shipping's treatment of time-chartered vessels to better align with industry practice for emissions reporting.

## Diverse and affordable energy

# What is BP doing to meet rising demand for secure and affordable energy?

Despite today's uncertain economic conditions and volatile oil prices, global demand for energy is expected to increase in the long term. We are using our skills, knowledge and innovation to get more from existing fossil fuels resources, to transform technically demanding resources into energy and to make low-carbon technologies economically viable.

For more detail visit [www.bp.com/annualreport](http://www.bp.com/annualreport)



## The market context

### Long-term rising demand

Despite the volatile oil prices of 2008, ranging from just over \$144 per barrel to approximately \$34, demand for energy is still expected to rise significantly in the long term as a result of demographic and economic forces. Drivers for growth are the rapid industrialization of emerging economies and a world population that is expected to grow from approximately 6.7 billion today to approximately nine billion by 2050. The IEA estimates that world energy demand could be 45% higher by 2030, half of it coming from China and India. It estimates that meeting such demand will require around \$26 trillion<sup>a</sup> of investment in supply by energy producers over the next two decades.

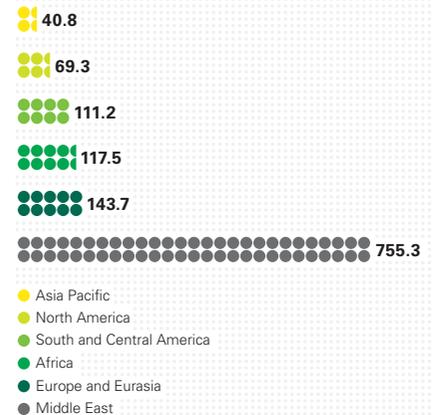
<sup>a</sup> Adapted from *World Energy Outlook 2008*. © OECD/IEA 2008.

### Plentiful supply

As well as substantial investment, meeting future demand requires plentiful energy resources but, as the flow from many mature oil and gas fields declines, some question whether global oil production may be reaching a peak, threatening future supplies. However, data we monitor indicates that as well as there being sufficient proved reserves for around 40 years of oil and 60 years of gas at today's consumption rates,

## Global proved oil reserves at end 2007

(billion barrels)



Source: BP Statistical Review of World Energy June 2008.

proved reserves have actually grown by more than 70% in the past 25 years. This has been driven in large part by advances in technology that enable more oil and gas to be discovered and produced. Although sufficient resources exist, they are concentrated in relatively few regions. Around 70% of the world's proved oil reserves are located in just seven countries and more than half the world's proved natural gas reserves are found in three countries. This prompts concern over the potential impacts of political instability, international disputes or other disruptions, concerns that are reduced when energy is available from a more diverse range of sources.

### BP's response

Meeting this challenge with secure supplies is part of BP's role. In a world that has a growing need for secure heat, light and mobility, we define our purpose as producing more energy in a way that is affordable, secure and doesn't damage the environment. We participate across the hydrocarbon value chain with an aim to:

- Explore for, develop and produce more fossil fuel resources that the world needs.
- Efficiently manufacture, process and deliver better and more advanced products.
- Be a material contributor to the transition to a low-carbon future.

### Pushing back the frontiers

In implementing our strategy, we build on our distinctive experience as an international oil company (IOC). While state-controlled national oil and gas companies account for around three-quarters of the world's oil production, IOCs have succeeded by being innovative, pushing back the frontiers of the industry, both geographical and technological. BP, for example, has specialized in producing oil and gas in challenging locations such as very deep water or Arctic conditions, as well as using new techniques such as enhanced oil recovery to extend the life of mature oilfields. BP has also played a leading role among IOCs in the development of renewable and alternative energy sources that provide low-carbon energy and help to diversify supplies.

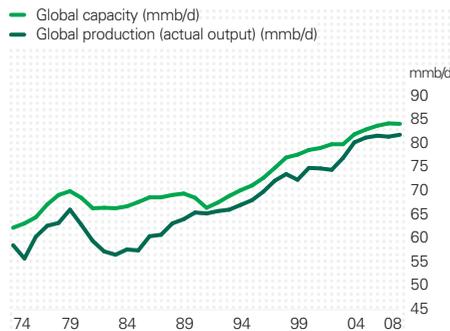
### Energy security

There is a wide acceptance in the energy industry and beyond that changes are needed in the way power and fuel are produced and consumed. For example, in its *2008 World Energy Outlook*, the IEA said: "The world's energy system is at a crossroads. Current global trends in energy supply and consumption are patently unsustainable – environmentally, economically, socially. It is not an exaggeration to claim that the future of human prosperity depends on how successfully we tackle the two central energy challenges facing us today: securing the supply of reliable and affordable energy; and effecting a rapid transformation to a low-carbon, efficient and environmentally benign system of energy supply. What is needed is nothing short of an energy revolution".

☞ The world's energy system is at a crossroads. Current global trends in energy supply and consumption are patently unsustainable – environmentally, economically, socially. ☞

IEA, *2008 World Energy Outlook*

### Spare oil production capacity



Source: Platts. Global production capacity data received from Energy Information Administration, *BP Statistical Review of World Energy June 2008*, BP estimates.

### Stable framework for investment needed

The need for investment in all forms of energy to meet future demand has been highlighted by the high prices that prevailed until the second half of 2008. These had their roots in the 1990s when growth, prices and revenues were low, leading to low investment in production capacity. The higher growth of the current decade drove up production, pushing it close to the capacity limit. This experience has shown that while demand and prices can be volatile, supplies of energy depend on a complex network of production facilities, pipelines, ships, terminals, refineries and other investments that cost billions of dollars and take many years to build. This is why energy providers argue for a stable fiscal and regulatory framework that reflects the long-term nature of the industry and encourages investment.

### Our technology

Technology plays a crucial role in addressing the world's energy challenges and is a key factor in maximizing the effectiveness of investment. Inside BP, as a major IOC operating on the industry's frontiers, research and technology is critical for our competitive business performance and new business development. Expenditure on research and development (R&D) in 2008 was \$595 million, compared with \$566 million in 2007 and \$395 million in 2006. Beyond R&D, we also invest in technologies to get them to the point of commercial readiness, and we have 20 major technology programmes across our business segments.

In E&P, there are 10 flagship technology programmes, including our latest advanced seismic imaging techniques, enhanced oil recovery and our FieldoftheFuture® programme, which applies digital technologies and uses real-time data from oil and gas fields to optimize production and improve recovery. Each of these programmes has the potential to add more than one billion boe to reserves from our discovered fields.

In R&M, technology advancements enhance the flexibility and reliability of our refineries and, in turn, improve the margins of our existing asset base. In Naperville, US, we opened a new refining R&D centre, installing more than 50 new pilot units at the forefront of experimental technology and modelling. We have installed predictive analytics technology for fault detection and prediction on critical machinery across seven of our refineries, reducing losses from machinery failure.

In the alternative energy area, we filed patents in 2008 covering biofuels, CCS and hydrogen membranes. Our solar business produced the first prototype of a high-voltage module, giving a 5% increase in power over conventional modules.

### Our diverse portfolio

Our diverse energy portfolio reflects the world's need to source energy from many different substances, regions and technologies and is underpinned by our resource base, which is biased to conventional hydrocarbons. We also seek access to unconventional hydrocarbons, such as the world's considerable reserves of oil sands and tight gas – gas that is contained in low permeability formations and is therefore difficult to develop and produce. In another area of the portfolio, in our low-carbon energy businesses, we are focusing on those with the potential to be material businesses for BP: wind, solar, biofuels and CCS.

BP is also a major producer of natural gas, the cleanest burning fossil fuel, which accounted for 37% of the energy produced by E&P in 2008. During 2008 our gas business grew with start-up projects in Australia and Egypt. We further strengthened our North America gas position, through two shale gas access

## BP's major technology programmes

### Resource business extensions

- Unconventional gas
- Unconventional oil
- Gulf of Mexico paleogene
- Advanced seismic imaging
- Beyond sand control
- Pushing reservoir limits
- Subsea well intervention/ deepwater facilities
- FieldoftheFuture®
- Inherently reliable facilities
- Effective reservoir access

### Conversion technologies

- Fuels
- Lubricants
- Purified terephthalic acid
- Acetic acid
- Advanced refining
- Refinery of the Future
- Coal

### Low-carbon technologies

- Solar
- Biofuels
- Carbon capture and storage

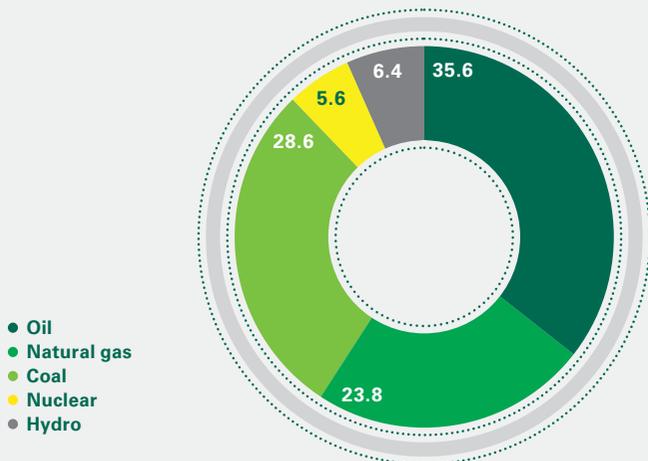
deals, building on our incumbent position in the Arkoma Basin.

We also have a series of gas-fired power plants, recognizing that gas-fired power represents one of the main ways to mitigate GHG emissions today. Where possible, we integrate plants with other BP production facilities, such as the Whiting Clean Energy facility, which we acquired in July 2008 to provide steam for our Whiting refinery and an opportunity to sell low-carbon power into the local power market.

Investments in energy are long term in nature. We believe that if policy-makers provide appropriate frameworks and businesses make the necessary investments, our industry will be able to provide the diverse and affordable energy needed by consumers in the future.



### World energy supply 2007<sup>a</sup> (%)



Source: BP Statistical Review of World Energy June 2008.

<sup>a</sup> This chart shows commercially traded fuels only. Excluded are fuels such as wood, peat, animal waste, wind, geothermal and solar power generation.

The oil and gas industry represents 59.4% of the world's traded primary energy supply. BP's oil and gas production in 2007 accounted for about 1.7% of global traded primary energy supply.

### Our technology

Onboard BP's Marlin subsea platform in the Gulf of Mexico, US.

## Cleaner energy

# Is BP really doing enough to address climate change?

Publicly acknowledged as the first major oil company to advocate precautionary action over climate change, we have since focused on the business opportunities raised by the issue, such as increasing energy efficiency in BP operations, reducing GHG emissions and establishing a number of low-carbon energy businesses. We remain a leading advocate of strong legislation and international co-operation to address climate change.



For more detail visit  
[www.bp.com/climatechange](http://www.bp.com/climatechange)



## Our position

Our position on climate change covers six key points:

### 1 A major issue

BP accepts the findings of the Intergovernmental Panel on Climate Change that global warming is unequivocal and 'very likely' due to human activity. We accept that in order to avoid the dangerous consequences of climate change, temperature increases will probably need to be limited to about two to three degrees Celsius above pre-industrial levels.

### 2 Collaboration required

Climate change is a global issue that requires all countries, all sectors of industry and society at large to play their part.

### 3 Tough decisions

Governments need to make tough decisions to balance the pressures of climate change with those of economic development and energy security.

### 4 Driven by policy

The scale of change required to address the issue means that it can only be achieved through government policy to drive emissions reduction and stimulate investments in low-carbon technologies.

### 5 Energy efficiency

Energy efficiency has a major role to play. With technical improvements, changed attitudes and the right policies, a major reduction in energy use and emissions can be achieved, often at very low cost.

### 6 Innovation

Innovation is needed to address the challenge. We will need to move some important existing technologies, such as CCS, from demonstration phase to full-scale implementation on a rapid timescale.

## BP's climate commitment

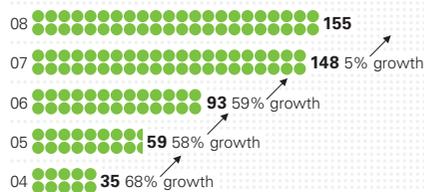
In 2002 we committed that any increase in our operational GHG emissions by 2012 would be less than the benefits of our low-carbon products, measured against a 2001 baseline. During 2008 we confirmed that our performance was on track to deliver this commitment but we determined that linking operational and low-carbon energy activities was no longer practical or useful in driving emissions reduction at the plant level.

Instead, we have decided that we will manage operational emissions as part of our OMS, by requiring each operation to assess their GHG performance and to look for best practice and new technologies that can be incorporated into their operations. We also improved the way in which we factor the cost of carbon into our engineering design optimization process. We continue to monitor our operational GHG performance against a comparator group of IOCs – and we believe that the processes we are putting in place will maintain or improve our competitive position.

We also decided that our scale of activity in low-carbon businesses should be judged as an independent business decision, designed to create material future business opportunities for BP. We invest a significant amount in alternative energy technology compared with our peers.

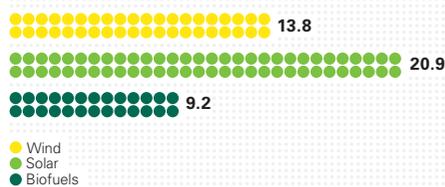
### Global new investment in clean energy

(\$ billion)



Note: Adjusted for reinvestment. Geared reinvestment assumes a one-year lag between venture capital and private equity/public markets funds raised and reinvestment in projects. Grossed-up and buffered values are based on disclosed deals.  
Source: New Energy Finance, IEA, *World Energy Outlook 2008 (4v9.01)*.

### Demand growth per annum 2005-2030 estimated (%)



Note: Includes venture capital and private equity, public markets and asset finance only. Excludes reinvestment adjustment. Grossed-up and buffered values are based on disclosed deals.  
Source: New Energy Finance, IEA, *World Energy Outlook 2008 (4v9.01)*.

**For more detail on our environmental emissions see pages 6, 7 and 16.**

## We take action over climate change in five areas, as follows:

### 1 Efficient operations

We will maintain our decade-long efforts to manage GHG emissions from our operations.

Over the past seven years we have achieved real sustainable reductions of 7.5MteCO<sub>2</sub>e. In 2008 we reported 0.4MteCO<sub>2</sub>e of reductions, including for example, expansion of the use of 'smart' well automation to reduce venting, and improved well completion procedures to reduce flaring at our Wamsutter natural gas operations in the US, which resulted in emissions being 48,000teCO<sub>2</sub>e lower than they would otherwise have been.

### 2 Efficient products

We will work in partnership with vehicle and equipment manufacturers to improve the overall efficiency of use of our fuel and lubricant products.

Continued fuel and lubricant product development has produced a number of innovations. As well as offering our Ultimate range of advanced performance fuels in 18 countries, we launched a new gasoline offer in the US in 2008, featuring our Invigorate formula, designed to enhance vehicle performance by cleaning and protecting the engine. BP fleet studies have shown this to result in lower emissions of carbon monoxide, CO<sub>2</sub>, nitrogen oxides and unburned hydrocarbons. In Germany we are marketing low-sulphur heating oil, which reduces average CO<sub>2</sub> emissions by up to 4% when used in conventional boilers and enables higher reductions through use of condensing boilers.

### 3 Low-carbon energy

We will build a focused portfolio of material renewable and low-carbon energy businesses.

After three years of operation we have built a substantial and diverse low-carbon energy business. Since 2005 we have invested more than \$2.9 billion in our low-carbon businesses, in line with our original commitment to invest \$8 billion by 2015.

### 4 Advocacy

We will continue to participate in the policy debate, calling for policy action to put a price on carbon and stimulate renewable and low-carbon energy.

BP has continued to participate actively in the development of public policy in many jurisdictions, as evidenced by formal submissions to the US federal government, the Australian government, the Californian state government and the European Union. We also see it as part of our responsibility to spread awareness of climate change among our customers and the public. For example, we have a carbon footprint calculator on *bp.com* and support a carbon challenge roadshow that enables students to use science, maths and enterprise skills to examine the carbon footprint of their school.

### 5 Innovation

We will fund and actively participate in research on both technology and policy to help create options for the future.

Our continuing support for innovation in 2008 included investing in the US-based Energy Biosciences Institute, a \$500-million/10-year commitment, and a joint \$73-million investment in the Clean Energy Commercialization Centre with the Chinese Academy of Sciences to commercialize Chinese clean-energy technologies. We renewed our funding for the Carbon Mitigation Initiative at Princeton University in the US, a research programme focused on building a deeper understanding of climate science and developing practical solutions for managing CO<sub>2</sub> emissions. We are a founding sponsor of UK's Energy Technology Institute with an annual investment of up to £5 million.

#### Specific observation from Ernst & Young

Our review of the outputs of BP's stakeholder engagement activities highlighted a desire to see additional environmental performance targets, particularly in relation to climate change. BP has set out its approach to action on climate change and many businesses produce their own reports on environmental impacts. Consideration should be given to further disclosure of the identification of priorities and targets for future performance in relation to climate change at the group and operational level.

## Biofuels

Harvesting sugar cane at our biofuels joint venture in Brazil.

## Focus on low-carbon energy businesses

In 2008 we focused our low-carbon investments on a set of technologies in which our experience indicates we can develop material businesses for BP: wind, solar, biofuels and CCS.



For more detail visit  
[www.bp.com/annualreport](http://www.bp.com/annualreport)

## Wind

During 2008, we increased our gross operational wind capacity to 785 megawatts<sup>a</sup> (MW) (net 432MW), mostly in the US, where there is an attractive environment for investment with major opportunities for growth. We have now developed a total gross capacity of more than 1,000MW<sup>a</sup> in the US, making us one of the largest wind developers in the country. Our US wind portfolio includes almost 100 potential projects with a total generating capacity of 20,000MW.

## Solar

Our solar strategy is to invest in lower-cost manufacturing to drive down costs for consumers and enable energy from our products to compete with conventional sources of electricity. BP Solar's main production facilities are in the US, Spain, China and India. In 2008 we announced plans to focus operations at larger plants, closing our plant in Australia and implementing an intensive programme of operational efficiency improvement elsewhere. Our solar panel sales in 2008 were 162MW, an increase of 41% on the 2007 total of 115MW.

<sup>a</sup> Figures represent gross wind capacity which includes 100% of the capacity of the equity-accounted entities where BP has partial ownership. The equivalent capacity on a net basis is the sum of the rated capacities of the assets/turbines, including BP's share of the equity-accounted entities.



## Biofuels

Our strategy is to develop sustainable biofuels that provide clean and reliable energy for transport. As well as using the biocomponents available today, including blending more than one billion gallons of ethanol into gasoline in the US in 2008 we are investing in feedstocks that minimize competition with food supplies and technologies designed to create advanced biofuels with higher energy content and greater environmental benefits. In 2008 we invested in bioethanol produced from Brazilian sugar cane, the most efficient and lowest-carbon biofuel available today, by acquiring a 50% stake in Tropical BioEnergia S.A. We also announced a \$90-million investment and strategic alliance with Verenium Corporation, US, to develop lignocellulosic bioethanol, an advanced biofuel made from non-food crops.

## Hydrogen energy with carbon capture and storage

We are helping to shape the development of CCS technology. We are working on projects with our partners in Abu Dhabi and California, both of which are expected to convert fossil fuels into hydrogen used for power generation, capturing some 90% of the carbon that would normally be emitted as CO<sub>2</sub> and injecting it into producing oil fields to enhance production.



## Spanning the energy spectrum

We estimate that in 2007 BP solar panel production accounted for about 5% of the added global solar generating capacity, and BP's added wind generating capacity represented about 1.5% of the global capacity increase. By comparison, BP produces about 2.9% of global oil and gas energy or about 1.7% of all global traded primary energy.



For more detail visit  
[www.bp.com/carbonfootprint](http://www.bp.com/carbonfootprint)  
[www.bp.com/biofuels](http://www.bp.com/biofuels)  
[www.bpalternativenenergy.com](http://www.bpalternativenenergy.com)  
[www.hydrogenenergy.com](http://www.hydrogenenergy.com)  
[www.targetneutral.com](http://www.targetneutral.com)

## People energy

# What is BP doing to get the right people with the right skills in the right jobs?

Our industry is complex and competitive. It also faces a significant skills shortage. That's why we are stepping up our efforts to attract people with world-class capabilities. We're also providing new learning and development opportunities for employees and acting to strengthen BP's culture of diversity and inclusion.



For more detail visit  
[www.bp.com/ourpeople](http://www.bp.com/ourpeople)



## Our people

### Organizing our workforce

Responsibility for people starts at the top. Major policy decisions relating to employees are taken by the GPC, consisting of the GCE and the executive team.

The shape of BP's workforce changed through 2007 and 2008 as we implemented our forward agenda programme, designed to enhance performance and reduce complexity. Transformation programmes have been undertaken in many teams to eliminate duplication and remove unnecessary layers of management. As a result, there have been employee reductions in 2008 of around 3,000, excluding retail employees. Overall, employee numbers decreased from around 98,100 in 2007 to around 92,000 in 2008.

We are planning the deployment of the workforce more strategically in order to ensure we have people with the required specialist skills in key roles, as well as helping individuals fulfil their own career aspirations.

### Addressing the skills challenge

Skills shortages are emerging in the energy industry and competition is intensifying for talented people. We are acting both inside and outside BP to address this issue. For example:

- We are creating a comprehensive petro-technical development strategy in E&P.
- We run the well-site leader of the future programme that enables people from beyond the energy industry to train to become leaders at drilling locations within a year.
- We helped found the UK's Project ENTHUSE, which is designed to make classroom science more inspiring.

### Developing our people

We use a variety of methods to help people at all levels develop their capabilities, encouraging every employee to complete at least five training days per year. Employees may attend training in a variety of subjects including safety; technical areas, such as finance, sales and marketing and engineering; and leadership skills. Among managers, we run a programme called Managing Essentials, designed to drive continuous improvement in performance. This begins with a module on effective performance conversations (EPC), which helps leaders to have clear and constructive discussions with staff. In 2008 we ran 245 of these modules with a total of 5,500 managers attending, exceeding the targets given in last year's report. In total, more than 6,200 managers have now attended the EPC module.

### Attracting talented individuals

We are continuing to develop our graduate recruitment programmes, particularly focusing our attraction efforts on universities with strengths in subjects related to the energy industry. In the UK in 2008 around 75% of graduate hires came from these universities. As part of our efforts to be a local energy company as far as we can, we aim to ensure that our workforce reflects the local communities in which we operate.



#### Leadership

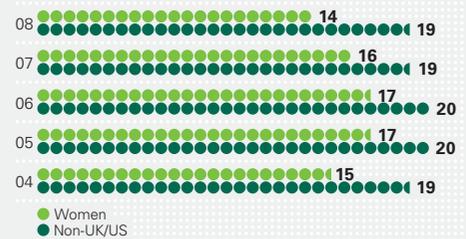
Construction of the natural gas pipeline in the Rhourde El-Baguel oil field, Algeria.

## An engaging and inclusive environment

We aim to create an engaging and inclusive working environment where people from all backgrounds have the same opportunity to make a contribution and advance on merit. We aim to ensure that the principles of diversity and inclusion (D&I) are practised across the group, and as such we have set up global and business specific D&I councils. The 15-member global diversity council, chaired by the GCE, was set up in 2008 to provide governance for all D&I work. Among our group leadership, the percentage of women leaders in BP has increased from

9% to 14% since 2000, while the number of leaders from outside the US or UK has increased from 14% to 19%. Meanwhile, the number of leaders from US or UK racial minorities has increased from 4% to 6%, with an increase in the US from 6% in 2000 to 13% in 2008.

### Diversity and inclusion<sup>a</sup> (%)



<sup>a</sup> The percentage of women and individuals from countries other than the UK and US among BP's top 583 leaders (2007 624, 2006 625).

### Leadership

We believe that a high-performance culture relies on having a consistent view of what leadership means. We have developed a single, common, leadership framework, which sets out four expectations for leaders' accountabilities and behaviour: to value expertise, to energize people, to act decisively, and to deliver results.

### Employee views

In 2008 we combined our biannual satisfaction survey with a more frequent pulse survey that tracks employees' responses to the organization changes announced as part of the forward agenda programme in late 2007.

The survey ran for five weeks in August and September and sampled all non-retail employees using online and paper questionnaires in 12 languages.

Overall, results showed that the employee satisfaction index score, at 59%, has fallen by 7% (compared with the last equivalent employee survey in 2006). High scores were recorded in areas such as the supervisor/line manager relationship, creating an environment where people from diverse backgrounds can succeed and employee perceptions of BP's societal performance.

Scores for the opportunity to develop skills also increased on the 2006 survey. The wider findings of the survey also indicated that BP's focus on safety over the past few years has been embedding a stronger safety culture.

The areas where scores had declined were around employee recognition, financial reward and certain aspects of management. Such responses were not unexpected given the stage of corporate transformation inside BP and the uncertainties in the external economic environment that were beginning to emerge in 2008.

The results of the surveys were reviewed by the executive team, the board and business leadership teams, and action plans to tackle both local and broader issues have been developed for 2009 across the organization.

### Performance management and reward

We have simplified the performance management process so that we can clearly identify and reward top performing businesses and individuals. Our incentive plans provide a clear link between business performance, individual performance and the bonuses that are received.

### Executive reward packages

There is direct alignment between the goals of BP set by the board, the goals of our key businesses and the performance contracts of our executive leadership. As part of a standard approach, executives' performance is evaluated against their performance contract. We believe our reward packages strike the appropriate balance between rewarding individual performance and reflecting group performance. Remuneration for executives is delivered in cash and BP shares. Policy governing the reward of executive directors is established by the remuneration committee of the board. Policy for all other executives is established by the GPC.

 **For more detail visit**  
[www.bp.com/annualreport](http://www.bp.com/annualreport)

### Compliance and ethics

We believe that our reputation, and therefore our future, depends on every BP employee, everywhere, every day, taking personal responsibility for ethical and compliant business conduct. It is a fundamental BP commitment to comply with all applicable legal requirements and adhere to high ethical standards.

### The code of conduct

Our code of conduct defines what we expect of our business and our people, regardless of location and background. The code covers health, safety, security and the environment; employees; business partners; governments and communities; and company assets and financial integrity.

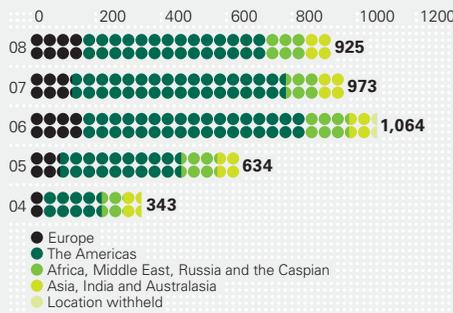
### Raising concerns

BP expects employees to abide by the code of conduct and to report any concerns or possible breaches of compliance. While employees are encouraged to raise concerns with line managers, human resources or the legal or compliance functions, BP also maintains OpenTalk, an independent confidential helpline. In the US, they can also contact our independent US ombudsman and the Independent Monitor.

Individuals can contact OpenTalk any time, seven days a week. Any employee who seeks advice, raises concern or reports misconduct is following our code of conduct and BP will not tolerate retaliation against that employee. Retaliation claims are taken seriously, investigated and appropriate action taken.

In 2008 925 cases were raised through OpenTalk, compared with 973 cases raised in 2007.

### OpenTalk cases



### Compliance in trading

A deferred prosecution agreement (DPA) was entered into in October 2007 by BP America Inc. with the US Department of Justice (DOJ) relating to manipulation of the price of propane by BP traders in February 2004. The DPA runs for three years provided BP America complies with its terms. As a further result of BP's propane trading, a consent order was entered into in October 2007 by BP Products North America Inc. with the US Commodity Futures Trading Commission (CFTC). Under the terms of the DPA and the consent order, an Independent US Trading Monitor was appointed by the DOJ and the CFTC. In December 2008 the Independent Monitor advised the CFTC and the DOJ as follows: "BP continues to co-operate fully with the Independent Monitoring Team and the Independent Monitor believes that the company continues to be in compliance with the consent order and is making every effort to remain in that status."

The Independent Monitor's findings do not constitute a defence to any action that the CFTC or the DOJ may elect to bring. BP remains committed to improving its trading business.

### Managing and certifying compliance and ethics

We have an annual certification process, in which all our senior leaders are asked to submit a certificate regarding their understanding of and adherence to the code of conduct and their reporting of breaches. During 2008 we simplified the process, introducing a web-based system and providing for risks of non-compliance to be assessed alongside other business risks.

### Specific observation from Ernst & Young

We interviewed staff in the compliance and ethics (C&E) function and reviewed management information reported by them to SEEAC. We noted that the C&E function has taken steps to develop additional indicators to include within its reporting.

## Local energy

# How do BP's operations benefit local communities?

Mutual advantage is the guiding principle behind our support for local education, skills and business programmes. Wherever we operate we seek to align BP's business interests with those of local communities. From security and human rights to economic development, we're working with communities to make a positive difference.

 For more detail visit  
[www.bp.com/developmentandcommunity](http://www.bp.com/developmentandcommunity)



BP operates in a diverse range of socio-political and economic conditions. Our projects typically have a timeframe of 20 to 30 years and our success depends, in part, on our ability to create tangible benefits from our presence and gain the support of local communities. To do this, we take action that is relevant to local circumstances, mutually beneficial and designed to create enduring solutions, as opposed to short-term fixes. As our GCE, Tony Hayward, said in 2008: "The focus should be to make a positive difference to society through genuine partnerships, something that BP refers to as mutual advantage."

Investment in education, for example, can promote sustainable development as well as providing skilled workers for BP and other companies. Support for local enterprise drives economic growth as well as helping local companies qualify as our suppliers.

In financial terms, our direct contribution to communities through community programmes in 2008 was \$125.6 million. This brought total spending over the past five years to \$551.3 million, exceeding our anticipated spending of \$500 million over the five-year cycle beginning in 2004.

## Education

Our involvement in education is diverse and wide ranging. We help to fund a range of educational programmes, from early years learning to advanced university research, building skills and capability in communities.



## University-level programmes

Much of our support for further and higher education is targeted at the development of specific skills needed by the energy industry. For example, in 2008 BP stepped up its support for geoscience engineering education at the University of the West Indies by sponsoring an MSc professorship in petroleum and reservoir engineering. Since 2001, BP's investment of more than \$1 million in BSc-level degrees at the university has enabled more than 100 people from Trinidad & Tobago to become graduates. Several energy companies operating in the country have hired from this pool of graduates, including 17 who have been taken on by BP.



In Angola, BP supported a programme that develops agriculturally-focused businesses, which has benefited more than 10,000 people.

## Engaging on broader development issues

### Supporting economic growth

We support several initiatives designed to promote the effectiveness of economic development in countries rich in natural resources.

For example, we fund the Oxford Centre for the Analysis of Resource-Rich Economies at the University of Oxford, which studies how countries rich in oil, gas and minerals can use their resources for successful development. We remain a member of the Extractive Industries Transparency Initiative. And in Azerbaijan, we are supporting an advisory programme for the government on macroeconomic management and institutional reform.

### Human rights

We support the Universal Declaration of Human Rights and our human rights guidance document outlines expectations on the management of human rights in BP's operations.

We have embedded our commitment to respect human rights through various policies and practices. For example, BP's code of conduct outlines our commitment to fair employment and equal employment opportunity. Our draft environmental and social group defined practice also includes requirements to consider issues such as indigenous people's rights, involuntary resettlement and worker welfare.

Several of BP's significant investment agreements include provisions on human rights. In Azerbaijan a bilateral security protocol ensures that the legal framework for our major projects in the country incorporates the Voluntary Principles on Security and Human Rights. We continue to take action to embed the voluntary principles within our operations and during 2008 completed an implementation guideline for businesses.

For more detail visit [www.bp.com/humanrights](http://www.bp.com/humanrights)

We continue to support efforts to advance understanding of climate change. In addition to a 10-year, \$500-million commitment to the Energy Biosciences Institute, US, to progress biofuels-related research, BP has renewed its backing for the Carbon Mitigation Initiative, a research programme at Princeton University, US, examining ways of tackling climate change.

### School-level programmes

In supporting school education, BP looks to develop children's awareness of links between energy and the environment, as well as stimulating interest in science and engineering. For example, 2008 marked the 40th anniversary of the BP Schools Link programme in the UK, which enables children to visit BP's plants and laboratories and BP staff to make visits to schools. Today, around 650 employees volunteer regularly at more than 200 schools.

### Enterprise

As one of the largest investors in many developing countries, and as a company that spent more than \$66 billion on procurement of third-party goods and services in 2008, BP seeks to support the development of local suppliers through training and financing programmes, building skills and sharing BP's internal standards and practices as appropriate.

### Encouraging local industry

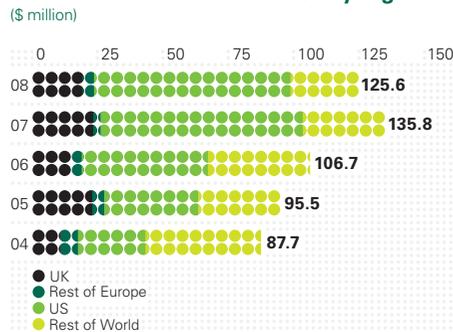
In Trinidad & Tobago, 2008 saw construction of the Savonette gas production platform, the fourth to be built locally for BP by a fabrication industry, which has been developed over the past decade with our support. This process has included setting up new joint ventures, creating a fabrication site in the rural area of La Brea and building capacity and skills among local contractors. The first platform to be built in the country was Cannonball, which began production in 2006. Cannonball provided a design model that has been followed in building the Cashima, Mango and Savonette facilities.

Since project inception, Trinidad & Tobago nationals accounted for around 77% of the Savonette project man-hours.

### Developing our local supply base

In Azerbaijan in 2008 we achieved our target to spend \$1 billion on local goods and services, either directly from local organizations or indirectly through contractor companies. A three-year enterprise development and training programme is under way to help suppliers meet international oil and gas industry standards. Since the programme's inception, more than 150 local small- and medium-sized businesses have undergone assessments. As well as micro-enterprise programmes, we supported a \$15-million supplier finance facility that offers easier access to finance for suppliers and service companies.

### Contribution to communities by region



### Supporting local entrepreneurs

Within communities, we believe that one way to create more sustainable livelihoods is to allow communities to develop their local economies through fostering indigenous entrepreneurship. For instance, in the interior of Angola, BP has supported a programme that has benefited more than 10,000 people through the development of businesses supporting agriculture. BP provides a guarantee fund that enables a bank – Banco Sol – to lend money to individuals, and an NGO – Action for Rural and Environmental Development – to provide training in business planning and management.

### Specific observations from Ernst & Young

BP describes in detail how it has met its historic five-year commitment of spending \$500 million on community programmes. In our discussions with community investment specialists, the need for guidelines for measuring success and evaluating the effectiveness of these community programmes was raised. This should be taken into consideration, alongside areas of proposed spend, as BP develops its plans for future community investment.

## Independent assurance statement to BP management

BP Sustainability Review 2008, including environment and society web content, (the Report), has been prepared by the management of BP p.l.c., who are responsible for the collection and presentation of information within it. Our responsibility, in accordance with BP management's instructions, is to carry out a limited assurance engagement on the Report and to include specific observations from our work in relevant sections of the Report. We do not accept or assume any responsibility for any other purpose or to any other person or organization. Any reliance any such third party may place on the Report is entirely at its own risk.

### What we did to form our conclusions

Our assurance engagement has been planned and performed in accordance with AA1000AS (2003)<sup>a</sup> and ISAE3000<sup>b</sup>. The AA1000 (2003) assurance principles of Materiality, Completeness and Responsiveness have been used as criteria against which to evaluate the Report.

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

1. Interviewed a selection of BP executives and senior managers to understand the current status of safety, social, ethical and environmental activities, and progress made during the reporting period.
2. Reviewed BP's approach to stakeholder engagement through interviews and reviewing selected associated documentation.
3. Reviewed a selection of external media reports and conducted a high-level benchmarking exercise of the material issues and areas of performance covered in the environmental and social reports of BP's peers, to test the coverage of topics within the Report.
4. Reviewed selected group level documents relating to safety, social, ethical and environmental aspects of BP's performance, to understand progress made across the organization and test the coverage of topics within the Report.
5. Reviewed information or explanation about the Report's data, statements and assertions regarding BP's sustainability performance.
6. Reviewed health, safety and environment (HSE), community investment, leadership diversity and ethics dismissals data samples and processes to test whether they have been collected, consolidated and reported appropriately at group level.
7. Reviewed BP's processes for determining material issues to be included in the Report.

### Level of assurance

Our evidence gathering procedures have been designed to obtain a limited level of assurance (as set out in ISAE3000) on which to base our conclusions. The extent of evidence-gathering procedures performed is less than that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

### The limitations of our review

The scope of our work was limited to group-level activities. We did not visit any of BP's businesses. Our stakeholder engagement activities were limited to attendance at one event. Therefore, our conclusions on Materiality and Responsiveness are based on our discussions with BP management, our review of selected media and the review of documents provided to us by BP.

### Our conclusions

Based on the scope of our review our conclusions are outlined below:

**Materiality: Has BP provided a balanced representation of material issues concerning BP's sustainability performance?**

- With the exception of the subject areas listed below, we are not aware of any material aspects concerning BP's sustainability performance that have been excluded from the Report.

- We consider that BP could have covered the following subject areas in more depth in the Report:
  - Disclosure of future performance targets in relation to GHG emissions reduction.
  - Explanation of how stakeholder views have been taken into consideration when determining BP's response to challenging issues.
- Nothing has come to our attention that causes us to believe that BP management has not applied its processes for determining material issues to be included in the Report.

### Completeness

**Does BP have complete information on which to base a judgement of what is material for inclusion in the Report?**

- We are not aware of any material issues excluded from BP's judgements on the content of the Report.
- We are not aware of any misstatements in the assertions made by BP management in the Report regarding sustainability activities.

*HSE, community investment, leadership diversity data and ethics dismissals data:*

- We are not aware of any material reporting units that have been excluded from the group-wide data relating to HSE, community investment, leadership diversity data and ethics dismissals data.
- Nothing has come to our attention that causes us to believe that the data relating to the above topics has not been collated properly from group-wide systems.
- We are not aware of any errors that would materially affect the data as presented in the Report.

### Responsiveness

**How has BP responded to stakeholder concerns?**

With the exception of the issues highlighted in relation to Materiality, we are not aware of any additional issues of stakeholder interest that are not currently included in the Report's scope and content.

### Observations and areas for improvement

Our observations and areas for improvement will be raised in a report to BP management. Selected observations regarding progress made and areas for improvement can be found in appropriate sections of the Report and at [www.bp.com/sustainability](http://www.bp.com/sustainability). These observations do not affect our conclusions on the Report set out above.

### Our independence

As auditors to BP p.l.c., Ernst & Young are required to comply with the independence requirements set out in the Institute of Chartered Accountants in England & Wales (ICAEW) Guide to Professional Ethics. Ernst & Young's independence policies, which address and in certain places exceed the requirements of the ICAEW, apply to the firm, partners and professional staff. These policies prohibit any financial interests in our clients that would or might be seen to impair independence. Each year, partners and staff are required to confirm their compliance with the firm's policies.

We confirm annually to BP whether there have been any events including the provision of prohibited services that could impair our independence or objectivity. There were no such events or services in 2008.

### Our assurance team

Our assurance team has been drawn from our global environment and sustainability network, which undertakes similar engagements to this with a number of significant UK and international businesses.

<sup>a</sup> AA1000AS (2003) – The first edition of the AA1000 assurance standard from the Institute of Social and Ethical Accountability. (A second edition of the standard, AA1000AS (2008), was launched in October 2008.)

<sup>b</sup> International Federation of the Accountants' International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE3000).

## Our approach to reporting

*BP Sustainability Review 2008* forms part of our non-financial performance communications, which includes group-, country- and site-level reporting. *BP Sustainability Review 2008* covers BP group activities during the period 1 January 2008 to 31 December 2008. We aim to report on all aspects of our business, including our share of joint ventures where the venturers have direct ownership interest in, and jointly control, the assets of the venture. Where appropriate, we also seek to provide an overview on activities where we have only joint control over entities along with other partners and where we have significant influence.

Our reporting is primarily influenced by both our approach to materiality and audience research. By weighing BP's internal group risk approach against an assessment of the key external BP-related issues, we generate materiality matrices that we use for selecting content for our sustainability reports. Alongside, we also carry out annual audience research to establish the success of our previous report and identify areas for improvement or new content areas for consideration.

We support the Prince of Wales Accounting for Sustainability project's Connected Reporting Framework, which encourages the integration of financial and non-financial information into corporate reporting to better enable decision-making. The five-year performance table on pages 6 and 7 includes key financial and non-financial information and, where possible, benchmark data and discussion of performance.

We continue to report against the Global Reporting Initiative's (GRI) G3 sustainability reporting guidelines to an A+ level. For the fourth year, we map the indicators to the International Petroleum Industry Environmental Conservation Association (IPIECA)/ American Petroleum Institute Oil and Gas Industry Guidance on Voluntary Sustainability Reporting. A full table showing how we address the GRI and IPIECA guidelines, including information on those indicators where we have not reported, is available at [www.bp.com/gri](http://www.bp.com/gri).

## Glossary

### BP, BP group or the group

BP p.l.c. and its subsidiaries

### C&E

Compliance and ethics

### CCS

Carbon capture and storage

### CFTC

Commodity Futures Trading Commission

### CO<sub>2</sub>

Carbon dioxide

### D&I

Diversity and inclusion

### DAFWCF

Days away from work case frequency

### DOJ

Department of Justice

### DPA

Deferred prosecution agreement

### E&P

Exploration and Production

### EPC

Effective performance conversations

### ERNP

Environmental requirements for new projects

### Gas

Natural gas

### GCE

Group chief executive

### GFRC

Group financial risk committee

### GHG

Greenhouse gas

### GORC

Group operations risk committee

### GPC

Group people committee

### GRI

Global Reporting Initiative

### HSE

Health, safety and environment

### Hydrocarbons

Crude oil and natural gas

### ICAEW

Institute of Chartered Accountants in England & Wales

### IEA

International Energy Agency

### IOC

International oil company

### IPIECA

International Petroleum Industry Environmental Conservation Association

### ISO 14001

International environmental management system standard

### NGO

Non-governmental organization

### OMS

Operating management system

### R&D

Research and development

### R&M

Refining and Marketing

### RIF

Recordable injury frequency

### S&O

Safety and operations

### SEEAC

Safety, ethics and environment assurance committee

### SIS

Safety instrumental systems

### UK

United Kingdom of Great Britain and Northern Ireland

### US

United States of America

## Units

### 1 barrel

= 159 litres =  
42 US gallons

### boe

Barrels of oil equivalent

### boe/d

Barrels of oil equivalent per day

### CO<sub>2</sub>e

Carbon dioxide equivalent

### Kbd

Thousand barrels per day

### Kte

Thousand tonnes

### mboe

Thousand barrels of oil equivalent

### Mte

Million tonnes

### MW

Megawatt

### UEDC

Utilized equivalent distillation capacity – a normalized measure of production used globally in the refining industry

## More information

## Reports and publications

You can order BP's printed publications, free of charge, from:

### US and Canada

BP Shareholder Services  
Toll-free: +1 800 638 5672  
Fax: +1 630 821 3456  
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BP communicates its non-financial commitments and performance at group, country and site levels in both print and online media.

### Group level

*BP Sustainability Review 2008* is available in English, Mandarin Chinese, Russian and Spanish and BP's HSE performance data is presented as interactive charts.  
[www.bp.com/sustainability](http://www.bp.com/sustainability)  
[www.bp.com/hsechartingtools](http://www.bp.com/hsechartingtools)  
[www.bp.com/sustainabilityworldwide](http://www.bp.com/sustainabilityworldwide)

### Country level

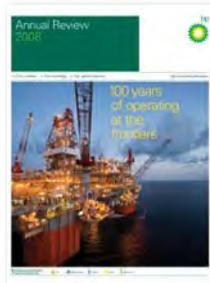
Reports on our operations in Angola, Australia, Azerbaijan, Georgia, Germany, New Zealand, Southern Africa, Trinidad & Tobago and Turkey.  
[www.bp.com/countrysustainabilityreports](http://www.bp.com/countrysustainabilityreports)  
[www.bp.com/worldwide](http://www.bp.com/worldwide)

### Site level

Verified site reports and a focus on air quality, access to water, water quality, biodiversity and waste management.  
[www.bp.com/sitereports](http://www.bp.com/sitereports)  
[www.bp.com/environmentalmappingtool](http://www.bp.com/environmentalmappingtool)  
[www.bp.com/casestudies](http://www.bp.com/casestudies)

### Contact details

Your feedback is important to us. You can email the Sustainability Reporting team at [sustainability@bp.com](mailto:sustainability@bp.com) or send us your feedback online at [www.bp.com/sustainabilityfeedback](http://www.bp.com/sustainabilityfeedback). You can also telephone +44 (0)20 7496 4000 or write to: Sustainability Report  
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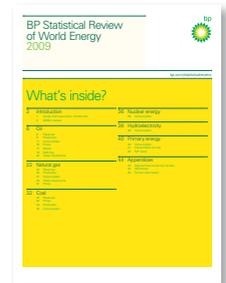
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[www.bp.com/annualreview](http://www.bp.com/annualreview)



**Annual Report and Accounts**  
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**Financial and Operating Information**  
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[www.bp.com/financialandoperating](http://www.bp.com/financialandoperating)



**Statistical Review of World Energy**  
Published in June each year, *BP Statistical Review of World Energy* reports on key global energy trends.  
[www.bp.com/statisticalreview](http://www.bp.com/statisticalreview)

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### Paper

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**Our centenary year**  
BP was incorporated in 1909 as the Anglo-Persian Oil Company. This photograph shows pipelines leaving the Agha Jari oil field, Iran, on the way to the Abaden refinery. Production of the oil field commenced following the end of World War II using one 12-inch pipeline running 103 miles. By 1948-49 the expanded pipeline network consisted of two 12-inch and one 22-inch pipes, the latter being the largest of its kind in Iran at the time.