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# Sustainability Report 2007

**About this report** 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 Report 2007* addresses the issues that we have identified as most important to our audiences. This PDF report is aimed at specialist audiences with an interest in BP's sustainability performance, including academics, investors and non-governmental organizations. In addition, our online reporting covers a wider set of issues and reports on them in more depth.

In response to feedback, we have also produced *BP Sustainability Review 2007*, which contains a short selection of highlights from this PDF report. This document is available to view or order at [www.bp.com](http://www.bp.com).



For more information:  
[www.bp.com/sustainability](http://www.bp.com/sustainability)

- Access additional insights into our sustainability performance.
- Explore our report in a variety of ways using maps, charts and other tools.
- Order copies of the printed *BP Sustainability Review 2007*.

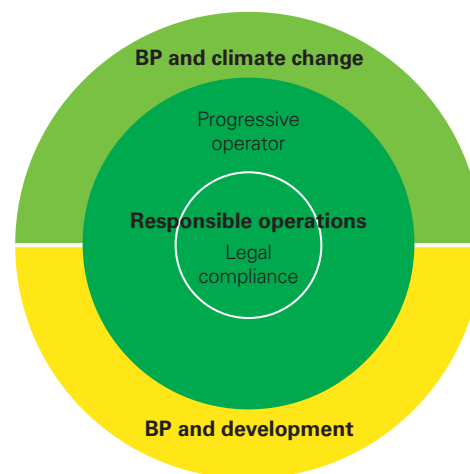
A glossary of key terms and acronyms used in this report appears on page 40.

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 Report 2007* contains certain forward-looking statements, particularly those relating to the implementation and completion of certain safety and environmental-related measures; the completion of a global compliance framework; the implementation of the risk assessment tool for the Voluntary Principles on Security and Human Rights across the group; the timing of various initiatives relating to management training; and BP's efforts to research and invest in alternative forms of energy, including planned growth in wind capacity and solar sales, expected commissioning of a bioethanol plant, plans for developing hydrogen power plants and for the joint venture with Rio Tinto. 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 2007*.

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This report is structured around BP's corporate responsibility framework, which we use to describe BP's approach to sustainability. We describe BP's activities in terms of areas where we have direct control – these are described in the 'responsible operations' section of the report (chapter 1) – and areas where we can have an influence: climate change (chapter 2) and development (chapter 3).

 Symbols like this appear throughout the report to help indicate which section you are in.

**A message from Ernst & Young**

We have reviewed the contents of *BP Sustainability Report 2007* to provide assurance on the information reported. This work included testing relevant management information, interviewing BP management, reviewing external media sources and visiting a sample of locations. Our conclusions, which can be found on pages 38-39, have been prepared against the main principles of the AA1000 Assurance Standard: Materiality, Completeness and Responsiveness. Several of our specific observations have also been included on relevant pages of this report.

## Group chief executive's introduction

It is a privilege to introduce this report for the first time as BP's group chief executive. I am very conscious of the need to manage BP's business in a way that contributes to our long-term sustainability and that of the society and environment around us. Today, I believe that the best preparation for our sustainability is to focus on three priorities: safety, people and performance. Safety is at the heart of responsibility. Every action we take depends on our people. And performance provides us with the opportunity to make a broader contribution to society.

In terms of safety, we are still learning lessons from the tragic incident at Texas City in 2005. In early 2007, the independent panel chaired by former US Secretary of State James A Baker, III reported on safety at our US refineries. We agreed to implement all its recommendations and we are now working to do so. As the panel recommended, we have appointed an independent expert to monitor our progress and he has made his first annual report to the board, a summary of which can be found in this document. We are also now introducing our new operating management system (OMS), designed to bring greater consistency to our operations. Our aim is to have commenced use of the OMS throughout BP by the end of 2010. My executive team continues to monitor closely our safety performance. This shows that, since 1999 after the BP-Amoco merger, our safety performance has improved by approximately two-thirds, while over the past two years our record has been our best ever. We continue to aspire to our ultimate goal of: no accidents, no harm to people, no damage to the environment.

To achieve excellence, we also need the right people with the right skills in the right places. The report explains how we are redoubling our efforts in this area by enhancing the way we recruit talented people and provide opportunities for development.

BP's financial performance during 2007 was disappointing and in response I have outlined a forward agenda designed to make our business simpler and more efficient. Our focus is on moving resources to the front-line operations where they are needed and we expect this to result in an overall reduction in employee numbers.

In the industry, the year was marked by high and volatile prices, rising concerns about climate change and fears over security of energy supplies as some governments asserted greater control over national resources.

As we set out our response to these challenges, we must start by acknowledging that BP is predominantly an oil and gas business. However, this is not incompatible with environmental progress because there will be a continuing role for fossil fuels in the future alongside greater energy efficiency and more low-carbon energy. Our aim is not to abandon fossil fuels, but to produce and use them more efficiently, while scaling up and investing significant resources in the new technologies we need for the transition to a low-carbon future. This is what we mean by going 'beyond petroleum' and it is reflected in this report.

Chapter 1 covers actions designed to build safe reliable operations. It is split into three sections: Safety; Managing our impacts; and People. Chapter 2 highlights progress in



moving towards a low-carbon future, including BP Alternative Energy's record, for example in expanding our solar and wind power businesses. Chapter 3 covers our contributions to sustainable development, which, again, are rooted in our operations. I am committed to making BP a local energy company everywhere we work, employing local staff, supporting local enterprise and developing local leaders. As we do so, we value partnerships with governments, NGOs and others through membership of the UN Global Compact and frameworks such as the Voluntary Principles on Security and Human Rights.

This report is our fifth using the Global Reporting Initiative (GRI) Guidelines and the second reporting against the GRI's G3 guidelines. Once again, we also report against the IPECA/API indicators, which provide guidance on voluntary disclosure for the oil and gas industry.

We value your scrutiny and we hope that you see in this report evidence of our determination to make BP a sustainable business and to contribute to the world's sustainability.

**Tony Hayward**  
Group Chief Executive  
May 2008

## BP in 2007

Here we summarize some of BP's achievements and challenges during 2007, focusing on those with implications for our sustainability and that of the environment and societies around us.



The Atlantis platform in the Gulf of Mexico.

**16 January** BP pledges to implement the recommendations of the BP US Refineries Independent Safety Review Panel, chaired by former US Secretary of State James A Baker, III.

**27 January** BP signs deal in Oman that could yield 20-30 trillion cubic feet of gas.

**1 February** BP announces the universities selected as our partners in the \$500 million Energy Biosciences Institute.

**20 March** BP says it will give full and careful consideration to the report of the US Chemical Safety and Hazard Investigation Board on the Texas City incident in 2005.

**21-22 March** BP announces expansion of solar cell production at our facilities in Bangalore and Madrid.

**1 May** BP appoints Tony Hayward as group chief executive, following the resignation of Lord Browne.

**8 May** BP announces the appointment of L Duane Wilson as independent expert to monitor progress in implementing the recommendations of the BP US Refineries Independent Safety Review Panel.

**17 May** BP and Rio Tinto announce the formation of Hydrogen Energy.

**29 May** BP signs agreement to invest at least \$900 million in Libya, BP's single largest exploration commitment.

**22 June** BP and TNK-BP announce memorandum of understanding to create a strategic alliance with Gazprom and TNK-BP agrees to sell Gazprom its stake in the Kovykta gas field in East Siberia.

**26 June** BP, Associated British Foods and DuPont announce \$400 million investment in biofuels plants.

**29 June** BP and D1 Oils announce biofuels joint venture in jatropha curcas plantations.

**1 October** Production begins at Greater Plutonio, Angola.

**11 October** Tony Hayward sets out forward agenda for simplification and cultural change in BP.

**25 October** BP America announces agreements with the US Department of Justice and a consent order with the Commodity Futures Trading Commission, relating to governmental investigation of the Texas City refinery incident, the oil transit line spills in Alaska and improper propane trading.

**15 November** BP announces plans to sell most company-owned and operated convenience stores in the US to franchisees.

**20 November** BP announces inauguration of first wind-powered project in Asia in Dhule, India.

**5 December** BP announces intention to acquire a 50% interest in the Sunrise oil sands field in Alberta, Canada, operated by Husky Energy. Husky announces intention to acquire a half share in BP's Toledo oil refinery in Ohio, US.

**18 December** Production begins at the Atlantis platform in the Gulf of Mexico, the deepest moored floating oil and gas production facility in the world.

## The way we work

BP operates globally, with business activities and customers in more than 100 countries and approximately 97,600 employees. We have exploration and production interests in 29 countries. Just under 40% of our fixed assets are located in the US and around 25% in Europe.

### OUR MAIN BRANDS



## Corporate governance

BP has a system of corporate governance that begins with our shareholders, who delegate authority for direction and oversight of the company to the board. The board in turn delegates authority for maximizing shareholder value on a long-term basis to the group chief executive.

As at December 2007, the board consisted of 15 directors. Ten were non-executive directors, in line with BP's policy for the board to have a majority of non-executives. The board's committees consist entirely of non-executive directors, as they are free from any potential conflict of interest arising from having a management role. A major aspect of these committees' work involves monitoring the management's identification and mitigation of risk.

The safety, ethics and environment assurance committee monitors non-financial issues. The committee receives reports from executive team members including the group chief executive. During 2007, topics discussed included: the appointment of L Duane Wilson as an independent expert to monitor BP's progress towards implementation of the recommendations of the BP US Refineries Independent Safety Review Panel; the activities of the group operations risk committee (GORC), including progress against the six-point plan and the development of leading and lagging indicators of process safety; BP's compliance with its code of conduct; and health, safety and environment progress in TNK-BP.

Within the executive team, GORC oversees management systems, particularly for process safety, and the group people committee oversees matters relating to BP's employees and contractors. Our system of internal control details the delegation of authority, organization, management systems and risk management.

## Strategy

### Exploration and Production

Our strategy is to build production by:

- Focusing on finding the largest fields, in the world's most prolific hydrocarbon basins.
- Building leadership positions in these areas.
- Managing the decline of existing producing assets and divesting assets when they no longer compete in our portfolio.

BP employs a focused exploration strategy in areas with the potential for large oil and natural gas fields as new profit centres. Within our portfolio of assets, we continue to develop profit centres in which we have a distinctive position: Asia Pacific gas, Azerbaijan, Algeria, Angola, Trinidad, deepwater Gulf of Mexico and Russia. We also manage the decline of our established profit centres in Alaska, Egypt, Latin America, the Middle East, North America gas and the North Sea, by applying technology to enhance recovery from our producing fields.

### Refining and Marketing

Refining and Marketing is BP's product and service-led arm, focused on fuels, lubricants and chemicals products. Our aims are to excel in the markets we choose to be in and to be in those markets that allow us to serve the major energy requirements of the world. By serving our customers and promoting BP and its brands, we expect to be rewarded with sustainable competitive returns and enduring growth. Our products represent quality, based on a foundation of excellence in safe and reliable manufacturing operations.

### Alternative Energy

BP Alternative Energy plans to invest around \$8 billion over 10 years in alternative and renewable energy technologies. It intends to invest \$1.5 billion in 2008.



For more information and strategy updates:  
[www.bp.com/thewaywework](http://www.bp.com/thewaywework)



## Safety

**Responsible operations**  
1.1

**In context** Companies, industry associations, regulators and unions have increased activity on process safety management following major incidents in the US and Europe, including the Texas City fire and explosion of 2005.

In 2007, petroleum industry associations have worked in task forces and committees to tighten existing process safety standards and develop new guidance where necessary. The Centre for Chemical Process Safety, for example, has brought together 40 organizations to develop new ways of measuring company effort and performance using process safety indicators. The findings of the BP US Refineries Independent Safety Review Panel have informed much of this effort on process safety.

**OGP INDUSTRY LOST TIME INJURY FREQUENCY<sup>a</sup>**  
(per 200,000 hours worked)



<sup>a</sup> Source: International Association of Oil and Gas Safety Performance Indicators – 2006 data. © OGP 2007

A sphere tank at the Carson Refinery in California.

## Safety

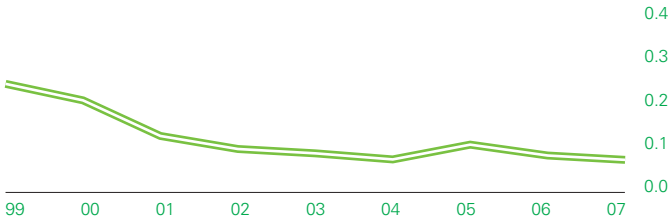


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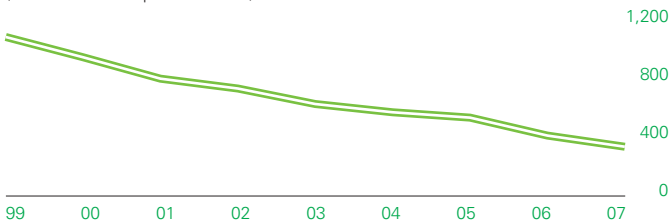
As stated by our chief executive Tony Hayward, "safe and reliable operations are BP's number one priority today. They will remain BP's number one priority while I am the CEO of BP"

This means striving continuously to ensure the safety of all our people, processes and plant. Our aspiration remains: no accidents, no harm to people and no damage to the environment.

**BP DAYS AWAY FROM WORK CASE FREQUENCY<sup>a</sup>**  
(per 200,000 hours worked)



**OIL SPILLS<sup>bc</sup>**  
(total number of spills  $\geq$  1 barrel)



### Lower incident rates

In 2007, we suffered seven workforce fatalities, the same number as in 2006. We deeply regret the loss of these lives. Across BP, our days away from work case frequency improved by 11% compared with 2006; our reported employee and contractor recordable injury frequency remained below 0.5 per 200,000 hours worked; and the number of oil spills of one barrel or more decreased by 18%. Over the past two years our record on these measures has been our best ever. Since 1999, fatality, injury and spill rates have all improved by approximately two-thirds.

We invested \$6 billion in 2007 to renew our assets and to minimize the risk of major incidents. We also took steps to strengthen our management of process safety and enhance the skills of relevant operational staff, from executive to plant level.

## Six-point plan

We have a six-point plan, drawn up following the Texas City refinery explosion and fire in 2005, that addresses immediate priorities for improving process safety management across BP, such as the exclusion of blowdown stacks from heavier-than-air light hydrocarbon duties and occupied portable buildings from high-risk areas. The plan is expected to be largely completed by the end of 2009.

Twelve of our largest operations began implementation of our new operating management system (OMS), which integrates and strengthens existing safety and environmental management systems. Our aim is to have commenced use of the OMS throughout BP by the end of 2010, consolidating our drive for continuous improvement.



Operations training at the Zhuhai purified terephthalic acid plant, China.

<sup>a</sup> Days away from work case frequency is the annual frequency (per 200,000 hours) of reported injuries that result in a person (employee or contractor) being unable to work for a day (shift) or more.

<sup>b</sup> Total number of spills  $\geq$  1 barrel = 159 litres = 42 US gallons.

<sup>c</sup> The reduction of reported spills in 2006 compared with 2005 is principally due to divestments and to disaggregation of two non-operated upstream operations from BP's reporting.



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

- Safety management and performance.
- Occupational health and safety.

## Safety *continued*

### BP's safety agenda

In setting out a forward agenda for BP in October 2007, BP group chief executive Tony Hayward emphasized the continuing priority of safe operations. He commented that the company was making good progress on safety and that greater standardization of processes would be applied to achieve improved performance.

### BP US Refineries Independent Safety Review Panel

In January 2007, the BP US Refineries Independent Safety Review Panel, chartered in 2005 under the chairmanship of former US Secretary of State James A Baker, III, issued its report on corporate oversight of safety management systems at BP's five US refineries and on BP's corporate safety culture. BP committed to implement the report's recommendations.

In May 2007, L Duane Wilson, one of the members of the panel, was appointed as the independent expert to monitor progress in implementing the panel's recommendations. Mr Wilson reports to the board and regularly briefs the safety, ethics and environment assurance committee of the board on BP's progress. The following is a synopsis of Mr Wilson's first annual report.

A task of the scope that BP has undertaken requires strong management support and a considerable period of time to implement. The BP board, executive management and refinery leadership have each demonstrated strong support for a multi-year program for improving process safety performance. Significant effort has been devoted to initiating activities that address each of the panel's 10 Recommendations. Considerable progress has been made at the group level and in each of BP's five US refineries. Substantial resources have been deployed for implementation of the panel Recommendations and plans are in place to address the extensive work remaining to complete the journey.

Some areas of significant progress made to date include:

- All five US refineries have made progress addressing Recommendations related to facility siting, safety instrumented systems, and area electrical classification. The scope of work in these areas was known to be large, and completion will take time.

- The numbers of open (particularly, overdue) process safety action items from incident investigations, process hazard analyses, audits, etc, have been reduced significantly.
- A comprehensive audit program has been established and staffed. An expanded process safety management (PSM) component has been developed and incorporated into the audit program and will be included in the three audits of US refineries planned for 2008.
- Extensive programs for training/enhancing process safety competencies are well underway for most levels of the organization and further programs are under development.
- The framework for a new operating management system (OMS) that focuses on achieving consistent, efficient implementation of operating processes and systems across the group has been developed. Implementation activities are beginning in the US refineries.

More focused attention in the following areas is required to address particular Recommendations:

- Despite a revised, more restrictive, overtime policy, overtime hours remain at a level that could compromise the performance of plant personnel.
- Tracking of open action items by refining line management should be expanded beyond audit action items, and overdue items in that list should be reported to all levels of the Group.
- In order to provide more effective support to US refinery personnel, additional clarity around the roles and responsibilities of process safety support staff outside the US refineries is needed.

In summary, BP appears to be making substantial progress in changing culture and addressing needed process safety improvements. BP has stated its intent to become less bureaucratic, reduce complexity and simplify activities, and continued work in this area will likely help the company in implementing the Recommendations. A significant amount of work remains to be done on the process safety journey. Successful completion of the task will require the continued support and involvement of the board, executive management, and refinery leadership along with a sustained effort over an extended period of time.



To read the independent expert's report in full:  
[www.bp.com/independentexpertreport](http://www.bp.com/independentexpertreport)



## Safety *continued*

### Update: Texas City and our other US refineries

Across the US refining system, we have worked to address factors that contributed to the Texas City refinery incident of 2005, including temporary building location, atmospheric relief systems, operating procedures, operator training, control-of-work systems and process safety culture and leadership.

The refineries have engaged with employees on how to improve process safety. Each refinery is creating a strategic implementation plan to reduce process safety risk on a continuous improvement basis and to implement the OMS. We have reached an agreement in principle with the United Steel Workers Union to work to jointly improve safety across the four refineries represented by the union.

We believe we have come a long way and have significantly reduced risks in the past two years. We will continue to review our priorities and pace to ensure we are working to reduce the greatest risks with the appropriate sense of urgency.

#### BP's US REFINERIES



### Governmental investigations

In October 2007, we entered into agreements with the US Department of Justice related to the explosion and fire at Texas City in March 2005 and the oil transit line spills in Alaska in March and August 2006.

In relation to Texas City, we agreed to pay a \$50-million criminal fine and to serve three years' probation. The agreement is subject to court approval. We will continue to co-operate with the US government's investigation of the circumstances leading to the incident. We have undertaken to comply with related 2005 US Occupational Safety and Health Administration orders as well as a 2006 environmental order agreed with another regulator.

In relation to Alaska, we have paid a \$12-million fine and are subject to one to three years' probation. We also paid \$4 million restitution to the state of Alaska and an additional \$4 million to support Arctic environmental research.

### Operational integrity: Alaska

In 2007, we spent more than \$250 million (BP net) in Alaska on a programme to upgrade or replace pipelines, increase corrosion inspection and monitoring, carry out preventative maintenance and repairs, expand capacity and improve the efficiency of major facilities in all BP-operated fields.

We have also made progress on the replacement of sections of oil transit lines in the Prudhoe Bay field, which for these transit lines has included adding direct corrosion inhibitor injection, new leak detection and corrosion monitoring systems, and pipeline pigging facilities to clean and inspect pipelines. We aim to complete this activity in 2008.

## Safety *continued*

### Implementing the six-point plan

Following the Texas City and Alaska incidents, we set out our immediate priorities for improving process safety management and reducing risk at our operations worldwide through a six-point plan. This plan, launched in 2006, pre-dated the recommendations of the BP US Refineries Independent Safety Review Panel and creates a foundation for our approach.

Progress on the plan's elements is reviewed each quarter by the executive-level group operations risk committee (GORC). While challenges still remain, it is anticipated that the work will be largely completed by the end of 2009. Beyond this, the plan's elements will become integral parts of the OMS.

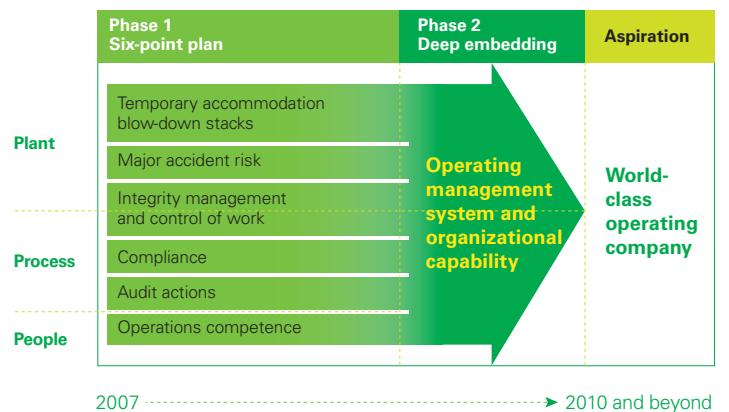
We have taken the following actions in relation to the six-point plan:

1. We implemented a group practice on the location and design of occupied portable buildings in onshore plant process areas in 2007. We have removed all temporary buildings from high-risk zones in refineries and major process plants. Identification and removal of relevant buildings continues to be monitored at the executive level. A total of 17 blow-down stacks – all of those on heavier-than-air, light hydrocarbon streams in refineries – have been removed from service. The one remaining blow-down stack, at a chemical plant in Malaysia, is scheduled to be removed from service during 2008.
2. We have completed 50 major accident risk assessments (MARs). The assessments identify high-level risks which, if they occur, would have a major effect on people or the environment. Many of these risks, such as a loss of containment from our operations, are common to the industry. Mitigation plans to manage and respond to identified risks form part of the MAR analysis.
3. We are implementing group standards for integrity management and control of work. Progress in implementing the standards is tracked quarterly. We have spent \$6 billion on integrity management in the course of 2007, principally related to operating costs for maintenance and capital costs for plant improvement.
4. We have continued to improve the way in which we seek to ensure our operations maintain compliance with health and safety laws and regulations. A project to establish a consistent

compliance management framework has been under way in the US during the past two years and is planned to be completed globally by the end of 2008.

5. We have reviewed outstanding actions from past audits and continue to make significant progress on closing these out. Other actions requiring closure have been identified and are being monitored by GORC.
6. Senior health, safety and environment (HSE) advisers have carried out a preliminary assessment of the operational experience of BP management teams responsible for major production or manufacturing plant and any significant assessment findings have been addressed.

#### PATH TO A NEW MANAGEMENT SYSTEM



#### Specific observation from Ernst & Young

At the sites we visited, we saw evidence of the priority being given by local leadership to implementing the six-point plan actions. There were accountabilities for implementing the elements of the plan and reporting progress to GORC. During our interviews, several sites highlighted the challenges in meeting the timetable for certain elements.

## Safety *continued*

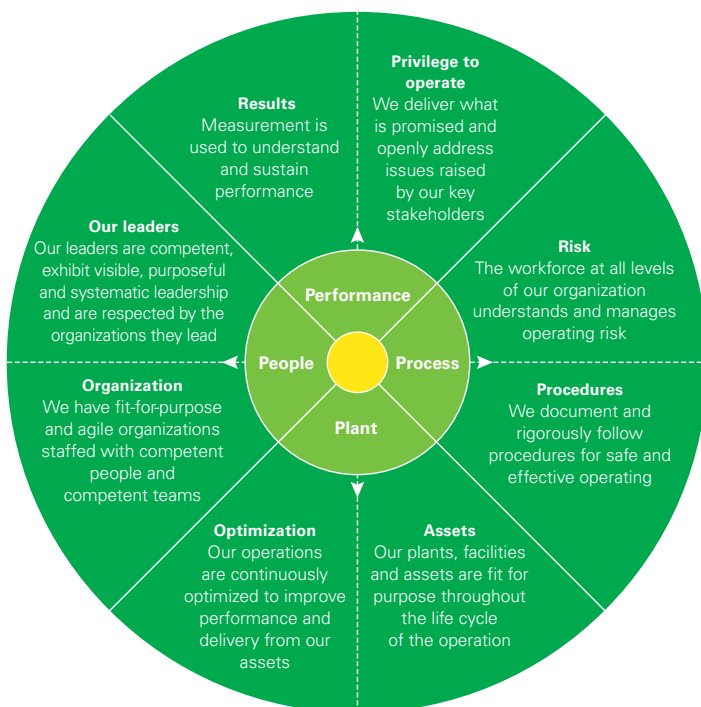
### Implementation of the operating management system (OMS)

The OMS is building on and will replace our existing 'getting HSE right' system by incorporating BP's principles for operating. It provides a framework to help deliver consistent performance, progressing to excellence, in operations and safety.

Standards for control of work and integrity management and detailed 'practices' in matters such as risk assessment and competency provide further underpinning. Training and development programmes have been strengthened to develop the right capability and culture across the organization.

We began implementation of the OMS at 12 locations chosen

#### THE OMS FRAMEWORK



to represent BP operations worldwide. Learning from these pilots will be used to assess and improve the OMS before widening its introduction. We intend for the whole of BP to have commenced use of the OMS by the end of 2010.

As described by BP's group chief executive, Tony Hayward, the OMS "is the foundation for a safe, effective, and high-performing BP. It has two purposes: to further reduce HSE risks in our operations and to continuously improve the quality of those operations". The system's 'elements of operating' describe eight dimensions of how people, processes, plant and performance operate within BP. A continuous improvement process drives and sustains improvement of these elements at a local level.

HSE issues are integral parts of the OMS. In 2007, work continued on developing practices that set expectations of HSE performance in BP. For example, in the area of health management, guidelines will cover industrial hygiene, asbestos, fitness to work, health impact assessment, medical emergency management, health promotion and wellness.

### Capability development

We have initiated development programmes designed to ensure BP has the capability among its people to identify and manage risks and achieve operational excellence.

The programmes support implementation of the OMS by developing technical knowledge and skills. They seek to improve management, behavioural, cultural and leadership skills to drive consistency in operations across multiple geographies.

For instance, the operating essentials programme is aimed at staff in maintenance, operations and safety who have responsibility for managing front-line employees and contractors.

The Operations Academy, provided in partnership with the Massachusetts Institute of Technology, is directed towards senior operations and safety leaders of sites or large units. Seventy-five delegates completed their first training course under this programme.

The executive operations programme targets senior business leaders with accountability for multiple operations or sites. Its purpose is to deepen insight into manufacturing and operations activities and the consequences of leadership decisions.

## Safety *continued*

### Our safety performance

Our group operations risk committee, now under the leadership of Tony Hayward, met on 14 occasions during 2007. One aim of these meetings is to review BP's recent HSE and operations performance and incorporate learning into the group's plans and actions. This is in line with our aspiration for there to be no accidents, no harm to people and no damage to the environment.

In 2007, we suffered seven workforce fatalities relating to BP operations. We deeply regret the loss of these lives. Two were the result of shootings relating to our retail operations in South Africa; two were contractors at our US refineries involving electrical isolation and a diving-related incident; one involved an elevator malfunction on board a BP marine vessel in Australia; one was road-related in Algeria; and one accident involved a defective fire extinguisher in Indonesia. These incidents re-emphasize the need for constant vigilance in seeking to secure the safety of all members of our workforce.

Our reported employee and contractor recordable injury frequency in 2007 was 0.48 per 200,000 hours worked, the same as that for 2006<sup>a</sup> and our days away from work case frequency (DAFWCF) was 0.075 compared with 0.085 in 2006. BP annually benchmarks these safety performance indicators against its peers through industry associations and other groups. Based on data from the American Petroleum Institute and the International Association of Oil and Gas Producers (OGP), BP's performance was consistently better than the industry average. In 2006, BP's exploration and production DAFWCF was ranked third out of 39 companies.

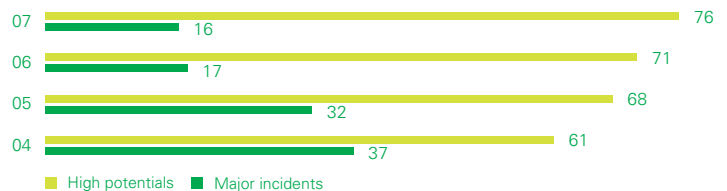
### Focus on process safety

We track our process safety performance through a set of established and new metrics. This includes oil spills, where the number of spills of one barrel or more in 2007 decreased to 340 from 417 in 2006. The volume of oil spilled in 2007 was 1.05 million litres, of which 0.33 million litres were unrecovered. These are lagging indicators, which record unintended consequences of system failures. We also employ leading indicators such as investment in plant integrity and MARs (*see page 8*). Leading indicators assess the strength of our controls to prevent incidents

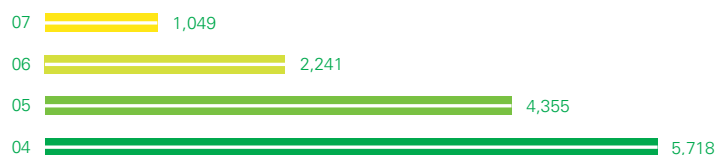
and include, for example, inspections and tests of safety critical equipment, which have been improving during 2007. Metrics under development relate to operating procedures and competency of staff in safety-critical positions. Our process safety metrics are still subject to revision as we seek to standardize reporting within the oil industry.

As part of monitoring our progress to improve process safety, we also track the number of major incidents: oil spills greater than 100 barrels, significant property damage and fatal accidents related to integrity management failures. Sixteen major integrity incidents were reported for this lagging indicator (one fewer than in 2006), an improved performance compared with the two previous years. As a leading indicator, we also report and investigate integrity management related near-misses ('high potentials') that could have resulted in a major incident. In recent years, the reporting of these high potentials has increased and improved as our businesses seek to transfer learning and best practice.

#### MAJOR INTEGRITY INCIDENTS AND HIGH-POTENTIAL NEAR MISSES



#### OIL SPILLS BY VOLUME (thousand litres)



<sup>a</sup> Our 2006 recordable injury frequency was corrected from 0.47 to 0.48.

Safety *continued*

## Shipping

In 2007, we continued to deploy our fleet of operated and time-chartered vessels.

BP manages an international fleet of 53 vessels – 39 medium-sized crude and product carriers, four very large crude carriers, one North Sea shuttle tanker, five liquefied natural gas (LNG) carriers and four liquefied petroleum gas (LPG) carriers. In line with group policy, all of these vessels are double-hulled.

In addition, we time-charter 111 hydrocarbon-carrying vessels above 600 deadweight tonnes. Ninety-seven of these are double-hulled and two are double-bottomed. Our time-charter assurance programme seeks to ensure these ships meet high standards of operational integrity and safety, through which we seek to mitigate the risk of a major spill.

To transport the remainder of the group's products, BP spot-charters vessels, typically for single voyages. These vessels are always vetted prior to use.



Tugs approaching the tanker Loch Rannoch, on arrival at the Sullom Voe Terminal, Shetland Islands.

## TNK-BP

We seek to influence our joint ventures (JVs) where we do not hold a controlling interest. As a shareholder, we encourage the JVs to adopt measures and standards that will improve safety and environmental performance. The largest of these is our Russian JV, TNK-BP. Since 2003, TNK-BP has put in place a comprehensive set of health, safety and environment (HSE) policies and standards and its own code of business policies. In 2007, the board of TNK-BP established an HSE committee to enhance governance in this area. Areas of focus where BP interacts with TNK-BP include occupational, process and driving safety, and advice and technical support on TNK-BP's environmental agenda.

In safety and integrity management, TNK-BP now records its safety performance using established international metrics aligned with the US Occupational Safety and Health Administration, and is the only Russian company to report its data through the OGP. TNK-BP continues to show progress in reducing work-related fatalities, particularly in driving safety. In process safety, we have shared with TNK-BP our strengthened approach in response to the recommendations of the BP US Refineries Independent Safety Review Panel. We also provided support to TNK-BP's development of management systems and safety culture, including leadership and risk assessment.

### Specific observation from Ernst & Young

We visited TNK-BP's head office in Moscow to review the extent to which BP has influenced the management of key sustainability issues within the JV. This was most apparent in relation to HSE, where staff interviewed recognized BP's support, for example where TNK-BP has drawn on BP's own HSE standards and training resources.



For more information:

[www.tnk-bp.com](http://www.tnk-bp.com)

- Further detail on TNK-BP's HSE policies, programmes and performance.



## Managing our impacts



Responsible operations  
1.2

**In context** Growth in the use of fossil fuels continued in 2007, particularly driven by increased demand for coal in the rapidly-developing economies of China and India. The consequences of growing demand for energy were highlighted by concerns over increasing global greenhouse gas emissions, local instances of poor air quality and its negative effects on human health and the natural environment. Coupled with concerns over high oil prices and energy security, the need to find, develop and safeguard energy sources, including the development of alternative sources, intensified in 2007.

## Managing our impacts



1.2

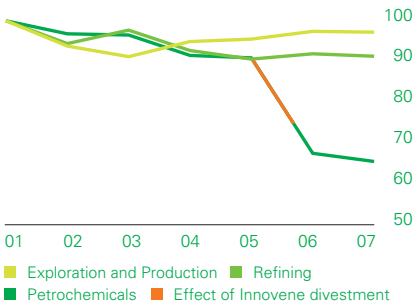
We aspire for our activities to cause no damage to the environment. We aim to minimize our impacts across the life cycle of our operations, from initial project planning through operations to decommissioning and remediation. We aim to achieve continuous improvement in our performance through the use of management systems, which we also use to identify and mitigate risk.

### ENVIRONMENTAL PERFORMANCE

Our 2007 operational greenhouse gas emissions (GHG) were 63.5MteCO<sub>2</sub>e<sup>a</sup>. Normalized GHG performance improved compared to 2006: there was a 3% improvement across our chemical operations, a 0.7% improvement in our refineries, while no change was reported by our upstream business. Total non-GHG emissions, discharges and wastes have decreased compared with 2006 levels.



**NORMALIZED GHG EMISSIONS**  
(2001 = 100)



## Continuous improvement

We have a continuing commitment to improve operational energy efficiency and to seek out GHG emission reductions, with 0.6Mte of sustainable GHG reductions delivered from these activities in 2007. The total of BP's reported annual sustainable reductions over the past six years is approximately 7Mte.

The requirements of the international environmental management standard ISO 14001 will be fully integrated into BP's operating management system as it is progressively implemented. Forty-four of our 45 major operating sites are certified to ISO 14001.

We continue to implement the environmental requirements for new projects (ERNP). By the end of 2007, more than 100 projects had begun implementation of the ERNP in our alternative energy, upstream and downstream businesses. We are also working to ensure that appropriate consideration is given to social issues such as security and human rights, in 2008.

<sup>a</sup> MteCO<sub>2</sub>e: Million tonnes of carbon dioxide equivalent. BP's reported GHG emissions include methane emissions, converted to the quantity of CO<sub>2</sub> that would create an equivalent warming effect.



For more information:  
[www.bp.com/managingourimpacts](http://www.bp.com/managingourimpacts)

- Environmental requirements for new projects.
- Environmental management in shipping.
- Security of our operations.
- Remediation and decommissioning.

## Environmental management



### Environmental requirements for new projects

The ERNP define the environmental impact management processes and requirements that must be met by all new BP projects and with which they must comply as they begin operations. BP launched the ERNP in 2006. While developed primarily for major projects associated with oil and gas developments where the potential for environmental risk is often the greatest, the requirements apply equally to wind farms, biofuels and also to smaller projects that might have the potential for similar levels of impact in sensitive areas. By the end of 2007, more than 100 projects across the group had begun implementation of ERNP.

**Screening and categorization** Major projects often take as long as five years from conception to operation. We are beginning to assess the impact of the ERNP and are already seeing benefits, because project screening and categorization are used to assess risk and classify and manage projects according to environmental sensitivity.

For example, the screening of a project on the North Slope in Alaska helped the project team identify the key environmental risks and communicate design requirements more clearly to project engineers, while providing an insight into our decision-making process for external parties.

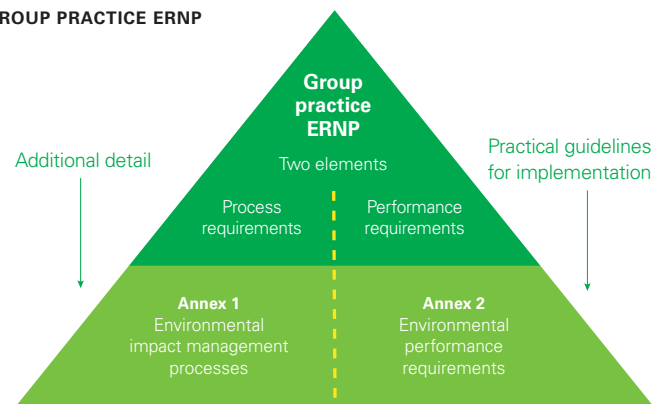
**Learning from experience** The requirements should also support continuous improvement in operations where we have been active for many years. For example, an ERNP peer review process for a pipeline replacement project at Wytch Farm, UK, highlighted that ecological priorities change as does the technology available for mitigating potential impacts. This resulted in a better solution for the project and the environment.

BP is also working to ensure that appropriate consideration is given to social issues, such as worker welfare, including child and forced labour; security and human rights; community health; community engagement; community investment; involuntary resettlement; and indigenous people.

To promote good practice for environmental management, we are sharing the ERNP with industry partners through a benchmarking

group, and at site level with regulators and business partners. We continue to share information on the ERNP with non-governmental organizations who were involved in their development.

#### GROUP PRACTICE ERNP



#### Annex 1 – Environmental impact management processes

1. Screening and categorization
2. Environmental assessment
3. Consultation and disclosure
4. Compliance
5. Resourcing and contracting
6. Residual impacts
7. Environmental management system
8. Assurance and lessons learned
9. Reporting

#### Annex 2 – Environmental performance requirements

- EPR-1 Air quality
- EPR-2 Community disturbance
- EPR-3 Cultural property
- EPR-4 Drilling, completions and workover wastes and discharges
- EPR-5 Energy efficiency
- EPR-6 Environmental liability prevention
- EPR-7 Flaring and venting
- EPR-8 Marine mammals
- EPR-9 Ozone depleting substances
- EPR-10 Physical and ecological impacts
- EPR-11 Waste management
- EPR-12 Water management



## Environmental management *continued*

### Operational environmental management

We continue to use our long-established management system 'getting HSE right' and ISO 14001, the international environmental management system standard, as a means to manage risk and seek continuous performance improvement at our operating sites. BP has aimed for all major operating sites to be certified to the ISO standard since 1996. We currently have 45 major operating sites and all except one are certified to ISO 14001. The Texas City refinery's certification was withdrawn in 2005. The refinery is planning to seek recertification in early 2009 after completing planned work to strengthen its environmental management system.

Our new operating management system (OMS) builds on this systematic approach to the management of environmental risk. The OMS is developed, implemented and sustained by the local businesses. Actions and consequences at a local level to improve environmental performance are reported by major sites in independently verified site reports.

### Whiting refinery modernization project

A water discharge permit issued by the State of Indiana, required for the planned modernization of our Whiting refinery in north-west Indiana, generated a high level of public concern and media attention last summer concerning higher ammonia and total suspended solids limits set in the new permit.

Although the state permit was protective of the environment and of human health, BP committed to meet the lower limits contained in our previous wastewater discharge permit for both constituents.

The Whiting refinery modernization project will be a significant investment that is expected to enable the facility to process a greater amount of Canadian heavy crude, as well as increase motor fuel production. Consultation with interested parties and the authorities continue as additional permits required for the project are sought.

### Environmental management in shipping

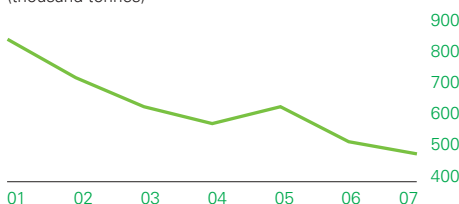
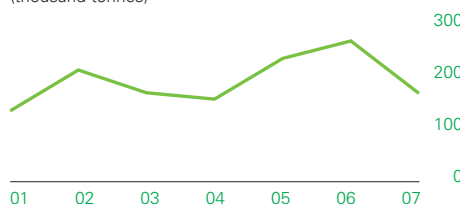
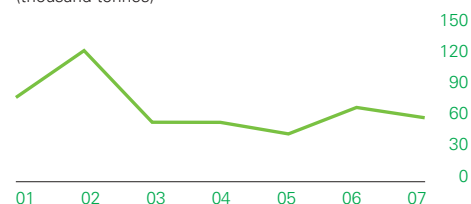
We continue to strive to reduce energy consumption and emissions across our shipping activities. As an example of one such initiative, in 2007, we took delivery of our first dual-fuel diesel electric propulsion LNG vessel. Such vessels run on 'boil off' gases from the cargo tanks or on conventional diesel fuel. A diesel electric propulsion vessel burns approximately 40 tonnes per day less fuel than a similarly-sized conventional LNG vessel. We have ordered three more vessels of this type. This initiative is part of a wider programme of activities designed to reduce ship-borne emissions.

### Working with joint ventures

We have provided support to TNK-BP in its priority environmental areas of improving facilities and pipeline integrity, investing in programmes to reduce gas flaring and remediating its legacy of polluted land. We have also assisted with the development of the joint venture's environmental standards by sharing BP's ERNP and advised on minimizing the impact of operations in environmentally-sensitive areas.

### Energy efficiency and greenhouse gas emissions

Our total 2007 operational greenhouse gas (GHG) emissions of 63.5MteCO<sub>2</sub>e on a direct-equity basis were nearly 1Mte lower than the 64.4Mte reported in 2006. In 2007, increasing activity levels within BP Shipping, the start-up of the Texas City refinery and new oil and gas production, primarily in Angola, Algeria and Azerbaijan, were more than compensated for by the Coryton refinery divestment, some GHG reporting protocol changes and the delivery of emission reductions. BP continues to be committed to delivering continuous commercial business improvement and GHG reductions through energy efficiency. We estimate that, since BP began focusing on its internal GHG emissions performance in 1998, more than \$2 billion of net present value has been created from reduced procurement of energy and increased production sales of gas formerly used, flared or vented within our operations. We also judge our overall energy-efficiency performance through normalized GHG per unit of production performance against a 2001 baseline. The reported normalized performance in 2007 showed overall

Environmental management *continued***NON-GHG AIR EMISSIONS**  
(thousand tonnes)<sup>a</sup>**HAZARDOUS WASTE DISPOSED**  
(thousand tonnes)**DISCHARGES TO WATER**  
(thousand tonnes)<sup>b</sup>

improvement over 2006. Compared with 2006, our refining business delivered a 0.7% improvement to 909teCO<sub>2</sub>e/kbdUEDC<sup>c</sup>, while our petrochemicals businesses improved strongly by 3% to 346teCO<sub>2</sub>e/kte, which is some 34% lower than 2001. In the exploration and production segment, our reported performance in 2007 was the same as 2006, at 24.2teCO<sub>2</sub>e/mboe, with lower operational GHG intensity from new production assets negated by higher normalized emission levels from mature assets.

**Non-GHG air emissions** Our overall goal in managing non-GHG air emissions<sup>d</sup>, such as nitrogen oxides, is to avoid, prevent and reduce air emissions in order to mitigate potential impacts on human health and harm to the environment. Total non-GHG emissions to air in 2007 decreased by 7% in 2007, from 2006.

**Waste management** Our overall goal is to manage waste in a way that will not pose harmful risk to the workforce, local communities or the environment. The amount of hazardous waste disposed decreased by 37% in 2007, from 2006.

**Water management** Our overall intent is to use water more efficiently, reducing the impact on local communities and the environment. Our total withdrawal of fresh water increased by 134%, with the start up of the Texas City refinery. Total discharges to water decreased by 14%, compared with 2006.

**2007 ENVIRONMENTAL PERFORMANCE SUMMARY<sup>e</sup>**

Commentary on variances between 2006 and 2007 data can be found in the trends and interpretation section of this report (*see page 37*) and online.

| Environmental parameters           | 2007 performance   | % change compared with 2006 |
|------------------------------------|--------------------|-----------------------------|
| Direct GHG emissions               | 63.5Mte            | -1%                         |
| Primary energy consumption         | 1.03 billion GJ    | 0%                          |
| Non-GHG air emissions              | 489kte             | -7%                         |
| Flaring of hydrocarbons (E&P only) | 1,124kte           | -9%                         |
| Total fresh water withdrawal       | 801Mm <sup>3</sup> | 134%                        |
| Discharges to water                | 61kte              | -14%                        |
| Hazardous waste disposed           | 170kte             | -37%                        |

**Specific observation from Ernst & Young**

At the sites we visited, we saw evidence of initiatives that were under way or being planned to reduce GHG emissions. Although we are not aware of material errors or omissions in the reported GHG emissions, we consider that some of the smaller downstream business units could benefit from a focused programme to improve the accuracy of GHG reporting.

<sup>a</sup> 2005 data includes some non-operated facilities.

<sup>b</sup> 2005-2007 does not include discharges in the category of discharges to third-party treatment.

<sup>c</sup> Direct GHG emissions per unit of production are measured in tonnes of CO<sub>2</sub>e per thousand barrels of oil equivalent (mboe) for exploration and production, per thousand barrels a day (kbd) for refining and per thousand tonnes (kte) for chemicals. Utilized

equivalent distillation capacity (UEDC) is used globally in the refining industry as a normalized measure of production.

<sup>d</sup> Non-GHG emissions are sulphur oxides, nitrogen oxides and non-methane hydrocarbons.  
<sup>e</sup> Direct GHG emissions performance is presented on a BP equity-share basis (excluding TNK-BP) whereas all other environmental performance data reflects the gross (100%) emissions from operations under BP's control.

## Dialogue and engagement



Our operations affect millions of people – from local communities, customers and shareholders to suppliers, partners and governments. We regard dialogue and engagement as vital in building strong and lasting relationships with all these stakeholders.

**Communities** We always aim to gain broad acceptance of our presence in any community where we operate, although our aspiration of full agreement with all community members on all topics at all times is difficult to achieve in practice.

We use many different means of engaging with communities. We hold open days, neighbourhood meetings and information events to explain our work and use support for arts and cultural events to help build links with communities.

We also have more structured processes for engagement to understand our impact and response to community needs. For example, we are working to develop a consistent framework for identifying and managing social issues (*see page 14*).

In some locations where we are managing complex environmental, economic and social issues, we invite independent experts to provide us with scrutiny and advice. For example, in 2007, the Tangguh Independent Advisory Panel produced its fifth report – published publicly – on non-technical performance at the Tangguh liquefied natural gas project in Papua, Indonesia. The report said that the project had “the potential to become a recognized world-class model for energy development.”

**Governments** In addition to our discussions with governments on specific projects, we work with them on a number of broader multi-stakeholder initiatives, including the Extractive Industries Transparency Initiative, which aims to contribute to sustainable

development by increasing transparency of revenue flows, and the Voluntary Principles on Security and Human Rights.

**Non-governmental organizations (NGOs)** We engage with NGOs at a local and global level – sometimes consulting them on specific projects or issues such as climate change; sometimes working in partnership with them on shared programmes; and at other times seeking their expert challenge on our social and environmental performance.

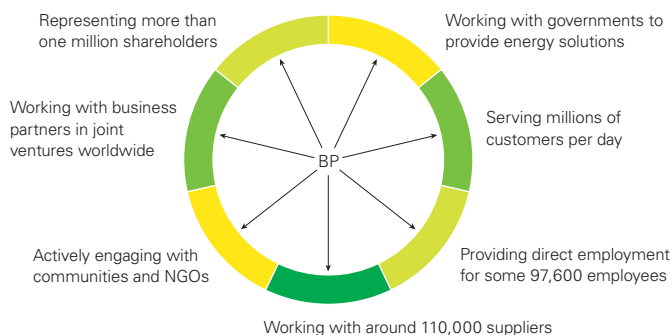
**Customers** Our customer satisfaction study is based on feedback from more than 75,000 customers and spans 43 countries. In 2007, around 88,000 consumer interviews were also conducted in 18 countries to evaluate views on wider topics such as brand awareness and loyalty.

**Employees** Engagement with employees takes many forms, including team meetings, multimedia communications, opinion surveys and channels through which individual concerns can be raised. During 2007, thousands of employees around the world took part in a series of interactive webcasts with the group chief executive, Tony Hayward, covering themes such as reducing complexity and changing behaviour. The sessions provided an opportunity for people to ask questions and raise concerns. Feedback about the recently-announced forward agenda has been gathered from employees and reviewed by the executive management team.

**Shareholders** BP hosts regular meetings with investors on social and environmental issues, led by our chairman or senior management. Non-financial subjects covered in 2007 included safety, integrity of plant and low-carbon technologies, including the development of our biofuels business.

**Suppliers** We engage with suppliers in a variety of ways, including review meetings to identify mutual improvements in performance.

### DIALOGUE AND ENGAGEMENT



## Security



1.23

BP's aim continues to be to provide a safe and secure working environment for every member of the workforce, wherever they are working.

Our security risk management strategy requires the identification and mitigation of diverse risks to plant and people, business continuity planning and the capability to respond to crises and emergencies. We combined our management of these activities in 2007 under our safety and operations function. We also worked to deliver a more joined-up approach to security and continuity risk management, involving closer integration with digital security, which is responsible for safeguarding the digital assets critical to BP's safety, performance and reputation.

We continue to use our business security risk management tool, 'getting security right', to rank risks and create response plans. Effective security risk management also involves making the best possible use of the significant amounts of internal and external information available to businesses of our scale and diversity. A project on information-led security was initiated in 2007 to further improve the way we collect and manage information so we can provide more proactive advice on the risks facing the business and appropriate solutions.

These initiatives support the continuing implementation of our group-wide security management standard which mandates key security expectations and accountabilities for all of our businesses worldwide.

### Supporting major projects

We have developed guidance that seeks to build security matters into the proposal, planning and implementation stages of all new capital projects. A security training module was created in 2007 and now forms part of the BP project management college. The module trains project leaders on security risk assessment, the Voluntary Principles on Security and Human Rights and on developing a security plan.

### Critical energy infrastructure protection

We have worked with the government authorities in the US, the EU and in Trinidad & Tobago on measures to improve the security of critical energy infrastructure. This has included investing in

security around installations such as harbours, ports, chemical facilities and refineries.

In the US, we have established a refining security network to respond to new legislative requirements introduced in 2007. In Europe, we have continued to engage with EU authorities in the identification and protection of all critical energy installations. In Trinidad & Tobago, we have participated in discussions on the development of a national energy sector initiative to provide security for the country's energy-based assets and resources.

### Security and human rights

As one of the founding members of the Voluntary Principles on Security and Human Rights, we have continued to make our commitment to the principles a reality in the way we work. In 2007, we piloted a risk assessment tool in Algeria that seeks to help businesses identify security-related risks that might affect local communities. The tool promotes consideration of factors associated with the security arrangements and with the political, economic, legal and security environment in which the business operates. During 2008, the tool will be rolled out as part of a project to promote more effective and consistent implementation of the Voluntary Principles across the group.

We have provided training on the Voluntary Principles to private sector security providers in Turkey and Georgia. We participated in a joint training exercise with the police and military in West Papua, in support of the Tangguh project. This included instruction on human rights and the principles of legality, necessity and proportionality in the use of force. We have commissioned independent human rights and security monitoring assessments for the Baku-Tbilisi-Ceyhan and South Caucasus pipelines in Azerbaijan and Georgia and have published these reviews.

Where possible, we seek to include the Voluntary Principles within major project and investment agreements. We agreed a bilateral security protocol with the government of Azerbaijan in 2007 that defines standards and procedures on the use of force and firearms, hiring and training security personnel, consultation and exchange of information and monitoring compliance; and extends application of the Voluntary Principles to all BP-operated assets in Azerbaijan.

## Remediation and decommissioning



BP's remediation specialists seek to identify, manage and reduce our current environmental liabilities, including those likely to arise in the future.

Since 2004, our remediation management experts have reduced the group's environmental liabilities by more than \$300 million dollars to just over \$2 billion. Our ultimate goal is to reduce environmental liability to the lowest possible level, a benefit for BP and the wider community.

### Remediation

At locations where we no longer carry out operations, we aim to return sites to a suitable condition for positive reuse, in the most cost-effective manner possible.

Two flagship projects illustrate how we are working to achieve this. The location of the former Llandarcy refinery in south Wales is to become the first urban village in Wales following the completion of a remediation programme in 2007 and successful negotiation of an agreement with developers. In the US, a clean-up of past contamination from mining and smelting activity in the Butte and Anaconda regions of Montana, is transforming 300 square miles of land, creating opportunities for industrial and commercial development with enhanced agricultural, recreational and wildlife schemes.

For current assets, the remediation management function advises BP-operated businesses and joint ventures on best practices for preventing environmental liabilities. In 2007, for example, BP offered 450 acres of the former Wood River refinery site for sale. BP is working with the City of Wood River, the Illinois Environmental Protection Agency and the private sector to ensure the site's sustainable economic redevelopment.

### Decommissioning

BP applies remediation management's onshore expertise to the decommissioning of the North Sea's exploration offshore assets. Following extensive consultation and option evaluation, we intend to barge the North West Hutton platform in the UK North Sea to a UK shipyard and dismantle it. The topsides and steel jacket are subject to detailed recycling requirements, which could be delivered safely in an onshore environment.



One of the locations in Algeria where BP is working with joint venture partners to mitigate environmental liabilities.

### Supporting new projects

We seek to ensure that we apply lessons learned to new projects. Our environmental requirements for new projects (*see page 14*) include measures to minimize or prevent remediation liability by not damaging land while using it and ensuring that preventative measures are incorporated in new plant, design processes and equipment standards. Waste management activities seek to prevent waste from posing a harmful risk to the workforce, local communities or the environment.

We put these practices into action globally. In 2007, we supported our joint venture partners in Algeria by surveying potential environmental liabilities over the life cycle of the In Salah operation and developing a plan to address them.

### Contributing to public policy

Using our expertise is an important part of the way we do business, not only as an element in establishing our licence to operate, but also in making a contribution to public policy. We developed an integrated approach to advocacy on the European Soil Framework directive in 2007 and our proposals for North West Hutton, as the first large North Sea installation to be dismantled, are of particular interest to policy makers.



## People



Responsible operations  
1.3

**In context** Recruiting and retaining people with relevant skills has become a major challenge for the energy industry. For example, Cambridge Energy Research Associates reported that large oil and gas production projects worldwide were likely to see a growing shortfall in qualified project engineering staff. Energy companies have sought to develop innovative approaches to recruitment, enhance their development programmes and maintain well-motivated workforces across all skillsets.

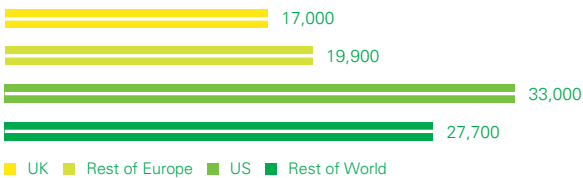
## People



1.3

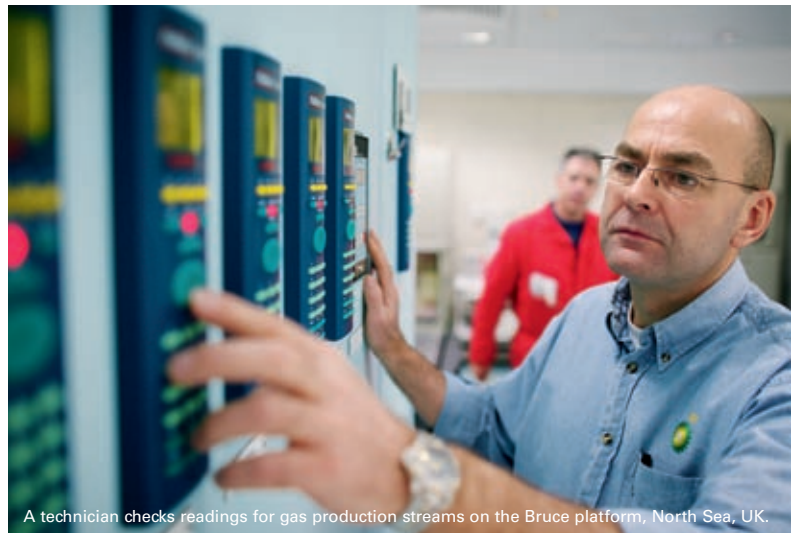
BP can only succeed in the long term by continuing to attract, develop and motivate the right number of skilled individuals with high levels of commitment, teamwork and ethical behaviour. We develop plans to ensure that we have the right number of people with the right mix of skills. Our management of people is founded on unchanging principles, which include treating employees fairly; promoting diversity and inclusion; making expectations clear; providing open feedback; and ensuring compliance with laws, regulations and our code of conduct.

### EMPLOYEES BY REGION (at 31 December 2007)



### Training our managers

In 2008, we expect to run at least 150 Managing Essentials modules for up to 4,000 managers. We also plan to roll out a new leadership model, setting out what is expected of all BP leaders. Our compliance and ethics specialists will continue to work with business units to help them identify and prioritize relevant risks.



A technician checks readings for gas production streams on the Bruce platform, North Sea, UK.

### Enhanced management policies

During 2007, we took action to enhance our management, recruitment and development of people. We improved our efforts to recruit talented university graduates with a new marketing campaign, a new selection process and stronger relationships with selected universities worldwide. We launched the Managing Essentials programme for BP managers, designed to enhance our leadership development and drive continuous improvement in performance. We also restructured our career advancement programmes for high-potential individuals. We continued to promote a culture of ethical behaviour and compliance with laws, regulations and BP's code of conduct. Our independent confidential helpline, OpenTalk, which provides a means to raise any concerns over compliance and ethics, handled 975 cases.



For more information:

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

- BP's approach to capability development.
- Developing able and inclusive leaders.
- Compliance, ethics and our code of conduct.

2007 saw important progress in our strategy to maintain continuity in our capability as an organization as we made enhancements to our recruitment, development and management of staff, all designed to help us provide a great workplace for talented, committed and responsible people.

## People *continued*

### Our organization

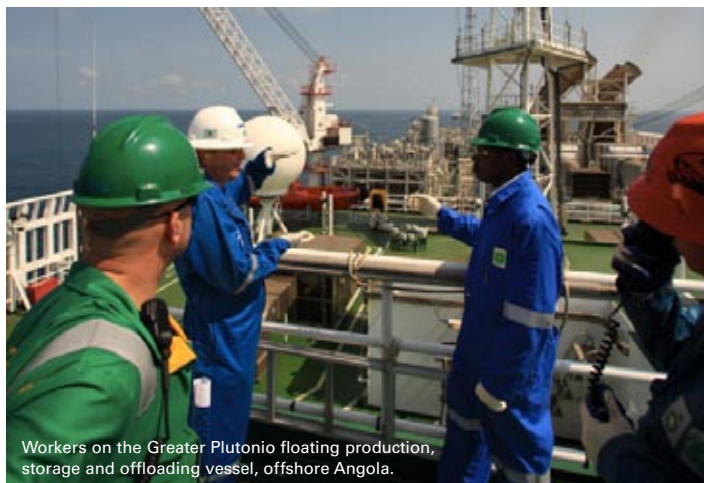
BP currently employs approximately 97,600 people in around 100 countries. Although restructuring has reduced headcount in some parts of the organization, we continue to recruit to build key skills in other areas, for example, in refining, and safety and operations.

The annual organizational review (AOR) is a process carried out by senior management to assess our strengths and weaknesses in people and capabilities across BP. In 2007, we simplified the AOR approach, focusing on identifying and tackling shortfalls in specific capability areas for the medium-term, together with a group-wide review of our leadership capability and succession plans.

During 2007, the group people committee was formed, consisting of the group chief executive and the executive team. This committee takes overall responsibility for policy decisions relating to employees. Decisions have ranged from a new performance and reward approach through to a new leadership model for the organization.

### Attracting talented people

We have taken new steps to demonstrate the attractions of a BP career to potential employees at all levels.



Workers on the Greater Plutonio floating production, storage and offloading vessel, offshore Angola.

In 2007, we improved our outreach to university graduates in several ways. As well as developing a new marketing campaign, 'Look beyond the limits', and a new selection process, we forged stronger relationships with a series of selected universities worldwide, which have a leading record in producing high-quality graduates in key disciplines such as engineering and geology. We are also investing \$18 million over three years on sponsoring selected US and UK colleges and universities.

We are introducing a new, standardized, internet-based system for all job applications. In 2007, this went live in many business units and we plan to roll it out to most of BP in 2008.

In recruiting potential future leaders and other staff, we particularly focus on building local capability in new and emerging markets. For example, in Azerbaijan, we achieved our 2007 target for 75% of professional positions to be filled by national specialists.

### Developing our people

We use a variety of methods to help our people develop their capabilities. We encourage every employee to complete at least five training days per year.

During 2007, we launched a top priority programme for BP managers called Managing Essentials, designed to enhance our leadership development and drive continuous improvement in performance. We launched the programme's first module on effective performance conversations, which helps managers to have clear and constructive discussions with staff about their performance. By the end of the year, 36 programmes had been run with more than 700 managers attending. In 2008, we expect to run at least 150 modules for up to 4,000 managers.

### Developing able and inclusive leaders

We accelerate the development of high-potential individuals through career advancement programmes (CAPs) managed by segments and functions. During 2007, we restructured our CAPs, bringing them into a consistent BP-wide framework. We also strengthened the Challenger programmes, which provide opportunities for promising new entrants and developed a new leadership model, setting out what is expected of all BP leaders, to be rolled out in 2008.



People *continued*



Employees from BP's supply and trading business, Singapore.

**DIVERSITY OF GROUP LEADERSHIP<sup>a</sup> (%)**



<sup>a</sup> Group leadership comprises the top 624 positions in BP as at 31 December 2007.

**Diversity in leadership**

We started to track the composition of our group leadership in 2000. Measures of diversity in our group leadership have remained broadly flat since 2006. Since we started reporting, the percentage of women leaders has increased from 9% to 16%, while 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 5% since 2000, with an increase in the US from 6% in 2000 to 11% in 2007.

**Executive remuneration**

Executive reward packages are based on individual contributions towards the goals set by our board. As part of a standard approach, executives' performance is evaluated against their performance contract. We believe our reward packages strike the appropriate balance, rewarding individual performance but also reflecting group performance, with awards made in both cash and 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 group people committee.

**Maintaining a healthy workforce**

In managing health in BP, we aim to have healthy people, healthy plants and healthy processes. We manage our health programmes by identifying relevant risks and taking action to mitigate them. We use a Healthmap process in which businesses identify key risks and put mitigation plans in place. We have set targets for Healthmaps to be completed for each location by the end of 2009. In 2007, we appointed a director of health standards. A pilot was conducted using BP's safety and operations audit process to review health in BP facilities. Findings will be applied to train auditors and improve the process.

During 2007, we completed work on plans to manage the risk of a pandemic, including processes to protect staff, ensure continuity of our business and support essential infrastructure.

**Specific observation from Ernst & Young**

During our visits, interviewees were generally positive about the efforts made to minimize the impact of restructuring, including operating a transparent process. Although staff highlighted initial concerns about lack of communication from new leadership teams, we saw evidence of initiatives that had been introduced to address these concerns, including regular town hall meetings and breakfast briefings from leadership team members.

## Compliance and ethics



We believe that complying with laws, regulations and our internal code of conduct is central to our sustainability as a business. In 2007, we continued to strengthen our compliance and ethics programme to support the implementation of the code of conduct, launched in 2005.

### The code of conduct

Our code of conduct represents BP's commitment to integrity, defining what is expected of every BP employee in five key areas: health, safety, security and the environment (HSSE); employees; business partners; governments and communities; and company assets and financial integrity. In addition to a fundamental requirement to obey the laws and regulations wherever we operate, the code sets out how we should behave when faced with choices about our behaviour at work, ranging from basic rules on safety and the environment to detailed expectations on competition and anti-trust issues.

### Raising concerns

Employees or contractors who are concerned that laws, regulations or the code of conduct may be being breached, including safety-related issues, can raise concerns through the independent confidential helpline, OpenTalk or, in the US, our additional independent US office of the ombudsman (USOO). Individuals can contact OpenTalk using a multilingual telephone line or via fax, e-mail or letter, 24 hours a day, seven days a week. All OpenTalk contacts are initially handled by an independent organization before being passed to a regional ombudsperson or a senior BP compliance manager, who will arrange a response and, if appropriate, an investigation. The USOO's call-taking, investigation and response processes are similar to those of OpenTalk. BP will not tolerate retaliation against anyone who raises an OpenTalk or USOO case or is named in one. Any allegation of retaliation is investigated and, if substantiated, disciplinary action is taken against those responsible. In 2007, 975 cases were raised through OpenTalk, compared with 1,064 cases raised in 2006. The most common issues raised in 2007 related to people management. The US ombudsman is former US District Court Judge Stanley Sporkin, who was appointed in 2006 following concerns raised over safety and integrity issues in Alaska. His role is to serve as a neutral adviser whom employees and contractors can contact in confidence to report any suspected breach of the code of conduct. During the year, 43 concerns were raised with Judge Sporkin, the most common of which were concerns over HSSE or employee matters. A team of independent investigators working under Judge Sporkin follow

up on concerns raised. The judge's recommendations are reported to the chairman and president of BP America and to the safety, ethics and environment assurance committee.

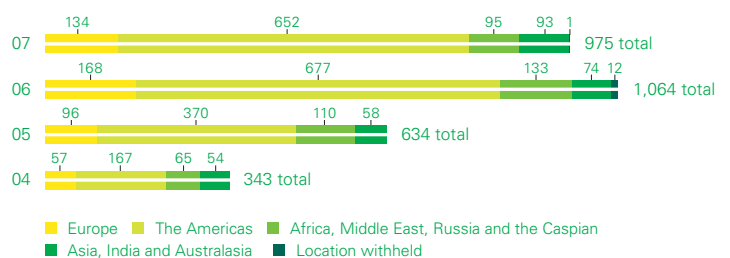
### Compliance in trading

During 2007, BP America Inc. (BP America) entered into a deferred prosecution agreement (DPA) with the US Department of Justice (DOJ) relating to allegations that BP America manipulated the price of propane in April 2003. Also in 2007, BP Products North America Inc. (BP Products) entered into a consent order with the US Commodity Futures Trading Commission concerning BP Products' propane trading. In connection with the DPA and the consent order, BP America and BP Products agreed to pay fines, penalties and compensation totalling just over \$303.5 million. The DPA runs for three years, at the end of which all charges will be dismissed provided that the DOJ determines that BP America has complied with its terms. Bart Schwartz, an investigative lawyer, compliance expert and former chief of the Criminal Division in the office of the US Attorney for the Southern District of New York has been appointed as an independent monitor to oversee compliance with the DPA and the consent order.

### Managing and certifying compliance and ethics

Reflecting the priority given to compliance and ethics, we have 108 employees in the group compliance and ethics team: 46 compliance and ethics professionals in our central compliance and ethics teams and another 62 in our trading compliance team.

#### OPENTALK CASES

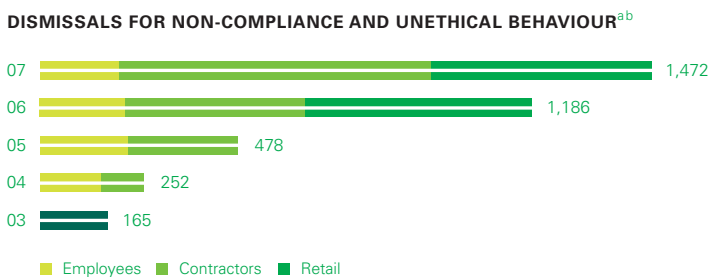


## Compliance and ethics *continued*

We have an additional 144 compliance and ethics leaders (CELs) to embed the compliance and ethics programme in the businesses. In their work with BP's businesses during 2007, the CELs and the central compliance and ethics teams focused on how compliance is built into risk management processes.

In our 2007 annual compliance and ethics certification process, all senior level leaders, numbering around 7,000, were asked to meet with their teams to discuss compliance and ethics issues and submit a certificate reporting on any breaches or identified risks to compliance with the code of conduct. This process rolls up the management line to the group chief executive, who signs a certificate for the whole group and reports to the board's safety, ethics and environment assurance committee.

In 2007, 1,472 dismissals were reported by BP's businesses for unethical behaviour or non-compliance with applicable policies, laws or regulations, compared with 1,186 in 2006. These totals included dismissals reported by the retail business, mainly at service stations, for incidents such as thefts of small amounts of money (amounting to 528 in 2007 and 544 in 2006). In previous years, this category of dismissals has been acknowledged in our reporting but not quantified. Excluding such dismissals, the totals were 944 in 2007 and 642 in 2006. Of the overall numbers dismissed, 49% were employees and 51% contractors in 2007, compared with 63% employees and 37% contractors in 2006.



<sup>a</sup> Reported numbers for 2006 and 2007 include retail dismissals that were acknowledged in previous years' reports but not quantified.

<sup>b</sup> Prior to 2004, we did not split out employees from contractors.

The main reasons for the dismissals in both years were failures to meet expectations on health, safety and security (HSS), as set out in our code of conduct, and incidences of theft and misuse of company property. The increase in dismissals compared with 2006 is mainly due to an increase in contractor dismissals for failure to meet HSS-related expectations.

## Suppliers and ethics

BP's processes are designed to choose suppliers carefully and on merit, avoiding conflicts of interest and inappropriate gifts and entertainment. We expect suppliers to comply with all legal requirements. Where possible, contracts include a requirement to act consistently with the code of conduct when working on our behalf. In 2007, BP terminated or did not renew 48 suppliers' contracts mainly due to failure to meet HSS-related expectations and incidences of fraud.

## Political activity

BP continues to apply a policy that the group will not participate directly in party political activity or make any political contributions, whether in cash or in kind. BP continues to engage in policy debate on subjects that are of legitimate concern to the group, its staff and communities in which it operates. We do this by processes, such as lobbying, that are regulated by law.

### Specific observation from Ernst & Young

During our visits, we saw evidence that teams had been involved in discussions as part of the annual ethics certification process. The outputs from this process could be used more proactively during the course of the year to develop actions to address key ethical risks identified at a site level and communicate related activities to employees.

## BP and climate change



**In context** Climate change remains a major concern in the energy industry and beyond. In 2007, the Intergovernmental Panel on Climate Change issued a report that highlights the importance of action during the next two to three decades if we are to avoid serious harm to ecosystems and communities. Following the report, a UN conference took place in Bali, Indonesia, where participants agreed a roadmap for negotiations towards a new international climate change agreement. National legislative momentum continued to build, including in the US where many 2007 Congressional proposals called for significant emission reductions by 2030 and beyond. Strong growth continued in the low-carbon energy sector, including solar, wind power and biofuels. The energy industry made efforts to tackle many of the challenges associated with these new forms of energy, for example through research into high efficiency solar cells and developing guidelines on the sustainable production of biofuels.



An automation technician measures the voltage on a solar-powered remote terminal unit in East Texas, US.

## BP and climate change



We support precautionary action to limit greenhouse gas (GHG) emissions, although aspects of the science remain the subject of expert debate. In our view, the goal must be to stabilize GHG concentrations through sustainable long-term emissions reductions. There are many potential contributors to the goal and we support an inclusive approach that recognizes different starting points, priorities and solutions. Governments and businesses need to work together to create a policy framework that drives economic progress and provides energy security while delivering significant emissions reductions.



Jatropha seeds.

## Business developments

In 2007, we continued to build BP Alternative Energy, our business that invests in new, low-carbon energy options for power and transport. We began the expansion of solar plants in the US, India and Spain. With our partners Babcock & Brown, we built the 300MW Cedar Creek wind farm in the US and inaugurated our first wind farm in Asia in Dhule, Northern Maharashtra, India. We created a joint venture, Hydrogen Energy, with Rio Tinto, to develop hydrogen-fuelled power projects with carbon capture and storage. We formed several biofuels joint ventures, including a partnership

with Associated British Foods and DuPont to develop a major commercial bioethanol plant and a business with D1 Oils to plant jatropha curcas, a biodiesel feedstock. We also selected academic partners in the US for the Energy Biosciences Institute, which we are supporting with \$500 million over 10 years. We supported initiatives to promote responsible biofuels production, such as the Round Table for Sustainable Biofuels. Our targetneutral™ programme received contributions from customers and BP sufficient to offset around 52,500 tonnes of CO<sub>2</sub> equivalent emissions.

## Low-carbon future

We plan to continue advocating for action to reduce GHG emissions as well as providing low-carbon energy. In 2008, we plan to invest \$1.5 billion in alternative and renewable energy technologies. We aim to have built 1,000MW of gross installed wind capacity by the end of 2008 and we plan to grow our solar sales to 800MW in the coming years. We also aim to progress plans for hydrogen power plants with carbon capture and storage including a major project in Abu Dhabi. Our bioethanol plant in the UK is due to be commissioned in 2010 and we will continue working with the Round Table for Sustainable Biofuels to develop standards for sustainable biofuels.



The Cedar Creek wind farm, Colorado, US.



For more information:

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

- BP's point of view on climate change.
- Calculate your carbon footprint.

[www.bpalternativenergy.com](http://www.bpalternativenergy.com)

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

## Climate change policy



2.1

### Scientific developments in 2007

In its Fourth Assessment Report, published in 2007, the Intergovernmental Panel on Climate Change (IPCC), established by the UN to provide a balanced view of the issue, stated that warming of the climate system was 'unequivocal' as is now evident from observations of increases in global average air and ocean temperatures, widespread melting of snow and ice and rising global average sea levels.

The report concluded that it was more than 90% likely that the increase in temperatures since the mid-20th century was due to the increase in GHG concentrations resulting from human activity and that 11 out of the past 12 years ranked among the 12 warmest years on record.

### BP's climate change policy

In our view, the goal must be to stabilize GHG concentrations through sustainable long-term emissions reductions. BP notes that the IPCC's assessment report concluded that the impact of climate change becomes more serious when global average temperature rises exceed 2°C above pre-industrial levels and that current climate models indicate that atmospheric concentrations of GHGs would need to be stabilized at around 450ppmCO<sub>2</sub>e for temperature increases of this magnitude. One path to stabilization at this concentration requires that global GHG emissions peak within 10 years and reduce to about 50% of their current level by 2050.

We believe large-scale reductions in emissions will require the use of both existing and emerging technologies. We support an inclusive approach that recognizes the existence of different starting points and solutions, from increasing the fuel economy of motor vehicles to increasing wind and solar capacity.

Governments and businesses need to work together to create a policy framework that drives economic progress and provides energy security while delivering significant emissions reductions.

### Actions to address climate change

We see our own role as pursuing efficiency in our own operations (see page 15), creating lower carbon products for customers and contributing to an informed debate.

For our customers, we are rapidly increasing our supply of low-carbon energy through BP Alternative Energy (as reported on the following pages) and we encourage them to understand and reduce their personal carbon footprint. We estimate our customers' CO<sub>2</sub> emissions in 2007 from the conventional hydrocarbon products we sell were 521Mte<sup>a</sup>. Figures produced on the same basis for 2006 and 2005 were 539Mte and 570Mte respectively.

We advocate the introduction of emission caps and that market mechanisms, such as emissions trading, be used to enable economies to adjust to a carbon-constrained world. We also argue that policy should create a level playing field to encourage different means of achieving emissions reductions, such as renewables and carbon capture. BP participates in several groups to help provide a strong business voice for policy development.



Solar manufacturing, Maryland, US.

<sup>a</sup> Estimated product emissions based on BP's 2007 total reported production rates of natural gas (8,143 million cubic feet per day), natural gas liquids (156 thousand barrels per day) and BP's share of all refinery throughputs (2,127 thousand barrels per day).

## Low-carbon future



The use of low-carbon energy is growing as countries, companies and individuals make efforts to reduce their greenhouse gas (GHG) emissions. Many forms of energy that are low in carbon, such as solar and wind power, biofuels and the use of coal with carbon capture technology, also help to reduce dependency on imports and therefore contribute to security of supply.

Our alternatives and renewables business, BP Alternative Energy, made a series of new investments and formed a range of new partnerships in 2007. We built 340MW of wind power capacity, expanded our solar panel manufacturing, created a new joint venture to develop hydrogen power projects and announced a number of new biofuels investments.

BP Alternative Energy plans to invest around \$8 billion over 10 years in alternative and renewable energy technologies. It invested \$1.5 billion from 2006 to 2007 and intends to invest a further \$1.5 billion in 2008.

**Solar power** BP has one of the world's largest solar businesses, with manufacturing facilities in the US, Spain, India, China and Australia. During 2007, we began expanding our plants in Frederick, Madrid and Bangalore, increasing our cell manufacturing capacity to 228MW, and we plan to grow our solar sales to 800MW in the coming years. We saw a 23% increase in sales which were 115MW in 2007 against 93MW in 2006.

We market solar products in the US, Europe, Asia and Australasia. Highlights in 2007 included winning a bid to develop 4.3MW of solar energy systems for seven Wal-Mart stores in California and installing 14MW peak capacity with our partners Banco Santander in Spain.

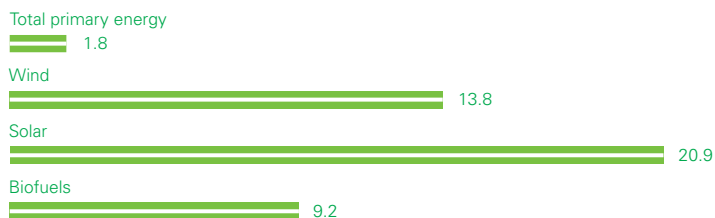
BP Solar is also bringing solar power to remote areas of developing and emerging economies (*see page 35*).

As part of our solar research programme, it was announced in 2007 that the US Department of Energy would be contributing to a three-year, \$40 million BP programme to reduce the costs of solar cells (50% funded by BP Solar) – part of the Solar America Initiative. We are also investing in a technology called Mono<sup>2</sup>™, which increases cell efficiency, and supporting a project at the California Institute of Technology to develop nano-tube solar installations.

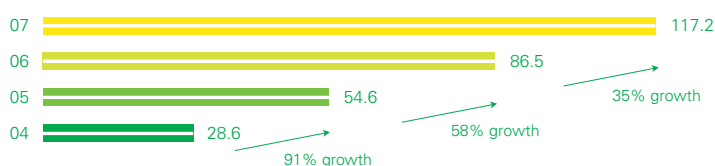
**Wind power** We built 340MW of wind power capacity in 2007, a transformation from two years ago when we had just 32MW of capacity at two wind farms in the Netherlands. Our building programme follows a series of acquisitions and partnerships that in the US alone have provided the opportunity to develop nearly 100 projects with a total capacity of 15,000MW. We plan to have 1,000MW of gross installed wind capacity by the end of 2008.

In the US, we have built the 300MW Cedar Creek wind farm in Colorado with our partners Babcock & Brown, one of the largest single wind-power facilities in the country. Other major projects under way include two wind farms in Texas – the 60MW Silver Star I and the 150MW Sherbino project – being built in partnership with Clipper Windpower and NRG Energy respectively.

### DEMAND GROWTH PER ANNUM 2005-2030 (ESTIMATED)<sup>a</sup> (%)



### GLOBAL NEW INVESTMENT IN CLEAN ENERGY<sup>b</sup> (\$ billion)



<sup>a</sup> Sources: Primary energy based on International Energy Agency, World Energy Outlook 2007 reference scenario. Renewables based on New Energy Finance 2007.

<sup>b</sup> Grossed-up estimate based on disclosed deals. New investment only. Source: New Energy Finance 2007.

## Low-carbon future *continued*

We have also inaugurated our first wind farm in Asia in Dhule, Northern Maharashtra, India. Constructed by Suzlon, it comprises 32 turbines generating 40MW. The project is expected to produce sufficient clean electricity to eliminate the production of approximately 70,000 tonnes of CO<sub>2</sub> each year, compared with a conventional coal-fired power project with similar capacity.

**Hydrogen power** We formed a partnership with Rio Tinto in 2007, creating a new jointly owned company, Hydrogen Energy. The venture will initially focus on hydrogen-fuelled power generation, using fossil fuels and carbon capture and storage technology to produce large-scale supplies of clean electricity.

Hydrogen Energy's projects will capture some 90% of the CO<sub>2</sub> from fossil fuels used in power plants. The CO<sub>2</sub> will be stored securely, deep underground, leaving hydrogen that can be used to generate low-carbon energy. For such projects to proceed, they require appropriate policy incentives and regulatory regimes.

One planned project is in Abu Dhabi where a 420MW natural-gas based hydrogen power plant could capture up to 1.7 million tonnes of CO<sub>2</sub> each year, injecting it into a producing oil field to maintain pressure.

**Gas-fired power** We have a series of gas-fired power plants, recognizing that gas-fired power represents one of the main ways to mitigate GHG emissions today. A modern combined-cycle gas turbine plant emits roughly half as much CO<sub>2</sub> as a conventional coal plant of the same capacity.

We participate in 12GW of gas-fired power plants and will continue to look for opportunities to monetize our equity gas positions and build cogeneration facilities at existing BP facilities. This includes a 250MW steam turbine at our Texas City refinery, which we expect to commission in 2008.

For more information:  
[www.bpalternativenenergy.com](http://www.bpalternativenenergy.com)  
[www.hydrogenenergy.com](http://www.hydrogenenergy.com)

## Transport

Increasing demand for transport provides several challenges, including finding ways to address the impact of GHG emissions, curb air pollution and ensure secure supplies of fuel at a time when there are concerns in many countries over dependence on imported oil.

**Biofuels** We believe that biofuels will make a major contribution to global transport energy supply, offering the best options for sustainable lower-carbon alternatives to fossil fuels. Biofuels made from crops such as corn, sugar cane, rapeseed and soy are already becoming firmly established in countries such as Brazil and the US.

New generations of biofuels are being explored, using the whole plant in the process, and utilizing feedstocks such as grasses and agricultural wastes. As farming and processing become more efficient, future biofuels should be able to achieve greater reductions in GHG emissions.

At BP, we are investing in a range of biofuels-related activities, from blending and production to research and sustainability initiatives.

We are a major biofuels operator, for example, blending more than 763 million US gallons of ethanol into fuels in the US in 2007.



A carbon neutral tanker in the UK.



## Low-carbon future *continued*

**Biofuels production** In 2007, we announced a series of major biofuels projects, including plans for a world-scale bioethanol plant with an expected production capacity of around 420 million litres per year. To be built with our partners, Associated British Foods and DuPont, the \$400 million plant will be situated in Hull, UK, and is due to be commissioned in 2010.

We also agreed plans with DuPont to construct a demonstration plant that will be used to accelerate the development of biobutanol. Biobutanol can be blended at higher concentrations than bioethanol, potentially supporting further reductions in GHG emissions.

We announced a joint venture with D1 Oils, D1-BP Fuel Crops Limited, which intends to invest \$160 million over five years in plantations of jatropha, a drought resistant, non-edible biodiesel feedstock, which can be grown on a wide variety of land types including marginal and waste land that will not support arable crops.

**Biofuels research** Recognizing the challenges involved in moving to a new generation of biofuels and the technologies to produce them, we are investing \$500 million over 10 years in the Energy Biosciences Institute (EBI), at which expert biotechnologists are investigating many possible applications of biotechnology to energy, including advanced fuels. We selected as partners for the EBI the University of California, Berkeley, along with the University of Illinois at Urbana-Champaign and the Lawrence Berkeley National Laboratory.

**Biofuels sustainability initiatives** BP has engaged with several international organizations that have advocated legislation and drawn up voluntary guidelines to promote responsible biofuels production, avoiding risks such as damage to sensitive ecosystems, for example forests. We sit on the steering board of the Round Table for Sustainable Biofuels and are members of the Roundtable on Sustainable Palm Oil and the Roundtable for Responsible Soy.

**targetneutral** We encourage British and Dutch drivers who use BP fuels to become carbon neutral in their motoring through our targetneutral programme. targetneutral enables customers to

## Explaining the issues

We continue to make efforts to engage with customers and the public on the issue of climate change. For example, Electronic Arts and BP have collaborated to include climate change as a topic in *SimCity™ Societies*, the next version of the city-building game that has sold more than 18 million copies. In the game, players make choices about electricity, informing them about causes of climate change and some of the major low-carbon solutions.

neutralize emissions by donating to environmental projects that cut emissions by the same amount as they generate in driving. Contributions from customers and BP in 2007 will be sufficient to offset emissions of around 52,500 tonnes of CO<sub>2</sub> equivalent.

**Fuels and lubricants** During 2007, BP completed the rollout of BP Ultimate, our range of advanced performance fuels formulated to produce fewer harmful emissions, to 17 European markets. Our lubricants business is committed to developing innovative technology that improves performance, including fuel economy, and therefore helps protect the environment. Castrol's Elixion Low SAPS 5W-30 lubricant showed a fuel saving of up to 4% under certain driving conditions in around 2,500 hours of engine tests, as well as reducing oil consumption by around 10%.



For more information:  
[www.bp.com/carbonfootprint](http://www.bp.com/carbonfootprint)  
[www.targetneutral.com](http://www.targetneutral.com)

## BP and development



**In context** Challenges facing developing countries and issues posed by globalization remained high on the political agenda in 2007. The Millennium Development Goals, which include halving extreme poverty and providing universal primary education and other basic rights by 2015, remained a focus for action. At the G8+5 summit in Germany in June, world leaders, including those of Brazil, China, India, Mexico and South Africa, reaffirmed their commitment to the goals and pledged to work together on topics such as research and innovation, cross-border investment, climate change and energy. As the energy industry expanded its operations in developing countries, a frequent topic of debate in conferences and reports was the role of international businesses in supporting development, for example through developing sustainable local supply chains and encouraging transparent business dealings.

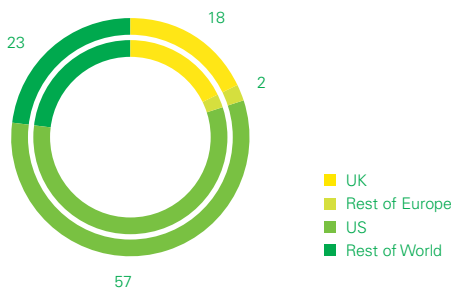


## BP and development



Many of our projects have life cycles of 30 to 40 years and, to sustain our business over such a period, we aim to ensure that our presence in local communities brings positive change and creates mutual benefit. Wherever we work, we aim to be the local energy company: training and employing local staff at all levels, developing and using local suppliers and contributing to the local community. Benefits brought to local communities arise from both our commercial business activities, such as engaging suppliers and providing energy products, and from our direct contributions.

### BP'S CONTRIBUTION TO COMMUNITIES BY REGION 2007 (%)



### CONTRIBUTION TO COMMUNITIES

In 2007, our direct contribution to communities was \$135.8 million, compared with \$106.7 million in 2006. We announced a major research partnership with the Massachusetts Institute of Technology, expanded our US schools programme, A+ for Energy, and launched a carbon challenge programme for UK schools. We continued to build the skills of local companies, including BP suppliers, in countries such as Angola, Indonesia and Azerbaijan, and used a new system for screening suppliers' human rights records in China. The BP-supported Oxford Centre for the Analysis of Resource-Rich Economies at the University of Oxford was launched. We also continued with large-scale projects to bring solar power and cleaner, safer fuel to rural populations in Sri Lanka, the Philippines and India.



Demonstrating how to use BP's Oorja biomass stove, in India.

## Investment cycle

We anticipate spending at least \$500 million over each five-year cycle on community investment. We plan to continue to invest in education, from school-based projects to university research. We intend to develop our work with local suppliers and businesses, including planning to standardize the way we screen the human rights records of suppliers. We plan to continue to explore ways of using our capabilities to meet the energy needs of low-income customers. We intend to remain active participants in the Extractive Industries Transparency Initiative and Voluntary Initiative on Human Rights and Security.



For more information:  
[www.bp.com/development](http://www.bp.com/development)

- Programmes related to education, enterprise development and access to energy.
- Supporting good governance and human rights.
- Giving and volunteering.

In locations where we operate, our businesses make strategic social investments in line with local priorities and conditions. We help provide sustainable solutions by bringing our collective experience and resources to bear, sometimes in partnership with others. The major areas of our involvement are education, enterprise, governance and transparency, human rights and access to energy.

## BP and development *continued*

### Supporting education

Education increases opportunities for communities and provides skills critical to our business. We have therefore given support to a range of projects at all levels of education, from early childhood learning to advanced research at world-leading universities.

We have expanded our US schools programme, A+ for Energy, beyond California and Texas to Illinois, Indiana, New Mexico and Ohio, as well as to Alberta, Canada. In 2007, we provided around \$5 million in grants and scholarships to teachers to implement innovative ideas to help students learn about energy and energy conservation.

We launched Enterprising Science in September 2007, a major education outreach programme for UK secondary schools. It includes a carbon footprint and climate change workshop tour, training for teachers provided by experts from the UK's Science Museum and a toolkit that students use to calculate their schools' carbon footprints.

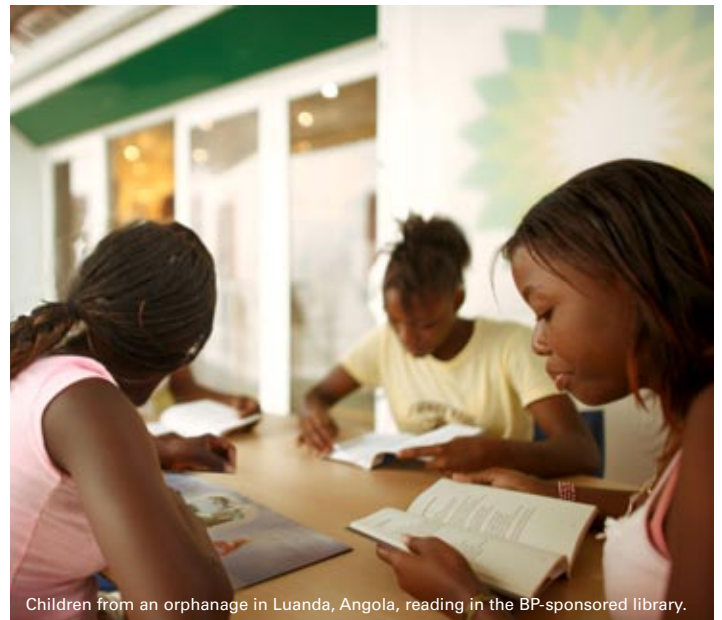
We have a global university research programme, which includes long-term partnerships with universities and research institutions in countries including China, Russia, the UK and US. A number of these examine future energy solutions. For example, in September 2007, we announced a major research partnership on energy conversion technologies with the Massachusetts Institute of Technology.

We also support specialized training for key interest groups. In 2007, we supported training programmes for journalists who cover the energy industry in Georgia (working with the NGO Transparency International) and Trinidad & Tobago. These enable journalists to gain a deeper understanding of how the oil and gas industry functions and to provide more informed commentary on its activity.

### Encouraging enterprise

As a major inward investor in many countries, we encourage enterprise in practical ways by supporting work to build the capability of local companies. This contributes to economic development and enables some of them to become our suppliers.

In Angola, for example, we work with other energy companies to support the Centro De Apoio Empresarial business support



Children from an orphanage in Luanda, Angola, reading in the BP-sponsored library.

centre, which runs training and events to build skills among small and medium-sized enterprises (SMEs). Since its launch in 2005, 978 people have taken part in training events and as a result more than 45 new contracts have been awarded to local companies and 232 new jobs created.

In Papua, Indonesia, we have collaborated with the International Finance Corporation and the UN Development Programme to found the Bird's Head Business Empowerment Programme (BHBEP). In 2007, the BHBEP conducted various training events on topics such as health, safety and environment awareness; project management; and business planning involving local businesses.

We support microfinance programmes that make loans to small businesses in countries including Angola, Azerbaijan, Colombia, Georgia and Trinidad & Tobago. In Trinidad & Tobago, for example, we made around 250 loans to SMEs in 2007, totalling around \$750,000.

## BP and development *continued*

### Supporting good governance

Promoting good governance – transparency in public finances and prudence in managing revenues – in places where we operate is critical in helping ensure that wealth derived from energy resources is used effectively.

We have funded 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. The centre was officially launched in December 2007 with a conference that brought together leading experts on energy and development.

We remain a member of the Extractive Industries Transparency Initiative, which supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining.

### Safeguarding human rights

We recognize that our operations can have potential impacts on the rights of those who work for us and those who live in the communities around our operations. We support the Universal Declaration of Human Rights in our role as a major employer, investor and energy provider.

During 2007, we began to screen potential suppliers to examine their human rights practices, with a process introduced by our procurement team in China. Potential suppliers are sent questionnaires asking them to declare that they do not use forced labour and that they check employees' ages, as well as requesting details of performance on issues such as the environment, health, safety, minimum salaries and overtime payments. If a potential supplier is then considered for approval, its health, safety, security, environment and social compliance practices are checked through an on-site audit. In 2007, we audited 18 potential suppliers and rejected six for social compliance or safety issues.

### Providing access to energy

We help to improve access to energy through business development opportunities or through community investment

in partnership with host governments, other companies, NGOs and international aid agencies.

During 2007, we continued to provide solar power to thousands of villagers in remote areas of the Philippines under the Solar Power Technology Support Project. We also completed the first phase of the Sustainable Agriculture Water Management Project in Sri Lanka, which has provided solar powered irrigation units that have enabled farmers in dry areas to increase crop yields, so raising incomes and helping to improve the lives of some 5,000 rural families.

We continued to build our business that provides access to cleaner, safer, affordable household energy products for low-income consumers. We sold a new cooking product comprised of a stove and biomass pellets to more than 100,000 Indian households. Tests show that using this type of cooking instead of open traditional wood-burning stoves significantly reduces carbon monoxide and particulate emissions.

#### **Specific observation from Ernst & Young**

In Luanda, we visited the Centro De Apoio Empresarial oil and gas business support centre and saw evidence that BP Angola receives quarterly reports on the benefits of the programme, including jobs created and contracts won by SMEs. While this programme is well received, we were told that there were areas where further improvements could be made, which could make it more effective.

## Five-year performance data

|  | 2003    | 2004    | 2005            | 2006               | 2007          |
|--|---------|---------|-----------------|--------------------|---------------|
| <b>Financial and operating</b>   |         |         |                 |                    |               |
| Total hydrocarbons produced (thousand barrels of oil equivalent per day)   | 3,606   | 3,997   | 4,014           | 3,926              | <b>3,818</b>  |
| Total refinery throughputs (thousand barrels per day)  | 2,723   | 2,607   | 2,399           | 2,198              | <b>2,127</b>  |
| Total chemicals production <sup>a</sup> (thousand tonnes)  | 12,392  | 13,358  | 14,076          | 14,064             | <b>14,028</b> |
| Shop sales (\$ million)  | 5,708   | 6,061   | 6,083           | 5,814              | <b>6,069</b>  |
| Replacement cost profit <sup>bc</sup> (\$ million)   | 12,432  | 15,432  | 19,314          | 22,253             | <b>17,287</b> |
| Taxes to governments – comprising income taxes and production taxes paid (\$ million)  | 6,614   | 8,595   | 11,995          | 17,690             | <b>13,267</b> |
| Dividends paid to shareholders (\$ million)  | 5,654   | 6,041   | 7,359           | 7,686              | <b>8,106</b>  |
| Benefits to employees  |         |         |                 |                    |               |
| – including wages, salaries, share-based payments, benefits and pensions (\$ million)  | 8,639   | 9,965   | 10,746          | 10,351             | <b>11,263</b> |
| Contracts terminated or not renewed due to non-compliance or unethical behaviour   | 29      | 41      | 77              | 69                 | <b>48</b>     |
| <b>Safety and operational integrity<sup>d</sup></b>  |         |         |                 |                    |               |
| Fatalities – employees   | 5       | 4       | 1               | 0                  | <b>3</b>      |
| Fatalities – contractors   | 15      | 7       | 26              | 7                  | <b>4</b>      |
| Days away from work cases (DAFWC) <sup>e</sup> – workforce   | 239     | 230     | 305             | 188                | <b>167</b>    |
| Days away from work case frequency (DAFWCF) <sup>e</sup> – workforce   | 0.09    | 0.08    | 0.11            | 0.085 <sup>f</sup> | <b>0.075</b>  |
| Recordable injuries – workforce <sup>e</sup>   | 1,604   | 1,513   | 1,471           | 1,067              | <b>1,060</b>  |
| Recordable injury frequency (RIF) <sup>e</sup> – workforce   | 0.61    | 0.53    | 0.53            | 0.48 <sup>f</sup>  | <b>0.48</b>   |
| Hours worked – employees (million hours)   | 247     | 241     | 242             | 207                | <b>204</b>    |
| Hours worked – contractors (million hours)   | 280     | 330     | 313             | 236 <sup>f</sup>   | <b>241</b>    |
| Number of oil spills – loss of primary containment <sup>g</sup>  | 635     | 578     | 541             | 417                | <b>340</b>    |
| Volume of oil spilled <sup>g</sup> (million litres)  | 3.8     | 5.7     | 4.4             | 2.2                | <b>1.0</b>    |
| Volume of oil unrecovered <sup>g</sup> (million litres)  | 1.4     | 1.5     | 1.2             | 0.4                | <b>0.3</b>    |
| <b>Environment<sup>d</sup></b>   |         |         |                 |                    |               |
| Direct carbon dioxide (CO <sub>2</sub> ) <sup>hi</sup> (million tonnes)  | 78.5    | 76.8    | 73.2            | 59.3               | <b>59.2</b>   |
| Indirect carbon dioxide (CO <sub>2</sub> ) <sup>hij</sup> (million tonnes)   | 10.4    | 9.9     | 13.9            | 10.1               | <b>10.7</b>   |
| Direct methane (CH <sub>4</sub> ) <sup>i</sup> (million tonnes)  | 0.24    | 0.23    | 0.23            | 0.24               | <b>0.20</b>   |
| Direct greenhouse gas (GHG) <sup>i</sup> (million tonnes CO <sub>2</sub> equivalent)   | 83.4    | 81.7    | 78.0            | 64.4               | <b>63.5</b>   |
| Flaring (exploration and production) (thousand tonnes of hydrocarbons)   | 1,342   | 1,343   | 1,514           | 1,241              | <b>1,124</b>  |
| Sulphur dioxide (SO <sub>2</sub> ) (thousand tonnes)   | 151     | 126     | 124             | 106                | <b>99</b>     |
| Nitrogen oxides (NO <sub>x</sub> ) (thousand tonnes)   | 220     | 215     | 218             | 196                | <b>204</b>    |
| Non-methane hydrocarbons (NMHC) (thousand tonnes)  | 269     | 245     | 298             | 225                | <b>187</b>    |
| Discharges to water (thousand tonnes)  | 57      | 57      | 46 <sup>k</sup> | 71 <sup>k</sup>    | <b>61</b>     |
| Fresh water withdrawal (million cubic metres)  | 517     | 493     | 479             | 342                | <b>801</b>    |
| Hazardous waste (thousand tonnes) <sup>l</sup>   | 171     | 159     | 237             | 270                | <b>170</b>    |
| Environmental and safety fines (\$ million)  | 7.0     | 4.8     | 56.0            | 2.5                | <b>22.5</b>   |
| <b>Employees<sup>dm</sup></b>  |         |         |                 |                    |               |
| Number of employees – group  | 103,700 | 102,900 | 96,200          | 97,000             | <b>97,600</b> |
| Number of employees in group leadership  | 609     | 610     | 606             | 622                | <b>624</b>    |
| Women in group leadership (%)  | 15      | 15      | 17              | 17                 | <b>16</b>     |
| People from UK and US racial minorities in group leadership (%)  | 4       | 4       | 5               | 5                  | <b>5</b>      |
| People from beyond the UK and US in group leadership (%)   | 18      | 19      | 20              | 20                 | <b>19</b>     |
| OpenTalk cases   | 258     | 343     | 634             | 1,064              | <b>975</b>    |
| Dismissals for non-compliance and unethical behaviour (excludes some dismissals from the retail business, <i>see page 25</i> ) | 165     | 252     | 478             | 642                | <b>944</b>    |
| <b>Contribution to communities<sup>d</sup> (\$ million)</b>  |         |         |                 |                    |               |
| UK   | 12.7    | 11.7    | 23.6            | 15.8               | <b>24.0</b>   |
| Rest of Europe   | 8.2     | 6.5     | 4.6             | 3.8                | <b>2.9</b>    |
| US   | 31.5    | 25.7    | 36.0            | 48.1               | <b>77.0</b>   |
| Rest of World  | 22.0    | 43.8    | 31.3            | 39.0               | <b>31.9</b>   |
| Total  | 74.4    | 87.7    | 95.5            | 106.7              | <b>135.8</b>  |

<sup>a</sup> Aromatics and acetyls and olefins and derivatives production reported within Refining and Marketing. 2002 to 2005 restated to reflect the transfer of three equity-accounted entities (with olefins and derivatives production) from Other businesses and corporate to Refining and Marketing.

<sup>b</sup> Replacement cost profit reflects the current costs of supplies. The replacement cost profit for the period is arrived at by excluding from profit inventory holding gains and losses.

<sup>c</sup> Financial information for 2003-2007 is under International Financial Reporting Standards.

<sup>d</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 i. We use consistent processes that seek to provide acceptable estimates to enable year-to-year comparisons.

<sup>e</sup> DAFWCF and RIF are the annual frequency per 200,000 hours worked. Prior to 2003, data included both illnesses and injuries. From 2003, only injuries are reported.

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

<sup>g</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>h</sup> Direct GHG emissions are the physical emissions from BP's sources. Indirect GHG emissions are a consequence of the import by BP of steam and electricity from third-party sources.

<sup>i</sup> BP share of emissions from operations on equity-share bases. TNK-BP emissions are not included.

<sup>j</sup> Prior to 2005, reported indirect emissions are lower because the BP CO<sub>2</sub> protocol previously allowed credit for exported power.

<sup>k</sup> Does not include discharges in new category of discharges to third-party treatment at 8,000, 7,000 and 9,000 tonnes in 2005, 2006 and 2007 respectively.

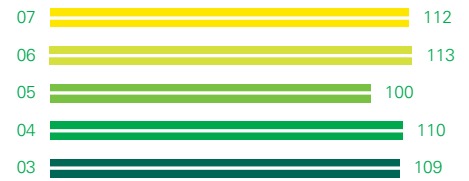
<sup>l</sup> Data prior to 2005 have been restated to correct inadvertent overstatements of hazardous waste at the Whiting refinery, US.

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

## Trends and interpretations

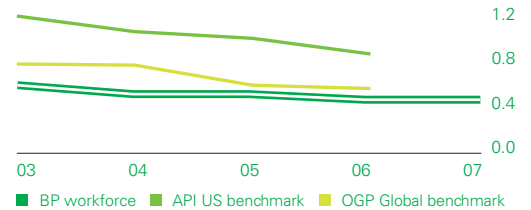
**Financial and operating** During 2007, we extended our track record in achieving reported reserves replacement more than 100% to 14 consecutive years. In 2007, we replaced 112% of our annual production, on a combined basis of subsidiaries and equity-accounted entities excluding acquisitions and disposals. This was in spite of significant effects of production-sharing agreements associated with high oil prices.

**REPORTED RESERVES REPLACEMENT RATIO<sup>ab</sup> (%)**



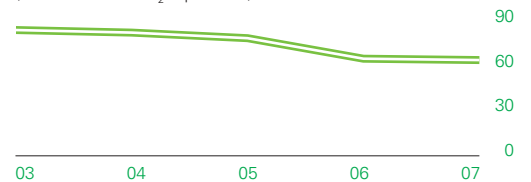
**Safety and operational integrity** For our total workforce (employees and contractors), our reported recordable injury frequency (RIF) in 2007 was 0.48 per 200,000 hours worked, the same as that for 2006 and our days away from work case frequency was 0.075 compared with 0.085 in 2006. BP annually benchmarks these safety performance indicators against its peers through industry associations and other groups.

**WORKFORCE RECORDABLE INJURY FREQUENCY<sup>cd</sup> (per 200,000 hours worked)**



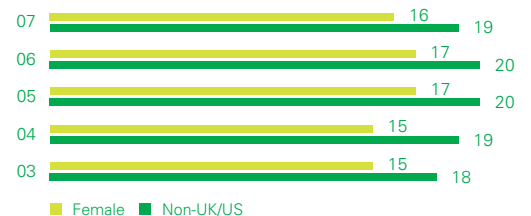
**Environment** GHG emissions, total non-GHG emissions, discharges and wastes have all decreased compared to 2006. During 2007, we continued delivering year-on-year reductions of our direct GHG emissions, to a level that is some 24% lower than the 83.4MteCO<sub>2</sub>e reported in 2003. More than 7Mte of real sustainable GHG reductions have been delivered since 2001. Total non-GHG emissions to air decreased, partly due to the installation of automated well controls in the US. Hazardous waste decreased compared to 2006 when elevated levels resulted from the Buncefield Terminal demolition. Total fresh water withdrawal increased, primarily due to cooling systems refilling during the start-up of the Texas City refinery. Total discharges to water decreased with significant reductions of drilling waste discharged to the Gulf of Mexico.

**DIRECT GREENHOUSE GAS EMISSIONS<sup>e</sup> (million tonnes CO<sub>2</sub> equivalent)**



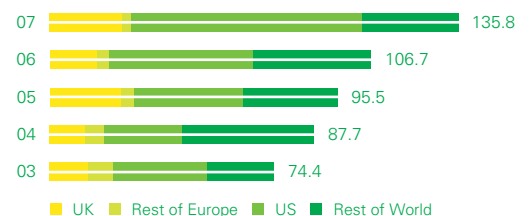
**Employees** Since we started to track the composition of our group leadership in 2000, the percentage of women leaders has increased from 9% to 16%, while the number of leaders from outside the US or UK has increased from 14% to 19%. These measures of diversity in our group leadership have remained broadly flat since 2006. Meanwhile, the number of group leaders from US or UK racial minorities has increased from 4% to 5% since 2000.

**DIVERSITY OF GROUP LEADERSHIP<sup>f</sup> (%)**



**Contribution to communities** We make direct contributions to communities through community programmes. Our total contribution in 2007 was \$135.8 million. The growing focus of this is on education, the development of local enterprise and providing access to energy in remote locations. In 2007, we spent \$77.7 million promoting education, with investment in three broad areas: energy and the environment; business leadership skills; and basic education in developing countries where we operate large projects.

**CONTRIBUTION TO COMMUNITIES BY REGION (\$ million)**



<sup>a</sup> Combined basis of subsidiaries and equity-accounted entities, on a basis consistent with general industry practice, excluding acquisitions and disposals.

<sup>b</sup> 2007 and 2006 using SEC reserves; 2003-2005 using SORP reserves.

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

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

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

<sup>f</sup> Group leadership comprises the top 624 positions in BP as at 31 December 2007.

## Independent assurance statement to BP management

*BP Sustainability Report 2007* (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, in order to provide conclusions in relation to Materiality, Completeness and Responsiveness and also to include specific observations from our work in relevant sections of the Report.

Our responsibility in performing our assurance activities is to the management of BP p.l.c. only and in accordance with the terms of reference agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization.

Any reliance any such third party may place on the Report is entirely at its own risk.

### What did we do to form our conclusions?

Our assurance engagement has been planned and performed in accordance with the Institute of Social and Ethical Accountability's AA1000 Assurance Standard and the International Federation of Accountants' ISAE3000<sup>a</sup>. The Report has been evaluated against the following criteria:

- Adherence to the principles of Materiality, Completeness and Responsiveness as set out in the AA1000 Assurance Standard.
- The application of the Global Reporting Initiative (GRI) *G3 Sustainability Reporting Guidelines* (the Guidelines).

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. For more information on how we use stakeholder views in the design and delivery of our assurance process please go to [www.bp.com/externalassurance](http://www.bp.com/externalassurance).
3. **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.
4. **Reviewed a selection of external media reports and selected group level documents** relating to safety, social, ethical and environmental aspects of BP's performance, to 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. As part of this we undertook 12 business visits to give coverage across business segments, key material issues and the geographies in which BP operates. For more information on the businesses visited and the process used for selection please go to [www.bp.com/externalassurance](http://www.bp.com/externalassurance).

6. **Reviewed health, safety and environment, community investment and ethics dismissals data samples and processes** to test whether they have been collected, consolidated and reported appropriately at group level and the businesses visited. We also reviewed leadership diversity data at group level.
7. **Reviewed BP's processes for determining material issues to be included in the Report.**
8. **Reviewed whether BP's reporting** has applied the GRI G3 Guidelines to a level consistent with the A+ application level.

### Level of assurance

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

### Limitations of our review

The scope of our work was limited to a sample of 12 visits from approximately 120 locations. Our stakeholder engagement activities were limited to attendance at two events.

Our review of data processes included the following data sets: health, safety and environment (HSE), community investment, ethics dismissals and group leadership diversity data. Our review of these data processes at operations level was limited to the BP-operated businesses visited.

### Our conclusions

On the basis of our review and in accordance with the terms of reference for our work we provide the following conclusions on the Report in relation to each of the main AA1000 Assurance Standard's principles (Materiality, Completeness and Responsiveness) and in relation to the GRI G3 Guidelines. Our conclusions should be read in conjunction with the above section on 'What did we do to form our conclusions?'

### Materiality

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

Based on our review:

- We are not aware of any material aspects concerning BP's sustainability performance which have been excluded from the report.
- 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, as described in Our approach to reporting (*page 40*).

<sup>a</sup> International Federation of Accountants' International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000).





### Completeness

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

Based on our review:

- We are not aware of any material issues excluded or misstatements made in relation to the information on which BP has made judgements in respect of the content of the Report.
- We are not aware of any material reporting units that have been excluded in BP management's review of safety, social, ethical and environmental performance.
- We have reviewed information or explanation on the statements on BP's sustainability activities presented in the Report and we are not aware of any misstatements in the assertions made.

*HSE, community investment and ethics dismissals data*

- Nothing has come to our attention that causes us to believe that HSE, community investment or ethics dismissals data has not been properly collated from information reported at operations level.
- We are not aware of any errors that would materially affect the group HSE, community investment or ethics dismissals data.

*Leadership diversity data*

- Nothing has come to our attention that causes us to believe that leadership diversity data has not been collated properly from group-wide systems.

### Responsiveness

How has BP responded to stakeholder concerns?

Based on our review:

- We are not aware of any additional issues of stakeholder interest that are not currently included in the Report's scope and content.

### GRI

Does the Report meet the requirements of the A+ application level of the GRI G3 Guidelines?

- Based on our review, including consideration of the Report, BP's Environment and Society Web content and elements of the *BP Annual Report and Accounts 2007*, nothing has come to our attention that causes us to believe that BP management's assertion that their sustainability reporting meets the requirements of the A+ application level of the Guidelines is not fairly stated.

### Selected observations on particular aspects of our engagement

Our observations and areas for improvement will be raised in a report to BP management. Selected observations are provided below.

Additional specific 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.

- The Report has included more extensive coverage on influencing the performance of joint ventures in relation to sustainability issues.
- We have observed policies, programmes and discrete activities aimed at addressing issues raised through stakeholder engagement. Observations on progress in these activities are provided in several sections of the Report. It is recognized that the response taken is BP's judgement and may not always be consistent with the expectations of all stakeholders.
- Information on progress with 'six-point plan' activities has become more standardized and we saw evidence that the group operations risk committee and the safety, ethics and environment assurance committee had reviewed reported progress quarterly.
- BP has reported additional indicators to measure integrity management performance (major integrity incidents and high-potential near misses).
- The processes for collating and reviewing recurring non-financial data at group level have been documented and are subject to annual sign-off. However, this process does not currently operate at all levels within the businesses themselves and the documentation of data processes at operational sites visited continues to vary.

### 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 2007.

### 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.

 ERNST & YOUNG

Ernst & Young LLP  
London  
May 2008

## Our approach to reporting

*BP Sustainability Report 2007* forms part of our non-financial performance communications which includes group, country and site-level reporting.

*BP Sustainability Report 2007* covers BP group activities during the period 1 January 2007 to 31 December 2007. 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, such as TNK-BP, and where we have significant influence, such as the Baku-Tbilisi-Ceyhan pipeline.

This report is aimed at our shareholders, employees, governments and joint venture partners, academics, non-governmental organizations and other parties or individuals with a working interest in BP.

BP's approach to materiality is a key driver in the way we identify issues for inclusion in our group sustainability report. 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. The matrices are also used when we engage with BP's senior executive

team, the safety, ethics and environment assurance committee, as well as with our auditors to provide context on our decision-making on which issues to include in our reports.

We continue to assess the reactions of readers to the content and presentation of our report via surveys, interviews, benchmark studies and workshops. Our research in 2007 focused on US-based socially responsible investors, with a series of interviews exploring the success of the report in meeting their needs and identifying areas for improvement in future reporting.

BP's 2007 report is aligned to the Global Reporting Initiative's (GRI) G3 sustainability reporting guidelines released in 2006, to an A+ level. This is alongside the strict application of our materiality process to ensure that we only report on those G3 indicators that are relevant to our business. BP provides a complete index against both core and additional indicators and provides information on why we have not reported against certain indicators in our report.

For the third year, we map the indicators to the IPIECA/API Oil and Gas Industry Guidance on Voluntary Sustainability Reporting. A full table showing how we address the GRI guidelines is available at [www.bp.com/gri](http://www.bp.com/gri).

## Glossary of terms

**API**.....American Petroleum Institute.

**Barrel**.....42 US gallons.

**boe**.....Barrels of oil equivalent.

**BP, BP group or the group**.....BP p.l.c. and its subsidiaries.

**CO<sub>2</sub>**.....Carbon dioxide.

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

**ERNP**.....Environmental requirements for new projects.

**EU**.....European Union.

**Gas**.....Natural gas.

**GHG**.....Greenhouse gas.

**GJ**.....Gigajoule.

**GRI**.....Global Reporting Initiative.

**GW**.....Gigawatt.

**GORC**.....Group operations risk committee.

**HSE**.....Health, safety and the environment.

**HSSE**.....Health, safety, security and the environment.

**Hydrocarbons**.....Crude oil and natural gas.

**IFRS**.....International Financial Reporting Standards.

**Innovene**.....Business sold by BP to INEOS in December 2005.

**IPIECA**.....International Petroleum Industry Environmental Conservation Association.

**kbd**.....Thousand barrels a day.

**kte**.....Thousand tonnes.

**Liquids**.....Crude oil, condensate and natural gas liquids.

**LNG**.....Liquefied natural gas.

**LPG**.....Liquefied petroleum gas.

**mb/d**.....Thousand barrels per day.

**mboe**.....Thousand barrels of oil equivalent.

**mboe/d**.....Thousand barrels of oil equivalent per day.

**Mte**.....Million tonnes.

**MW**.....Megawatt.

**NGO**.....Non-governmental organization.

**OMS**.....Operating management system.

**ppm**.....Parts per million.

**SEEAC**.....Safety, ethics and environment assurance committee.

**SMEs**.....Small and medium-sized enterprises.

**Tonne**.....2,204.6 pounds.

**UEDC**.....Utilized equivalent distillation capacity. A normalized measure of production used globally in the refining industry.

**UK**.....United Kingdom of Great Britain and Northern Ireland.

**US**.....United States of America.



For more information:

[www.bp.com/ourapproachtoreporting](http://www.bp.com/ourapproachtoreporting)  
[www.bp.com/sustainabilityglossary](http://www.bp.com/sustainabilityglossary)

## Further information



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

### Group level

BP Sustainability Review 2007 is available in English, German, 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

Reporting on our operations in Angola, 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 and 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)

BP Sustainability Review 2007 and other BP publications may be obtained, free of charge, from the following sources:

US and Canada  
BP Shareholder Services  
Tollfree: +1 800 638 5672  
Fax: +1 630 821 3456  
[shareholderus@bp.com](mailto:shareholderus@bp.com)

UK and Rest of World  
BP Distribution Services  
Tel: +44 (0)870 241 3269  
Fax: +44 (0)870 240 5753  
[bpdistributionsservices@bp.com](mailto:bpdistributionsservices@bp.com)

BP Annual Report and Accounts 2007 gives details of our financial and operating performance.  
[www.bp.com/annualreport](http://www.bp.com/annualreport)

BP Annual Review 2007 summarizes our financial and operating performance.  
[www.bp.com/annualreview](http://www.bp.com/annualreview)

BP Financial and Operating Information 2003-2007 includes five-year financial and operating data.  
[www.bp.com/financialandoperating](http://www.bp.com/financialandoperating)

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

### Contact details

Your feedback is important to us. You can e-mail 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 at: BP p.l.c., 1 St James's Square, London SW1Y 4PD, UK.

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**Date of previous report** May 2007

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