

# Who we are

We aim to create long-term value for shareholders by helping to meet growing demand for energy in a safe and responsible way. We strive to be a world-class operator, a responsible corporate citizen and a good employer.

BP is one of the world's leading integrated oil and gas companies – based on market capitalization, proved reserves and production. Through our work we provide customers with fuel for transportation, energy for heat and light, lubricants to keep engines moving and the petrochemicals products used to make everyday items as diverse as paints, clothes and packaging.

We believe a mix of fuels and technologies is needed to meet growing energy demand, improve efficiency and support the transition to a lower-carbon economy. These are the reasons why our portfolio includes oil, gas and renewables.

Our projects and operations help to generate employment, investment and tax revenues in countries and communities across the world. We have well-established operations in Europe, North and South America, Australasia, Asia and Africa and employ around 80,000 people.

## Our proposition for value growth

For BP good business starts with a relentless focus on safe and reliable operations. Our portfolio enables us to develop high-quality opportunities from a broad set of options. We prioritize value over volume and invest where we can apply our distinctive strengths, capabilities and technologies.

Our objective is to create shareholder value by growing sustainable free cash flow and distributions over the long term through capital and cost discipline.



## Front cover images

Castrol has been present in India for more than 100 years and is the country's leading automotive and industrial lubricant manufacturing business. Its three manufacturing plants are located in Silvassa, Patalganga and Paharpur, and its distribution network reaches more than 150,000 customers.

## Your feedback

We welcome your comments and feedback on our reporting. You can provide this at [bp.com/annualreportfeedback](http://bp.com/annualreportfeedback) or by emailing the corporate reporting team – details are on the back cover.

Your views are important to us and help shape our reporting for future years.

# Strategic report

It is a challenging time for our industry but we are making the changes that are needed without compromising our longer-term goals.

## About this report

*BP Strategic Report 2015* comprises the Strategic report as included in the *BP Annual Report and Form 20-F 2015* and supplementary information. *BP Strategic Report 2015* does not contain sufficient information as to allow as full an understanding of the results and the state of affairs of BP as *BP Annual Report and Form 20-F 2015*. Please refer to Information about this report on page 65.

**AR** Page references relating to content outside of this report but which appear in the full *BP Annual Report and Form 20-F 2015*.



## Glossary

Words with this symbol★ are defined in the glossary on page 61.



## Cautionary statement

This document should be read in conjunction with the cautionary statement on page 64.

## Supplementary information

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# BP at a glance

BP delivers energy products and services to people around the world.

Through our two main operating segments, Upstream and Downstream, we find, develop and produce essential sources of energy, turning them into products that people need. We also buy and sell at each stage of the hydrocarbon value chain. In renewable energy, our activities are focused on biofuels and onshore wind.

We also have a 19.75% shareholding in Rosneft, that we report as a separate segment.

**Business model**  
For more information on our business model see page 12.

Our group key performance indicators (KPIs) are shown on page 20. Some financial KPIs are not recognized GAAP measures, but are provided for investors because they are closely tracked by management to evaluate BP's operating performance and to make financial, strategic and operating decisions.

## Group

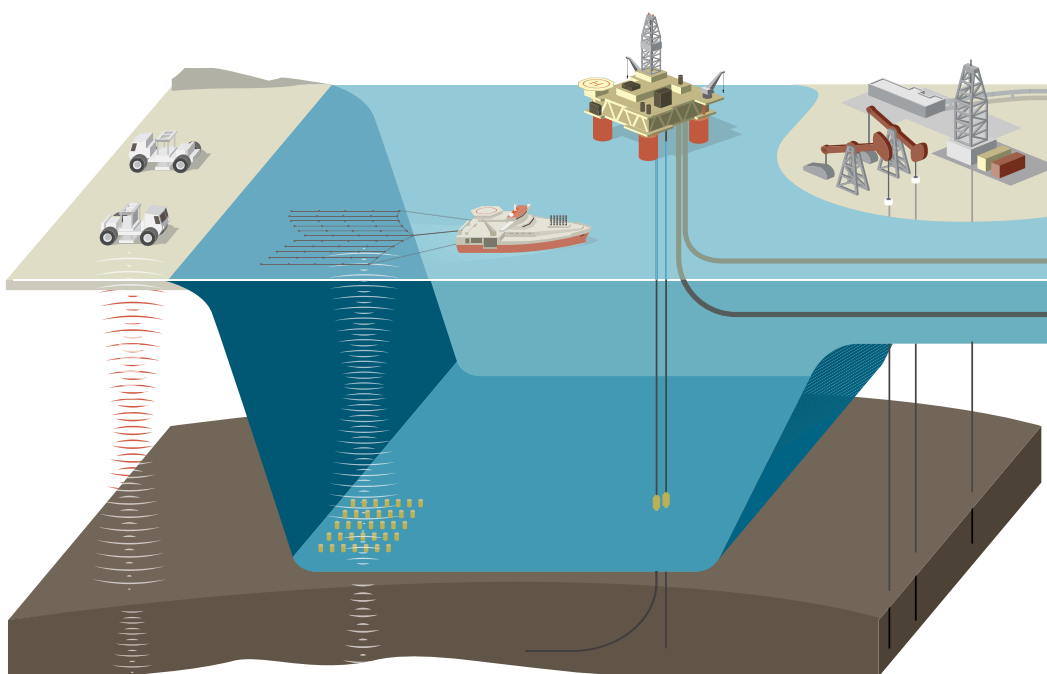
BP p.l.c. is the parent company of the BP group of companies. Our worldwide headquarters is in London.

## Finding oil and gas

First, we acquire exploration rights, then we search for hydrocarbons beneath the earth's surface.

## Developing and extracting oil and gas

Once we have found hydrocarbons, we work to bring them to the surface.



## Upstream

Our Upstream segment manages exploration, development and production activities.

See KPIs page 20.

See Upstream page 28.

**\$(6.5)bn**

loss attributable to BP shareholders  
2014: \$3.8bn profit

**21.6%**

gearing (net debt ratio)★  
2014: 16.7%

**20**

tier 1 process safety events★  
2014: 28

**\$5.9bn**

underlying replacement cost profit★  
2014: \$12.1bn

**\$19.1bn**

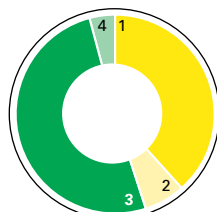
operating cash flow★  
2014: \$32.8bn

**3.3**

million barrels of oil equivalent per day<sup>a</sup>  
2014: 3.2mmboe/d

<sup>a</sup> See footnote a on page 15.

### Upstream proved reserves<sup>b</sup> (mmboe)



Liquids★  
■ 1. Subsidiaries 3,982  
■ 2. Equity-accounted entities 707  
**Total 4,689**

Natural gas  
■ 3. Subsidiaries 5,269  
■ 4. Equity-accounted entities 425  
**Total 5,694**

**\$(0.9)bn**

replacement cost loss before interest and tax  
2014: \$8.9bn profit

**2.3**

million barrels of oil equivalent per day<sup>b</sup>  
2014: 2.1mmboe/d

**3**

upstream major project★ start-ups  
2014: 7 major projects

**\$1.2bn**

underlying replacement cost profit before interest and tax  
2014: \$15.2bn

**8,000km<sup>2</sup>**

new exploration access  
2014: 47,000km<sup>2</sup>

<sup>b</sup> Excludes BP's share of Rosneft. See Rosneft on page 38.



Data provided on pages 2-5 is at or for the year ended 31 December 2015, unless otherwise indicated.

## Transporting and trading

oil and gas

We move hydrocarbons using pipelines, ships, trucks and trains and use our trading capability to capture value across the supply chain.

## Manufacturing

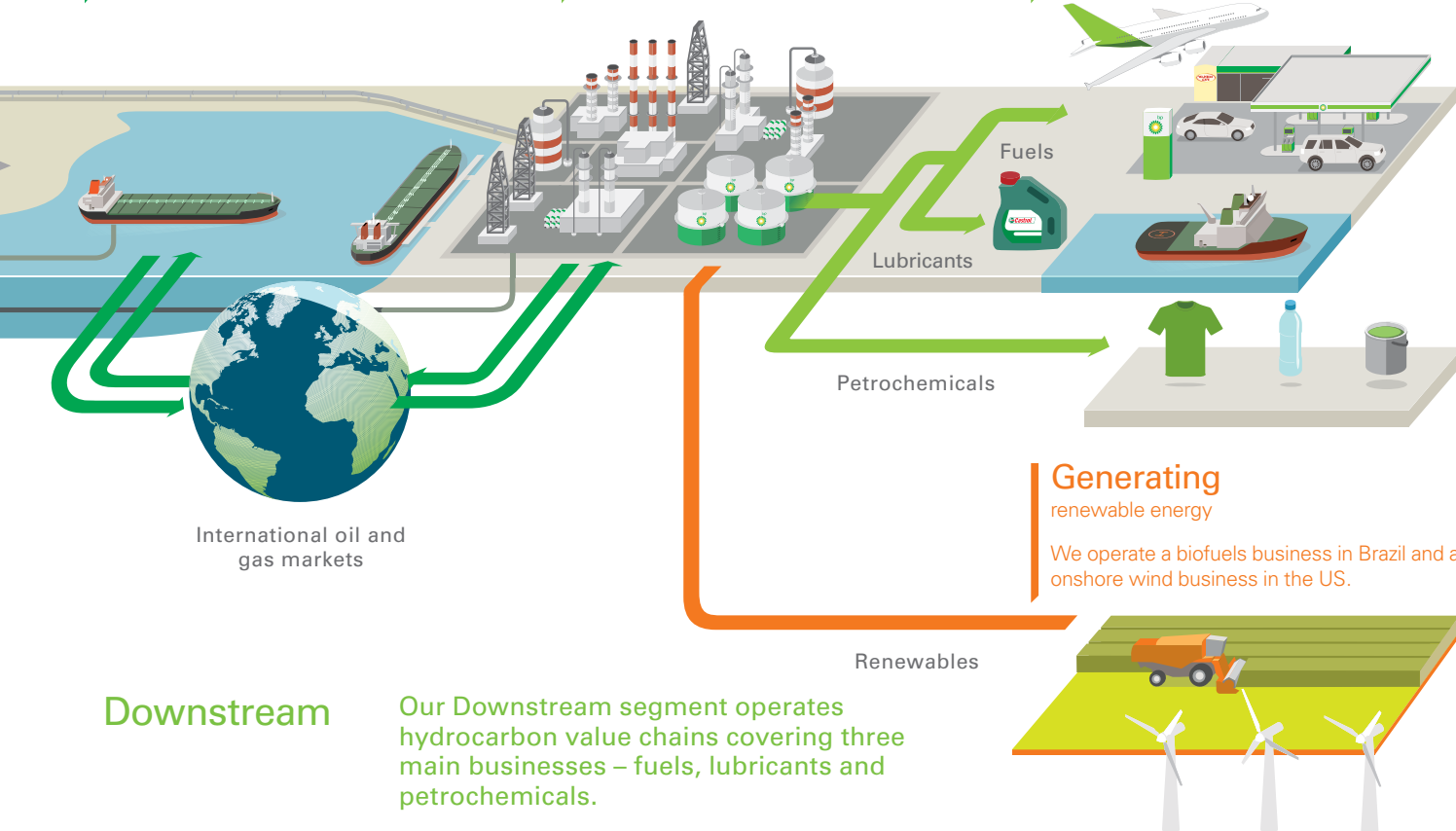
fuels and products

We refine, process and blend hydrocarbons to make fuels, lubricants and petrochemicals.

## Marketing

fuels and products

We supply our customers with fuel for transportation, energy for heat and light, lubricants to keep engines moving and the petrochemicals required to make a variety of everyday items.



## Generating

renewable energy

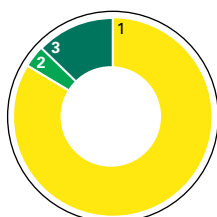
We operate a biofuels business in Brazil and an onshore wind business in the US.

## Downstream

Our Downstream segment operates hydrocarbon value chains covering three main businesses – fuels, lubricants and petrochemicals.

See Downstream page 34.

Operating capital employed★<sup>c</sup>



1. Fuels \$29.2bn  
2. Lubricants \$1.3bn  
3. Petrochemicals \$4.4bn

**\$7.1bn**

replacement cost profit before interest and tax  
2014: \$3.7bn

**1.7**

million barrels of oil refined per day  
2014: 1.7mmb/d

**42%**

of our lubricants sales were premium grades  
2014: 41%

**\$7.5bn**

underlying replacement cost profit before interest and tax  
2014: \$4.4bn

**14.8**

million tonnes of petrochemicals produced in the year  
2014: 14.0mmte

See Renewable energy page 40.

**795**

million litres of ethanol equivalent produced at our three mills in Brazil  
2014: 542 million litres


**4,424**

gigawatt hours of electricity generated at our 16 US wind farms  
2014: 4,617GWh





<sup>c</sup> See AR page 218.

# BP around the world

BP has operations in more than 70 countries.

 Countries where we have operations or interests are shaded green.



## Upstream

-  Primarily (>75%) liquids★.
-  Primarily (>75%) natural gas.
-  Liquids and natural gas.
-  Exploration site.

Locations are categorized as liquids or natural gas based on 2015 production. Where production is yet to commence, categorization is based on proved reserves. Exploration sites have no significant proved reserves or production as at 31 December 2015.

 **Upstream** see page 28.

## Downstream

-  Refinery.
-  Petrochemicals site(s).

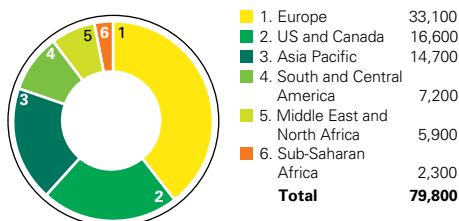
 **Downstream** see page 34.

## Renewable energy

-  Operational assets.

 **Renewable energy** see page 40.

## BP group employees by region



Employee figures include 15,600 service station staff and 4,800 agricultural, operational and seasonal workers in Brazil.

 **Employees** see page 49.

## Gulf of Mexico

Over the past decade, no oil and gas company has invested more in its operations in the deepwater Gulf than BP. We are a leading acreage holder and producer of oil and natural gas in the region. Our production comes from more than 10 fields and includes four BP-operated hubs.

## Fuels

Our fuels business is made up of regionally based integrated fuels value chains, that include refineries and fuels marketing businesses, together with global oil supply and trading activities. We supply fuel and related convenience services to consumers at around 17,200 retail sites under a BP brand and market our products in more than 50 countries.



## Lower 48

The US Lower 48 onshore business produces natural gas, oil, condensate and NGLs from conventional and unconventional sources including gas, coalbed methane and shale gas assets. It is one of the largest producers of natural gas in the US, with a presence in seven prolific gas basins in the country.

## Renewable energy

BP has the largest operated renewables business among our oil and gas peers. Our participation in renewable energies is focused on biofuels and onshore wind. Our operations include three sugar cane mills in Brazil and 16 wind farms in the US.

### North Sea

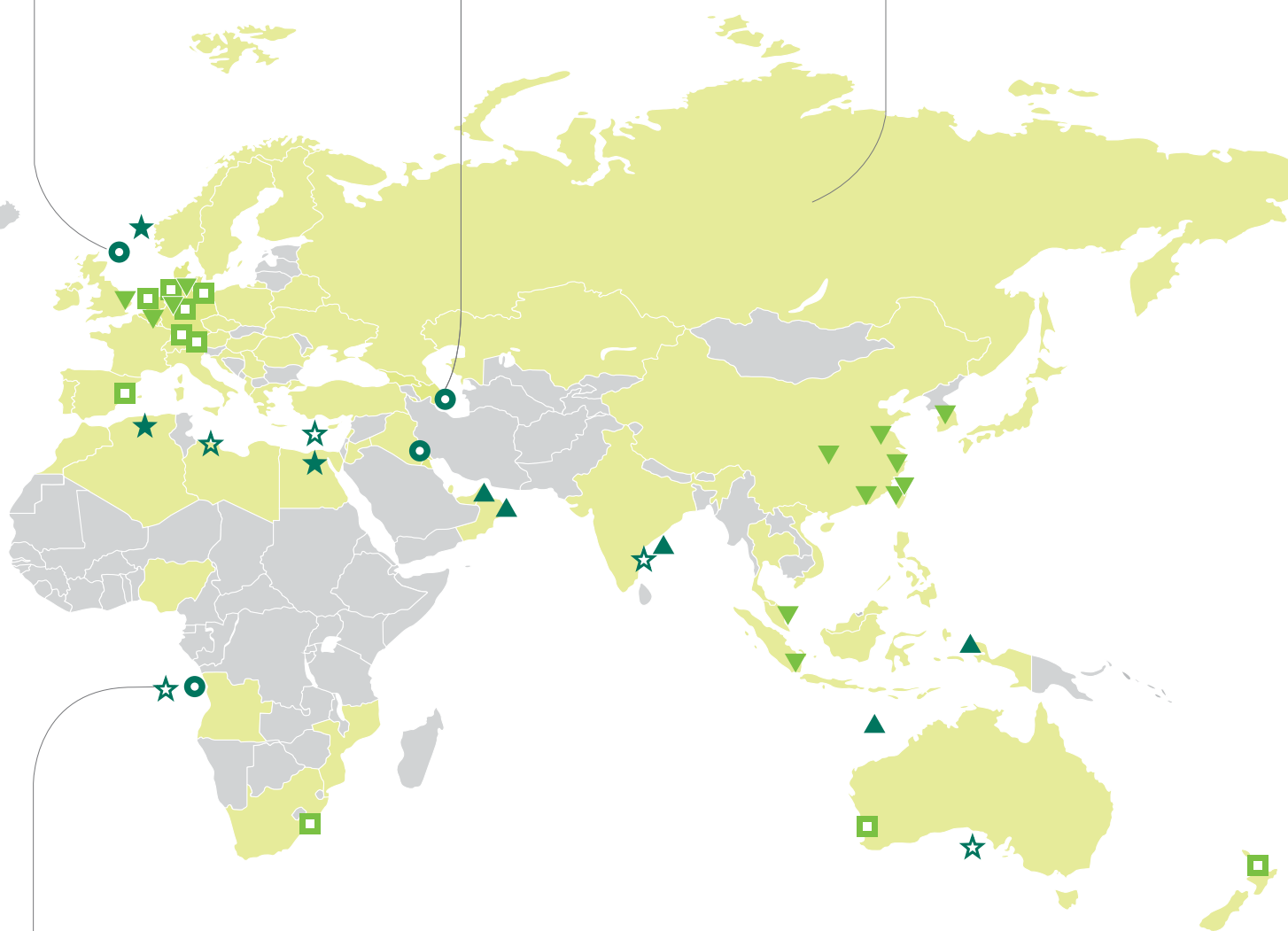
BP has been operating in the North Sea for many decades, where we remain a major player thanks to our large asset base in the area. We have two major projects under way in the UK: Quad 204 and Clair Ridge. Our activities cover the entire industry life cycle, from access and exploration to production and decommissioning.

### Azerbaijan

We are a significant investor in Azerbaijan, with two major production-sharing agreements★ and seven platforms in the country, as well as interests in other exploration leases. The Caspian Sea is one of the world's major hydrocarbon provinces, and development of the region's offshore oil and gas fields and onshore pipelines has made Azerbaijan a focal point of the global energy market.

### Rosneft

Rosneft is Russia's largest oil company and the world's largest publicly traded oil company in terms of hydrocarbon production. BP's 19.75% share of Rosneft's proved reserves – on an SEC basis – is 5 billion barrels of oil and 11 trillion cubic feet of gas. Rosneft's downstream operations include interests in 15 refineries.



### Angola

We have interests in eight major deepwater licences offshore, and operate four of these. In 2015 19% of our total net oil production worldwide (excluding Rosneft) came from Angola.

### Lubricants

We market lubricants and related products and services in approximately 75 countries through direct sales and/or locally approved distributors. We leverage brand, technology and relationships, focusing our resources on core and growing markets. Our *Castrol*, *BP* and *Aral* brands are recognized for innovation and high performance.

### Petrochemicals

We manufacture petrochemicals products across 17 sites and sell them in more than 40 countries. Our proprietary technologies are one of the business's distinctive sources of competitive advantage and support the development of our licensing business.

# Chairman's letter

“

We are prepared and well positioned to respond to the volatile environment as we move through 2016.

”

Carl-Henric Svanberg



## Dear fellow shareholder,

2015 has been another challenging year: oil prices have remained low, falling by more than 50% and our industry finds itself in a position not seen for some 30 years. This sustained low price is a result, not of lack of demand, but of oversupply. However, our work in reconfiguring BP following the incident in the Gulf of Mexico has meant that we were prepared and well positioned to respond to this volatile environment as we move through 2016.

## Shareholders and distributions

We have maintained our dividend during the year and remain committed to growing sustainable free cash flow and shareholder distributions over the long term. I believe that our current financial framework can support these commitments.

The board considers shareholder distributions in the context of how to achieve long-term growth and value creation. In the current weaker price environment, our aim is to rebalance our sources and uses of cash to ensure we cover capital expenditure and shareholder distributions with operating cash flow.<sup>a</sup> This will enable BP to continue to develop its business while maintaining safe and reliable operations. We anticipate that all the actions we are taking will capture more deflation and drive the point of rebalance to below \$60 per barrel. The board will keep all of this under review and will make any adjustments to our financial framework as circumstances require.

## Strategy

The proposed consent decree with the United States federal government and settlements with the US Gulf states are an important step. It has enabled us to look at the future with greater confidence. However the current price environment continues to be a cause for concern and so we have set a financial path for the next two years. This medium-term strategy is based on optimizing our deployment and allocation of capital and the continuing simplification of our business while maintaining our commitment to safety and reliability.

Our financial results over the year demonstrated the benefit from the integration of our upstream and downstream activities. We have a strong, refocused and rebalanced portfolio based on our distinctive capabilities which we believe will enable us to withstand lower prices. In the future, we will continue to invest in a balanced range of resources and geographies across the Upstream and Downstream to enable us to achieve long-term growth.

We have recently published our *BP Energy Outlook*. I believe this makes an important contribution to the discourse and debate in this area. As the world continues to develop economically then oil, and increasingly gas, will be needed for the foreseeable future. This is the core of our business. Overall we keep under review the broader strategic direction of the group as the market for our products evolves and the energy landscape starts to change.

2015 has seen increased focus on climate change. BP has consistently argued for a price on carbon and recognized the part we all must play in being part of the solution. However governments must take the lead in developing policies to reduce carbon emissions and we continue to engage in this debate. The UN conference on climate change has produced

\$7.3bn

dividends to BP shareholders

7.5%

ordinary shareholders annual dividend yield ★

7.7%

ADS shareholders annual dividend yield ★





### Board performance

For information about the board and its committees see [AR](#) page 55.



### Remuneration

For information about our directors' remuneration see [AR](#) page 76.

Top: The safety, ethics and environmental assurance committee (SEEAC) examine safety measures at our operations in the Khazzan field in Oman.

Bottom: SEEAC members meeting crew on the Cassia platform in Trinidad and Tobago where they inspected the safety of operations.



some clear results and I am proud of the part that Bob has played in leading the initiative within our industry. At our last AGM in April the board was pleased to support a resolution brought by a group of our shareholders that encouraged greater disclosure of our work in this area; our evolving response to this is set out in our Sustainability Report due for publication this March.

### Oversight

The world continues to be a troubled place and the risks faced by BP are ever evolving. The board keeps under review its approach to the monitoring of risk – as demonstrated by the board's oversight of cybersecurity and the sharpened focus on geopolitical risk through the formation of the geopolitical committee. This is complemented by the work of our international advisory board. As we progress with our litigation in the US, we expect to stand down the Gulf of Mexico committee during 2016 and I would like to thank my colleagues for the important work and focus they have given to this committee over the past five years. Oversight of the continuing litigation will fall to the full board.

### Governance and succession

Membership of the board has continued to be refreshed and during the year Paula Reynolds and Sir John Savers joined us as non-executive directors. Paula brings deep experience from the financial and energy worlds, while John brings long experience of international politics and security that are so important to our business. Professor Dame Ann Dowling has taken the chair of the remuneration committee in anticipation of Antony Burgmans standing down from the board after twelve years. Antony has chaired the remuneration committee and is also chairing the newly formed geopolitical committee until April when Sir John Savers will succeed him. Phuthuma Nhleko, who joined the board in 2011, has decided not to offer himself for re-election at the forthcoming AGM due to external business commitments. On behalf of the board I thank Antony and Phuthuma for the substantial contribution that they have made to all of our work.

In 2015 Bob and his executive team have worked determinedly to steer the business through some difficult times with some tough decisions. They have met every challenge and as a result the business is in robust shape as we go into 2016. They deserve our thanks as do all our employees. I would like to thank the board for all that they have done.

And I would like to thank our shareholders for your continued support. We are set to continue supplying energy to help meet global demand while delivering value to you from a great business.

**Carl-Henric Svanberg**

Chairman

4 March 2016

<sup>a</sup> See Our financial framework on page 19.

# Group chief executive's letter

“

By focusing on our distinctive areas of strength, BP has become an increasingly agile business, able to respond quickly to changing conditions.

”

Bob Dudley



## Dear fellow shareholder,

In 2015 we continued to adapt to the tough environment created by the dramatic drop in oil prices. We have seen prices crash before, but this fall has been particularly steep, from over \$100 a barrel in mid-2014 to below \$30 by January 2016. The work we have done to reshape and strengthen BP after 2010 stood us in good stead to withstand these conditions and last year we took further action to make the business more resilient in the short term. We also continue to invest for long-term growth. Our safety record improved, along with operating reliability, while costs came down and capital discipline was maintained. The current environment has however impacted our financial results, as well as those of our competitors. So, while the oil price is beyond our control, we have performed strongly on the factors that we can control.

## A safer, more reliable, more resilient BP

In terms of safety, our top priority, we achieved improvements year-on-year in all of our key safety measures – process safety events, leaks, spills and other releases, and recordable injuries. This performance is at a much better level than five years ago and in line with the best among our peers. Safety is also good business. When we operate safely, our operations are more reliable. When the assets run reliably, they operate more continuously. When our operations run efficiently, we have better financial results.

In the current business environment, competitiveness depends on minimizing our costs and being disciplined in our use of limited capital – as demonstrated by our organic capital expenditure in 2015 of \$18.7 billion, down from nearly \$23 billion in 2014. And we continue to focus our portfolio on the highest quality projects and operations, divesting \$10 billion worth of assets in 2014 and 2015, in line with our target.

2015 was a challenging year for our Upstream business, with weaker oil and gas realizations leading to a significantly lower underlying pre-tax replacement cost profit of \$1.2 billion. However, efficiency and reliability improved across the business in 2015. Upstream unit production costs were down 20% on 2013, and BP-operated plant reliability increased to 95% from 86% in 2011. We have made our base production more resilient by improving our reservoir management and increasing efficiencies in our drilling and operations – lowering the decline rate and reducing non-productive time in drilling to its lowest level since 2011. And the decision to manage our US Lower 48 business separately is starting to deliver improvements in performance and competitiveness.

Our Downstream business had a record year, delivering \$7.5 billion of underlying pre-tax replacement cost profit, demonstrating the benefit of being an integrated business. Our refining business is ranked among the top performers based on net cash margin in the most recent industry benchmark. We made improvements in safety, efficiency and operational performance, and continued to develop a portfolio of highly competitive assets and products. These include the launch in Spain of a new range of fuels with engine-cleaning and fuel-economy benefits, the unveiling of *Nexcel* from *Castrol* – a technology with the potential to revolutionize the oil changing process in vehicles, and the start-up of Zhuhai 3 in China – one of the most efficient purified terephthalic acid production units in the world.

# 94.7%

2015 refining availability★

# 95%

Upstream BP-operated plant reliability★



## Strategy

For more information on our strategic priorities and longer-term objectives see pages 12-17.



## Industry context

See how we are responding to the lower price environment on pages 18-19.

Our executive vice president for corporate business activities, Katrina Landis, decided to step down after a very successful 24 years in BP. We have taken this opportunity to simplify and better align responsibilities within the team, appointing Lamar McKay as deputy chief executive, leading on key accountabilities such as strategy and safety, with Bernard Looney succeeding Lamar as Upstream chief executive.

### Building a platform for growth

The agreements we reached in July with US federal, state and the vast majority of local government bodies will, subject to court approval, settle our largest remaining legal exposures relating to the Deepwater Horizon accident and oil spill in 2010. This is a realistic outcome that gives BP clarity to plan for the future.

To build that future, we are continuing to invest in a disciplined way in a portfolio that is well balanced in several respects – geographically across regions, across our upstream and downstream businesses and across resource types – conventional and unconventional oil and gas, as well as the renewable energies of biofuels and wind. This gives us resilience and flexibility now and in the future.

In the Upstream, in addition to a well-managed base of existing operations, we had three major project start-ups in 2015 and we made final investment decisions on four projects, including the West Nile Delta project in Egypt, where we are seeing some best-in-class drilling performance. Looking ahead, we expect significant new production from projects starting up between 2015 and 2020, including our mega projects at Shah Deniz 2 in Azerbaijan and Khazzan in Oman, which will create value for decades. These projects are on time and on budget.

In the Downstream, we continue to focus on resilient and improving performance and growth from a quality portfolio of high-performing refineries, a competitive petrochemicals business and growing fuels marketing and lubricants businesses.

In 2015 we furthered our relationship with Rosneft to that of a strategic partner, with involvement in exploration, appraisal and production in some of the world's most prolific oil and gas provinces. In China, we have signed new agreements to supply liquefied natural gas and to explore for shale gas. And we continue to build relationships in BP's historic heartlands of the Middle East, with growing opportunities in Oman, Kuwait, Egypt and Iraq.

### Acting on climate change

We continue to support action to address the risk of climate change. Through the Oil and Gas Climate Initiative – a business coalition that accounts for over a fifth of global oil and gas production – we are sharing best practices and developing common approaches, such as on the role of natural gas, the lowest-carbon fossil fuel and on energy efficiency. We also joined with BG Group, Eni, Reliance, Repsol, Royal Dutch Shell, Statoil and Total to call on the UN and governments to put a price on carbon so that businesses and consumers of energy can better work within frameworks that are clear.

We welcome the direction provided by the historic agreement reached at the UN climate conference in Paris. Governments, companies and consumers all have to make an appropriate contribution and we will continue to play our part through means including energy efficiency, renewable energy and increasing the share of natural gas in our portfolio.

### Adapting for now and the future

Over the years BP has responded to changing circumstances many times. Each time we have learned, adapted and evolved. This experience, gained over more than 100 years, is one of our greatest assets. Today, we are well placed to weather the storm and navigate through a testing environment to emerge in good shape for taking advantage of new opportunities. I am confident that BP will be delivering energy for our customers and value for our shareholders long into the future.

**Bob Dudley**

Group chief executive  
4 March 2016

Top: Bob Dudley meets Russian deputy prime minister for social affairs, Olga Golodets, at the London Science Museum Cosmonauts exhibition.

Bottom: Bob Dudley speaks with Pemex CEO, Emilio Lozoya Austin and Total CEO Patrick Pouyanné at the OGCI event in Paris.





# Our market outlook

We believe that a diverse mix of fuels and technologies will be essential to meet the growing demand for energy and challenges facing our industry.



For further detail on our projections of future energy trends contained in this section, please refer to *BP Energy Outlook*.



## Our markets in 2015

See page 24 for information on oil and gas prices in 2015.



## Near-term outlook

The global economy continues to experience weaker growth in the main developing economies and slower than expected recovery in the developed world. World gross domestic product (GDP) is expected to grow by 2.8% in 2016, led by the OECD, but with significant downside risks from emerging economies, particularly commodity exporters.

After around four years of averaging about \$100 per barrel, oil prices fell by nearly 50% in 2015. Even as US production growth stalled and global oil demand rebounded, a large increase in OPEC production continued to push inventories higher. Price declines continued into early 2016, with daily prices reaching levels not seen since 2004.

Prices are expected to remain low at least through the near term. And while we anticipate supply chain deflation in 2016 and beyond, as industry costs follow oil prices with a lag, this will be a tough period of intense change for the industry as it adapts to this new reality.

## Long-term outlook

The world economy is likely to more than double from 2014 to 2035, largely driven by rising incomes in the emerging economies and a projected population increase of 1.5 billion.

We expect world demand for energy to increase by as much as 34% between 2014 and 2035. This is after taking into account improvements in energy efficiency, a shift towards less energy-intensive activities in fast-growing economies, governmental policies that incentivize lower-carbon activity, and national pledges made at the 2015 UN climate conference in Paris.

There are more than enough energy resources to meet this growing demand, but there are a number of challenges.

## Affordability

Fossil fuels are currently cheaper than renewables but their future costs are hard to predict. Some fossil fuels may become more costly as the difficulty to access and process them increases; others may be more affordable with technological progress, as seen with US shale gas. While many renewables remain expensive, innovation and wider deployment are likely to bring down their costs.

## Supply security

Energy resources are often distant from the hubs of energy consumption and in places facing political uncertainties. More than half of the world's known oil and natural gas reserves are located in just eight countries.

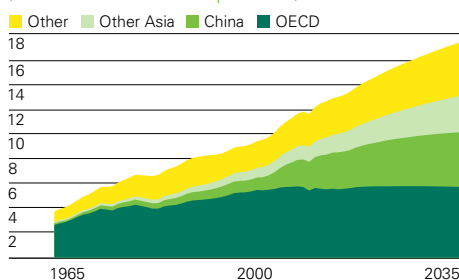
## Sustainability

Fossil fuels – though plentiful and currently more affordable than other energy resources – emit carbon dioxide (CO<sub>2</sub>) and other greenhouse gases (GHG) through their production and use in homes, industry and vehicles. Renewables are lower carbon but can have other environmental or social impacts, such as high water consumption or visual intrusion.

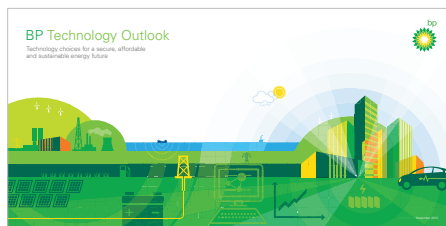
## Effective policy

BP believes that carbon pricing is the most comprehensive and economically efficient policy to limit GHG emissions. Putting a price on carbon – one that treats all carbon equally, whether it comes out of a smokestack or a car exhaust – would make energy efficiency more attractive and lower-carbon energy sources, such as natural gas and renewables, more cost competitive. A carbon price incentivizes both energy producers and consumers to reduce their GHG emissions. Governments can put a price on carbon via a well-constructed carbon tax or cap-and-trade system.

**Global energy consumption by region**  
(billion tonnes of oil equivalent)

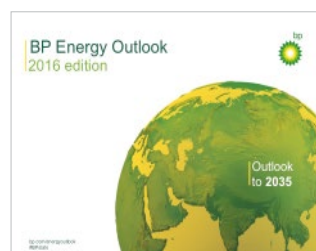


Source: *BP Energy Outlook*.




The *BP Technology Outlook* shows how technology can play a major role in meeting the energy challenge by widening energy resource choices, transforming the power sector, improving transport efficiency and helping to address climate concerns out to 2050.

 See [bp.com/technologyoutlook](http://bp.com/technologyoutlook)



*BP Energy Outlook* provides our projections of future energy trends and factors that could affect them out to 2035, based on our views of likely economic and population growth and developments in policy and technology. Also available in Excel and video format.

 See [bp.com/energyoutlook](http://bp.com/energyoutlook)

 **Our strategy**  
Find out how BP can help meet energy demand for years to come on page 12.

 **Climate change**  
Our sector has an important part to play in addressing climate change. See page 46 to find out what BP is doing.

## Energy efficiency

Greater efficiency helps with affordability – because less energy is needed; with security – because it reduces dependence on imports; and with sustainability – because it reduces emissions. Innovation can play a key role in improving technology, bringing down cost and increasing efficiency. In transport, for example, we believe energy-efficient technologies and biofuels could offer the most cost-effective pathway to a secure, lower-carbon future.

## All sorts of energy required

We believe a diverse mix of fuels and technologies is needed to meet growing energy demand, while supporting the transition to a lower-carbon economy. These are reasons why our portfolio includes oil, gas and renewables.

## Oil and natural gas

Over the next few decades, we think oil and natural gas are likely to continue to play a significant part in meeting demand for energy. They currently account for around 56% of total energy consumption, and we believe they will decrease to about 54% in 2035. For comparison, under the International Energy Agency's most ambitious climate policy scenario (the 450 scenario<sup>a</sup>), oil and gas would still make up 50% of the energy mix in 2030 and 44% in 2040 – assuming carbon capture and storage is widely deployed.

Oil is a good source of energy for transportation as it has a high energy density. That means vehicles go further on less weight and volume of fuel than alternatives. Also, oil's liquid form makes it easy to move around, globally and locally. For these reasons, we expect oil to still account for almost 90% of transportation fuels in 2035 – compared with 94% today.

Natural gas is likely to play an increasing role in meeting global energy demand, because it's available at scale, relatively low cost and lower carbon than other fossil fuels. By 2035 gas is expected to provide 26% of global energy, placing it on a par with oil and coal.

<sup>a</sup> From *World Energy Outlook 2015*. © OECD/International Energy Agency 2015, page 35. The IEA 450 scenario assumes a set of policies that bring about a trajectory of greenhouse gas emissions from the energy sector that is consistent with limiting long-term average global temperature increase to 2°C.

We believe shale gas will contribute more than half of the growth in natural gas globally between 2014 and 2035. In the US, the growth of shale gas has already had a significant impact on gas demand as well as CO<sub>2</sub> emissions, which have fallen back to 1990s levels.

The increasing gas supply in the US and other countries is encouraging the use of liquefied natural gas worldwide, which is expected to double between 2014 and 2035.

New sources of hydrocarbons may be more difficult to reach, extract and process. BP and others in our industry are working to improve techniques for maximizing recovery from existing and currently inaccessible or undeveloped fields.

## Renewables

Renewables are the fastest-growing energy source. Over the past few years, there has been rapid expansion of the use of solar power due to cost reduction in manufacturing and public subsidies. That said, renewables, excluding large-scale hydroelectricity, currently account for around 3% of energy consumption. While they are starting from a low base, we estimate that by 2035 they will contribute around 9% of total global energy demand.

Temporary policy support is needed to help commercialize lower-carbon options and technologies, but they will ultimately need to become commercially self-sustaining, supported only by a carbon price.

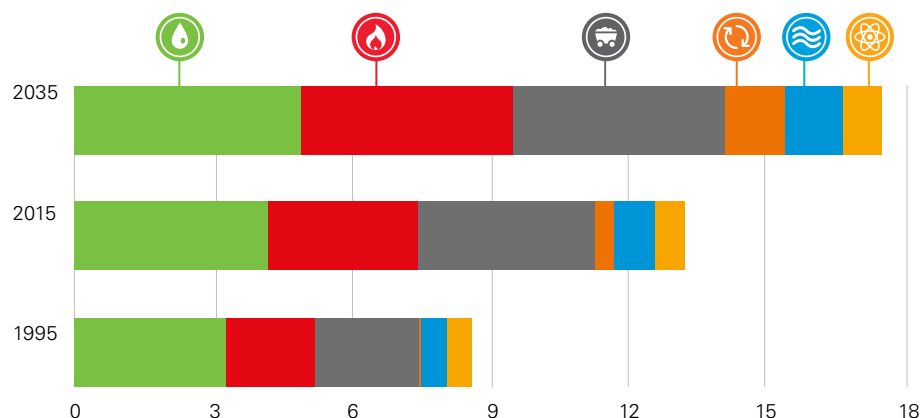
## Beyond 2035

We expect that growing population and per capita incomes will continue to drive growing demand for energy. These dynamics will be shaped by future technology developments, changes in tastes, and future policy choices – all of which are inherently uncertain. Concerns about energy security, affordability and environmental impacts are all likely to be important considerations. These factors may accelerate the trend towards more diverse sources of energy supply, a lower average carbon footprint, increased efficiency and demand management.

## Energy consumption (billion tonnes of oil equivalent)

Today around 32% of energy consumed comes from oil, 30% from coal, and 24% from gas – so 86% from fossil fuels in total. Hydroelectricity accounts for 7%, nuclear for 4% and other renewables for just 3%.

 Oil  
 Gas  
 Coal  
 Renewables  
 Hydro  
 Nuclear



Source: *BP Energy Outlook*.




# Our business model and strategy


We aim to create value for our investors and benefits for the communities and societies where we operate.

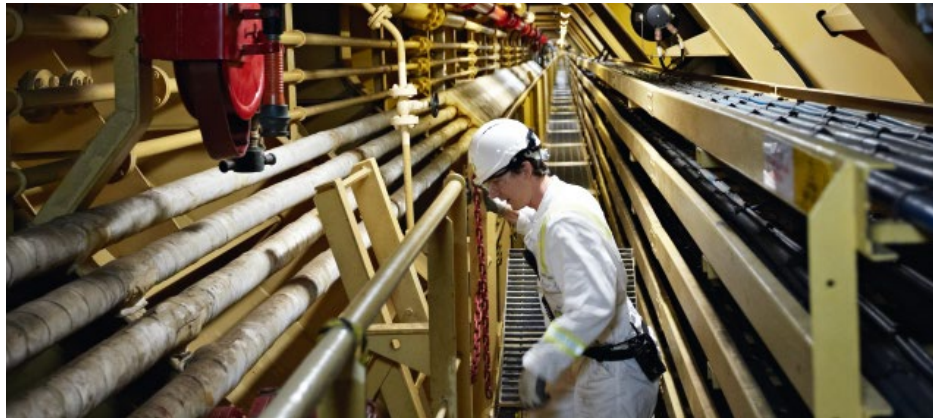


▲ The new semi-submersible Deepsea Aberdeen drilling vessel carries out ultra-deepwater drilling in the UK North Sea.

▼ An officer working in the under-deck pipe passageway on board BP's LNG tanker *British Trader*.

 **Illustrated business model**  
For an at a glance overview of our business model see page 2.

 **Our businesses**  
For more information on our upstream and downstream business models, see pages 28 and 34 respectively.



## Our business model

We believe the best way to achieve sustainable success as a group is to act in the long-term interests of our shareholders, our partners and society. By supplying energy, we support economic development and help to improve quality of life for millions of people. Our activities also generate jobs, investment, infrastructure and revenues for governments and local communities.

Our business model spans everything from exploration to marketing. We have a diverse integrated portfolio that is balanced across resource types, geographies and businesses, and adaptable to prevailing conditions. Our geographic diversity gives us access to growing markets and new resources and provides robustness to geopolitical events.

By having upstream and downstream businesses and well established trading capabilities, we have a cushion to oil price volatility as downward pressures in one part of the group can create opportunities in another. Integration also allows us to share functional excellence more efficiently across areas such as safety and operational risk, environmental and social practices, procurement, technology and treasury management.

Every stage of the hydrocarbon value chain offers opportunities for us to create value, through both the successful execution of activities that are core to our industry, and the application of our own distinctive strengths and capabilities in performing those activities.

## What we do differently

We apply our capabilities of advanced technology, strong relationships and proven expertise across our operations to help us deliver against our strategic priorities in ways that we believe set us apart from our peers. These examples reflect our distinctive ways of working across the business.

 See page 16 for details of our distinctive capabilities.

## Our partnerships in Russia

BP has been collaborating with leading Russian oil and gas companies for 25 years, creating a successful presence in a country with some of the largest oil and gas reserves and greatest potential worldwide. Through our partnership with Rosneft, the world's largest listed oil company in terms of production volume, we are able to build on the experience and success we have achieved over the past quarter century and continue to grow BP's business in Russia.



## Global energy trading

Using our knowledge and insights to help keep the world's energy moving, our energy trading function is BP's face to global energy markets and an integral part of our upstream and downstream operations. We offer a combination of expertise in physical supply and trading, innovative financial structures and advanced analytics to deliver long-term value, from wellhead to end customer. We trade a variety of physical products such as crude oil, refined products, natural gas, LNG and power, and aim to maximize value from our assets by managing the flow of these commodities.



### Industry context

See how we are responding to the lower price environment on pages 18-19.

### Our key performance indicators

See how we measure our progress on page 20.

### Risks

Find out how we manage the risks to our strategy on page 51.

A relentless focus on safety remains the top priority for everyone at BP. Rigorous management of risk helps to protect the people at the front line, the places where we operate and the value we create. We understand that operating in politically complex regions and technically demanding geographies requires particular sensitivity to local environments.

### Our strategy

We prioritize value over volume by actively managing a high-value upstream and downstream portfolio and investing where we can apply the distinctive strengths, capabilities and technologies we have built up over decades.

We aim to create shareholder value by growing sustainable free cash flow★ and distributions over the long term.

We are pursuing our strategy by setting clear priorities, actively managing a quality portfolio and employing our distinctive capabilities.

### Clear priorities

First, we aim to run safe, reliable and compliant operations – leading to better operational efficiency and safety performance. We target competitive project execution to deliver projects as efficiently as possible. Making disciplined financial choices focused on capital and cost discipline allows us to maximize free cash flow and increase the resilience of our portfolio to changing price environments.

### Quality portfolio

We undertake active portfolio management to concentrate on areas where we can play to our strengths. We focus on high-value upstream assets in deep water, giant fields, selected gas value chains and unconventional★. And, in our downstream businesses, we plan to leverage our upgraded assets, customer relationships, brand and technology to continue to grow free cash flow.

Our portfolio of projects and operations is focused where we believe we can generate the most value, using our commercial agility and technical capability. This allows us to build a strong pipeline of future growth.

### Distinctive capabilities

Our ability to deliver against our priorities and build the right portfolio depends on our distinctive capabilities. We apply advanced technology across the hydrocarbon value chain, from finding resources to developing energy-efficient and high-performance products for customers. We work to develop and maintain strong relationships – with governments, partners, civil society and others – to enhance our operations in more than 70 countries across the globe. And the proven expertise of our employees comes to the fore in a wide range of disciplines.

### Innovative customer offers

We provide our customers with a broad range of premium products, tailored to meet their needs. Our *Castrol* brand has a long history of product innovation and industry firsts, such as our recently launched *Nexcel* oil-change technology. In retail, our combination of quality brands creates a highly differentiated offer. For example, in the UK this includes our partnership with Marks & Spencer, a market-leading loyalty programme with Nectar, the *Wild Bean Café* and Apple Pay®.



### Collaborative partnerships

We have considerable experience of managing the complexities of large projects with multiple parties. For example, BP is leading the Shah Deniz Stage 2 and Southern Corridor projects, in partnership with 10 other national and international oil companies, to construct one of the world's longest pipelines from Azerbaijan to Italy. Our history of working with governments, international agencies, communities and partners has proved invaluable in establishing the route between the landlocked Caspian Sea and the Mediterranean.



### Pioneering commercial arrangements

We find innovative and mutually beneficial ways of working. The Rumaila oil field in Iraq is one of the world's largest by production, although this had fallen after years of conflict and under-investment. In 2009 BP and China National Petroleum Corporation committed to work with Iraq's South Oil Company to modernize operations and increase production. BP recovers costs, irrespective of oil price, and a fee per barrel of incremental production above a defined threshold.



# Our strategy in action

**Delivering energy  
to the world**



## How we measure

For definitions of how we measure our performance, see Our key performance indicators on page 20.

Safe, reliable and compliant operations



Disciplined financial choices



Competitive project execution



Source future growth



Focus on high-value upstream assets



Build high-quality downstream businesses



Our ability to deliver against our priorities and build the right portfolio depends on our distinctive capabilities.

## How we deliver

We prioritize the safety and reliability of our operations to protect the welfare of our workforce, local communities and the environment, and to improve the efficiency of our operations. This also helps preserve value and secure our right to operate around the world.

We rigorously screen our investments and we work to keep our annual capital expenditure within a set range. Ongoing management of our portfolio helps ensure focus on more value-driven propositions. We balance funds between shareholder distributions and investment for the future.

We seek efficient ways to deliver projects on time and on budget, from planning through to day-to-day operations. Our wide-ranging project experience makes us a valued partner and enhances our ability to compete.

## How we measure

Recordable injury frequency, loss of primary containment, greenhouse gas emissions, tier 1 process safety events.

Operating cash flow, gearing, total shareholder return, underlying replacement cost profit per ordinary share.

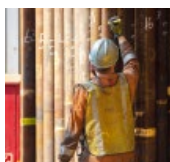
Major project delivery.

## Strategy in action in 2015

**Improving reliability**

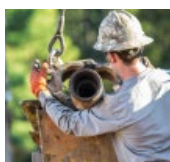
Improvement plans are increasing UK North Sea plant reliability.

See page 44.

**Capturing value**

Improving the quality of future investments.

See page 30.

**Adapting rapidly**

Using local knowledge to increase our competitiveness.

See page 29.

20

tier 1 process safety events  
2014: 28

\$19.1bn

operating cash flow  
2014: \$32.8bn

3

major project start-ups in Upstream  
2014: 7

We target opportunities with the greatest potential to increase value, using our commercial agility and technical capability. This allows us to build a strong pipeline for future growth.

We are strengthening our portfolio of high-return and longer-life assets – across deep water, giant fields, gas value chains and unconventional – to provide BP with momentum for years to come.

We benefit from our high-performing fuels, lubricants, petrochemicals and biofuels businesses. Through premium products, powerful brands and supply and trading, Downstream provides strong cash generation for the group.

Proved reserves replacement ratio.

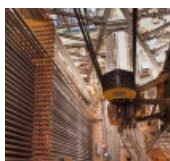
Production.

Refining availability.

**Unlocking energy potential**

Investing in exploration and development in Egypt.

See page 33.

**Optimizing our assets**

Using our technical expertise to maintain a secure and reliable supply.

See page 31.

**Improving operations**

Improvements at Castellón refinery are helping to increase profitability.

See page 36.

61%

reserves replacement ratio<sup>a</sup>  
2014: 63%

3.3

million barrels of oil equivalent per day<sup>a</sup>  
2014: 3.2 million

94.7%

refining availability  
2014: 94.9%

## Creating shareholder value by generating sustainable free cash flow over the long term

**Advanced technology**

We develop and deploy technologies we expect to make the greatest impact on our businesses – from enhancing the safety and reliability of our operations to creating competitive advantage in energy discovery, recovery, efficiency and products.

**Strong relationships**

We aim to form enduring partnerships in the countries in which we operate, building strong relationships with governments, customers, partners, suppliers and communities to create mutual advantage. Co-operation helps unlock resources found in challenging locations and transforms them into products for our customers.

**Proven expertise**

Our talented people help to drive our business forward. They apply their diverse skills and expertise to deliver complex projects across all areas of our business.

<sup>a</sup> On a combined basis of subsidiaries★ and equity-accounted entities.



# Our distinctive capabilities

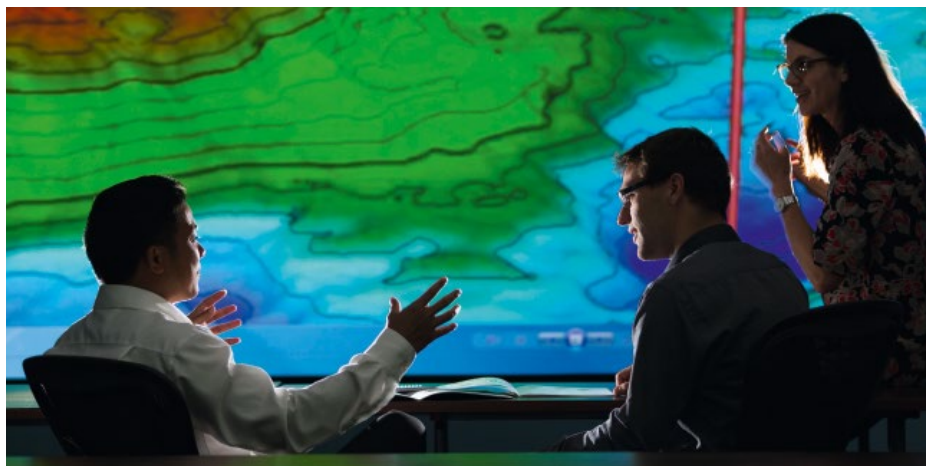


## Advanced technology

We select and develop the technologies that can best help us manage risk and grow value for our businesses. Our first priority is to enhance the safety and reliability of our operations. Beyond that we aim to build and maintain leadership positions in selected technologies.

Our upstream technology programmes include advanced seismic imaging to help us find more oil and gas, and enhanced oil recovery to get more from existing fields. New techniques are improving the efficiency of unconventional oil and gas production. Our downstream technology programmes are designed to improve the performance of our refineries and petrochemicals plants and create high-quality, energy-efficient products.

High-speed graphics workstations in our Sunbury office use state-of-the-art software and projection equipment to create a 3D virtual world.

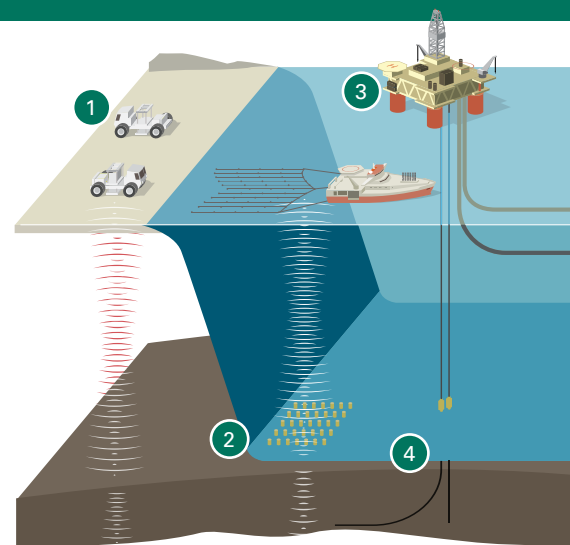


We employ scientists and technologists at seven major technology centres in the US, UK and Germany. BP and its subsidiaries hold more than 4,500 granted patents and pending patent applications throughout the world. In 2015 we invested \$418 million in research and development (2014: \$663 million, 2013 \$707 million).

We partner with universities for research, recruitment, policy insights and education. Our long-term research programmes around the world are exploring areas from reservoir fluid flow to novel lubricant additives and lower-carbon energy sources. For example research at the BP International Centre for Advanced Materials has led to its first patent application on a strong steel alloy that resists becoming brittle and is less likely to crack. This has the potential to enhance the reliability of our equipment.



See [bp.com/technology](http://bp.com/technology)



### 1 2 Seismic imaging

Our *Independent Simultaneous Source (ISS)* technology makes large-scale 3D seismic surveys faster and reduces cost by using multiple surveying sources and receivers at the same time. Our 2015 *ISS* survey at Prudhoe Bay in Alaska delivered a 10-fold increase in productivity, meaning we could acquire higher-quality images in just one winter season.

### 3 Production optimization

We began to deploy a new automated well choke control system as part of our *Field of the Future* technology suite in Azerbaijan in 2015. Sand can cause wells to fail, but this system is helping us manage well start-up and unsteady flow during operations, contributing to improved operational efficiency and production rates.



## Proven expertise

We aim to maintain a skilled workforce to deliver our strategy and meet our commitments to investors, partners and the wider world. We compete for the best people within the energy sector and other industries.

Our people are talented in a wide range of disciplines – from geoscience, mechanical engineering and research technology to government affairs, trading, marketing, legal and others.

We have a bias towards building capability and promoting from within the organization and complement this with selective external recruitment. We invest in our employees' development to build enduring capability for the future.

Our approach to professional development and training helps build individual capabilities. We believe our shared values help everyone at BP to contribute to their full potential.

#### Graduate intake

Our global graduate and postgraduate programmes recruited 298 people in 2015.

#### Internal promotion

We promoted 4,729 employees including 476 to senior level and group leader roles.

#### Group leaders

Our group leaders have an average of 21 years' experience in BP.

#### External hires

We hired 5,303 people including 53 to senior level and group leader roles.

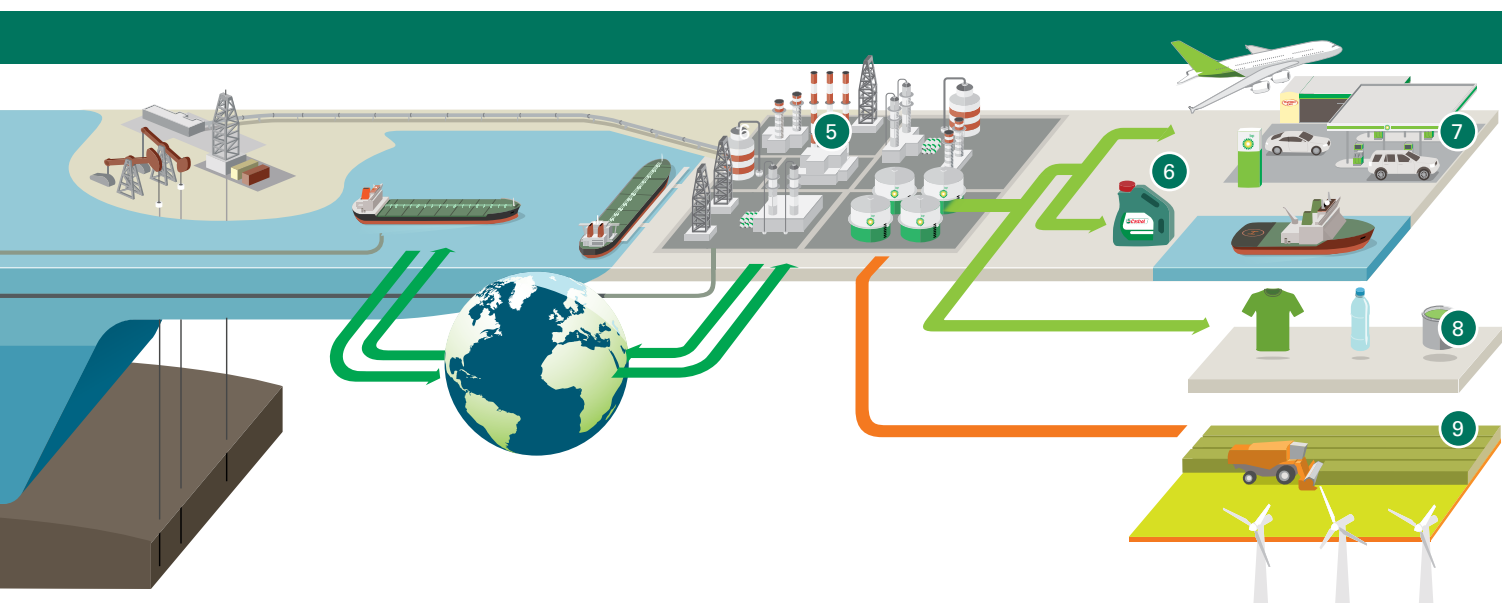
### Developing the talent pipeline



#### Employees

For more information about our people see page 49.





#### 4 Enhanced oil recovery (EOR)

*Bright Water* technology, invented by BP, helps to maximize oil production by recovering and moving more oil to our wells. We use it in more than 140 wells worldwide to date. It costs less than \$5 to recover each additional barrel of oil released through *Bright Water*, and we deliver more light oil EOR production than any other international oil company.

#### 5 Corrosion prevention

We use automated phased array ultrasonic testing (PAUT) across our refineries to safely inspect our tanks and pipelines. Our PAUT technology uses ultrasonic pulses to examine the integrity of these assets and detect cracks in a non-destructive way. The technique reduces facility downtime, decreases turnaround costs and risks, and avoids production losses.

#### 6 Lubricants

*Castrol's* new technology, the *Nexcel* oil cell, is an easy-to-change unit containing both engine oil and filter. We believe the technology is a significant oil change innovation for the automotive industry. It is designed to lower CO<sub>2</sub> emissions, improve vehicle servicing and increase the recycling of used oil for cars of the future.

#### 7 Fuels

BP began marketing a range of 'dirt-busting' fuels with a launch in Spain in 2015. The fuels contain our new *ACTIVE* technology that cleans and protects car engines with proprietary additives. Our fuels are designed to remove deposits and prevent their formation – helping engines perform in the way they were designed to do.

#### 8 Petrochemicals

BP is one of the world's largest producers of purified terephthalic acid (PTA), a raw material for many consumer products. In 2015 we entered into licensing agreements in Oman and China, for plants that will use our latest generation PTA technology, with a combined capacity to produce more than two million tonnes of PTA each year.

#### 9 Biofuels

We are developing biobutanol in conjunction with DuPont. This second-generation biofuel can be blended into gasoline in greater proportions and is more compatible than ethanol with the infrastructure used for existing fuel supplies.



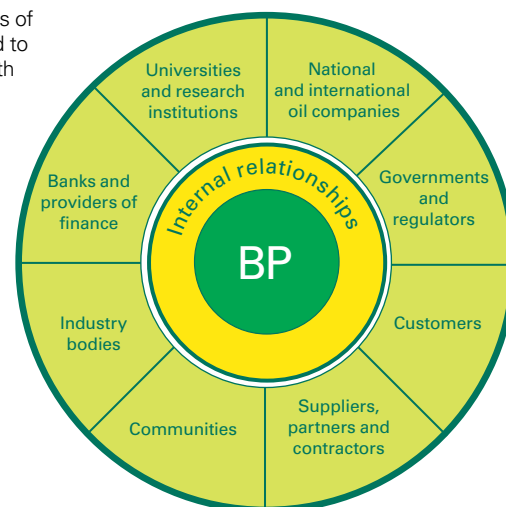
### Strong relationships

We work closely with governments, national oil companies, other resource holders and local communities to build long-lasting relationships that are crucial to the success of our business.

We place enormous importance on acting responsibly and meeting our obligations as we know from experience that trust can be lost. We work on big and complex projects with partners ranging from other oil companies to suppliers and contractors. Our activity creates value that benefits governments, shareholders, customers, local communities and other partners.

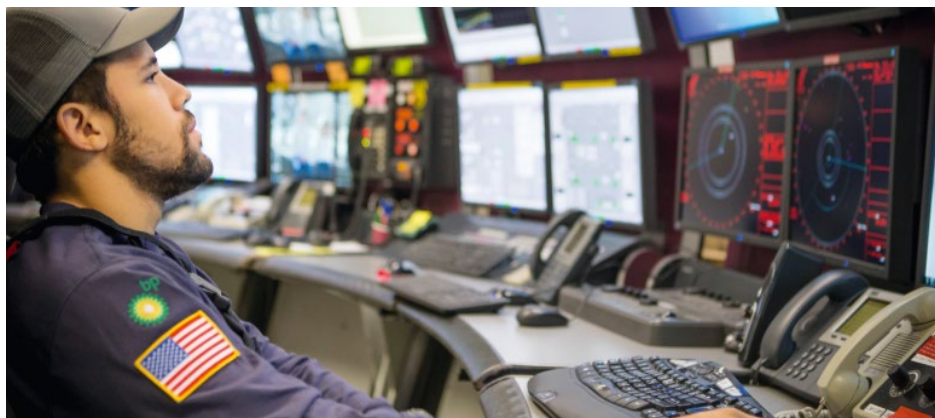
We believe good communication and open dialogue are vital if we are to meet their expectations.

Internally we put together collaborative teams of people with the skills and experience needed to address complex issues, work effectively with our partners, engage with our stakeholders and help create shared value.



# Lower oil and gas prices

We are taking action to adapt to a lower oil and gas price environment – while maintaining longer-term growth prospects.



Since 2010, we have been working to create a stronger, simpler and more focused business. This has positioned us well to respond to the lower oil and gas price environment. We are reducing capital expenditure by paring back and rephasing activities as necessary, as well as capturing the benefits of deflation of industry costs. We are driving down cash costs★ through a reduction in third-party costs, and through efficiency and simplification across the organization. As always, safe and reliable operations are our first priority.

Remodelling Mad Dog Phase 2 reduced our project cost estimate by more than half.

## Industry context

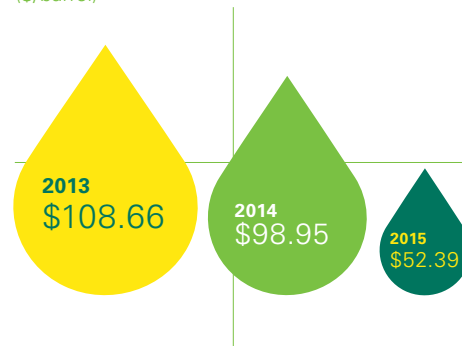
Between 2010 to mid-2014 oil prices were relatively stable, averaging around \$100 per barrel. In 2014, strong supply growth, largely as a result of growth in US shale, caused oil prices to fall sharply. Prices fell further in 2015 as OPEC production increased and supply continued to outstrip demand. There are, however, increasing signs that the market is adjusting to the current low level of prices, with strong demand growth and weakening supply. The high level of inventories suggests that this adjustment process is likely to take some time, but it does appear to be underway. This underpins our belief that prices will stay lower for longer, but not forever.

Gas prices also fell, albeit on a more regional and less dramatic scale. In markets such as the US, gas prices are at historically low levels, with increases in production from shale being a key factor.

Low prices are having a significant effect on our industry, including BP. With falling revenues, companies need to re-base costs and activity – a process that could take several years. We expect 2016 to be a period of intense change, with ongoing restructuring and further deflation in the supply chain. That said, periods of low prices are not uncommon in our industry and BP has gone through such cycles in the past.

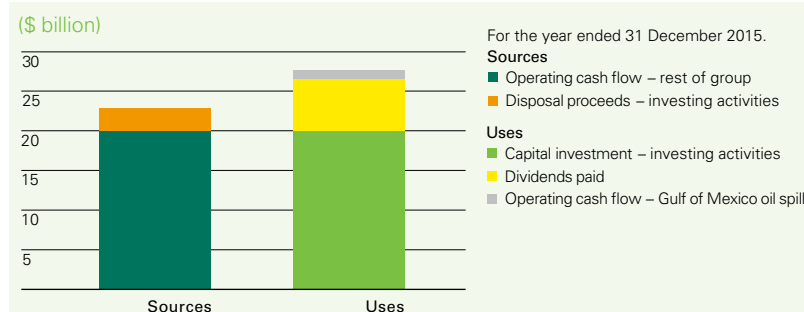
For BP, the lower prices significantly impacted our 2015 financial results. The result for the year was a loss of \$6.5 billion. Underlying replacement cost profit★ was \$5.9 billion (2014 \$12.1 billion) and operating cash flow★ was \$19.1 billion (2014 \$32.8 billion).

## Brent dated average crude oil prices (\$/barrel)



## Sources and uses of cash

The cash flow from our Upstream operations was significantly lower than in 2014 although Downstream cash flows were strong. We significantly reduced the capital expenditure of the group as well as received proceeds from divestments. The strength of our balance sheet helped us meet the balance of outgoings.



## How we are resilient

### Integrated business

We benefit from having both upstream and downstream businesses, as well as a well-established oil and gas trading function that can generate value for the group when prices are volatile. A weak environment in one part of the group can create opportunities in another. For example, we delivered record profits in our Downstream business in 2015.

### Balanced portfolio

The geographical diversity and mix of resource types in our portfolio can provide us with resilience to a wide range of operating conditions and opportunities for growth. In Upstream we operate in countries with different commercial frameworks. We have a significant part of our portfolio in production-sharing agreements, where revenues are typically less sensitive to oil price fluctuations.

### Balance sheet flexibility

We maintain a strong balance sheet with sufficient cash reserves, which helps to withstand price falls and other events. We began 2015 with significant cash reserves due to strong operating cash flow in 2014 and the two divestment programmes made since the Gulf of Mexico oil spill. Most of these sales were made in the higher oil price environment.

## Our financial framework

Our financial framework is designed to re-establish a balance where operating cash flow (excluding payments related to the Gulf of Mexico oil spill) covers organic capital expenditure★ and the current level of dividend per share by 2017, based on an average Brent★ price of around \$60 per barrel.

If prices remain lower for longer than anticipated, we expect to continue to recalibrate for the weaker environment and to capture more deflation. We would expect this to drop the balance point below \$60 per barrel.

We will keep our financial framework under review as we monitor oil and gas prices and their impact on industry costs as we move through 2016 and beyond.

### Our financial framework – through 2017

Underpinning our commitment to sustain the dividend for our shareholders

Principle		2015 achievement	Looking ahead
Optimize capital expenditure	→	2015 organic capital expenditure was \$18.7 billion. This is 18% down from the 2011-2014 period average.	We expect capital expenditure of \$17-19 billion per year in 2016 and 2017 as a result of reducing costs and activity, with 2016 spend towards the lower end of this range.
Reduce cash costs	→	We made significant progress in reducing cash costs compared with 2014.	We anticipate the reduction in our cash costs to be close to \$7 billion versus 2014 by the end of 2017.
Make selective divestments	→	We completed the \$10-billion divestment programme announced for 2014-2015.	We expect divestments of \$3-5 billion in 2016 and \$2-3 billion per year from 2017 to help manage oil price volatility and fund the ongoing Gulf of Mexico commitments.
Maintain flexibility around gearing	→	Gearing★ at the end of 2015 was 21.6% against a 2011-2014 average of 18%.	Looking ahead, we aim to manage gearing with some flexibility at around 20%. While oil prices remain weak, we expect gearing to be above 20%.

## How we are putting this into action



### Upstream

We are focusing on the timing of investments to capture deflation in the supply chain, paring back access and exploration spend and prioritizing activity in our base operations. Where we are not the operator, we are influencing partners to focus on third-party costs.

We reduced unit production costs by more than 20% compared with 2013 and achieved an average reduction of 15% in upstream third-party costs in 2015. By the end of 2016, we expect to re-bid 40% of our third-party spend, including a significant proportion of our well services contracts.

Our total upstream workforce – including employees and contractors – is now 20% smaller than it was in 2013, with a reduction of around 4,000 expected in 2016. We are aiming for an upstream workforce of approximately 20,000 by the end of 2016.



### Downstream

In 2015 we reorganized our fuels business from nine regions to three, streamlined the lubricants business and started restructuring petrochemicals. We are implementing site-by-site improvement programmes to drive manufacturing efficiency in refining and petrochemicals. Our focus on third-party spend has resulted in significant cost reductions and we have reduced head office related costs by around 40%.

These simplification and efficiency actions have significantly contributed to the group's cash cost reductions in 2015.

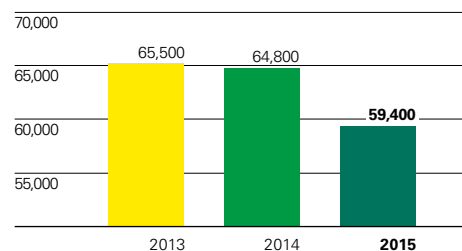
We expect to reduce our downstream workforce roles by more than 5,000 by the end of 2017 compared with 2014, and by the end of 2015 had already achieved a reduction of more than 2,000.



### Other businesses and corporate

We made significant progress in reducing corporate and functional costs in 2015. We are focusing on third-party spend and headcount both in response to the lower oil price and also to reflect the changes to our portfolio.

BP group employees (at 31 December)



Figures exclude retail staff and agricultural, operational and seasonal workers in Brazil.

# Our key performance indicators

We assess our performance across a wide range of measures and indicators. Our key performance indicators (KPIs) help the board and executive management measure performance against our strategic priorities and business plans. We periodically review our metrics and test their relevance to our strategy. We believe non-financial measures – such as safety and an engaged and diverse workforce – have a useful role to play as leading indicators of future performance.

## Remuneration

To help align the focus of our board and executive management with the interests of our shareholders, certain measures are reflected in the variable elements of executive remuneration.

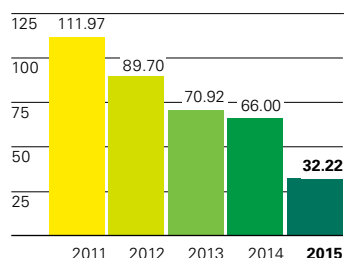
Overall annual bonuses, deferred bonuses and performance shares are all based on performance against measures and targets linked directly to strategy and KPIs.



## Directors' remuneration

See how our performance impacted 2015 pay on [AR](#) page 76.

## Underlying RC profit★ per ordinary share (cents)

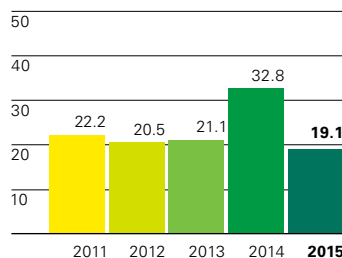


Underlying RC profit is a useful measure for investors because it is one of the profitability measures BP management uses to assess performance. It assists management in understanding the underlying trends in operational performance on a comparable year-on-year basis.

It reflects the replacement cost of inventories sold in the period and is arrived at by excluding inventory holding gains and losses★ from profit or loss. Adjustments are also made for non-operating items★ and fair value accounting effects★. The IFRS equivalent can be found on [AR](#) page 216.

**2015 performance** The significant reduction in underlying RC profit per ordinary share for the year compared with 2014 was mainly due to lower profit in Upstream.

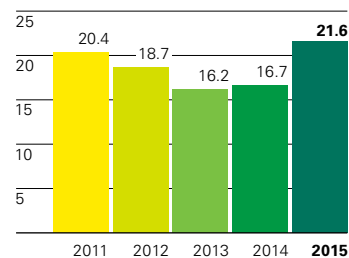
## Operating cash flow (\$ billion)



Operating cash flow is net cash flow provided by operating activities, as reported in the group cash flow statement. Operating activities are the principal revenue-generating activities of the group and other activities that are not investing or financing activities.

**2015 performance** Operating cash flow was lower in 2015, largely reflecting the impact of the lower oil price environment.

## Gearing (net debt ratio)★ (%)



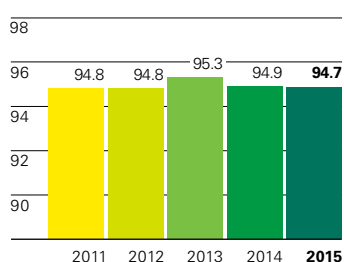
Our gearing (net debt ratio) shows investors how significant net debt is relative to equity from shareholders in funding BP's operations.

We aim to keep our gearing around 20% to give us the flexibility to deal with an uncertain environment.

Gearing is calculated by dividing net debt by total equity plus net debt. Net debt is equal to gross finance debt, plus associated derivative financial instruments, less cash and cash equivalents. For the nearest equivalent measure on an IFRS basis and for further information see [AR](#) Financial statements – Note 26.

**2015 performance** Gearing at the end of 2015 was 21.6%, up 4.9% on 2014.

## Refining availability (%)

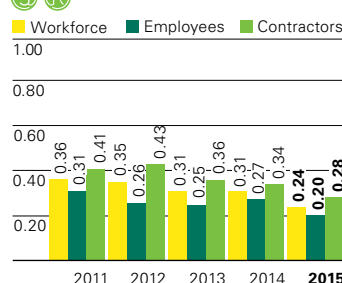


Refining availability represents Solomon Associates' operational availability. The measure shows the percentage of the year that a unit is available for processing after deducting the time spent on turnaround activity and all mechanical, process and regulatory downtime.

Refining availability is an important indicator of the operational performance of our Downstream businesses.

**2015 performance** Refining availability was similar to 2014.

## Reported recordable injury frequency<sup>a</sup>

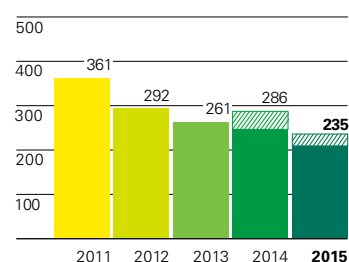


Reported recordable injury frequency (RIF) measures the number of reported work-related employee and contractor incidents that result in a fatality or injury (apart from minor first aid cases) per 200,000 hours worked.

The measure gives an indication of the personal safety of our workforce.

**2015 performance** Our workforce RIF, which includes employees and contractors combined, was 0.24. This improvement on 2014 was also reflected in our other occupational safety metrics. While this is encouraging, continued vigilance is needed.

## Loss of primary containment<sup>a</sup>



Loss of primary containment (LOPC) is the number of unplanned or uncontrolled releases of oil, gas or other hazardous materials from a tank, vessel, pipe, railcar or other equipment used for containment or transfer.

By tracking these losses we can monitor the safety and efficiency of our operations as well as our progress in making improvements.

**2015 performance** We have seen a decrease in our loss of primary containment to 235. Figures for 2014 and 2015 include increased reporting due to the introduction of enhanced automated monitoring for remote sites in our US Lower 48 business. Using a like-for-like approach with prior years' reporting, our 2015 loss of primary containment figure is 208 (2014 246).

## Key



KPIs used to measure progress against our strategy.

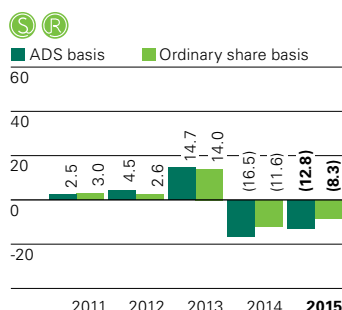


KPIs used to determine 2015 and 2016 remuneration.

Underlying RC profit and gearing are non-GAAP measures, but are provided for investors because they are closely tracked by management to evaluate BP's operating performance and to make financial, strategic and operating decisions.



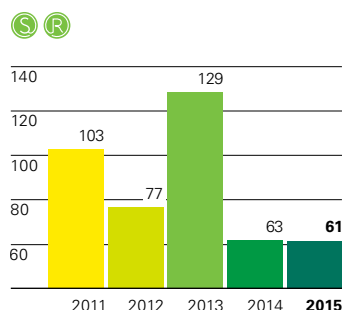
## Total shareholder return (%)



Total shareholder return (TSR) represents the change in value of a BP shareholding over a calendar year. It assumes that dividends are reinvested to purchase additional shares at the closing price on the ex-dividend date. We are committed to maintaining a progressive and sustainable dividend policy.

**2015 performance** Negative TSR in the year reflects the fall in the BP share price exceeding the dividend.

## Reserves replacement ratio (%)



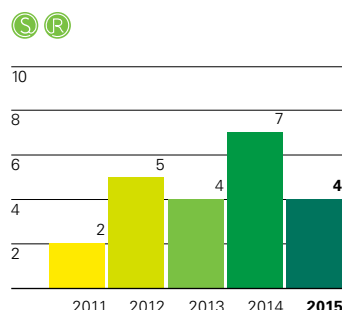
Proved reserves replacement ratio is the extent to which the year's production has been replaced by proved reserves added to our reserve base.

The ratio is expressed in oil-equivalent terms and includes changes resulting from discoveries, improved recovery and extensions and revisions to previous estimates, but excludes changes resulting from acquisitions and disposals. The ratio reflects both subsidiaries★ and equity-accounted entities.

This measure helps to demonstrate our success in accessing, exploring and extracting resources.

**2015 performance** This year's reserves replacement ratio was similar to 2014. See **AR** page 229 for more information.

## Major project delivery



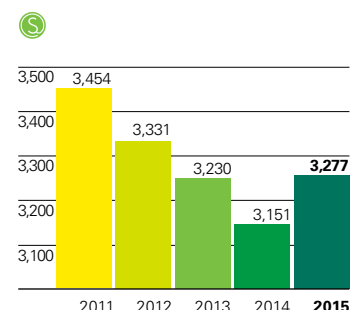
Major projects are defined as those with a BP net investment of at least \$250 million, or considered to be of strategic importance to BP, or of a high degree of complexity.

We monitor the progress of our major projects to gauge whether we are delivering our core pipeline of activity.

Projects take many years to complete, requiring differing amounts of resource, so a smooth or increasing trend should not be anticipated.

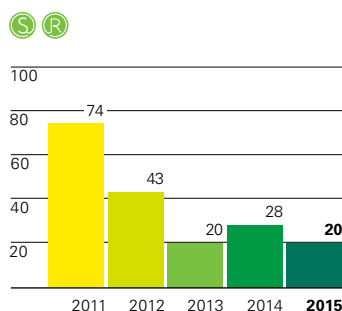
**2015 performance** We delivered three major projects in Upstream – two in Angola and one in Asia Pacific, and started up Zhuhai 3 in Downstream.

## Production (mboe/d)



We report production of crude oil, condensate, natural gas liquids (NGLs), natural bitumen and natural gas on a volume per day basis for our subsidiaries and equity-accounted entities. Natural gas is converted to barrels of oil equivalent at 5,800 standard cubic feet of natural gas = 1 boe.

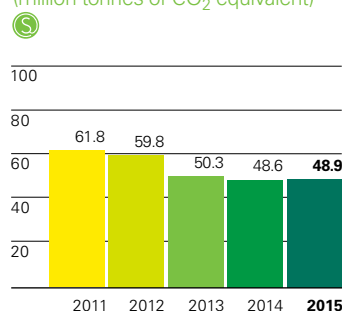
**2015 performance** BP's total reported production including Upstream and Rosneft segments was 4.0% higher than in 2014. This was mainly due to favourable entitlement impact in our production-sharing agreements★ in the Upstream segment.

Tier 1 process safety events ★<sup>a</sup>

We report tier 1 process safety events, which are the losses of primary containment of greatest consequence – causing harm to a member of the workforce, costly damage to equipment or exceeding defined quantities.

**2015 performance** The number of tier 1 process safety events has decreased substantially since 2011. We believe our systematic approach to safety management and assurance is contributing to improved performance over the long term and will maintain our focus in these areas.

<sup>a</sup> This represents reported incidents occurring within BP's operational HSSE reporting boundary. That boundary includes BP's own operated facilities and certain other locations or situations.

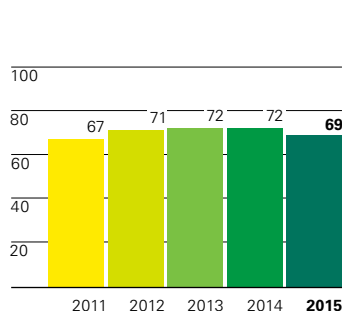
Greenhouse gas emissions<sup>b</sup>  
(million tonnes of CO<sub>2</sub> equivalent)

We provide data on greenhouse gas (GHG) emissions material to our business on a carbon dioxide-equivalent basis. This includes carbon dioxide (CO<sub>2</sub>) and methane for direct emissions. Our GHG KPI encompasses all BP's consolidated entities as well as our share of equity-accounted entities other than BP's share of TNK-BP and Rosneft.<sup>c</sup>

**2015 performance** The increase in our reported emissions is due to updating the global warming potential for methane. Without this update, our emissions would have decreased primarily due to divestments in Alaska.

<sup>b</sup> The 2015 figure reflects our update of the global warming potential for methane from 21 to 25, in line with IPIECA's guidelines.

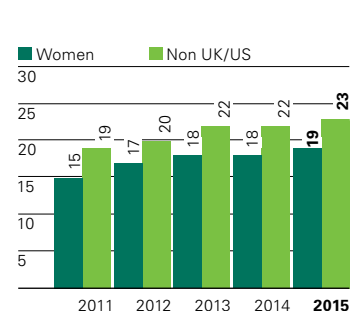
<sup>c</sup> For more information on our GHG emissions see page 46.

Group priorities index<sup>d</sup> (%)

We track how engaged our employees are with our strategic priorities using our group priorities index. This is derived from survey questions about their perceptions of BP as a company and how it is managed in terms of leadership and standards.

**2015 performance** Our group priorities engagement measure fell slightly in 2015, as expected in the current low oil price environment.

<sup>d</sup> Relates to BP employees.

Diversity and inclusion<sup>d</sup> (%)

Each year we report the percentage of women and individuals from countries other than the UK and the US among BP's group leaders. This helps us track progress in building a diverse and well-balanced leadership team.

**2015 performance** The percentage of our group leaders who are women or non-UK/US rose slightly. We remain committed to our aim that women will represent at least 25% of our group leaders by 2020.



# Strategy, performance and pay

In a difficult environment, BP's leadership delivered strong operating performance, based on a sound strategy and consistently improved safety performance. They have acted early and decisively in response to low oil prices to preserve future growth.



These pages constitute the remuneration committee chair's annual statement which forms part of the Directors' remuneration report, the rest of which can be found on [AR](#) page 76.

For more information on the group's key performance indicators see page 20.

## Highlights of the year

### Strong safety and operational performance in a difficult environment

- Responded early and decisively to lower oil price environment.
- Excellent safety standards with continuous improvement over the past three years, leading to improvements in reliability and operations.
- Strong operating cash flow★ and underlying replacement cost profit relative to plan.
- Net investment managed aggressively to reflect 'lower for longer' oil price environment.
- Executive directors' pay outcomes reflect strong operating performance relative to plan.
- Alignment between executives and shareholders with the majority of executive director remuneration paid in equity with lengthy retention requirements.

In an ever more challenging world BP executives performed strongly in 2015 in managing the things they could control and for which they were accountable. BP was one of the first to recognize the shift to a 'lower for longer' price environment and through early action delivered distinctive competitive performance on costs. Momentum built through the year in simplification and efficiencies, such that operating cash flow significantly exceeded plan. Assets ran well and major projects★ were commissioned on time. Good performance on safety has led to sound and reliable operations. There has been a high quality of execution.

Our pay structure is relatively simple and reflects a number of key overriding principles. It is long-term, performance-based and tied directly to strategy and delivery. It is biased towards equity with long retention periods. This is reflected in the policy framework that was approved by shareholders in 2014. Variable remuneration is primarily based on true underlying performance and not driven by factors over which the executives have no control. Consistent with past practice, we

normalize for changes in oil and gas price and refining margins. This avoids both windfall gains and punitive losses in periods of extreme volatility such as we are currently experiencing.

Against this background, I am pleased to give an overview of key elements of executive remuneration for 2015. All of the detail is set out in the Directors' remuneration report on [AR](#) page 76.

### Short-term performance

The annual cash bonus is based on safety (30%) and value (70%) measures directly linked to our KPIs and strategy. In setting annual safety targets, the committee reviews the three-year performance and in each case aims for improvement. We measure value by reference to operating cash flow and underlying replacement cost profit. In addition, two value measures, reductions in corporate and functional costs and net investment (organic)★, reflect progress in simplification. Targets were based on the board's plan set in January 2015, with the maxima tested for stretch. Results were strong across all measures.

### Short-term: annual bonus

Measure	Result	Target	Outcome
<b>Safety and operational risk</b>			
Loss of primary containment	Spills and leaks declined.	≤ 253 events	<b>208 events<sup>a</sup></b>
Process safety tier 1 events	The most serious process safety events were reduced.	≤ 29 events	<b>20 events</b>
Recordable injury frequency	Number of work-related recordable injuries per 200k hours fell.	≤ 0.261/200k hours <sup>b</sup>	<b>0.223/200k hours<sup>b</sup></b>
<b>Value</b>			
Operating cash flow	Significantly ahead of plan.	\$17.2bn	<b>\$19.1bn</b>
Underlying replacement cost profit	Significantly ahead of plan.	\$4.2bn	<b>\$5.9bn</b>
Net investment (organic)	Significantly ahead of plan.	↓18%	<b>↓27%</b>
Corporate and functional costs	Significantly ahead of plan.	↓5.9%	<b>↓17.6%</b>
Major project delivery	On target.	4	<b>4</b>

<sup>a</sup> Adjusted in accordance with the treatment of the loss of primary containment key performance indicator on page 20.

<sup>b</sup> Excludes biofuels.

The safety and operational risk performance has been excellent. This has led to increased reliability and more efficient operations. There is a proposed settlement of the federal and state claims and settlement of most of the local government claims relating to the Deepwater Horizon incident. BP responded quickly and decisively to the drop in oil price, continuing to simplify its activities and significantly reducing its cost base. Capital discipline has been demonstrated in a strategic way that offers flexibility and resilience now and options for future growth. Our belief is that management has delivered very well in a difficult year.

The overall group score achieved was 1.91 out of a maximum of 2.00. As is our normal practice, the committee reviewed this result and considered whether it produced a fair outcome in light of the underlying performance of the company and the wider environment. As part of this both the committee and the group chief executive believed some recognition of the dramatic fall in oil prices and its impact on shareholders was warranted. As a result the group score was lowered to 1.70 and this has been used to determine annual bonuses for BP's wider management group. For executive directors our approved policy limits annual bonus to 1.50.

### Long-term performance

The 2012 deferred bonus was contingent on safety and environmental sustainability over a three-year period. The committee saw good evidence of a continued improvement on safety that is both ingrained in the culture and has led to more reliable and efficient operations. The award vested in full.

The 2013-15 performance share plan was, as in previous years, based on three sets of measures equally weighted: relative total shareholder return (TSR) over the three-year period, 2015 operating cash flow and finally, strategic imperatives which included safety and operational risk, relative reserves replacement ratio (RRR) and major project delivery over the three years.

For TSR, BP was in third place. The target set in 2013 for operating cash flow in 2015 was \$35 billion based on the plan assumptions. At the start of the year, this was normalized for the change in oil and gas price, and refining margins since 2013. We also, as in previous years, adjusted for major divestments and for contributions to the Gulf of Mexico restoration. The resulting target was \$17.7 billion. This compared to an outcome of \$19.1 billion. Safety performance at the end of the three-year period, against targets previously set at the outset, was strong. The final results from the comparator group for RRR are not yet available but on the evidence, our preliminary assessment is that the company is in first place. There will be a final assessment later in the year. Major project delivery exceeded target.

As a result 77.6% of the shares are expected to vest. Reviewing the period 2013-15, the committee believes that this represents a fair outcome. In that time there has been the delivery of the 10-point plan in 2014, consistent improvements in safety performance and effective budgetary and capital discipline in difficult circumstances.

### Long-term: performance share plan

Measure	Result	Target	Outcome
Relative TSR	BP's TSR ranked third versus other oil majors.	Outperform peers	<b>Third</b>
Operating cash flow	Strong operating cash flow in 2015 relative to plan.	\$17.7bn	<b>\$19.1bn</b>
<b>Strategic imperatives</b>			
Relative reserves replacement ratio (RRR)	BP's RRR preliminary ranked first versus other oil majors.	Outperform peers	<b>First</b>
Safety and operational risk:	Downward trend over the last three years.	≤ 212 events	<b>208 events*</b>
• Loss of primary containment		≤ 30 events	<b>20 events</b>
• Process safety tier 1 events		≤ 0.240/200k hours <sup>b</sup>	<b>0.223/200k hours</b>
• Recordable injury frequency			
Major project delivery	15 major projects were commissioned.	11	<b>15</b>

\* Adjusted in accordance with the treatment of the loss of primary containment key performance indicator on page 20.

<sup>b</sup> Excluding biofuels.

### Pay outcomes

The resulting remuneration for executive directors is shown below. Consistent with the wider population of BP employees, executive directors received no increase in base salary in 2015. This is being continued with no salary increase for the senior leadership and executive directors in 2016.

As described above, annual bonus was limited to a group score of 1.50, the 2012 deferred bonus vested fully and 77.6% of shares in the 2013-2015 performance share plan are expected to vest. These will be finally determined later in the year when results from all oil majors are known. The shares that vest will have a further

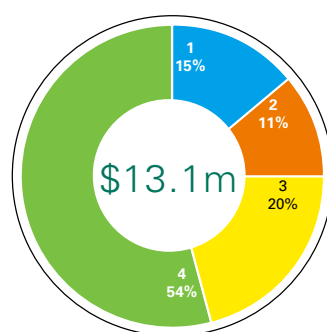
three-year retention period before being released to the individual.

In our assessment, the overall quantum of remuneration is market competitive and represents a balanced outcome. It is based heavily on performance and mainly paid in equity with long retention periods. Executive directors are required to hold shares in excess of five-times salary. While the value of their shares has, as for all shareholders, dropped with the oil price, they satisfy that requirement.

For the single figure remuneration table see [AR](#) page 77.

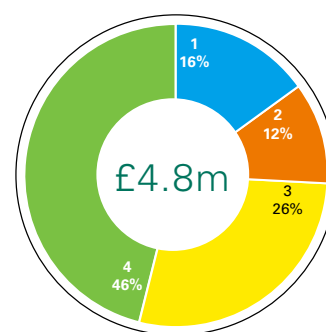
### Total remuneration (excluding pensions)

#### Group chief executive



- 1. Salary and benefits
- 2. Annual cash bonus
- 3. 2012 deferred bonus
- 4. 2013-15 performance shares

#### Chief financial officer



### Conclusion

In conclusion, BP has performed well and surpassed the board's expectations on almost all of the measures. I am pleased that our current policy has appropriately recognized this in the 2015 outcomes. There remain challenging times with an evolving remuneration landscape. During 2016, the committee will be undertaking a full review of our policy. I have already met with some of our key shareholders and look forward to continuing this engagement as we develop a

new proposed policy for approval at the 2017 Annual General Meeting.

BP is a strong company with strong leadership. The company continues to evolve as will our remuneration policy and practice to ensure we remain performance driven and competitive.

**Professor Dame Ann Dowling**  
Chair of the remuneration committee

# Our markets in 2015

A snapshot of the challenging global energy market in 2015.



More than 200 of our UK BP stores have an M&S Simply Food® outlet. This premium offer is helping to drive overall service station sales growth.

Construction of *Glen Lyon*, our new 270 metre long floating, production, storage and offloading vessel, at a shipyard in South Korea.



The global economy struggled to return to a more normal pace of growth in 2015 – GDP growth estimates were revised down over the course of the year, with latest estimates indicating that the world economy grew by 2.5% in 2015, compared to trend growth of around 3%. Slowing growth in China contributed to falling commodity prices, weak global trade and weakening emerging market growth. The developed world also failed to take off as expected with the US, EU and Japan all underperforming.

## Oil

Crude oil prices averaged \$52.39 per barrel in 2015, as demonstrated by the industry benchmark of dated Brent★, nearly \$47 per barrel below the 2014 average of \$98.95. This was the largest oil price decline ever – in inflation-adjusted terms – and it was the third-largest percentage decline (behind 1873 and 1986). Prices recovered in the second quarter, averaging nearly \$62, but fell later in the year as OPEC production increased and inventories grew. Brent prices ended the year near \$35.

In response to the sharp decline in world oil prices, global oil consumption increased by an above-average 1.6 million barrels per day (mmb/d) for the year (1.7%).<sup>a</sup> While emerging economies accounted for the majority of growth, the mature economies of the OECD recorded a rare increase as well. The robust growth in consumption was once again exceeded by growth in global production. Non-OPEC production growth slowed to 1.4mmb/d as US production peaked in the second quarter in the face of a rapid contraction in investment and drilling.<sup>a</sup> OPEC crude oil production, however, accelerated, growing by 1.1mmb/d in 2015.<sup>a</sup> As a result, OECD commercial oil inventories reached record levels late in the year.

<sup>a</sup> From IEA Oil Market Report, February 2016 ©, OECD/IEA 2016, Page 4.

<sup>b</sup> BP Statistical Review of World Energy 2015.

In 2014 global oil consumption grew by roughly 0.8 million barrels per day (0.8%), significantly slower than the increase in global production (2.3%).<sup>b</sup> Non-OPEC production once again accounted for all the net global increase, driven by record US growth.

## Natural gas

Global price differentials in 2015 continued to narrow. US gas prices and Asian transacted LNG prices were more than 40% lower, while European transacted LNG prices were 15% lower. The Henry Hub★ First of the Month index fell from \$4.43 per million British thermal units (mmbtu) in 2014 to \$2.67 in 2015 as supply growth continued to be resilient.

Transacted LNG prices in Europe and Asia fell with rising global LNG supplies and weak demand growth. New LNG projects in Papua New Guinea and Australia and recovering supplies in Africa added 1.4bcf/d of supply capacity to the LNG market in 2015.

Moderating demand and ample supplies from both Russia and LNG markets reduced the UK National Balancing Point★ hub price to an average of 42.61 pence per therm in 2015 (2014 50.01). The Japanese spot price fell to an average of \$7.45/mmbtu in 2015 (2014 \$13.86) with weaker demand from North Asian consumers coinciding with rising supplies in the region.

In 2014 growth in natural gas consumption was at its slowest rate for the last 20 years – with the exception of the financial crisis of 2008-09. Broad differentials between regional gas prices narrowed considerably, as US gas prices continued their recovery from their 2012 lows. Global LNG supply capacity expanded further in 2014, following a small increase in 2013, while growth in LNG demand moderated.



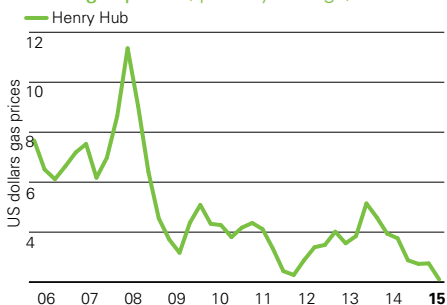
**Prices and margins**  
See pages 29 and 35.

**BP Statistical Review of World Energy**  
See [bp.com/statisticalreview](http://bp.com/statisticalreview) for an objective review of key global energy trends.

### Crude oil prices (quarterly average)



### Natural gas prices (quarterly average)





BP is embedding cost efficiency and simplification into everyday activities as well as large-scale changes in response to market conditions.

As with other companies within our industry, BP is taking measures to respond to the impact of a lower-price environment by limiting capital spend, looking to benefit from cost deflation and reducing headcount. In addition, for some time we have been encouraging everyone in BP to find and implement smarter ways of working, without compromising safety. From large-scale behaviour changes to small and simple ideas, our employees are helping to make a positive difference to the reliability and efficiency of our operations.



#### Foundations for success ▲

BP drilling and cementing teams in Azerbaijan regularly review well design and construction to ensure they are safe, efficient and reliable. In efforts to improve cementing technology, a key element of well construction, the teams identified ways to simplify the process and decrease drying times. By changing cement and optimizing parameters, drying time has been reduced and more than \$1 million has been saved. The process can be replicated elsewhere.



#### Logistics planning ▲

Driving supply boats to our offshore Egypt rigs can consume a lot of fuel. Through detailed logistics planning we calculated that a 25% reduction in speed consumed about 40% less fuel per trip. We also found that keeping a vessel outside the 500 metre rig zone required less engine power than the full dynamic positioning mode needed within it, and this reduced fuel consumption by around 80%. We have applied these changes across the region's fleet and are expecting to save more than \$400,000 a year. We are sharing this cost-saving approach globally.



#### A helicopter-sharing first ◀

When changing crews on board BP's Skarv platform in the Norwegian North Sea, a helicopter flies the replacement team offshore and brings the current team back to land. On these journeys an average of six of the 19 seats were unused. We discovered that nearby operator, Statoil, was in the same situation and so looked for opportunities to maximize seat usage on our journeys. Statoil offered BP a 50% share in its contracted helicopter capacity and the companies entered into a cost-sharing agreement for scheduled flights. With fewer flights offshore we have reduced costs and CO<sub>2</sub> emissions.

#### Easing the bottleneck ▼

The Cherry Point refinery rail facility receives crudes directly from US and Canadian producers. But with only two tracks available, the mile-long trains often had to wait to offload their oil supply. This prevented the refinery from maximizing its rail offloading efficiency. Teams at the site, along with the supply organization, worked to resolve the problem by installing additional track to reduce congestion and allow full utilization of the rail facility. In 2015 we safely executed this rail upgrade ahead of schedule and within budget.



#### Steam clean savings ▲

Refinery tank cleaning, which is done by hand, is not always efficient as it is based on estimates of waste within the tank. Downstream teams tested an existing steam injection method that was new to BP that separates the build up into sediment on the bottom, then water, and a layer of recoverable oil floating on the top. The oil and water are pumped away, leaving the sediment to be easily cleaned up in the final manual cleaning step. Since the process was implemented at the Rotterdam refinery in 2015, it has significantly reduced cleaning times – from 9-12 months down to three, reduced risks to cleaners and saved more than \$3 million. It is now being adopted across BP with further savings expected.

#### Making storage simpler ▶

Throughout more than 50 years of operations in the North Sea, BP had built up large quantities of equipment that were spread around 172 locations, with significant storage fees and long lead times to get these materials offshore. By updating and improving our materials management process we reduced the number of stored inventory items by half and brought the number of storage locations down by about 65%. We also generated around \$32 million by selling surplus materials and scrap.



# Group performance

A summary of our group financial and operating performance.



▲ A technician monitors the pressure gauges in the enhanced oil recovery laboratory in Sunbury.

## Financial and operating performance

	2015	2014	\$ million 2013
Profit (loss) before interest and taxation	<b>(7,918)</b>	6,412	31,769
Finance costs and net finance expense relating to pensions and other post-retirement benefits	<b>(1,653)</b>	(1,462)	(1,548)
Taxation	<b>3,171</b>	(947)	(6,463)
Non-controlling interests	<b>(82)</b>	(223)	(307)
Profit (loss) for the year <sup>a</sup>	<b>(6,482)</b>	3,780	23,451
Inventory holding (gains) losses★, net of tax	<b>1,320</b>	4,293	230
Replacement cost profit (loss)★	<b>(5,162)</b>	8,073	23,681
Net charge (credit) for non-operating items★, net of tax	<b>11,272</b>	4,620	(10,533)
Net (favourable) unfavourable impact of fair value accounting effects★, net of tax	<b>(205)</b>	(557)	280
Underlying replacement cost profit★	<b>5,905</b>	12,136	13,428
Dividends paid per share – cents	<b>40.0</b>	39.0	36.5
– pence	<b>26.383</b>	23.850	23.399
Capital expenditure and acquisitions, on an accruals basis	<b>19,531</b>	23,781	36,612

<sup>a</sup> Profit (loss) attributable to BP shareholders.

The result for the year ended 31 December 2015 was a loss of \$6.5 billion, compared with a profit of \$3.8 billion in 2014. Excluding inventory holding losses, replacement cost (RC) loss was \$5.2 billion, compared with a profit of \$8.1 billion in 2014.

After adjusting for a net charge for non-operating items, which mainly related to the agreements in principle to settle federal, state and the vast majority of local government claims arising from the 2010 Deepwater Horizon accident and impairment charges; and net favourable fair value accounting effects, underlying RC profit for the year ended 31 December 2015 was \$5.9 billion, a decrease of \$6.2 billion compared with 2014. The reduction was mainly due to a significantly lower profit in Upstream, partially offset by improved earnings from Downstream.

Non-operating items in 2015 also included \$1,088 million for restructuring charges that largely relate to rationalization and reorganization costs in response to the low oil and gas price environment. A further \$1.0 billion of restructuring charges are expected to be incurred in 2016.

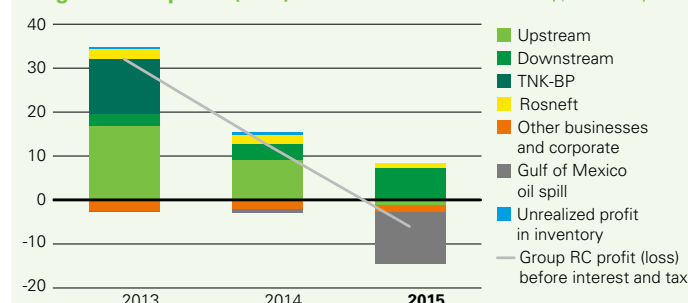
Profit for the year ended 31 December 2014 decreased by \$19.7 billion compared with 2013. Excluding inventory holding losses, RC profit decreased by \$15.6 billion compared with 2013. Both results in 2013 included a \$12.5-billion non-operating gain relating to the disposal of our interest in TNK-BP.

After adjusting for a net charge for non-operating items, which mainly related to impairments and further charges associated with the Gulf of Mexico oil spill; and net favourable fair value accounting effects, underlying RC profit for the year ended 31 December 2014 was down by \$1.3 billion compared with 2013. The reduction was mainly due to a lower profit in Upstream, partially offset by improved earnings from Downstream.

More information on non-operating items, and fair value accounting effects, can be found on [AR](#) page 217. See Gulf of Mexico oil spill on page 41 and [AR](#) Financial statements – Note 2 for further information on the impact of the Gulf of Mexico oil spill on BP's financial results.

See Upstream on page 28, Downstream on page 34, Rosneft on page 38 and Other businesses and corporate on page 40 for further information on segment results. Also see page 41 for further information on the Gulf of Mexico oil spill.

## Segment RC profit (loss) before interest and tax (\$ billion)



## Taxation

The credit for corporate income taxes in 2015 reflects the deferred tax impact of the increased provisions in respect of the Gulf of Mexico oil spill. The effective tax rate (ETR) was 33% in 2015 (2014 19%, 2013 21%).

The ETR in 2015 compared with 2014 was impacted by various one-off items. Adjusting for inventory holding impacts, non-operating items, fair value accounting effects and the one-off deferred tax adjustment in 2015 as a result of the reduction in the UK North Sea supplementary charge, the underlying ETR on RC profit was 31% in 2015 (2014 36%, 2013 35%). The underlying ETR for 2015 is lower than 2014 mainly due to changes in the geographical mix of profits.

The ETR in 2014 was similar to 2013 and was relatively low in both years. The low ETR in 2014 reflected the impairment charges on which tax credits arise in relatively high tax rate jurisdictions. The ETR in 2013 reflected the gain on disposal of TNK-BP in 2013 for which there was no corresponding tax charge.

In the current environment, and with our existing portfolio of assets, the underlying ETR in 2016 is expected to be lower than 2015 due to the anticipated mix of profits moving away from relatively high tax Upstream jurisdictions.



## Cash flow and net debt information

	\$ million		
	2015	2014	2013
Net cash provided by operating activities	<b>19,133</b>	32,754	21,100
Net cash used in investing activities	<b>(17,300)</b>	(19,574)	(7,855)
Net cash used in financing activities	<b>(4,535)</b>	(5,266)	(10,400)
Cash and cash equivalents at end of year	<b>26,389</b>	29,763	22,520
Gross debt	<b>53,168</b>	52,854	48,192
Net debt★	<b>27,158</b>	22,646	25,195
Gross debt to gross debt-plus-equity	<b>35.1%</b>	31.9%	27.0%
Net debt to net debt-plus-equity★	<b>21.6%</b>	16.7%	16.2%

☞ KPIs used to measure progress against our strategy.

## Net cash provided by operating activities

Net cash provided by operating activities for the year ended 31 December 2015 was \$13.6 billion lower than 2014, of which \$1.1 billion related to the Gulf of Mexico oil spill. This was principally a result of the lower oil price environment, although there were benefits of reduced working capital requirements and lower tax paid.

There was an increase of \$11.7 billion in 2014 compared with 2013. Profit before taxation was lower but this was partially offset by movements in the adjustments for non-cash items, including depreciation, depletion and amortization, impairments and gains and losses on sale of businesses and fixed assets. Furthermore, 2014 was impacted by a favourable movement in working capital.

## Net cash used in investing activities

Net cash used in investing activities for the year ended 31 December 2015 decreased by \$2.3 billion compared with 2014. The decrease mainly reflected a reduction in capital expenditure of \$3.9 billion in response to the lower oil price environment, partly offset by a reduction of \$0.7 billion in disposal proceeds.

The increase of \$11.7 billion in 2014 compared with 2013 reflected a decrease in disposal proceeds of \$18.5 billion, partly offset by a \$4.9-billion decrease in our investments in equity-accounted entities, mainly relating to the completion of the sale of our interest in TNK-BP and subsequent investment in Rosneft in 2013. There was also a decrease in our other capital expenditure excluding acquisitions of \$2.0 billion.

There were no significant acquisitions in 2015, 2014 and 2013.

The group has had significant levels of capital investment for many years. Cash flow in respect of capital investment, excluding acquisitions, was \$20.2 billion in 2015 (2014 \$23.1 billion and 2013 \$30 billion). Sources of funding are fungible, but the majority of the group's funding requirements for new investment comes from cash generated by existing operations.

We expect capital expenditure, excluding acquisitions and asset exchanges, to be at the lower end of the range of \$17-19 billion in 2016.

Total cash disposal proceeds received during 2015 were \$2.8 billion (2014 \$3.5 billion, 2013 \$22.0 billion). In 2015 this included amounts received from our Toledo refinery partner, Husky Energy, in place of capital commitments relating to the original divestment transaction that have not been subsequently sanctioned. In 2013 this included \$16.7 billion for the disposal of BP's interest in TNK-BP. See [AR](#) Financial statements – Note 4 for more information on disposals.

We have now completed the \$10-billion divestment programme which we announced in 2013. We expect divestments to be around \$3-5 billion in 2016 and ongoing divestments to be around \$2-3 billion per annum thereafter.

## Net cash used in financing activities

Net cash used in financing activities for the year ended 31 December 2015 decreased by \$0.7 billion compared with 2014. There were no share repurchases in 2015, compared with \$4.6 billion in 2014. This was largely offset by lower net proceeds from financing of \$3.2 billion (\$4.4 billion

lower net proceeds from long-term debt offset by an increase of \$1.2 billion in short-term debt).

The decrease of \$5.1 billion in 2014 compared with 2013 primarily reflected higher net proceeds of \$3.3 billion from long-term financing and a decrease in the net repayment of short-term debt of \$1.3 billion. The \$8-billion share repurchase programme was completed in July 2014.

Total dividends paid in 2015 were 40 cents per share, up 2.6% compared with 2014 on a dollar basis and 10.6% in sterling terms. This equated to a total cash distribution to shareholders of \$6.7 billion during the year (2014 \$5.9 billion, 2013 \$5.4 billion).

## Net debt

Net debt at the end of 2015 increased by \$4.5 billion from the 2014 year-end position. The net debt ratio★ at the end of 2015 increased by 4.9%.

The total cash and cash equivalents at the end of 2015 were \$3.4 billion lower than 2014.

We aim to maintain the net debt ratio, with some flexibility, at around 20%. We expect the net debt ratio to be above 20% while oil prices remain weak. Net debt and the net debt ratio are non-GAAP measures. See [AR](#) Financial statements – Note 26 for gross debt, which is the nearest equivalent measure on an IFRS basis, and for further information on net debt.

For information on financing the group's activities, see [AR](#) Financial statements – Note 28 and Liquidity and capital resources on [AR](#) page 219.

## Group reserves and production

	2015	2014	2013
<b>Estimated net proved reserves<sup>a</sup></b>			
<b>(net of royalties)</b>			
Liquids★ (mmb)	<b>9,560</b>	9,817	10,070
Natural gas (bcf)	<b>44,197</b>	44,695	45,975
Total hydrocarbons★ (mmboe)	<b>17,180</b>	17,523	17,996
Of which: Equity-accounted entities <sup>b</sup>	<b>7,928</b>	7,828	7,753
<b>Production<sup>a</sup> (net of royalties)</b>			
Liquids (mb/d)	<b>2,045</b>	1,927	2,013
Natural gas (mmcf/d)	<b>7,146</b>	7,100	7,060
Total hydrocarbons☞ (mboe/d)	<b>3,277</b>	3,151	3,230
Of which: Subsidiaries★	<b>2,007</b>	1,898	1,882
Equity-accounted entities <sup>c</sup>	<b>1,270</b>	1,253	1,348

<sup>a</sup> Because of rounding, some totals may not agree exactly with the sum of their component parts.

<sup>b</sup> Includes BP's share of Rosneft. See Rosneft on page 38 and Supplementary information on oil and natural gas on [AR](#) page 169 for further information.

<sup>c</sup> Includes BP's share of Rosneft. 2013 also includes BP's share of TNK-BP production. See Rosneft on page 38 and Oil and gas disclosures for the group on [AR](#) page 227 for further information.

Total hydrocarbon proved reserves at 31 December 2015, on an oil equivalent basis including equity-accounted entities, decreased by 2% compared with 31 December 2014. The change includes a net increase from acquisitions and disposals of 130mmboe (103mmboe within our subsidiaries, 28mmboe within our equity-accounted entities). Acquisition activity in our subsidiaries occurred in Egypt, Trinidad, the US and the UK, and divestment activity in our subsidiaries occurred in Egypt, Trinidad, the US and the UK. In our equity-accounted entities the most significant item was a purchase in Russia.

Our total hydrocarbon production for the group was 4% higher compared with 2014. The increase comprised a 6% increase (13% increase for liquids and 2% decrease for gas) for subsidiaries and a 1% increase (1% decrease for liquids and 9% increase for gas) for equity-accounted entities.



See Oil and gas disclosures for the group on [AR](#) page 227.

# Upstream

Our strategy is to have a balanced portfolio across the world's key basins, working safely and reliably while maintaining a focus on capital discipline and quality execution to deliver value.



▲ Operators work on board the floating production, storage and offloading vessel in the Plutão, Saturno, Vénus and Marte fields in Angola.

## Our business model and strategy

The Upstream segment is responsible for our activities in oil and natural gas exploration, field development and production, as well as midstream transportation, storage and processing. We also market and trade natural gas, including liquefied natural gas, power and natural gas liquids. In 2015 our activities took place in 25 countries.

With the exception of our US Lower 48 onshore business, we deliver our exploration, development and production activities through five global technical and operating functions:

- The **exploration** function is responsible for renewing our resource base through access, exploration and appraisal, while the **reservoir development** function is responsible for the stewardship of our resource portfolio over the life of each field.
- The **global wells organization** and the **global projects organization** are responsible for the safe, reliable and compliant execution of wells (drilling and completions) and major projects★.
- The **global operations organization** is responsible for safe, reliable and compliant operations, including upstream production assets and midstream transportation and processing activities.

We optimize and integrate the delivery of these activities across 12 regions, with support provided by global functions in specialist areas of expertise: technology, finance, procurement and supply chain, human resources and information technology.

The US Lower 48 began operating as a separate onshore business in 2015.

Technologies such as seismic imaging, enhanced oil recovery and big data analytics support our upstream strategy by helping us gain new access, increase recovery and reserves and improve production efficiency. See Our distinctive capabilities on page 16.

We actively manage our portfolio and place increasing emphasis on accessing, developing and producing from fields able to provide the greatest value (including those with the potential to make the highest contribution to our operating cash flow★). We sell assets that we believe have more value to others. This allows us to focus our leadership, technical resources and organizational capability on

developing the resources we believe are likely to add the most value to our portfolio.

Our strategy is to have a balanced portfolio of material, enduring positions in the world's key hydrocarbon basins; to employ capital and execute projects and other activities efficiently; and to operate safely and reliably in every basin to deliver increasing value.

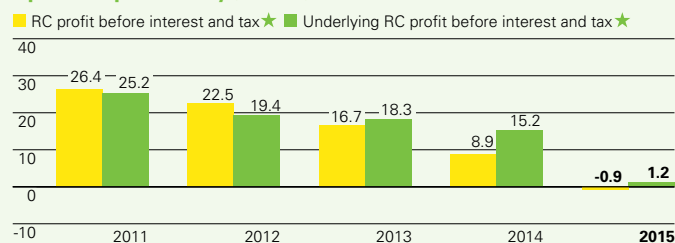
Our strategy is enabled by:

- A continued focus on safety, reliability and the systematic management of risk.
- Prioritizing value over volume, and a continuous focus on executional excellence, managing costs and business delivery.
- Maintaining disciplined investment in a balanced portfolio of opportunities, in deep water, gas value chains, giant fields and unconventional★.
- Delivering competitive operating cash growth through improvements in efficiency and reliability – for both operations and capital investment.
- Strong relationships built on trust, mutual advantage and deep knowledge of the basins where we operate.

## Our performance summary

- For upstream safety performance see page 44.
- We achieved an upstream BP-operated plant reliability★ of 95%.
- We started up three major upstream projects.
- Our exploration function gained access to new potential resources covering almost 8,000km<sup>2</sup> in four countries.
- Our divestments generated \$0.8 billion in proceeds in 2015.

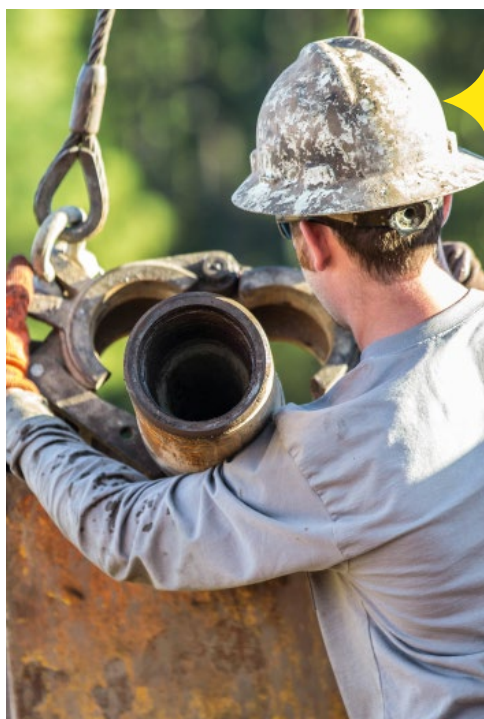
### Upstream profitability (\$ billion)



See Financial performance on page 29 for an explanation of the main factors influencing upstream profit.

## Outlook for 2016

- We expect underlying production★ to be broadly flat with 2015. The actual reported outcome will depend on the exact timing of project start-ups, divestments, OPEC quotas and entitlement impacts in our production-sharing agreements.
- Capital investment is expected to decrease, largely reflecting our commitment to continued capital discipline and the rephasing and refocusing of our activities and major projects where appropriate in response to the current business environment. We will continue to manage our costs down using all levers available to us. These include continuing and expanding the simplification and efficiency efforts started in 2014, continuing to drive deflation into our third-party spend, influencing spend in our non-operated assets, and bringing headcount down to a level that reflects the size of our operations and the current environment.
- Oil prices continue to be challenging in the near term.



## Adapting rapidly

To enable us to respond rapidly to the unique and highly competitive operating environment of the US onshore exploration and production industry, the Lower 48 began operating as a separate BP-operated onshore business in the US in 2015.

With its own governance, processes and systems, Lower 48 is better equipped to operate competitively across several basins from the onshore Gulf Coast north to the Rocky Mountains, and develop the vast resource within these large acreage positions.

In the San Juan basin of Colorado and New Mexico, we are drawing on our deep understanding of the area's reservoirs and utilizing innovative well designs to significantly improve capital efficiency and increase the number of economic development opportunities.

In 2015 we successfully completed three multi-lateral wells in the San Juan basin, our first-ever wells of this type there. With multiple horizontal laterals from the main wellbore, instead of only one, we can access more of the reservoir and produce significantly more resource. Our multi-lateral wells are already among the most productive we have ever drilled in the basin, with an average development cost that is about 60% lower than wells we drilled in the basin just a few years ago.

We now plan for the majority of our new wells in the San Juan basin to be multi-laterals, and are pursuing well design improvements like these across our extensive resource base.

In addition to enhancing returns on new capital investments, Lower 48 is working to improve operating efficiency through various initiatives to reduce production deferrals and lower costs. These efforts have begun to reduce production costs, which were down by about 7% year-over-year in 2015 and are expected to decline even further in 2016.



Using experience to enhance our competitiveness.

## Financial performance

	2015	2014	\$ million 2013
Sales and other operating revenues <sup>a</sup>	<b>43,235</b>	65,424	70,374
RC profit before interest and tax	<b>(937)</b>	8,934	16,657
Net (favourable) unfavourable impact of non-operating items <sup>★</sup> and fair value accounting effects <sup>★</sup>	<b>2,130</b>	6,267	1,608
Underlying RC profit before interest and tax	<b>1,193</b>	15,201	18,265
Capital expenditure and acquisitions	<b>17,082</b>	19,772	19,115
<b>BP average realizations<sup>★b</sup></b>			\$ per barrel
Crude oil <sup>c</sup>	<b>47.78</b>	93.65	105.38
Natural gas liquids	<b>20.75</b>	36.15	38.38
Liquids <sup>★</sup>	<b>45.63</b>	87.96	99.24
			\$ per thousand cubic feet
Natural gas	<b>3.80</b>	5.70	5.35
US natural gas	<b>2.10</b>	3.80	3.07
			\$ per barrel of oil equivalent
Total hydrocarbons <sup>★</sup>	<b>34.78</b>	60.85	63.58
<b>Average oil marker prices<sup>d</sup></b>			\$ per barrel
Brent <sup>★</sup>	<b>52.39</b>	98.95	108.66
West Texas Intermediate	<b>48.71</b>	93.28	97.99
<b>Average natural gas marker prices</b>			\$ per million British thermal units
Henry Hub gas price <sup>★e</sup>	<b>2.67</b>	4.43	3.65
			pence per therm
UK National Balancing Point gas price <sup>★d</sup>	<b>42.61</b>	50.01	67.99

<sup>a</sup> Includes sales to other segments.

<sup>b</sup> Realizations are based on sales by consolidated subsidiaries<sup>★</sup> only, which excludes equity-accounted entities.

<sup>c</sup> Includes condensate and bitumen.

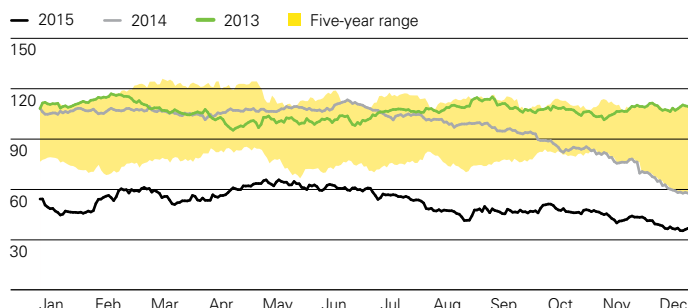
<sup>d</sup> All traded days average.

<sup>e</sup> Henry Hub First of Month Index.

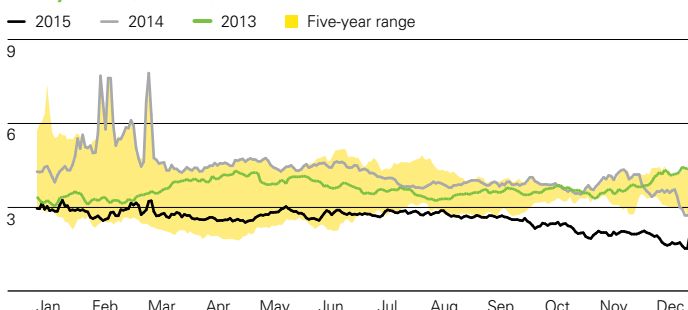
## Market prices

Brent remains an integral marker to the production portfolio, from which a significant proportion of production is priced directly or indirectly. Certain regions use other local markers that are derived using differentials or a lagged impact from the Brent crude oil price.

## Brent (\$/bbl)



## Henry Hub (\$/mmBtu)

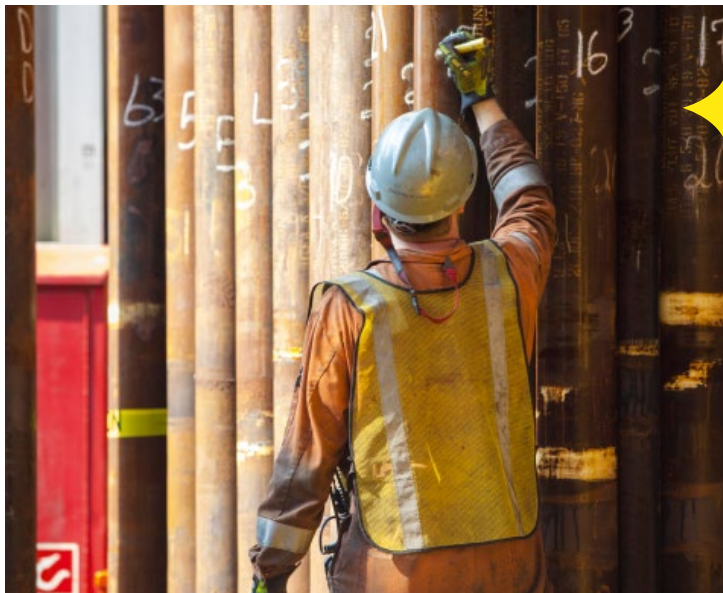


The dated Brent price in 2015 averaged \$52.39 per barrel. Prices averaged about \$58 during the first half of 2015, but fell sharply during the second half in the face of strong OPEC production growth and rising inventories. Brent prices ended the year near \$35.

The Henry Hub First of Month Index price was down by 40%, year-on-year, in 2015 (2014, up by 21%).

The UK National Balancing Point gas price in 2015 fell by 15% compared with 2014 (2014 a decrease of 26% on 2013). This reflected ample supplies in Europe with robust Russian flows, higher LNG cargoes and rising indigenous production. Lower LNG prices in Asia led to a reduction in the price of transacted LNG available for Europe, which contributed to the weakness of European spot prices. For more information on the global energy market in 2015, see page 24.





## Capturing value

Continued declines in oil prices have put upstream earnings under pressure across the industry. In this challenging environment we are focused on maximizing the value of our assets, improving the quality of investment and maintaining capital discipline.

As part of this, we are reviewing our projects to find opportunities to improve their value. Our Thunder Horse South Expansion project in the Gulf of Mexico is designed to sustain and grow quality deepwater oil production from our existing field. We have been able to simplify our plans and reduce drilling costs by examining the project's scope and costs and working with BP suppliers to use more of their standard offerings that take advantage of current deflation in price. Adopting newer and proven subsea metering technology has allowed the team to reduce complexity and simplify execution.

At the same time we've further optimized the drilling sequence to increase the production forecast for this project by 10% without changing the planned start-up date. As a result the expected development cost per barrel is now more than 25% lower than before.



Focusing on value-driven propositions.

## Financial results

Sales and other operating revenues for 2015 decreased compared with 2014, primarily reflecting significantly lower liquids and gas realizations and lower gas marketing and trading revenues partly offset by higher production. The decrease in 2014 compared with 2013 primarily reflected lower liquids realizations partially offset by higher production in higher-margin areas, higher gas realizations and higher gas marketing and trading revenues.

Replacement cost (RC) loss before interest and tax for the segment included a net non-operating charge of \$2,235 million. This is primarily related to a net impairment charge associated with a number of assets, following a further fall in oil and gas prices and changes to other assumptions. See [AR](#) Financial statements – Note 4 for further information. Fair value accounting effects had a favourable impact of \$105 million relative to management's view of performance.

The 2014 result included a net non-operating charge of \$6,298 million, primarily related to impairments associated with several assets, mainly in the North Sea and Angola reflecting the impact of the lower near-term price environment, revisions to reserves and increases in expected decommissioning cost estimates. Fair value accounting effects had a favourable impact of \$31 million relative to management's view of performance. The 2013 result included a net non-operating charge of \$1,364 million, which included an \$845-million write-off attributable to block BM-CAL-13 offshore Brazil, as a result of the Pitanga exploration well not encountering commercial quantities of oil or gas, and an unfavourable impact of \$244 million from fair value accounting effects.

After adjusting for non-operating items and fair value accounting effects, the decrease in the underlying RC profit before interest and tax compared with 2014 reflected significantly lower liquids and gas realizations, rig cancellation charges and lower gas marketing and trading results partly offset by lower costs including benefits from simplification and efficiency activities and lower exploration write-offs, and higher production.

Compared with 2013 the 2014 result reflected lower liquids realizations, higher costs, mainly depreciation, depletion and amortization and exploration write-offs and the absence of one-off benefits which occurred in 2013. This was partly offset by higher production in higher-margin areas, higher gas realizations and a benefit from stronger gas marketing and trading activities.

Total capital expenditure including acquisitions and asset exchanges in 2015 was lower compared with 2014. This included \$100 million capital expenditure before closing adjustments in 2015 relating to the purchase of additional equity in the West Nile Delta concessions in Egypt and \$81 million capital expenditure before closing adjustments relating to the purchase of additional equity in the Northeast Blanco and 32-9 concessions in the San Juan basin onshore US.

In total, disposal transactions generated \$0.8 billion in proceeds in 2015, with a corresponding reduction in net proved reserves of 20mmboe within our subsidiaries.

The major disposal transaction during 2015 was the sale of our 36% interest in the Central Area Transmission System (CATS) business in the UK North Sea to Antin Infrastructure Partners. More information on disposals is provided in Upstream analysis by region on [AR](#) page 221 and [AR](#) Financial statements – Note 4.

## Exploration

The group explores for oil and natural gas under a wide range of licensing, joint arrangement★ and other contractual agreements. We may do this alone or, more frequently, with partners.

In exploration we have reduced capital spending by 50% since 2014 with a focus on prioritizing near-term activity while creating options for longer-term renewal.

### New access in 2015

We gained access to new potential resources covering almost 8,000km<sup>2</sup> in four countries (UK (North Sea), Egypt, the US, and Azerbaijan). We acquired a 20% participatory interest in Taas-Yuryakh Neftegazodobyicha, a Rosneft subsidiary that will further develop the Srednebotuobinskoye oil and gas condensate field in East Siberia, in November 2015. Related to this, Rosneft and BP will jointly undertake exploration in an adjacent area of mutual interest.

Rosneft and BP have also agreed to jointly explore two additional areas of mutual interest in the prolific West Siberian and Yenisey-Khatanga basins where they will jointly appraise the Baikalskoye discovery subject to receipt of all relevant consents. This is in addition to the exploration agreement announced in 2014 for an area of mutual interest in the Volga-Urals region of Russia, where Rosneft and BP have commenced joint study work to assess potential non-shale, unconventional tight-oil★ exploration prospects.

### Exploration success

We participated in two potentially commercial discoveries in Egypt – Atoll and Nooros in 2015.

### Exploration and appraisal costs

Excluding lease acquisitions, the costs for exploration and appraisal were \$1,794 million (2014 \$2,911 million, 2013 \$4,811 million). These costs included exploration and appraisal drilling expenditures, which were capitalized within intangible fixed assets, and geological and geophysical exploration costs, which were charged to income as incurred.

Approximately 26% of exploration and appraisal costs were directed towards appraisal activity. We participated in 29 gross (16.76 net) exploration and appraisal wells in six countries.



### Exploration expense

Total exploration expense of \$2,353 million (2014 \$3,632 million, 2013 \$3,441 million) included the write-off of expenses related to unsuccessful drilling activities, lease expiration or uncertainties around development in Libya (\$432 million), Angola (\$471 million), the Gulf of Mexico (\$581 million) and others (\$345 million).

### Reserves booking

Reserves booking from new discoveries will depend on the results of ongoing technical and commercial evaluations, including appraisal drilling. The segment's total hydrocarbon reserves on an oil equivalent basis, including equity-accounted entities at 31 December 2015 decreased by 4% (a decrease of 5% for subsidiaries and an increase of less than 1% for equity-accounted entities) compared with reserves at 31 December 2014.

### Proved reserves replacement ratio★

The proved reserves replacement ratio for the Upstream segment in 2015, excluding acquisitions and disposals, was 33% for subsidiaries and equity-accounted entities (2014 31%), 28% for subsidiaries alone (2014 29%) and 76% for equity-accounted entities alone (2014 43%). For more information on proved reserves replacement for the group see **AR** page 227.

### Upstream reserves

#### Estimated net proved reserves\* (net of royalties)

	2015	2014	2013
Liquids			
million barrels			
Crude oil <sup>b</sup>			
Subsidiaries★	3,560	3,582	3,798
Equity-accounted entities <sup>c</sup>	694	702	729
	4,254	4,283	4,527
Natural gas liquids			
Subsidiaries	422	510	551
Equity-accounted entities <sup>c</sup>	13	16	16
	435	526	567
Total liquids			
Subsidiaries <sup>d</sup>	3,982	4,092	4,349
Equity-accounted entities <sup>c</sup>	707	717	745
	4,689	4,809	5,094
Natural gas			
billion cubic feet			
Subsidiaries <sup>e</sup>	30,563	32,496	34,187
Equity-accounted entities <sup>c</sup>	2,465	2,373	2,517
	33,027	34,869	36,704
Total hydrocarbons			
million barrels of oil equivalent			
Subsidiaries	9,252	9,694	10,243
Equity-accounted entities <sup>c</sup>	1,132	1,126	1,179
	10,384	10,821	11,422

\* Because of rounding, some totals may not agree exactly with the sum of their component parts.

<sup>b</sup> Includes condensate and bitumen which are not material.

<sup>c</sup> BP's share of reserves of equity-accounted entities in the Upstream segment. During 2015, upstream operations in Abu Dhabi, Argentina and Bolivia, as well as some of our operations in Angola and Indonesia, were conducted through equity-accounted entities.

<sup>d</sup> Includes 19 million barrels (21 million barrels at 31 December 2014 and 2013) in respect of the 30% non-controlling interest in BP Trinidad & Tobago LLC.

<sup>e</sup> Includes 2,359 billion cubic feet of natural gas (2,519 billion cubic feet at 31 December 2014 and 2,685 billion cubic feet at 31 December 2013) in respect of the 30% non-controlling interest in BP Trinidad & Tobago LLC.

### Optimizing our assets

The Caspian Sea is one of the world's leading hydrocarbon provinces and we have been the major presence in development of Azerbaijan's offshore oil and gas fields since our office in Baku opened in 1992.

The country's gas production is dominated by one of the world's largest fields, Shah Deniz – BP's biggest discovery since Prudhoe Bay in Alaska in 1968.

Developing Shah Deniz Stage 1 involved drilling some of BP's most difficult wells – at depths of around 6,000 metres below sea level and under high pressures. And in only seven years, we also drilled the deepest exploration well in the Caspian to date, built the platform and onshore terminal and laid the 700km South Caucasus pipeline through Azerbaijan and Georgia to the Turkish border.

Our technical expertise and ongoing maintenance of the facilities has helped Shah Deniz provide a consistently secure and reliable supply of gas to the region and in 2015 we achieved almost 100% plant reliability★. This has helped to increase production from the existing facilities.

Shah Deniz Stage 1 has reliably delivered plateau production throughout 2015, with 9.9 billion standard cubic metres of gas and about 18.3 million barrels of condensate produced.



Strengthening our assets to provide momentum for years to come.



## Developments

We achieved three major project start-ups in 2015: two in Angola and one in Australia. The In Salah Southern Fields project started up in February 2016. In addition to starting up major projects, we made good progress in projects in AGT (Azerbaijan, Georgia, Turkey), the North Sea, Oman and Egypt.

- **Azerbaijan, Georgia, Turkey** – we signed agreements to become a shareholder in the Trans Anatolian Natural Gas Pipeline (TANAP), to transport gas from Shah Deniz to markets in Turkey, Greece, Bulgaria and Italy.
- **North Sea** – we continued to see high levels of activity, including further progress in the major redevelopment of Quad 204 and approval of the development plans for the Culzean field. We also completed the Magnus life extension project and installed the platform topsides at Clair Ridge.
- **Oman** – development of the Khazzan project continued, with 10 rigs in operation by the end of 2015. We also signed a heads of agreement with the government of the Sultanate of Oman to extend the licence area in February 2016.
- **Egypt** – we signed final agreements on the West Nile Delta project. We also increased our working interest in both West Nile Delta concessions.

Subsidiaries development expenditure incurred, excluding midstream activities, was \$13.5 billion (2014 \$15.1 billion, 2013 \$13.6 billion).

## Production

Our oil and natural gas production assets are located onshore and offshore and include wells, gathering centres, in-field flow lines, processing facilities, storage facilities, offshore platforms, export systems (e.g. transit lines), pipelines and LNG plant facilities. These include production from conventional and unconventional (coalbed methane and shale) assets. The principal areas of production are Angola, Argentina, Australia, Azerbaijan, Egypt, Iraq, Trinidad, the UAE, the UK and the US.

With BP-operated plant reliability increasing from around 86% in 2011 to 95% in 2015, efficient delivery of turnarounds and strong infill drilling performance, we expect to keep the average managed base decline through 2016 at around 2% versus our 2014 baseline. Our long-term expectation for managed base decline remains at the 3-5% per annum level we have described in the past.

### Production (net of royalties)<sup>a</sup>

	2015	2014	2013
Liquids	thousand barrels per day		
Crude oil <sup>b</sup>			
Subsidiaries	971	844	789
Equity-accounted entities <sup>c</sup>	165	163	294
	1,137	1,007	1,083
Natural gas liquids			
Subsidiaries	88	91	86
Equity-accounted entities <sup>c</sup>	7	7	8
	95	99	94
Total liquids			
Subsidiaries	1,060	936	874
Equity-accounted entities <sup>c</sup>	172	170	302
	1,232	1,106	1,176
Natural gas	million cubic feet per day		
Subsidiaries	5,495	5,585	5,845
Equity-accounted entities <sup>c</sup>	456	431	415
	5,951	6,016	6,259
Total hydrocarbons	thousand barrels of oil equivalent per day		
Subsidiaries	2,007	1,898	1,882
Equity-accounted entities <sup>c</sup>	251	245	374
	2,258	2,143	2,256

<sup>a</sup> Because of rounding, some totals may not agree exactly with the sum of their component parts.

<sup>b</sup> Includes condensate and bitumen which are not material.

<sup>c</sup> Includes BP's share of production of equity-accounted entities in the Upstream segment.

## Our Upstream project pipeline

Key:  Oil  Gas

\*BP operated

Project	Location	Type		Project	Location	Type	
2015 start-ups				Expected start-ups 2017-2020			
Kizomba Satellites Phase 2	Angola	Deepwater		<b>Design and appraisal phase</b>			
Greater Plutonio Phase 3*	Angola	Deepwater		Angelin	Trinidad	LNG	
Western Flank Phase A	Australia	LNG		Atoll	Egypt	Conventional	
Expected start-ups 2016-2020				B18 Platina*	Angola	Deepwater	
<b>Projects currently under construction</b>				Mad Dog Phase 2*	Gulf of Mexico	Deepwater	
Angola LNG	Angola	LNG		Snadd*	North Sea	Conventional	
In Amenas compression	North Africa	Conventional		Tanggah expansion*	Asia Pacific	LNG	
In Salah Southern Fields <sup>a</sup>	North Africa	Conventional		Trinidad onshore compression	Trinidad	LNG	
Point Thomson	Alaska	Conventional		Trinidad offshore compression	Trinidad	LNG	
Quad 204*	North Sea	Conventional		Vorlich*	North Sea	Conventional	
Thunder Horse water injection*	Gulf of Mexico	Deepwater		<b>Beyond 2020</b>			
Clair Ridge*	North Sea	Conventional		We have an additional 35-40 projects in the pipeline for post-2020 start-up.			
Juniper	Trinidad	LNG		• Mix of resource types across conventional oil, deepwater oil, conventional gas and unconventional.			
Oman Khazzan*	Middle East	Tight		• Broad geographic reach.			
Persephone	Asia Pacific	LNG		• Range of development types, from new to producing fields where we can use existing infrastructure.			
Thunder Horse South expansion*	Gulf of Mexico	Deepwater					
West Nile Delta Taurus/Libra*	Egypt	Conventional					
Culzean	North Sea	High pressure					
Shah Deniz Stage 2*	Azerbaijan	Conventional					
Taas-Yuryakh expansion	Russia	Conventional					
West Nile Delta Giza/Fayoum/Raven*	Egypt	Conventional					
Western Flank Phase B	Australia	Conventional					

<sup>a</sup> Started up in February 2016.

Our total hydrocarbon production for the segment in 2015 was 5.4% higher compared with 2014. The increase comprised a 5.7% increase (13.2% increase for liquids and 1.6% decrease for gas) for subsidiaries and a 2.4% increase (1.2% increase for liquids and 5.8% increase for gas) for equity-accounted entities compared with 2014. For more information on production see Oil and gas disclosures for the group on [AR](#) page 227.

In aggregate, underlying production was flat versus 2014.

The group and its equity-accounted entities have numerous long-term sales commitments in their various business activities, all of which are expected to be sourced from supplies available to the group that are not subject to priorities, curtailments or other restrictions. No single contract or group of related contracts is material to the group.

### Gas marketing and trading activities

Our integrated supply and trading function markets and trades our own and third-party natural gas (including LNG), power and NGLs. This provides us with routes into liquid markets for the gas we produce and generates margins and fees from selling physical products and derivatives to third parties, together with income from asset optimization and trading. This means we have a single interface with gas trading markets and one consistent set of trading compliance and risk management processes, systems and controls.

Our upstream marketing and trading activity primarily takes place in the US, Canada and Europe and supports group LNG activities, managing market price risk and creating incremental trading opportunities through the use of commodity derivative contracts. It also enhances margins and generates fee income from sources such as the management of price risk on behalf of third-party customers.

Our trading financial risk governance framework is described in [AR](#) Financial statements – Note 28 and the range of contracts used is described in Glossary – commodity trading contracts on [AR](#) page 256.



For an analysis of our upstream business by geographic region and key events in 2015, see [AR](#) page 221.



### Unlocking energy potential

BP has invested in Egypt for half a century. And in recent years, it has been a key location for BP discoveries. Our ongoing investment and exploration activities are helping to unlock energy potential in the area.

In March we made a gas discovery 6,400 metres below sea level in the North Damietta offshore area. We are working with the Egyptian government to accelerate the development of the Atoll discovery.

The discovery is in line to become our next major project in Egypt after completion of our West Nile Delta project.



Building a pipeline of future growth opportunities.



# Downstream

We continued to improve our personal and process safety and delivered strong operations and marketing performance, contributing to record replacement cost profit before interest and tax.



▲ The Cherry Point refinery processes crude oil sourced from Alaska, mid-continent US and Canada and has a capacity of 234,000 barrels per day.

## Our business model and strategy

The Downstream segment has global manufacturing and marketing operations. It is the product and service-led arm of BP, made up of three businesses:

- **Fuels** – includes refineries, fuels marketing and convenience retail businesses, together with global oil supply and trading activities that make up our fuels value chains (FVCs). We sell refined petroleum products including gasoline, diesel and aviation fuel.
- **Lubricants** – manufactures and markets lubricants and related products and services globally, adding value through brand, technology and relationships, such as collaboration with original equipment manufacturing partners.
- **Petrochemicals** – manufactures, sells and distributes products, that are produced mainly using proprietary BP technology, and are then used by others to make essential consumer products such as paint, plastic bottles and textiles. We also license our technologies to third parties.

We aim to run safe and reliable operations across all our businesses, supported by leading brands and technologies, to deliver high-quality products and services that meet our customers' needs.

Our strategy focuses on a quality portfolio that aims to lead the industry, as measured by net income per barrel★, with improving returns and growing operating cash flow★. Our five strategic priorities are:

- **Safe and reliable operations** – this remains our first priority and we continue to drive improvement in personal and process safety performance.
- **Advantaged manufacturing** – we continue to build a top-quartile refining business by having a competitively advantaged portfolio underpinned by operational excellence that helps to reduce exposure to margin volatility. In petrochemicals we seek to sustainably improve earnings potential and make the business more resilient to a bottom of cycle environment through portfolio repositioning, improved operational performance and efficiency benefits.

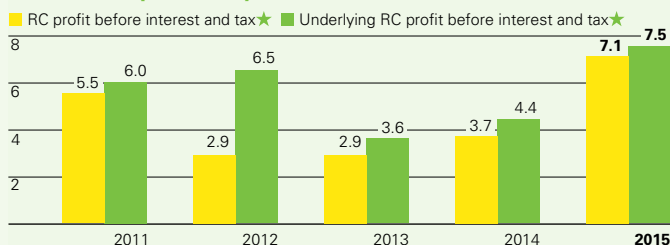
- **Fuels and lubricants marketing** – we invest in higher-returning businesses with reliable cash flows and growth potential.
- **Portfolio quality** – we maintain our focus on quality by high-grading of assets combined with capital discipline.
- **Simplification and efficiency** – we are embedding a culture of simplification and efficiency to support performance improvement and make our businesses even more competitive.

Disciplined execution of our strategy is helping improve our underlying performance and create a more resilient business that is better able to withstand external environmental impacts. This is with the aim of ensuring Downstream remains a reliable source of cash flow for BP.

## Our performance summary

- For Downstream safety performance see page 45.
- We have delivered record replacement cost profit before interest and tax★ and pre-tax returns★ this year, demonstrating that we are creating a more resilient Downstream business.
- We delivered strong availability and operational performance across our refining portfolio and year-on-year improvement in utilization.
- We commenced the European launch of our BP fuels with *ACTIVE* technology in Spain, which are designed to remove dirt and protect car engines.
- We announced the agreement to restructure our German refining joint operation★ with Rosneft.
- We halted operations at Bulwer refinery in Australia.
- In Air BP we completed the integration of Statoil Fuel and Retail's aviation business which added more than 70 airports to our global network.
- In our lubricants business we launched *Castrol's Nexcel*, an innovative automotive oil-change technology.
- We completed start-up of the Zhuhai 3 plant in China – the world's largest single train purified terephthalic acid (PTA) unit.
- Our simplification and efficiency programmes contributed to material progress in lowering cash costs★. These programmes include right-sizing the Downstream organization, implementing site-by-site improvement plans to deliver manufacturing efficiency in refining and petrochemicals, and focusing on third-party costs.

## Downstream profitability (\$ billion)



See Financial performance on page 35 for the main factors influencing downstream profit.

## Outlook for 2016

- We anticipate a weaker refining environment.
- We expect the financial impact of refinery turnarounds to be higher than 2015 as a result of increased turnaround activity.



## Financial performance

	2015	2014	\$ million 2013
Sale of crude oil through spot and term contracts	<b>38,386</b>	80,003	79,394
Marketing, spot and term sales of refined products	<b>148,925</b>	227,082	258,015
Other sales and operating revenues	<b>13,258</b>	16,401	13,786
Sales and other operating revenues <sup>a</sup>	<b>200,569</b>	323,486	351,195
RC profit (loss) before interest and tax <sup>b</sup>			
Fuels	<b>5,858</b>	2,830	1,518
Lubricants	<b>1,241</b>	1,407	1,274
Petrochemicals	<b>12</b>	(499)	127
	<b>7,111</b>	3,738	2,919
Net (favourable) unfavourable impact of non-operating items★ and fair value accounting effects★			
Fuels	<b>137</b>	389	712
Lubricants	<b>143</b>	(136)	(2)
Petrochemicals	<b>154</b>	450	3
	<b>434</b>	703	713
Underlying RC profit (loss) before interest and tax <sup>b</sup>			
Fuels	<b>5,995</b>	3,219	2,230
Lubricants	<b>1,384</b>	1,271	1,272
Petrochemicals	<b>166</b>	(49)	130
	<b>7,545</b>	4,441	3,632
Capital expenditure and acquisitions	<b>2,109</b>	3,106	4,506

<sup>a</sup> Includes sales to other segments.

<sup>b</sup> Income from petrochemicals produced at our Gelsenkirchen and Mülheim sites is reported within the fuels business. Segment-level overhead expenses are included within the fuels business.

## Financial results

Sales and other operating revenues in 2015 were lower compared with 2014 due to lower crude prices. Similarly, the decrease in 2014, compared with 2013 primarily was due to falling crude prices.

Replacement cost (RC) profit before interest and tax for the year ended 31 December 2015 included a net operating charge of \$590 million, mainly relating to restructuring charges. The 2014 result included a net non-operating charge of \$1,570 million, primarily relating to impairment charges in our petrochemicals and fuels businesses, while the 2013 result included impairment charges in our fuels business, which were mainly associated with our disposal programme. In addition, fair value accounting effects had a favourable impact of \$156 million, compared with a favourable impact of \$867 million in 2014 and an unfavourable impact of \$178 million in 2013.

After adjusting for non-operating items and fair value accounting effects, underlying RC profit before interest and tax of \$7,545 million in 2015 was a record for Downstream.

## Our fuels business

The fuels strategy focuses primarily on fuels value chains (FVCs). This includes building a top-quartile and focused refining business through operating reliability, feedstock and location advantage and efficiency improvements to our already competitively advantaged portfolio.

We believe that having a quality refining portfolio connected to strong marketing positions is core to our integrated FVC businesses as this provides optimization opportunities in highly competitive markets.

In January 2016 we announced that we signed definitive agreements to dissolve our German refining joint operation with our partner Rosneft. The restructuring will refocus our refining business in the heart of Europe and is in line with our drive for greater simplification and efficiency.

We continue to grow our fuels marketing businesses, including retail, through differentiated marketing offers and key partnerships. We partner with leading retailers, creating distinctive offers that aim to deliver good returns and reliable profit and cash generation (see page 13).

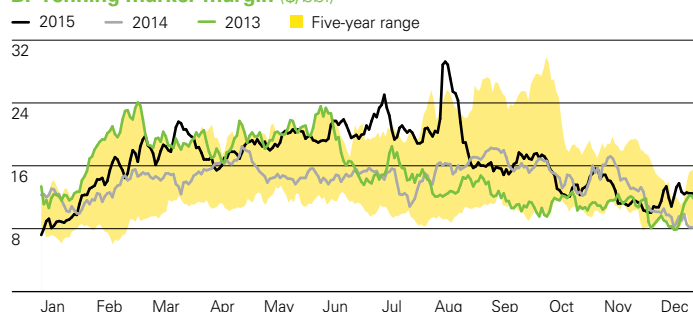
Underlying RC profit before interest and tax was higher compared with 2014 reflecting a strong refining environment, improved refining margin optimization and operations, and lower costs from simplification and efficiency programmes. Compared with 2013, the 2014 result was higher, mainly due to improved fuels marketing performance, increased heavy crude processing and higher production, mainly as a result of the ramp-up of operations at our Whiting refinery following the modernization project. This was partially offset by a weaker refining environment.

## Refining marker margin★

We track the margin environment by a global refining marker margin (RMM). Refining margins are a measure of the difference between the price a refinery pays for its inputs (crude oil) and the market price of its products. Although refineries produce a variety of petroleum products, we track the margin environment using a simplified indicator that reflects the margins achieved on gasoline and diesel only. The RMM may not be representative of the margin achieved by BP in any period because of BP's particular refinery configurations and crude and product slates. In addition, the RMM does not include estimates of energy or other variable costs.

Region	Crude marker	2015	2014	\$ per barrel 2013
US North West	Alaska North Slope	<b>24.0</b>	16.6	15.2
US Midwest	West Texas Intermediate	<b>19.0</b>	17.4	21.7
Northwest Europe	Brent★	<b>14.5</b>	12.5	12.9
Mediterranean	Azeri Light	<b>12.7</b>	10.6	10.5
Australia	Brent	<b>15.4</b>	13.5	13.4
BP RMM		<b>17.0</b>	14.4	15.4

## BP refining marker margin (\$/bbl)



The average global RMM in 2015 was \$17.0/bbl, \$2.6/bbl higher than in 2014, and the second highest on record (after 2012). The increase was driven by higher margins on gasoline as a result of increased demand in a low oil price environment and persistent refinery outages in the US.

## Refining

At 31 December 2015 we owned or had a share in 13 refineries producing refined petroleum products that we supply to retail and commercial customers. For a summary of our interests in refineries and average daily crude distillation capacities see [AR](#) page 225.

In 2015, refinery operations were strong, with Solomon refining availability★ sustained at around 95% and utilization rates of 91% for the year. Overall refinery throughputs in 2015 were flat compared to 2014, with reduced throughput from ceasing refining operations at Bulwer refinery, offset by increased throughput at the Whiting and Kwinana refineries.

	2015	2014	2013
Refinery throughputs <sup>a</sup>		thousand barrels per day	
US <sup>b</sup>	<b>657</b>	642	726
Europe	<b>794</b>	782	766
Rest of world <sup>b</sup>	<b>254</b>	297	299
Total	<b>1,705</b>	1,721	1,791
		%	
Refining availability	<b>94.7</b>	94.9	95.3
Sales volumes		thousand barrels per day	
Marketing sales <sup>c</sup>	<b>2,835</b>	2,872	3,084
Trading/supply sales <sup>d</sup>	<b>2,770</b>	2,448	2,485
Total refined product sales	<b>5,605</b>	5,320	5,569
Crude oil <sup>e</sup>	<b>2,098</b>	2,360	2,142
Total	<b>7,703</b>	7,680	7,711

<sup>a</sup> Refinery throughputs reflect crude oil and other feedstock volumes.

<sup>b</sup> Bulwer refinery in Australia ceased refining operations in 2015. The Texas City and Carson refineries in the US were both divested in 2013.

<sup>c</sup> Marketing sales include sales to service stations, end-consumers, bulk buyers and jobbers (i.e. third parties who own networks of a number of service stations) and small resellers.

<sup>d</sup> Trading/supply sales are sales to large unbranded resellers and other oil companies.

<sup>e</sup> Crude oil sales relate to transactions executed by our integrated supply and trading function, primarily for optimizing crude oil supplies to our refineries and in other trading. 87,000 barrels per day relate to revenues reported by the Upstream segment.

## Logistics and marketing

Downstream of our refineries, we operate an advantaged infrastructure and logistics network that includes pipelines, storage terminals and tankers for road and rail. We seek to drive excellence in operational and transactional processes and deliver compelling customer offers in the various markets where we operate. In early 2016 we agreed the disposal of our Amsterdam oil terminal. We also announced our intention to enter into joint ventures★ on certain midstream assets in North America and Australia to increase our competitiveness and enable growth in these regions.

We supply fuel and related retail services to consumers through company-owned and franchised retail sites, as well as other channels, including dealers and jobbers. We also supply commercial customers within the transport and industrial sectors.

	Number of retail sites operated under a BP brand		
Retail sites <sup>f</sup>	2015	2014	2013
US	<b>7,000</b>	7,100	7,700
Europe	<b>8,100</b>	8,000	8,000
Rest of world	<b>2,100</b>	2,100	2,100
Total	<b>17,200</b>	17,200	17,800

<sup>f</sup> Reported to the nearest 100. Includes sites not operated by BP but instead operated by dealers, jobbers, franchisees or brand licensees under a BP brand. These may move to or from the BP brand as their fuel supply or brand licence agreements expire and are renegotiated in the normal course of business. Retail sites are primarily branded *BP*, *ARCO* and *Aral*. Excludes our interests in equity-accounted entities that are dual-branded.

Retail is the most material element of our fuels marketing operations and has good exposure to growth markets. In addition we have distinctive partnerships with leading retailers in six countries and plan to expand elsewhere. Retail is a significant source of growth today and is expected to be so in the future. This year we began rolling out our new BP fuels with *ACTIVE* technology in Spain and we plan to continue this roll-out in additional markets in 2016.

## Supply and trading

Our integrated supply and trading function is responsible for delivering value across the overall crude and oil products supply chain. This structure enables our downstream businesses to maintain a single interface with oil trading markets and operate with one set of trading compliance and risk management processes, systems and controls. It has a two-fold purpose:



## Improving operations

Our Castellón refinery in Spain has been ranked among the best refineries for availability in the world by Solomon international standards. Since 2009 the refinery has had an ongoing programme in place that is focused on unlocking local employee knowledge to find efficiencies and improvements to safety and operations.

Using BP's continuous improvement methodology, the programme has captured more than 2,500 ideas, with contributions from around 80% of the refinery's employees. Ideas have covered everything from reducing risks, improving efficiency, increasing margins, reducing costs and increasing plant availability to improving staff engagement. All of these have been analysed to draw out underlying issues and develop actions that address these.

By April 2015 around 1,000 ideas had been implemented and the benefits of the programme are being realized with reduced break-even margins, improved safety ratios and increased plant availability and utilization.

The programme has contributed to the improvement in Castellón's break-even margin by more than \$2 per barrel between 2009 and 2015. The refinery has also seen that steps to improve safety go hand-in-hand with improving operational reliability. Since the programme began, there has been a steady reduction in tier 1 and 2 process safety events – those with the potential to cause the most harm to people and property. Over the same time, the refinery's utilization – a measure of how much crude is being processed – improved, up from 78% in 2009 to 93% in 2015.

 Downstream provides strong cash generation for the group.

First, it seeks to identify the best markets and prices for our crude oil, source optimal raw materials for our refineries and provide competitive supply for our marketing businesses. We will often sell our own crude and purchase alternative crudes from third parties for our refineries where this will provide incremental margin.

Second, it aims to create and capture incremental trading opportunities by entering into a full range of exchange-traded commodity derivatives, over-the-counter contracts and spot and term contracts. In combination with rights to access storage and transportation capacity, this allows it to access advantageous price differences between locations and time periods, and to arbitrage between markets.

The function has trading offices in Europe, North America and Asia. Our presence in the more actively traded regions of the global oil markets supports overall understanding of the supply and demand forces across these markets.

Our trading financial risk governance framework is described in **AR** Financial statements – Note 28 and the range of contracts used is described in Glossary – commodity trading contracts on **AR** page 256.

### Aviation

Air BP's strategic aim is to continue to hold strong positions in our core locations of Europe and the US, while expanding our portfolio in airports that offer long-term competitive advantage in material growing markets such as Asia and South America. We are one of the world's largest global aviation fuels suppliers. Air BP serves many major commercial airlines as well as the general aviation sectors. We have marketing sales of more than 430,000 barrels per day and we added more than 70 airports to our global network with the acquisition of Statoil Fuel & Retail's aviation business.

### Our lubricants business

Our lubricants strategy is to focus on our premium brands and growth markets while leveraging technology and customer relationships. With more than 50% of profit generated from growth markets and continued growth in premium lubricants, we have an excellent base for further expansion and sustained profit growth.

Our lubricants business manufactures and markets lubricants and related products and services to the automotive, industrial, marine and energy markets across the world. Our key brands are *Castrol*, *BP* and *Aral*. *Castrol* is a recognized brand worldwide that we believe provides us with significant competitive advantage. In technology, we apply our expertise to create differentiated, premium lubricants and high-performance fluids for customers in on-road, off-road, sea and industrial applications globally.

We are one of the largest purchasers of base oil in the market, but have chosen not to produce it or manufacture additives at scale. Our participation choices in the value chain are focused on areas where we can leverage competitive differentiation and strength, such as:

- Applying cutting-edge technologies in the development and formulation of advanced products.
- Creating and developing product brands and clearly communicating their benefits to customers.
- Building and extending our relationships with customers to better understand and meet their needs.

The lubricants business delivered an underlying RC profit before interest and tax which was higher than 2014 and 2013. The 2015 result reflected strong performance in growth markets and premium brands and lower costs from simplification and efficiency programmes. These factors contributed to around a 20% year-on-year improvement in results, which was partially offset by adverse foreign exchange impacts. The 2014 result benefited from improved margins across the portfolio, offset by adverse foreign exchange impacts.

### Our petrochemicals business

Our petrochemicals strategy is to improve our earnings potential and make the business more resilient to a bottom-of-cycle environment. We develop proprietary technology to deliver leading cost positions compared with our competition. We manufacture and market four main product lines:

- Purified terephthalic acid (PTA).
- Paraxylene (PX).
- Acetic acid.
- Olefins and derivatives.

We also produce a number of other specialty petrochemicals products.

We aim to reposition our portfolio, improve operating performance and create efficiency benefits. We are taking steps to significantly improve the resilience of the business to a bottom-of-cycle environment by:

- Restructuring a significant portion of our portfolio, primarily in our aromatics business, to shut down older capacity in the US and Asia and assess disposal options for less advantaged assets.
- Retrofitting our best technology in our advantaged sites to reduce overall operating costs.
- Growing third-party licensing income to create additional value.
- Delivering operational improvements focused on turnaround efficiency and improved reliability.
- Delivering value through simplification and efficiency programmes.

In addition to the assets we own and operate, we have also invested in a number of joint arrangements★ in Asia, where our partners are leading companies in their domestic market. We are licensing our distinctive technologies, including recently announced licensing agreements for our latest generation PTA technology in Oman and China.

In 2015 the petrochemicals business delivered a higher underlying RC profit before interest and tax compared with 2014 and 2013. The result reflected improved operational performance and benefits from our simplification and efficiency programmes leading to lower costs. Compared with 2013, the 2014 result was lower, reflecting a continuation of the weak margin environment, particularly in the Asian aromatics sector, and unplanned operational events.

Our petrochemicals production of 14.8 million tonnes in 2015 was higher than 2014 and 2013 (2014 14.0mmte, 2013 13.9mmte), with the low margin environment in 2014 and 2013 driving reduced output.

In 2015, our Zhuhai 3 PTA plant in China was fully commissioned adding 1.25 million tonnes of production capacity to our petrochemicals portfolio. During the year we also shut down older capacity of certain units in the US and Asia.

We are upgrading our PTA plants at Cooper River in South Carolina, US and Geel in Belgium using our latest proprietary technology. We expect these investments to significantly increase manufacturing efficiency at these facilities. We plan to continue deploying our technology in new asset platforms to access Asian demand and advantaged feedstock sources.

We announced in January 2016 that we had reached an agreement to sell our Decatur petrochemicals complex in Alabama, US, as part of our strategy to refocus our global petrochemicals business for long-term growth.

★ Defined on page 61.



# Rosneft

Rosneft is the largest oil company in Russia, with a strong portfolio of existing and future opportunities.



▲ Taas-Yuryakh central processing facility at the Srednebotuobinskoye oil and gas field during the Siberian winter.

## BP and Rosneft

- BP's 19.75% shareholding in Rosneft allows us to benefit from a diversified set of existing and potential projects in the Russian oil and gas sector.
- Russia has significant hydrocarbon resources and will continue to play an important role in long-term energy supply to the global economy.
- BP is positioned to contribute to Rosneft's strategy implementation through collaboration on technology and best practice.
- We have the potential to undertake standalone projects with Rosneft, both in Russia and internationally.
- We remain committed to our strategic investment in Rosneft, while complying with all relevant sanctions.

## 2015 summary

- In the current environment Rosneft continues to deliver solid operational and financial performance, demonstrating the resilience of its business model.
- BP received \$271 million, net of withholding taxes, in July – representing our share of Rosneft's dividend of 8.21 Russian roubles per share for 2014.
- In 2015 Rosneft met all its debt service obligations and increased total hydrocarbon production by 1%.
- Bob Dudley serves on the Rosneft Board of Directors, and its Strategic Planning Committee.
- A second BP nominee, Guillermo Quintero, was elected to Rosneft's Board of Directors at Rosneft's annual general meeting in June 2015 and was subsequently elected to its HR and Remuneration Committee.
- US and EU sanctions remain in place on certain Russian activities, individuals and entities, including Rosneft.

## Upstream

Rosneft is the largest oil company in Russia and the largest publicly traded oil company in the world, based on hydrocarbon production volume. Rosneft has a major resource base of hydrocarbons onshore and offshore, with assets in all key hydrocarbon regions of Russia: West Siberia, East Siberia, Timan-Pechora, Volga-Urals, North Caucasus, the continental shelf of the Arctic Sea, and the Far East.

BP purchased a 20% participatory interest in Taas-Yuryakh Neftegazodobycha, a Rosneft subsidiary that will further develop the Srednebotuobinskoye oil and gas condensate field in East Siberia. Related to this, Rosneft and BP will jointly undertake exploration in an adjacent area of mutual interest. BP's interest in Taas-Yuryakh Neftegazodobycha is reported in the Upstream segment.

Rosneft and BP have also agreed to jointly explore two additional areas of mutual interest in the prolific West Siberian and Yenisey-Khatanga basins, where they will jointly appraise the Baikalskoye discovery subject to receipt of all relevant consents. This is in addition to the exploration agreement announced in 2014 for an area of mutual interest in the Volga-Urals region of Russia, where Rosneft and BP have commenced joint study work to assess potential non-shale, unconventional tight-oil★ exploration prospects.

Rosneft participates in international exploration projects or has operations in countries including the US, Canada, Vietnam, Venezuela, Brazil, Algeria, United Arab Emirates, Turkmenistan and Norway.

Rosneft continued to optimize its budget and to focus on new upstream projects, including the development of the Labaganskoye, Suzun and East Messoyakha fields. It also signed preliminary contracts for the Russkoye, Kuyumba, Yurubcheno-Tokhomskoye and East Messoyakha fields to deliver oil to the Transneft pipeline system.

Rosneft's estimated hydrocarbon production reached an annual record in 2015. This was due to a ramp-up in drilling, optimization of well performance and the application of modern technologies such as multistage fracturing, dual completion and bottomhole treatment. In 2015 estimated gas production increased by around 10% compared with 2014, primarily driven by greenfield start-ups and commissioning of new wells.

## Downstream

Rosneft is the leading Russian refining company based on throughputs. It owns and operates 10 refineries in Russia. Rosneft continued to implement the modernization programme for its Russian refineries in 2015 to significantly upgrade and expand refining capacity.

As at 31 December 2015, Rosneft owned and operated more than 2,500 retail service stations in Russia and abroad. This includes BP-branded sites acquired as part of the TNK-BP acquisition in 2013 that, under a licence agreement with BP, continue to operate under the BP brand. Downstream operations also include jet fuel, bunkering, bitumen and lubricants.

On 15 January 2016 BP and Rosneft announced that they had signed definitive agreements to dissolve the German refining joint operation★ Ruhr Oel GmbH (ROG). The restructuring, which is expected to be completed in 2016, will result in Rosneft taking ownership of ROG's interests in the Bayernoil, MiRO Karlsruhe and PCK Schwedt refineries. In exchange, BP will take sole ownership of the Gelsenkirchen refinery and the solvent production facility DHC Solvent Chemie.

Rosneft refinery throughputs in 2015 amounted to 1,966mb/d (2014 2,027mb/d, 2013 1,818mb/d).



## Rosneft segment performance

BP's investment in Rosneft is managed and reported as a separate segment under IFRS. The segment result includes equity-accounted earnings, representing BP's 19.75% share of the profit or loss of Rosneft, as adjusted for the accounting required under IFRS relating to BP's purchase of its interest in Rosneft and the amortization of the deferred gain relating to the disposal of BP's interest in TNK-BP. See [AR](#) Financial statements – Note 16 for further information.

	\$ million		
	2015 <sup>a</sup>	2014	2013 <sup>b</sup>
Profit before interest and tax <sup>c, d</sup>	<b>1,314</b>	2,076	2,053
Inventory holding (gains) losses★	<b>(4)</b>	24	100
RC profit before interest and tax	<b>1,310</b>	2,100	2,153
Net charge (credit) for non-operating items★	–	(225)	45
Underlying RC profit before interest and tax★	<b>1,310</b>	1,875	2,198
Average oil marker prices			
	\$ per barrel		
Urals (Northwest Europe – CIF)	<b>50.97</b>	97.23	107.38

<sup>a</sup> The operational and financial information of the Rosneft segment for 2015 is based on preliminary operational and financial results of Rosneft for the three months ended 31 December 2015. Actual results may differ from these amounts.

<sup>b</sup> From 21 March 2013.

<sup>c</sup> BP's share of Rosneft's earnings after finance costs, taxation and non-controlling interests is included in the BP group income statement within profit before interest and taxation.

<sup>d</sup> Includes \$16 million (2014 \$25 million, 2013 \$5 million) of foreign exchange losses arising on the dividend received.

## Market price

The price of Urals delivered in North West European (Rotterdam) averaged \$50.97/bbl in 2015, \$1.42/bbl below dated Brent★. The differential to Brent narrowed marginally from -\$1.72/bbl in 2014 as stronger demand from European refineries offset the impact of increased supplies of competing medium sour crude from the Middle East.

## Financial results

Replacement cost (RC) profit before interest and tax for the segment for the year ended 31 December 2015 did not include any non-operating items, whereas the 2014 result included a non-operating gain of \$225 million, relating to Rosneft's sale of its interest in the Yugragazpererabotka joint venture★.

After adjusting for non-operating items, the decrease in the underlying RC profit before interest and tax compared with 2014 reflected lower oil prices, foreign exchange, and comparatively favourable duty lag effects. The rouble weakened against the US dollar during 2015. This impacts both Rosneft's earnings in roubles and BP's share of the Rosneft result when it is translated to US dollars. Compared with 2013, the 2014 result was affected by an unfavourable duty lag effect, lower oil prices and other items, partially offset by certain foreign exchange effects which had a favourable impact on the result. See also [AR](#) Financial statements – Notes 16 and 31 for other foreign exchange effects.



▲ Rosneft's operations in West Siberia.

## Balance sheet

	\$ million		
	2015	2014	2013
Investments in associates★ <sup>e</sup> (as at 31 December)	<b>5,797</b>	7,312	13,681

## Production and reserves

	2015 <sup>a</sup>	2014	2013 <sup>f</sup>
Production (net of royalties) (BP share) <sup>c</sup>			
Liquids★ (mb/d)			
Crude oil <sup>g</sup>	<b>809</b>	816	643
Natural gas liquids	<b>4</b>	5	7
Total liquids	<b>813</b>	821	650
Natural gas (mmcf/d)	<b>1,195</b>	1,084	617
Total hydrocarbons★ (mboe/d)	<b>1,019</b>	1,008	756
Estimated net proved reserves <sup>h</sup> (net of royalties) (BP share)			
Liquids (million barrels)			
Crude oil <sup>g</sup>	<b>4,823</b>	4,961	4,860
Natural gas liquids	<b>47</b>	47	115
Total liquids <sup>i</sup>	<b>4,871</b>	5,007	4,975
Natural gas <sup>j</sup> (billion cubic feet)	<b>11,169</b>	9,827	9,271
Total hydrocarbons (mmboe)	<b>6,796</b>	6,702	6,574

<sup>e</sup> See [AR](#) Financial statements – Note 16 for further information.

<sup>f</sup> 2013 reflects production for the period 21 March to 31 December, averaged over the full year.

Information on BP's share of TNK-BP's production for comparative periods is provided on [AR](#) pages 230 and 231.

<sup>g</sup> Includes condensate.

<sup>h</sup> Because of rounding, some totals may not agree exactly with the sum of their component parts.

<sup>i</sup> Includes 70 million barrels of crude oil in respect of the 1.27% non-controlling interest in Rosneft held assets in Russia including 28 million barrels held through BP's equity-accounted interest in Taas-Yuryakh Neftegazodobycha.

<sup>j</sup> Includes 129 billion cubic feet of natural gas in respect of the 0.23% non-controlling interest in Rosneft held assets in Russia including 5 billion cubic feet held through BP's equity-accounted interest in Taas-Yuryakh Neftegazodobycha.

# Other businesses and corporate

Comprises our renewables business, shipping, treasury and corporate activities including centralized functions.



▲ At our Tropical BioEnergia plant in Brazil we process sugar cane to produce biofuels.

## Financial performance

	\$ million		
	2015	2014	2013
Sales and other operating revenues <sup>a</sup>	<b>2,048</b>	1,989	1,805
RC profit (loss) before interest and tax	<b>(1,768)</b>	(2,010)	(2,319)
Net (favourable) unfavourable impact of non-operating items★	<b>547</b>	670	421
Underlying RC profit (loss) before interest and tax★	<b>(1,221)</b>	(1,340)	(1,898)
Capital expenditure and acquisitions	<b>340</b>	903	1,050

<sup>a</sup> Includes sales to other segments.

The replacement cost (RC) loss before interest and tax for the year ended 31 December 2015 was \$1.8 billion (2014 \$2.0 billion, 2013 \$2.3 billion). The 2015 result included a net charge for non-operating items of \$547 million (2014 \$670 million, 2013 \$421 million).

After adjusting for these non-operating items, the underlying RC loss before interest and tax for the year ended 31 December 2015 was \$1.2 billion, similar to prior year (2014 \$1.3 billion, 2013 \$1.9 billion).

## Renewable energy

BP has the largest operated renewables business among our oil and gas peers. Our activities are focused on biofuels and onshore wind.

### Biofuels business model and strategy

Biofuels can be blended into traditional transport fuels without significant engine modifications to existing fuel-delivery systems. BP is working to produce biofuels that are low cost, low carbon, scalable and competitive without subsidies.

Our main activity is in Brazil, where we operate three sugar cane mills producing bioethanol and sugar, and exporting power made from sugar cane waste to the local grid. We use our expertise and technology capabilities to drive continuing improvements in operational efficiency. Our strategy is enabled by:

- **Safe and reliable operations** – continuing to drive improvements in personal, process and transport safety.
- **Competitive sourcing** – concentrating our efforts in Brazil, which has one of the most cost-competitive biofuel feedstocks currently available in the world.
- **Low carbon** – producing bioethanol supported by low-carbon power generated from burning sugar cane waste. These processes reduce life-cycle GHG emissions by around 70% compared with gasoline.
- **Domestic and international markets** – selling bioethanol domestically in Brazil and also to international markets such as the US and Europe through our integrated supply and trading function.

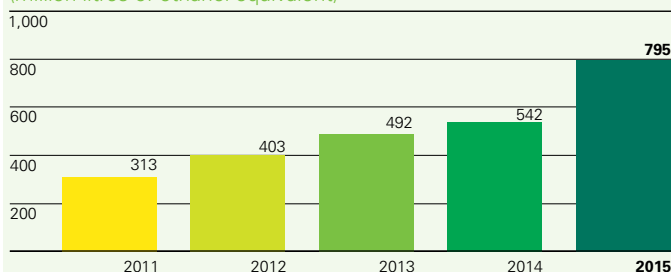
We are also investing in the development and commercialization of biobutanol, in conjunction with our partner DuPont. Compared with other biofuels, biobutanol has the potential to be blended with fuels in higher proportions, and be easier to transport, store and manage. We are also investigating a number of chemical applications for this advanced biofuel.

### Our performance summary

- We have reduced our recordable injury frequency by more than 60% since the acquisition of Companhia Nacional de Açúcar e Alcool in 2011. For more information, see Safety on page 45.
- We increased our production of ethanol equivalent by 47% compared with 2014 and generated 677GWh of power for Brazil's national grid.
- We divested our interest in Viverno Fuels – a UK-based joint venture★ producing bioethanol from wheat – in May 2015.
- We are improving our agricultural operational performance with a 36% increase in cane harvester efficiency relative to 2014, and in 2015, we farmed a total planted area of 127,000 hectares.

### BP Brazil biofuels production

(million litres of ethanol equivalent)




### Wind

We are among the top wind energy producers in the US. Our focus is on safe operations and optimizing performance.

BP holds interests in 16 onshore wind farms in the US, and BP is the operator of 14 of these. Our net generating capacity★ from this portfolio, based on our financial stake, was 1,556 megawatts (MW) of electricity at 31 December 2015.

BP also runs two wind farms in our refinery sites in the Netherlands, operating on a much smaller scale and managed by our Downstream segment, with 32MW of generating capacity.

Our net share of wind generation for 2015 was 4,424GWh, compared with 4,617GWh a year ago. Lower power generation was primarily a result of less windy weather across the US in 2015.

 See our Sustainability Report or [bp.com/renewables](http://bp.com/renewables) for additional information on our renewable energy activities.

## Shipping

The primary purpose of BP's shipping and chartering activities is the safe transportation of the group's hydrocarbon products using a combination of BP-operated, time-chartered and spot-chartered vessels. Surplus capacity may also be used to transport third-party products. All vessels conducting BP shipping activities are subject to our health, safety, security and environmental requirements. At 31 December 2015, our fleet included four vessels supporting operations in Alaska, 44 BP-operated and 40 time-chartered vessels for our deep-sea, international oil and gas shipping operations. In addition 28 deep-sea oil tankers and six LNG tankers are on order and planned for delivery into the BP-operated fleet between 2016 and 2019. The first of these new vessels, the *British Respect* oil tanker, was formally named at a ceremony in November.

## Treasury

Treasury manages the financing of the group centrally, with responsibility for managing the group's debt profile, share buyback programmes and dividend payments, while ensuring liquidity is sufficient to meet group requirements. It also manages key financial risks including interest rate, foreign exchange, pension and financial institution credit risk. From locations in the UK, US and Singapore, treasury provides the interface between BP and the international financial markets and supports the financing of BP's projects around the world. Treasury trades foreign exchange and interest-rate products in the financial markets, hedging group exposures and generating incremental value through optimizing and managing cash flows and the short-term investment of operational cash balances. Trading activities are underpinned by the compliance, control and risk management infrastructure common to all BP trading activities. For further information, see [AR](#) Financial statements – Note 28.

## Insurance

The group generally restricts its purchase of insurance to situations where this is required for legal or contractual reasons. Some risks are insured with third parties and reinsured by group insurance companies. This approach is reviewed on a regular basis and if specific circumstances require such a review.

## Outlook

Other businesses and corporate annual charges, excluding non-operating items, are expected to be around \$1.2 billion in 2016.



▲ BP shipping reached a centenary of maritime achievement in April 2015.

★ Defined on page 61.

# Gulf of Mexico oil spill

BP reached agreements resolving the largest remaining liabilities.



▲ Shrimpers off the coast of Grand Isle in Louisiana.

## Key events

- BP reached agreements in principle with the United States federal government and five Gulf states in July to settle all federal and state claims arising from the Deepwater Horizon accident and oil spill (the incident). In addition, BP also settled the vast majority of claims made by local government entities.
  - The United States lodged a proposed Consent Decree with the district court in October to resolve all United States and Gulf states natural resource damage claims and all Clean Water Act penalty claims. At the same time, BP entered a Settlement Agreement with the Gulf states for economic, property and other losses.
  - The proposed Consent Decree and the Settlement Agreement are conditional on each other and neither will become effective unless the court provides final approval of the Consent Decree.
- The final submission deadline for claims under the 2012 Plaintiffs' Steering Committee settlements was 8 June 2015.
- By the end of 2015, the cumulative pre-tax income statement charge as a result of the incident amounted to \$55.5 billion. This excludes amounts that BP does not consider possible to measure reliably at this time.

## Federal and state settlements

On 2 July 2015 BP announced that BP Exploration & Production Inc. (BXP) had reached agreements in principle to settle all federal and state claims arising from the incident. The United States is expected to file a motion with the court to enter the Consent Decree as a final settlement around the end of March, which the court will then consider. Subject to final court approval, payments under the terms of the agreements will be made at a rate of around \$1.1 billion a year for the majority of the 18-year payment period.

See Legal proceedings on [AR](#) page 237 for further details including a summary of what is not covered by the proposed Consent Decree and the Settlement Agreement. For additional details on the financial impacts see [AR](#) Financial statements – Note 2.



## Plaintiffs' Steering Committee settlements

The Plaintiffs' Steering Committee (PSC) was established to act on behalf of individual and business plaintiffs in the multi-district litigation proceedings in federal court in New Orleans (MDL 2179). In 2012 BP reached settlements to resolve the substantial majority of legitimate individual and business claims and medical claims stemming from the incident. Approximately \$2.3 billion was paid out under the PSC settlements during 2015. Claims continue to be assessed and paid.

The medical benefits class action settlement provides for claims to be paid to qualifying class members. The deadline for submitting claims under the settlement was 12 February 2015.

## Securities litigation and other legal proceedings

The multi-district litigation proceedings pending in federal court in Houston (MDL 2185), including a purported class action on behalf of purchasers of American depositary shares under US federal securities law, are continuing. A jury trial is scheduled to begin in July 2016.

In MDL 2179, claims by individuals and businesses that opted out of the PSC settlements or whose claims were excluded from them, including claims for recovery of losses allegedly resulting from the 2010 federal deepwater drilling moratoria and the related permitting processes, are continuing.

BP is subject to additional legal proceedings in connection with the incident. For more information see Legal proceedings on [AR](#) page 237.

## Environmental restoration

In April 2011 BP committed to provide \$1 billion in early restoration funding to expedite recovery of natural resources injured as a result of the incident. By the end of 2015 BP had provided approximately \$762 million to support restoration projects, with the remaining \$238 million expected to be funded in 2016. The federal and state settlements referred to above include more than \$7 billion to resolve all natural resource damage claims, which is in addition to this \$1 billion.

In May 2010 BP committed \$500 million over 10 years to fund independent scientific research through the Gulf of Mexico Research Initiative. BP had contributed \$278 million to the programme by the end of 2015.

See [bp.com/gulfofmexico](http://bp.com/gulfofmexico) for further information on environmental and economic restoration.

## Process safety and ethics monitors

Two independent monitors – an ethics monitor and a process safety monitor – were appointed under the terms of the criminal plea agreement BP reached with the US government in 2012. Under the terms of the agreement, BP is taking additional actions to further enhance ethics and compliance and the safety of its drilling operations in the Gulf of Mexico.

The ethics monitor delivered an initial report early in 2015. He delivered a second report later in the year under a separate administrative agreement with the US Environmental Protection Agency. Recommendations from the two reports largely relate to BP's ethics and compliance programme and code of conduct, including its implementation and enforcement. The recommendations have been agreed and BP is now in the process of implementing them. The ethics monitor is meanwhile conducting a follow-up review as the next phase of his engagement.

The process safety monitor reviews and provides recommendations concerning BPXP's process safety and risk management procedures for deepwater drilling in the Gulf of Mexico. BPXP is the BP group company that conducts exploration and production operations in the Gulf of Mexico. The process safety monitor also submitted a report in 2015. Following discussions between BPXP, the process safety monitor and the US Department of Justice, the recommendations have now been finalized and implementation by BPXP is underway.

## Financial update

### Analysis of cumulative \$55.5 billion<sup>a</sup> charge to the income statement (\$ billion)



<sup>a</sup> The cumulative income statement charge does not include amounts that BP considers are not possible to measure reliably at this time.

<sup>b</sup> The litigation and claims cost is net of recoveries of \$5.7 billion.

The group income statement for 2015 includes a pre-tax charge of \$12.0 billion in relation to the incident. The charge for the year reflects the amounts provided for the proposed Consent Decree; the Settlement Agreement with the five Gulf states and local government claims as described above; additional provisions made for business economic loss claims under the PSC settlement and other items. As at 31 December 2015, the total cumulative charges recognized to date amounted to \$55.5 billion. The total amounts that will ultimately be paid by BP in relation to all the obligations relating to the incident are subject to uncertainty, and the ultimate exposure and cost to BP and the timing of such costs will be dependent on many factors, including in relation to any new information or future developments. These could have a material impact on our consolidated financial position, results and cash flows.

BP has provided for spill response costs, environmental expenditure, litigation and claims and Clean Water Act penalties that can be measured reliably. There continues to be uncertainty regarding the extent and timing of the remaining costs and liabilities not covered by the proposed Consent Decree and Settlement Agreement, including:

- Claims asserted in civil litigation, including any further litigation by parties excluded from, or parties who opted out of, the PSC settlement, and the private securities litigation pending in MDL 2185.
- The cost of business economic loss claims under the PSC settlement not yet processed or processed but not yet paid (except where an eligibility notice has been issued before the end of the month following the balance sheet date and is not subject to appeal by BP within the claims facility).
- Any obligation that may arise from securities-related litigation.

Payments made out of the \$20-billion Deepwater Horizon Oil Spill Trust (the Trust) during 2015 totalled \$3.2 billion. As at 31 December 2015, the aggregate cash balances in the Trust and the associated qualified settlement funds amounted to \$1.4 billion, nearly all of which was committed to specific purposes including the seafood compensation fund and natural resource damage early restoration projects. As of January 2016, payments in respect of claims and other costs previously funded from the Trust are now being made by BP.

More details regarding the impacts and uncertainties relating to the Gulf of Mexico oil spill can be found in Risk factors on page 53, Legal proceedings on [AR](#) page 237 and [AR](#) Financial statements – Note 2.



# Corporate responsibility

We believe we have a positive role to play in shaping the long-term future of energy.



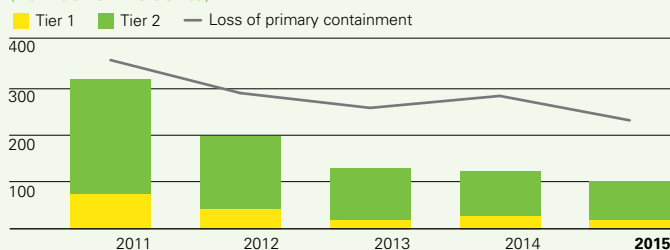
At our US Whiting refinery we have invested in new equipment to reduce air emissions and implemented a monitoring system to provide air quality information to the local community.

## Safety

We continue to promote deep capability and a safe operating culture across BP.

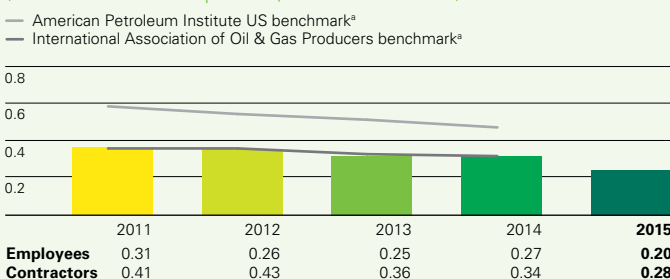
- Our operating management system (OMS) sets out BP's principles for good operating practice.
- By the end of 2015 we had completed all 26 recommendations from BP's internal investigation regarding the Deepwater Horizon accident, the Bly Report.
- 52% of the 353 million hours worked by BP in 2015 were carried out by contractors.

### Process safety events (number of incidents)



### Recordable injury frequency

(workforce incidents per 200,000 hours worked)



\* API and IOGP 2015 data reports are not available until May 2016.



Additional information on our safety, environmental and social performance is available in our sustainability report. Case studies, country reports and an interactive tool for health, safety and environmental data can be found at [bp.com/sustainability](http://bp.com/sustainability)

## Group safety performance

In 2015 BP reported one workforce fatality in Turkey that occurred when a ceiling collapsed during renovations at a recently acquired retail site. We deeply regret the loss of this life and continue to focus efforts on eliminating injuries and fatalities in our workplaces.

### Personal safety performance

	2015	2014	2013
Recordable injury frequency (group) <sup>b</sup>	<b>0.24</b>	0.31	0.31
Day away from work case frequency <sup>c</sup> (group) <sup>b</sup>	<b>0.061</b>	0.081	0.070
Severe vehicle accident rate <sup>d</sup>	<b>0.112</b>	0.132	0.122

<sup>b</sup> Incidents per 200,000 hours worked.

<sup>c</sup> Incidents that resulted in an injury where a person is unable to work for a day (shift) or more.

<sup>d</sup> Number of vehicle incidents that result in death, injury, a spill, a vehicle rollover, or serious disabling vehicle damage per one million kilometres travelled.

### Process safety performance

	2015	2014	2013
Tier 1 process safety events★	<b>20</b>	28	20
Tier 2 process safety events	<b>83</b>	95	110
Loss of primary containment – number of all incidents <sup>a</sup>	<b>235</b>	286	261
Loss of primary containment – number of oil spills <sup>f</sup>	<b>146</b>	156	185
Number of oil spills to land and water	<b>55</b>	63	74
Volume of oil spilled (thousand litres)	<b>432</b>	400	724
Volume of oil unrecovered (thousand litres)	<b>142</b>	155	261

<sup>a</sup> Does not include either small or non-hazardous releases.

<sup>f</sup> Number of spills greater than or equal to one barrel (159 litres, 42 US gallons).

We report our safety performance using industry metrics, including the American Petroleum Institute (API) recommended practice 754. These include tier 1 process safety events, defined as a loss of primary containment causing harm to a member of the workforce, costly damage to equipment or exceeding defined quantities. Tier 2 events are those of lesser consequence than tier 1.

We seek to record all losses of primary containment regardless of the volume of the release, and to report externally on losses over a severity threshold. These include unplanned or uncontrolled releases from pipes, containers or vehicles within our operational boundary, excluding releases of non-hazardous substances such as water.

We have seen improvements in our process safety performance over the past five years. This has been true across our upstream and downstream businesses, with fewer tier 1 process safety events, fewer leaks and spills and fewer recordable injuries. At the same time, the reliability of our rigs and refineries has improved. We believe this shows that the rigour needed to produce safe operations tends also to produce reliable operations. We will maintain our focus on systematic safety management, including self-verification and testing the effectiveness of our risk mitigation measures.

Our figures for loss of primary containment in 2014 and 2015 include increased reporting due to the introduction of enhanced automated monitoring for remote sites in our US Lower 48 business. Using a like-for-like approach with prior years' reporting, our 2015 loss of primary containment figure is 208 (2014 246).

## Managing safety

We are working to continuously improve personal and process safety and operational risk management across BP. Process safety is the application of good design and engineering principles, as well as robust operating and



## Improving reliability

Periodic breaks in production for planned maintenance are essential to keep our operations running safely and reliably, but BP's production in the UK North Sea had suffered from unplanned shutdowns from equipment failure on ageing infrastructure.

In 2013 we took action to address these unplanned shut-downs through the development and implementation of reliability improvement plans. These focused on three key areas: having spare equipment available for parts that are particularly vulnerable; investing in getting our basic maintenance activities right to prevent failures in the first place; and learning from the equipment failures, by identifying the root cause and sharing those learnings across the organization.

We are rolling these plans out across all five UK offshore assets and as a result, our plant reliability★ has improved from 70% in 2014 to more than 84% in 2015. We expect that this will not only improve production and revenue, but also extend the life of our fields.



Prioritizing the safety and reliability of our operations.

maintenance practices, to avoid accidents. Our approach builds on our experience, including learning from incidents, operations audits, annual risk reviews and sharing lessons learned with our industry peers.

BP-operated businesses are responsible for identifying and managing operating risks and bringing together people with the right skills and competencies to address them. They are required to carry out self-verification and are also subject to independent scrutiny and assurance. Our safety and operational risk team works alongside BP-operated businesses to provide oversight and technical guidance, while our group audit team visits sites on a risk-prioritized basis, including third-party drilling rigs, to check how they are managing risks.

Each business segment has a safety and operational risk committee, chaired by the business head, to oversee the management of safety and operational risk in their respective areas of the business. In addition the group operations risk committee facilitates the group chief executive's oversight of safety and operational risk management across BP.

The board's safety, ethics and environment assurance committee (SEEAC) receives updates from the group chief executive and the head of safety and operational risk on the management of the highest priority risks. SEEAC also receives updates on BP's process and personal safety performance, and the monitoring of major incidents and near misses across the group. See Our management of risk on page 51 and SEEAC's report on [AR](#) page 71.

### Operating management system

BP's OMS is a group-wide framework designed to help us manage risks and drive performance improvements in BP-operated businesses. It brings together BP requirements on health, safety, security, the environment, social responsibility and operational reliability, as well as related issues such as maintenance, contractor relations and organizational learning, into a common management system.

We review and amend our group requirements within OMS from time to

time to reflect BP's priorities and experience or changing external regulations. Any variations in the application of OMS – in order to meet local regulations or circumstances – are subject to a governance process.

OMS also helps us improve the quality of our activities. All businesses covered by OMS undertake an annual performance improvement cycle and assess alignment with the applicable requirements of the OMS framework. Recently acquired operations need to transition to OMS. See page 45 for information about contractors and joint arrangements.

### Security and crisis management

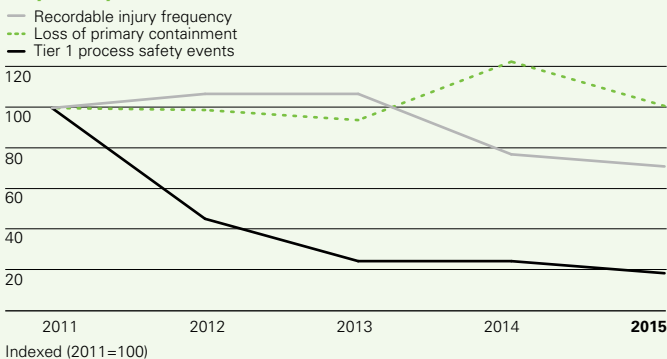
The scale and spread of BP's operations means we must prepare for a range of potential business disruptions and emergency events. We monitor for, and aim to guard against, hostile actions that could cause harm to our people or disrupt our operations, including physical and digital threats and vulnerabilities.

Cyber attacks present a risk to the security of our information, IT systems and operations. We maintain a range of defences to help prevent and respond to this threat, including a 24-hour monitoring centre in the US and employee cyber awareness programmes.

We also maintain disaster recovery, crisis and business continuity management plans and work to build day-to-day response capabilities to support local management of incidents. See page 47 for information on BP's approach to oil spill preparedness and response.

### Upstream safety

#### Key safety metrics 2011-2015



### Safety performance

	2015	2014	2013
Recordable injury frequency	<b>0.21</b>	0.23	0.32
Day away from work case frequency	<b>0.034</b>	0.051	0.068
Loss of primary containment incidents – number	<b>153</b>	187	143

### Safer drilling

Our global wells organization is responsible for planning and executing our wells operations across the world. It is also responsible for establishing standards on compliance, risk management, contractor management, performance indicators, technology and capability for our well operations.

### Completing the Bly Report recommendations

We have completed all 26 recommendations made by BP's investigation into the Deepwater Horizon accident, the Bly Report, aimed at further reducing risk across our global drilling activities.

Our group audit team has verified closure of the recommendations.

See [bp.com/26recommendations](http://bp.com/26recommendations) for the Bly Report recommendations.

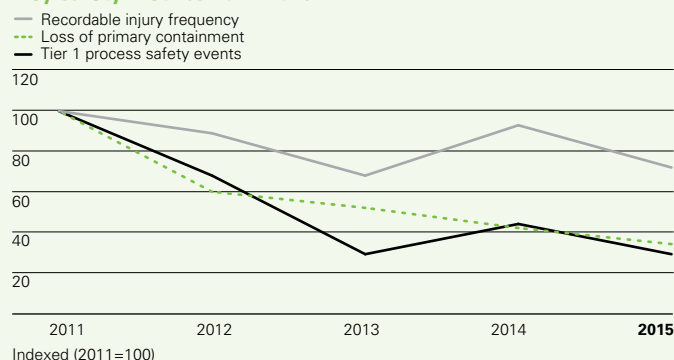
The BP board appointed Carl Sandlin as independent expert in 2012 to provide an objective assessment of BP's global progress in implementing the recommendations from the Bly Report. He also provided process safety observations and his views on the organizational effectiveness and culture of the global wells organization.

Over the period of his appointment Mr Sandlin met regularly with wells organization leadership and reviewed the standards and practices developed to complete the recommendations. He made three visits to each of the regional wells teams with active drilling operations, meeting key personnel and drilling contractors on site.

Mr Sandlin's engagement came to a close in February 2016 after he reported to SEEAC that all 26 Bly Report recommendations had been closed out to his satisfaction. He stated that the idea of safety as a top priority is firmly ingrained throughout the global wells organization and noted an increase in the degree of rigour and engagement at all levels. Mr Sandlin recommended the organization build on the foundations established by the recommendations and maintain its focus on continuous improvement in the areas of safety culture, self-verification and training.

## Downstream safety

### Key safety metrics 2011-2015



## Safety performance

	2015	2014	2013
Recordable injury frequency	<b>0.26</b>	0.34	0.25
Day away from work case frequency	<b>0.092</b>	0.121	0.063
Severe vehicle accident rate	<b>0.09</b>	0.09	0.10
Loss of primary containment incidents – number	<b>66</b>	82	101

We take measures to prevent leaks and spills at our refineries and other downstream facilities throughout the design, maintenance and operation of our equipment. We focus on managing the highest priority risks associated with our storage, handling and processing of hydrocarbons. We also seek to provide safe locations, emergency procedures and other mitigation measures in the event of a release, fire or explosion.

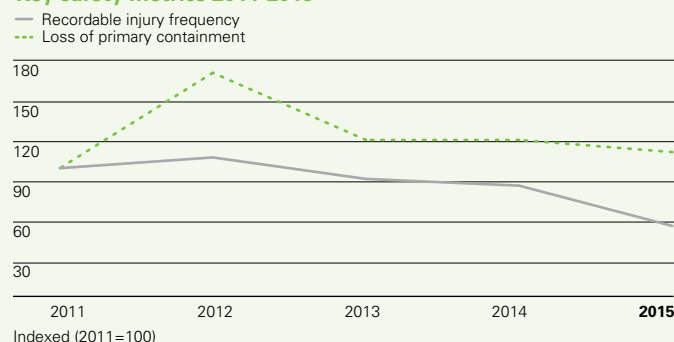
## Process safety expert

Duane Wilson's three-year term as a board appointed process safety expert for our downstream activities came to a close during 2015. Mr Wilson provided an independent perspective on the progress that BP's fuels, lubricants and petrochemicals businesses have made toward becoming industry leaders in process safety performance. Before leaving, he shared his thoughts on possible areas for ongoing emphasis, such as risk management, progress measurement and leadership.

## Other businesses and corporate safety

We report on the combined safety performance of our biofuels, wind and shipping businesses, as well as treasury and corporate activities, including centralized functions.

### Key safety metrics 2011-2015<sup>a</sup>



<sup>a</sup>This does not include API tier 1 process safety events for our other businesses and corporate as the current definition is not applicable in many cases.

## Safety performance

	2015	2014	2013
Recordable injury frequency	<b>0.29</b>	0.44	0.47
Day away from work case frequency	<b>0.077</b>	0.067	0.092
Severe vehicle accident rate	<b>0.35</b>	0.48	0.41
Loss of primary containment incidents – number	<b>16</b>	17	17

## Safety in our biofuels business

We have been working to deliver safe and reliable operations in our Brazilian biofuels business since our acquisition of Companhia Nacional de Açúcar e Alcool in 2011. We have done this by introducing a more systematic approach to personal, process and transportation safety. For example, we have segregated pedestrian access from several areas where we operate machinery in our agricultural operations, reducing the likelihood of injury to our workforce.

## Working with contractors and partners

BP, like our industry peers, rarely works in isolation – we need to work with contractors, suppliers and partners to carry out our operations. In 2015 52% of the 353 million hours worked by BP were carried out by contractors.

Our ability to be a safe and responsible operator depends in part on the capability and performance of those who help us carry out our operations. We therefore work with our supply chain on areas such as safety, operational performance, anti-bribery and corruption, money laundering and human rights, and aim to have suitable provisions in our contracts with contractors, suppliers and partners.

We seek to work with companies that share our commitment to ethical, safe and sustainable working practices. We expect and encourage our contractors and their employees to act in a way that is consistent with our code of conduct. Our OMS includes requirements and practices for working with contractors.

## Contractors

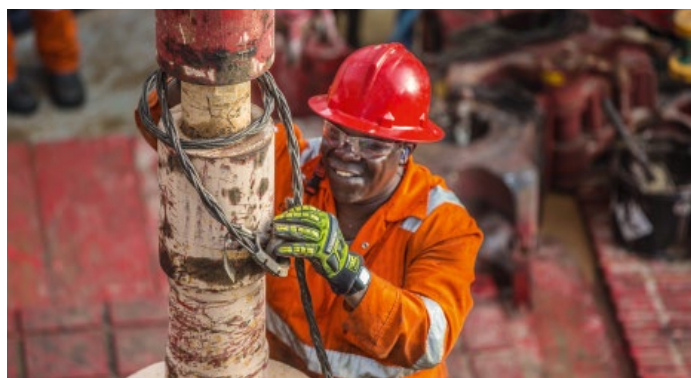
We seek to set clear and consistent expectations of our contractors. Our standard model contracts include health, safety, security and environmental requirements, and most now include human rights requirements. Bridging documents are necessary in some cases to define how our safety management system and those of our contractors co-exist to manage risk on a site.

## Our partners in joint arrangements

We have a group framework for identifying and managing BP's exposure related to safety, operational, and bribery and corruption risk from our participation in non-operated joint arrangements★.

Typically, our level of influence or control over a joint arrangement is linked to the size of our financial stake compared with other participants. In some joint arrangements we act as the operator. Our OMS applies to the operations of joint arrangements only where we are the operator.

In other cases, one of our partners may be the designated operator or the operator may be an incorporated joint arrangement company owned by BP and other companies. In those cases, our OMS does not apply as the management system to be used by the operator, but is generally available as a reference point when engaging with operators and co-venturers.



▲ The Ocean Victory drilling rig in the Juniper field, Trinidad.

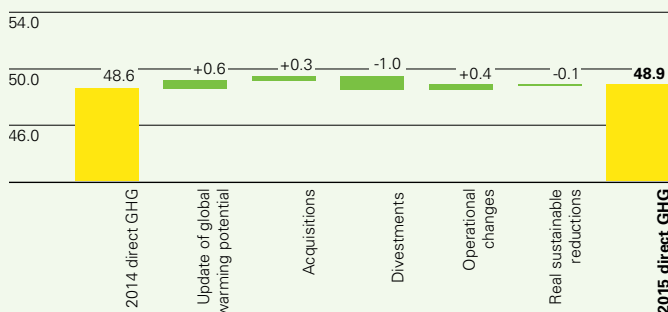


## Environment and society

Throughout the life cycle of our projects and operations, we aim to manage the environmental and social impacts of our presence.

- BP is helping to meet the demands of a lower-carbon future and collaborating with others on climate change issues.
- BP-operated businesses with the potential to spill oil are on track to complete updates to spill planning scenarios and response strategies by the end of 2016.
- We are progressing towards alignment with the United Nations Guiding Principles on Business and Human Rights.

### Greenhouse gas emissions<sup>ab</sup> (MteCO<sub>2</sub> equivalent)



<sup>a</sup> This is based on BP's equity share basis (excluding BP's share of Rosneft).

<sup>b</sup> The 2015 figure reflects our update of the global warming potential for methane from 21 to 25, in line with IPECA's guidelines.

<sup>c</sup> Because of rounding, some totals may not agree exactly with the sum of their counterparts.

## Managing our impacts

We review our management of material issues such as climate change, water, how we work with communities and human rights. This includes examining emerging risks and actions taken to mitigate them. We identify areas for improvement and work to address these where appropriate.

Our operating sites can have a lifespan of several decades and our operations are expected to work to reduce their impacts and risks. This starts in early project planning and continues through operations and decommissioning.

Our operating management system (OMS) includes practices that set out requirements and guidance for how we identify and manage environmental and social impacts. The practices apply to our major projects★, projects that involve new access and those that could affect an international protected area.

In the planning stages of these projects we complete a screening process to identify the most significant potential environmental and social impacts. We completed this process for five projects in 2015. Following screening, projects are required to carry out impact assessments, identify mitigation measures and implement these in project design, construction and operations.

BP's environmental expenditure in 2015 totalled \$8,017 million (2014 \$4,024 million, 2013 \$4,288 million), including charges related to the Gulf of Mexico oil spill. For a breakdown of environmental expenditure see [AR](#) page 233.

## Climate change

Meeting the climate challenge requires efforts by all – governments, companies and consumers. We believe governments must lead by providing a clear, stable and effective climate policy framework, including putting a price on carbon – one that treats all carbon equally.

We expect that greenhouse gas (GHG) policy will have an increasing impact on our businesses, operating costs and strategic planning, but may also offer opportunities for the development of lower-carbon technologies and businesses. There is a growing number of emission pricing schemes

globally, including in Europe, California and China, additional monitoring regulations in the US, and more focus on reducing flaring and methane emissions in many jurisdictions.

We are focusing on ways to reduce GHG emissions, including working to improve the energy efficiency of our operations and our products. Around half of our current upstream portfolio is natural gas, which produces about half as much carbon dioxide (CO<sub>2</sub>) as coal per unit of power generated, and we operate renewable businesses in biofuels and onshore wind.

We currently require larger projects, and those for which emissions costs would be a material part of the project, to apply a standard carbon cost to the projected GHG emissions over the life of the project. In industrialized countries, our standard cost assumption is currently \$40 per tonne of CO<sub>2</sub> equivalent. We use this cost as part of the economic evaluation of the investment.

We seek to address potential climate change impacts on our new projects in the design phase. We have guidance for existing operations and projects on how to assess potential climate risks and impacts – to enable mitigation steps to be incorporated into project planning, design and operations.

We are also working with our peers. For example, we are an active participant in the Oil and Gas Climate Initiative, a voluntary, CEO-led industry initiative that aims to catalyse meaningful action on climate change through best practice sharing and collaboration. We also joined with seven other oil and gas companies calling on the UN and governments to put a price on carbon.

See [bp.com/climatechange](http://bp.com/climatechange) for more information about our activities.

### Greenhouse gas emissions

We report on direct and indirect GHG emissions on a carbon dioxide-equivalent (CO<sub>2</sub>e) basis. Direct emissions include CO<sub>2</sub> and methane from the combustion of fuel and the operation of facilities, and indirect emissions include those resulting from the purchase of electricity, heat, steam or cooling.

Our approach to reporting GHG emissions broadly follows the IPECA/API/IOGP Petroleum Industry Guidelines for Reporting GHG Emissions. We calculate emissions based on the fuel consumption and fuel properties for major sources rather than the use of generic emission factors. We do not include nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride as they are not material and it is not practical to collect this data.

### Greenhouse gas emissions (MteCO<sub>2</sub>e)

	2015	2014	2013
Operational control <sup>a</sup>			
Direct emissions	51.4 <sup>c</sup>	54.1	–
Indirect emissions	7.0	7.5 <sup>d</sup>	–
BP equity share <sup>b</sup>			
Direct emissions	48.9 <sup>e</sup>	48.6	50.3
Indirect emissions	6.9	6.8 <sup>e</sup>	6.7 <sup>f</sup>

<sup>a</sup> Operational control data comprises 100% of emissions from activities that are operated by BP, going beyond the IPECA guidelines by including emissions from certain other activities such as contracted drilling activities. Data for emissions on an operational control basis was not available prior to 2014. In 2014 we changed our GHG reporting boundary from a BP equity-share basis to an operational control basis.

<sup>b</sup> BP equity share comprises our share of BP's consolidated entities and equity accounted entities, other than BP's share of TNK-BP and Rosneft.

<sup>c</sup> The 2015 figure reflects our update of the global warming potential for methane from 21 to 25, in line with IPECA's guidelines.

<sup>d</sup> The reported 2014 figure of 7.2Mte has been amended to 7.5Mte.

<sup>e</sup> The reported 2014 figure of 6.6Mte has been amended to 6.8Mte.

<sup>f</sup> The reported 2013 figure of 6.6Mte has been amended to 6.7Mte.

In 2015 we updated the global warming potential for methane from 21 to 25. Without this update, our reported direct emissions would have been lower, primarily due to divestments in Alaska.

The ratio of our total GHG emissions reported on an operational control basis to gross production was 0.24teCO<sub>2</sub>e/te production in 2015 (2014 0.25teCO<sub>2</sub>e/te). Gross production comprises upstream production, refining throughput and petrochemicals produced.

See [bp.com/greenhousegas](http://bp.com/greenhousegas) for more information about our GHG management and performance.



## Special resolution – strategic resilience for 2035 and beyond

A coalition of shareholders filed a special resolution in 2015 regarding BP's preparation for a lower-carbon future. The resolution, which was supported by the BP board, requested that our reporting include information in five areas:

Resolution element	Where reported
<b>Ongoing operational emissions management</b>	<p>► <i>BP Sustainability Report 2015</i>, pages 17 and 42</p> <p>How we are working to improve the energy efficiency of our operations and product use.</p>
<b>Asset portfolio resilience to post-2035 scenarios</b>	<p>► <i>BP Sustainability Report 2015</i>, page 18 <i>BP Energy Outlook</i> <i>BP Technology Outlook</i>, page 8</p> <p>How we adapt our investment strategy to changes in policy, market or technology conditions.</p>
<b>Low-carbon energy R&amp;D and investment strategies</b>	<p>► <i>BP Sustainability Report 2015</i>, page 16</p> <p>Information on our gas, biofuels and wind businesses, as well as our research activities.</p>
<b>Strategic KPIs and executive incentives</b>	<p>► <i>BP Annual Report 2015</i>, pages 20 and 22</p> <p>Information on how our executives are currently rewarded.</p>
<b>Public policy activities</b>	<p>► <i>BP Sustainability Report 2015</i>, page 15</p> <p>Our activities supporting our advocacy for carbon pricing, along with working with governments and peers on methane and flaring reduction.</p>



### Find more online

[bp.com/sustainabilityreport](http://bp.com/sustainabilityreport)  
[bp.com/technologyoutlook](http://bp.com/technologyoutlook)  
[bp.com/energyoutlook](http://bp.com/energyoutlook)

## Oil spill preparedness and response

We are working to continuously improve how we control, contain and clean up oil spills should they occur. Our requirements for oil spill preparedness and response planning, and crisis management incorporate what we have learned over many years of operation.

We updated our oil spill response plan requirements in 2012 to incorporate learnings from the Deepwater Horizon accident. Revised response plans include elements such as specialized modelling techniques to help predict the impact of potential spills, provision of stockpiles of dispersant, and the use of technologies like aerial and underwater robotic vehicles for environmental monitoring. This is a substantial piece of work and BP-operated businesses with the potential to spill oil are on track to complete updates by the end of 2016.

We continue to investigate and test whether emerging technologies can enhance our oil spill response capability. For example, in the Middle East, we have trialled the use of satellite imagery as a way to identify oil spills on land and track clean-up response time.

We seek to work collaboratively with government regulators in planning for oil spill response, with the aim of improving any potential future response. For example, in 2015 we participated in response exercises with government regulators in regions such as Angola, the UK and US.

See page 43 for information on volume of oil spilled by our operations in 2015, including volume of oil unrecovered.

## Water

BP recognizes the importance of managing fresh water use and water discharges in our operations and we review our water risks annually. We use industry-standard risk assessment tools, such as the IPIECA Global Water Tool and the World Resources Institute Aqueduct Global Water Atlas, to identify potential quantity, quality and regulatory risks across all our operated assets. We are assessing different technology approaches for optimizing water consumption and wastewater treatment performance. For example, we have evaluated different approaches for reducing fresh water use in our purified terephthalic acid operations, such as wastewater recycling and sea water cooling.

We monitor the increasing number of regulations pertaining to freshwater withdrawals and water discharge quality where we operate. This has led to investments in our wastewater treatment plants at our refineries in Europe and the US.

See [bp.com/water](http://bp.com/water) for information about our approach to water.

## Unconventional gas and hydraulic fracturing

Natural gas resources, including unconventional gas, have an increasingly important role in supplying lower-carbon fuel to meet the world's growing energy needs. BP is working to responsibly develop and produce natural gas from unconventional resources including shale gas, tight gas★ and coalbed methane. We have unconventional gas operations in Oman and the US and we are evaluating unconventional gas opportunities in other countries.

Some stakeholders have raised concerns about the potential environmental and community impacts of hydraulic fracturing during unconventional gas development. BP seeks to apply responsible well design and construction, surface operation and fluid handling practices to mitigate these risks.

Water and sand constitute on average 99.5% of the injection material used in hydraulic fracturing. Some of the chemicals that are added to this, when used in certain concentrations, are classified as hazardous by the relevant regulatory authorities. BP works with service providers to minimize their use where possible. We list the chemicals we use in the fracturing process in material safety data sheets at each site. We also submit data on chemicals used at our hydraulically fractured wells in the US, to the extent allowed by our suppliers who own the chemical formulas at [fracfocus.org](http://fracfocus.org) or other state-designated websites.

We are working to minimize air pollutant and GHG emissions, such as methane, at our operating sites. For example, in the US we use a process called green completions at our gas operations. This process captures natural gas that would otherwise be flared or vented during the completion and commissioning of wells.

Our US Lower 48 onshore business's approach is to operate in line with industry standards developed within the context of the highly regulated US environment.

See [bp.com/unconventionalgas](http://bp.com/unconventionalgas) for information about our approach to unconventional gas and hydraulic fracturing.



Teams from BP Angola taking part in a shoreline oil spill response exercise – the first international oil company event of its type in the country.

## Canada's oil sands

BP is involved in three oil sands lease areas in Canada. Sunrise, operated by Husky Energy, began producing oil in early 2015 and is currently producing approximately 20,000 barrels per day. Pike, operated by Devon Energy, is at the design stage. Terre de Grace, which is BP-operated, is currently under appraisal for development.

Our decision to invest in Canadian oil sands activities takes into consideration GHG emissions, impacts on the land, water use, local communities and commercial viability.

See [bp.com/oilsands](http://bp.com/oilsands) for information on BP's investments in Canada's oil sands.

## Human rights

We are committed to conducting our business in a manner that respects the rights and dignity of all people. We respect internationally recognized human rights as set out in the International Bill of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. We set out our commitments in our human rights policy. Our code of conduct references the policy, requiring employees to report any human rights abuse in our operations or in those of our business partners.

We are delivering our human rights policy by implementing the relevant sections of the United Nations Guiding Principles on Business and Human Rights (the Guiding Principles) and incorporating them into the processes and policies that govern our business activities.

We are progressing towards alignment with the Guiding Principles using a risk-based approach. This includes working across functions and businesses in areas such as identifying and addressing human rights risks and impacts, community and workforce grievance mechanisms, and contracted workforce, working and living conditions and recruitment processes.

In 2015 our actions included:

- Development and delivery of guidance, tools and training courses to increase human rights awareness across the business.
- Inclusion of human rights clauses in an increasing number of our supplier contracts.
- Evaluation of our community grievance mechanisms against the Guiding Principles began at key sites to identify areas for improvement.
- Continued implementation of the Voluntary Principles on Security and Human Rights, with periodic internal assessments to identify areas for improvement.

See [bp.com/humanrights](http://bp.com/humanrights) for more information about our approach to human rights.

## Enterprise and community development

We run programmes to help build the skills of businesses and to develop the local supply chain in a number of locations. In Indonesia, for example, we have supported the foundation of local businesses, providing community members with technical and hands-on training. In the UK we support an apprenticeship programme in the North Sea run by one of our contractors. The programme provides training on the skills required for the safe and reliable operation of our offshore assets.

BP's community investments support development that meets local needs and are relevant to our business activities. We contributed \$67 million in social investment in 2015.

See [bp.com/society](http://bp.com/society) for more information about our social contribution.

# Business ethics and transparency

Our code of conduct defines our commitment to high ethical standards.

- Our values and code of conduct set out the expected qualities and actions of all our people.
- Our businesses dismissed 132 employees for non-conformance with our code of conduct or unethical behaviour in 2015.
- We will begin to disclose information on payments made to governments in 2016 as required by new UK regulations.

## Our values

Safety
Respect
Excellence
Courage
One Team

## Our values

Our values represent the qualities and actions we wish to see in BP, they guide the way we do business and the decisions we make. We use these values as part of our recruitment, promotion and individual performance assessment processes.

See [bp.com/values](http://bp.com/values) for more information.

## The BP code of conduct

Our code of conduct is based on our values and clarifies the principles and expectations for everyone who works at BP. It applies to all BP employees, officers and members of the board.

Employees, contractors or other third parties who have a question about our code of conduct or see something they feel to be unsafe, unethical or potentially harmful can get help through OpenTalk, a confidential helpline operated by an independent company.

A total of 1,158 people contacted OpenTalk with concerns or enquiries in 2015 (2014 1,114, 2013 1,121). The most common concerns related to the people section of the code. This includes treating people fairly, with dignity and giving everyone equal opportunity; creating a respectful, harassment-free workplace; and protecting privacy and confidentiality.



Staff taking part in BP's code of conduct training in Brazil.

We take steps to identify and correct areas of non-conformance and take disciplinary action where appropriate. In 2015 our businesses dismissed 132 employees for non-conformance with our code of conduct or unethical behaviour (2014 157, 2013 113). This excludes dismissals of staff employed at our retail service stations.

See [bp.com/codeofconduct](http://bp.com/codeofconduct) for more information.

In addition to our code of conduct, we have policies on a variety of related issues, including anti-bribery and corruption, political donations and human rights.

### Anti-bribery and corruption

Bribery and corruption are significant risks in the oil and gas industry. We have a responsibility to our employees, our shareholders and the countries and communities in which we do business to be ethical and lawful in all our dealings. Our code of conduct explicitly prohibits engaging in bribery and corruption in any form.

Our group-wide anti-bribery and corruption policy applies to all BP-operated businesses. The policy governs areas such as the inclusion of appropriate clauses in contracts, risk assessments and training. We provide training to those employees for whom we believe it is most relevant, for example, depending on the nature or location of their role or in response to specific incidents.

### Lobbying and political donations

We do not use BP funds or resources to support any political candidate or party. Employees' rights to participate in political activity are governed by the applicable laws in the countries in which we operate. For example, in the US, BP provides administrative support to the BP employee political action committee (PAC) to facilitate employee involvement and to assess whether contributions comply with the law and satisfy all necessary reporting requirements.

### Tax and financial transparency

BP is committed to complying with tax laws in a responsible manner and to having open and constructive relationships with tax authorities. BP supports efforts to increase public trust in tax systems. We engage in initiatives to simplify and improve tax regimes to encourage investment and economic growth.

BP will start to disclose information on payments to governments on a country-by-country and project basis in 2016. The disclosure is required under the revenue transparency provisions contained in the EU Accounting Directive, which was recently brought into effect in UK law. We are awaiting the finalization and adoption of SEC rules under the US Dodd-Frank Act.

As a founding member of the Extractive Industries Transparency Initiative (EITI), BP works with governments, non-governmental organizations and international agencies to improve transparency and disclosure of payments to governments. We support governments' efforts towards EITI certification in countries where we operate and have worked with many countries on implementation of their EITI commitments, including Australia, Azerbaijan, Indonesia, Iraq, Norway, Trinidad & Tobago, the UK and US.

See [bp.com/tax](http://bp.com/tax) for BP's approach to tax.

## Employees

BP's performance depends on having a highly skilled, motivated and talented workforce that reflects the diversity of the societies in which we operate.

- Our goal is to create an environment of inclusion where our people are treated with respect, dignity and without discrimination.
- We aim to develop the capabilities of our workforce with a focus on the skills required to maintain safe and reliable operations.
- We are reducing activity in response to the current low-oil price environment and some of this has resulted in job losses.



▲ An employee at our service station in Twyford, UK. We are increasing the footprint of our retail presence in many European countries and actively recruiting in these markets.

### BP employees

Number of employees at 31 December*	2015	2014	2013
Upstream	<b>21,700</b>	24,400	24,700
Downstream	<b>44,800</b>	48,000	48,000
Other businesses and corporate	<b>13,300</b>	12,100	11,200
<b>Total</b>	<b>79,800</b>	84,500	83,900
Service station staff	<b>15,600</b>	14,400	14,100
Agricultural, operational and seasonal workers in Brazil	<b>4,800</b>	5,300	4,300
<b>Total excluding service station staff and workers in Brazil</b>	<b>59,400</b>	64,800	65,500

\* Reported to the nearest 100. For more information see [AR](#) Financial statements – Note 34.

We aim to develop the capabilities of our workforce with a focus on the skills required to maintain safe and reliable operations. As we adapt to the current low oil price environment, we are reducing activity and simplifying the way we work. Some of this has resulted in job losses. Our employee headcount at the end of 2015 was 4,700 lower than the previous year.

Our total upstream workforce – including employees and contractors – is now 20% smaller than it was in 2013, with a reduction of around 4,000 expected in 2016. We are aiming for an upstream workforce of approximately 20,000 by the end of 2016. We expect to reduce our downstream workforce roles by more than 5,000 by the end of 2017 compared with 2014, excluding service station staff and the reallocation of around 2,000 global business services staff from Downstream to Other businesses and corporate in 2015. By the end of 2015, we had already achieved a reduction of more than 2,000.

The group people committee, chaired by the group chief executive, has overall responsibility for key policy decisions relating to employees and governance of BP's people management processes. In 2015 the committee discussed longer-term people priorities, reward, progress in our diversity and inclusion programme, employee engagement, and improvements to our training and development programmes.



## Attracting and retaining the right people

The complex projects we work on require a wide range of specialist skills – from the capability to explore for new sources of energy through to those required for transporting and distributing hydrocarbons safely around the world. We have a bias towards building capability and promoting from within the organization and complement this with selective external recruitment. In 2015 90% of senior leadership roles were recruited from within BP.

We decided to maintain graduate recruitment in 2015, albeit at a reduced level, with a total of 298 graduates joining BP during the year (2014 670, 2013 814). We have worked to maintain our visibility in the graduate job market to help us attract the best recruits, and provide them with high quality early development opportunities. For the second consecutive year BP was the highest ranked energy-sector company in the UK in *The Times Top 100 Graduate Employers*.

In 2015 46% of our graduate intake were women and 41% were from outside the UK and US.

## Building in-house capability

We provide a broad range of development opportunities for our people – from on-the-job learning and mentoring through to online and classroom-based courses.

Through our internal academies, we provide leading technical, functional, compliance and leadership learning opportunities. We have six academies, focusing on our operating management system, petrotechnical skills, downstream, midstream, leadership, and functional skills, including finance and legal.

## Diversity

As a global business, we aim for a workforce representative of the societies in which we operate. We set out our ambitions for diversity and our group people committee reviews performance on a quarterly basis.

Our aim is for women to represent at least 25% of group leaders – our most senior managers – by 2020 and we are actively seeking qualified female candidates for our board.

For more information on the composition of our board, see [AR](#) page 56.

## Workforce by gender

Numbers as at 31 December	Male	Female	Female %
Board directors	12	3	20%
Group leaders	350	81	19%
Subsidiary directors	1,099	179	14%
All employees	54,581	25,234	32%

A total of 23% of our group leaders came from countries other than the UK and US at the end of 2015 (2014 22%, 2013 22%). We have continued to increase the number of local leaders and employees in our operations so that they reflect the communities in which we operate. This is monitored at a local, business and national level.

## Inclusion

Our goal is to create an environment of inclusion and acceptance. For our employees to be motivated and perform to their full potential, and for the business to excel, our people need to be treated with respect and dignity and without discrimination.

We aim to ensure equal opportunity in recruitment, career development, promotion, training and reward for all employees – regardless of ethnicity, national origin, religion, gender and gender identity, age, sexual orientation, marital status, disability, or any other characteristic protected by applicable laws. Where existing employees become disabled, our policy is to provide continued employment and training wherever possible.

## Employee engagement

Managers hold regular team and one-to-one meetings with their staff, complemented by formal processes through works councils in parts of Europe. We seek to maintain constructive relationships with labour unions.

Each year, we conduct a survey to gather employees' views on a wide range of business topics and identify areas where we can improve. We track how engaged employees are with our strategic priorities using our group priorities index, based on questions about their perception of BP as a business and how it is managed in terms of leadership and standards. This measure fell to 69% in 2015 (2014 72%, 2013 72%).

Our survey results show a strong increase in understanding and use of the code of conduct to guide behaviour and that employees remain clear about compliance with safety procedures, standards and requirements.

However, as expected in the current low oil price environment, the proportion of employees responding that they feel more confident about BP's future than they did the previous year has declined. We also saw a decline in scores related to development and career opportunities.

We understand that employees have concerns about the consequences of the lower oil price. We have established additional communications channels to help address these concerns and support employees through our restructuring processes. For example, our executive team has been holding additional face-to-face town hall meetings. In our upstream business we have introduced a dedicated inbox for queries and regular listening sessions between frontline staff and management, with a commitment to follow up on any issues raised.

## Share ownership

We encourage employee share ownership and have a number of employee share plans in place. For example, under our ShareMatch plan, which operates in more than 50 countries, we match BP shares purchased by our employees. We also operate a group-wide discretionary share plan, which allows employee participation at different levels globally and is linked to the company's performance.



# Our management of risk

BP manages, monitors and reports on the principal risks and uncertainties that can impact our ability to deliver our strategy of meeting the world's energy needs responsibly while creating long-term shareholder value; these risks are described in the Risk factors on page 53.

Our management systems, organizational structures, processes, standards, code of conduct and behaviours together form a system of internal control that governs how we conduct the business of BP and manage associated risks.

## BP's risk management system

BP's risk management system and policy is designed to be a consistent and clear framework for managing and reporting risks from the group's operations to the board. The system seeks to avoid incidents and maximize business outcomes by allowing us to:

- Understand the risk environment, and assess the specific risks and potential exposure for BP.
- Determine how best to deal with these risks to manage overall potential exposure.
- Manage the identified risks in appropriate ways.
- Monitor and seek assurance of the effectiveness of the management of these risks and intervene for improvement where necessary.
- Report up the management chain and to the board on a periodic basis on how significant risks are being managed, monitored, assured and the improvements that are being made.

## Our risk management activities



**Day-to-day risk management** – management and staff at our facilities, assets and functions identify and manage risk, promoting safe, compliant and reliable operations. BP requirements, which take into account applicable laws and regulations, underpin the practical plans developed to help reduce risk and deliver strong, sustainable performance. For example, our operating management system (OMS)★ integrates BP requirements on health, safety, security, environment, social responsibility, operational reliability and related issues.

**Business and strategic risk management** – our businesses and functions integrate risk into key business processes such as strategy, planning, performance management, resource and capital allocation, and project appraisal. We do this by using a standard framework for collating risk data, assessing risk management activities, making further improvements and planning new activities.

**Oversight and governance** – functional leadership, the executive team, the board and relevant committees provide oversight to identify, understand and endorse management of significant risks to BP. They also put in place systems of risk management, compliance and control to mitigate these risks. Executive committees set policy and oversee the management of significant risks, and dedicated board committees review and monitor certain risks throughout the year.

BP's group risk team analyses the group's risk profile and maintains the group risk management system. Our group audit team provides independent assurance to the group chief executive and board, as to whether the group's system of internal control is adequately designed and operating effectively to respond appropriately to the risks that are significant to BP.

## Risk governance and oversight

Key risk governance and oversight committees include the following:

### Executive committees

- Executive team meeting – for strategic and commercial risks.
- Group operations risk committee – for health, safety, security, environment and operations integrity risks.
- Group financial risk committee – for finance, treasury, trading and cyber risks.
- Group disclosure committee – for financial reporting risks.
- Group people committee – for employee risks.
- Group ethics and compliance committee – for legal and regulatory compliance and ethics risks.
- Resource commitment meeting – for investment decision risks.

### Board and its committees

- BP board.
- Audit committee.
- Safety, ethics and environment assurance committee.
- Geopolitical committee.
- Gulf of Mexico committee.



### Risk governance

For further information on risk management and internal control, see **AR** page 93, and board and committee reports on **AR** page 64.

## Risk management processes

As part of BP's annual planning process, we review the group's principal risks and uncertainties. These may be updated throughout the year in response to changes in internal and external circumstances.

We aim for a consistent basis of measuring risk to allow comparison on a like-for-like basis, taking into account potential likelihood and impact, and to inform how we prioritize specific risk management activities and invest resources to manage them.

## Our risk profile

The nature of our business operations is long term, resulting in many of our risks being enduring in nature. Nonetheless, risks can develop and evolve over time and their potential impact or likelihood may vary in response to internal and external events.

We identify those risks as having a high priority for particular oversight by the board and its various committees in the coming year. Those identified for 2016 are listed on page 52. These may be updated throughout the year in response to changes in internal and external circumstances. The oversight and management of other risks is undertaken in the normal course of business throughout the business and in executive and board committees.

There can be no certainty that our risk management activities will mitigate or prevent these, or other risks, from occurring.

Further details of the principal risks and uncertainties we face are set out in Risk factors on page 53.

## Risks for particular oversight by the board and its committees in 2016

The risks for particular oversight by the board and its committees in 2016 have been reviewed and updated. These risks remain the same as in 2015 other than the Gulf of Mexico oil spill and major project★ delivery risks, which are no longer considered to require this additional oversight in 2016. Financial resilience has been added to the high priority risks for particular oversight in 2016. This update reflects the proposed settlements between BP, the United States government and the five Gulf Coast states with respect to federal and state claims arising from the oil spill, as well as current market conditions. Both the Gulf of Mexico oil spill and major project delivery risks will continue to be monitored as appropriate by the board and its committees in the normal course of risk oversight and management.

## Strategic and commercial risks

### Financial resilience

External market conditions can impact our financial performance. Supply and demand and the prices achieved for our products can be affected by a wide range of factors including political developments, technological change, global economic conditions and the influence of OPEC.

We actively manage this risk through BP's diversified portfolio, our financial framework, liquidity stress testing, regular reviews of market conditions and our planning and investment processes.

 For more information on our financial framework see page 18, Our strategy on page 13, Our markets in 2015 on page 24 and Liquidity and capital resources on [AR](#) page 219. See our Longer-term viability statement on [AR](#) page 94.

### Geopolitical

The diverse locations of our operations around the world expose us to a wide range of political developments and consequent changes to the economic and operating environment. Geopolitical risk is inherent to many regions in which we operate, and heightened political or social tensions or changes in key relationships could adversely affect the group.

We seek to actively manage this risk through development and maintenance of relationships with governments and stakeholders and becoming trusted partners in each country and region. In addition, we closely monitor events and implement risk mitigation plans where appropriate. We established a new board committee focusing on geopolitical risk in 2015.

### Cybersecurity

The threats to the security of our digital infrastructure continue to evolve rapidly and, like many other global organizations, our reliance on computers and network technology is increasing. A cybersecurity breach could have a significant impact on business operations.

We seek to manage this risk through a range of measures, which include cybersecurity standards, ongoing monitoring of threats and testing of cyber response procedures and equipment. We collaborate closely with governments, law enforcement agencies and industry peers to understand and respond to new and emerging cyber threats. Campaigns and presentations on topics such as email phishing and protecting our information and equipment have helped to raise employee awareness of these issues.

## Safety and operational risks

### Process safety, personal safety and environmental risks

The nature of the group's operating activities exposes us to a wide range of significant health, safety and environmental risks such as incidents associated with releases of hydrocarbons when drilling wells, operating facilities and transporting hydrocarbons.

Our OMS helps us manage these risks and drive performance improvements. It sets out the rules and principles which govern key risk management activities such as inspection, maintenance, testing, business continuity and crisis response planning and competency development. In addition, we conduct our drilling activity through a global wells organization in order to promote a consistent approach for designing, constructing and managing wells.

 For more information on safety and our OMS see page 43.

## Security

Hostile acts such as terrorism or piracy could harm our people and disrupt our operations. We monitor for emerging threats and vulnerabilities to manage our physical and information security.

Our central security team provides guidance and support to our businesses through a network of regional security advisers who advise and conduct assurance with respect to the management of security risks affecting our people and operations. We also maintain disaster recovery, crisis and business continuity management plans. We continue to monitor threats globally and, in particular, the situation in the Middle East and North Africa.

## Compliance and control risks

### Ethical misconduct and legal or regulatory non-compliance

Ethical misconduct or breaches of applicable laws or regulations could damage our reputation, adversely affect operational results and shareholder value, and potentially affect our licence to operate.


Our code of conduct and our values and behaviours, applicable to all employees, are central to managing this risk. Additionally, we have various group requirements and training covering areas such as anti-bribery and corruption, anti-money laundering, competition/anti-trust law and international trade regulations. We seek to keep abreast of new regulations and legislation and plan our response to them. We offer an independent confidential helpline, OpenTalk, for employees, contractors and other third parties. Under the terms of the 2012 criminal settlement with the US Department of Justice and the 2014 settlement with the US Environmental Protection Agency, an ethics monitor is reviewing and providing recommendations concerning BP's ethics and compliance programme.

 Find out more about our code of conduct and our business ethics on page 48, and the ethics monitor on page 42.

### Trading non-compliance

In the normal course of business, we are subject to risks around our trading activities which could arise from shortcomings or failures in our systems, risk management methodology, internal control processes or employees.

We have specific operating standards and control processes to manage these risks, including guidelines specific to trading, and seek to monitor compliance through our dedicated compliance teams. We also seek to maintain a positive and collaborative relationship with regulators and the industry at large.

 For further information see Upstream gas marketing and trading activities on page 33, Downstream supply and trading on page 36 and [AR](#) Financial statements – Note 28.

# Risk factors

The risks discussed below, separately or in combination, could have a material adverse effect on the implementation of our strategy, our business, financial performance, results of operations, cash flows, liquidity, prospects, shareholder value and returns and reputation.

## Strategic and commercial risks

**Prices and markets** – our financial performance is subject to fluctuating prices of oil, gas, refined products, technological change, exchange rate fluctuations, and the general macroeconomic outlook.

Oil, gas and product prices are subject to international supply and demand and margins can be volatile. Political developments, increased supply from new oil and gas sources, technological change, global economic conditions and the influence of OPEC can impact supply and demand and prices for our products. Decreases in oil, gas or product prices could have an adverse effect on revenue, margins, profitability and cash flows. If significant or for a prolonged period, we may have to write down assets and re-assess the viability of certain projects, which may impact future cash flows, profit, capital expenditure and ability to maintain our long-term investment programme. Conversely, an increase in oil, gas and product prices may not improve margin performance as there could be increased fiscal take, cost inflation and more onerous terms for access to resources. The profitability of our refining and petrochemicals activities can be volatile, with periodic over-supply or supply tightness in regional markets and fluctuations in demand.

Exchange rate fluctuations can create currency exposures and impact underlying costs and revenues. Crude oil prices are generally set in US dollars, while products vary in currency. Many of our major project development costs are denominated in local currencies, which may be subject to fluctuations against the US dollar.

**Access, renewal and reserves progression** – our inability to access, renew and progress upstream resources in a timely manner could adversely affect our long-term replacement of reserves.

Delivering our group strategy depends on our ability to continually replenish a strong exploration pipeline of future opportunities to access and produce oil and natural gas. Competition for access to investment opportunities, heightened political and economic risks in certain countries where significant hydrocarbon basins are located and increasing technical challenges and capital commitments may adversely affect our strategic progress. This, and our ability to progress upstream resources and sustain long-term reserves replacement, could impact our future production and financial performance.

**Major project★ delivery** – failure to invest in the best opportunities or deliver major projects successfully could adversely affect our financial performance.

We face challenges in developing major projects, particularly in geographically and technically challenging areas. Operational challenges and poor investment choice, efficiency or delivery at any major project that underpins production or production growth could adversely affect our financial performance.

**Geopolitical** – we are exposed to a range of political developments and consequent changes to the operating and regulatory environment.

We operate and may seek new opportunities in countries and regions where political, economic and social transition may take place. Political instability, changes to the regulatory environment or taxation, international sanctions, expropriation or nationalization of property, civil strife, strikes, insurrections, acts of terrorism and acts of war may disrupt or curtail our operations or development activities. These may in turn cause production to decline, limit our ability to pursue new opportunities, affect the recoverability of our assets or cause us to incur additional costs, particularly due to the long-term nature of many of our projects and significant capital expenditure required.

Events in or relating to Russia, including further trade restrictions and other sanctions, could adversely impact our income and investment in Russia. Our ability to pursue business objectives and to recognize production and reserves relating to Russia could also be adversely impacted.

**Liquidity, financial capacity and financial, including credit, exposure** – failure to work within our financial framework could impact our ability to operate and result in financial loss.

Failure to accurately forecast, manage or maintain sufficient liquidity and credit could impact our ability to operate and result in financial loss. Trade and other receivables, including overdue receivables, may not be recovered and a substantial and unexpected cash call or funding request could disrupt our financial framework or overwhelm our ability to meet our obligations.

An event such as a significant operational incident, legal proceedings or a geopolitical event in an area where we have significant activities, could reduce our credit ratings. This could potentially increase financing costs and limit

access to financing or engagement in our trading activities on acceptable terms, which could put pressure on the group's liquidity. Credit rating downgrades could trigger a requirement for the company to review its funding arrangements with the BP pension trustees and may cause other impacts on financial performance. In the event of extended constraints on our ability to obtain financing, we could be required to reduce capital expenditure or increase asset disposals in order to provide additional liquidity. See Liquidity and capital resources on [AR](#) page 219 and [AR](#) Financial statements – Note 28.

**Joint arrangements★ and contractors** – we may have limited control over the standards, operations and compliance of our partners, contractors and sub-contractors.

We conduct many of our activities through joint arrangements, associates★ or with contractors and sub-contractors where we may have limited influence and control over the performance of such operations. Our partners and contractors are responsible for the adequacy of the resources and capabilities they bring to a project. If these are found to be lacking, there may be financial, operational or safety risks for BP. Should an incident occur in an operation that BP participates in, our partners and contractors may be unable or unwilling to fully compensate us against costs we may incur on their behalf or on behalf of the arrangement. Where we do not have operational control of a venture, we may still be pursued by regulators or claimants in the event of an incident.

**Digital infrastructure and cybersecurity** – breach of our digital security or failure of our digital infrastructure could damage our operations and our reputation.

A breach or failure of our digital infrastructure due to intentional actions such as attacks on our cybersecurity, negligence or other reasons, could seriously disrupt our operations and could result in the loss or misuse of data or sensitive information, injury to people, disruption to our business, harm to the environment or our assets, legal or regulatory breaches and potentially legal liability. These could result in significant costs or reputational consequences.

**Climate change and carbon pricing** – public policies could increase costs and reduce future revenue and strategic growth opportunities.

Changes in laws, regulations and obligations relating to climate change could result in substantial capital expenditure, taxes and reduced profitability. In the future, these could potentially impact our assets, revenue generation and strategic growth opportunities.

**Competition** – inability to remain efficient, innovate and retain an appropriately skilled workforce could negatively impact delivery of our strategy in a highly competitive market.

Our strategic progress and performance could be impeded if we are unable to control our development and operating costs and margins, or to sustain, develop and operate a high-quality portfolio of assets efficiently. We could be adversely affected if competitors offer superior terms for access rights or licences, or if our innovation in areas such as exploration, production, refining or manufacturing lags the industry. Our performance could also be negatively impacted if we fail to protect our intellectual property.

Our industry faces increasing challenge to recruit and retain skilled and experienced people in the fields of science, technology, engineering and mathematics. Successful recruitment, development and retention of specialist staff is essential to our plans.

**Crisis management and business continuity** – potential disruption to our business and operations could occur if we do not address an incident effectively.

Our business and operating activities could be disrupted if we do not respond, or are perceived not to respond, in an appropriate manner to any major crisis or if we are not able to restore or replace critical operational capacity.

**Insurance** – our insurance strategy could expose the group to material uninsured losses.

BP generally purchases insurance only in situations where this is legally and contractually required. We typically bear losses as they arise rather than spreading them over time through insurance premiums. This means uninsured losses could have a material adverse effect on our financial position, particularly if they arise at a time when we are facing material costs as a result of a significant operational event which could put pressure on our liquidity and cash flows.



## Safety and operational risks

**Process safety, personal safety, and environmental risks** – we are exposed to a wide range of health, safety, security and environmental risks that could result in regulatory action, legal liability, increased costs, damage to our reputation and potentially denial of our licence to operate.

Technical integrity failure, natural disasters, human error and other adverse events or conditions could lead to loss of containment of hydrocarbons or other hazardous materials, as well as fires, explosions or other personal and process safety incidents, including when drilling wells, operating facilities and those associated with transportation by road, sea or pipeline.

There can be no certainty that our operating management system or other policies and procedures will adequately identify all process safety, personal safety and environmental risks or that all our operating activities will be conducted in conformance with these systems. See Safety on page 43.

Such events, including a marine incident, or inability to provide safe environments for our workforce and the public while at our facilities, premises or during transportation, could lead to injuries, loss of life or environmental damage. We could as a result face regulatory action and legal liability, including penalties and remediation obligations, increased costs and potentially denial of our licence to operate. Our activities are sometimes conducted in hazardous, remote or environmentally sensitive locations, where the consequences of such events could be greater than in other locations.

**Drilling and production** – challenging operational environments and other uncertainties can impact drilling and production activities.

Our activities require high levels of investment and are often conducted in extremely challenging environments which heighten the risks of technical integrity failure and the impact of natural disasters. The physical characteristics of an oil or natural gas field, and cost of drilling, completing or operating wells is often uncertain. We may be required to curtail, delay or cancel drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions and compliance with governmental requirements.

**Security** – hostile acts against our staff and activities could cause harm to people and disrupt our operations.

Acts of terrorism, piracy, sabotage and similar activities directed against our operations and facilities, pipelines, transportation or digital infrastructure could cause harm to people and severely disrupt business and operations. Our activities could also be severely affected by conflict, civil strife or political unrest.

**Product quality** – supplying customers with off-specification products could damage our reputation, lead to regulatory action and legal liability, and potentially impact our financial performance.

Failure to meet product quality standards could cause harm to people and the environment, damage our reputation, result in regulatory action and legal liability, and impact financial performance.

## Compliance and control risks

**US government settlements** – our settlements with legal and regulatory bodies in the US announced in November 2012 in respect of certain charges related to the Gulf of Mexico oil spill may expose us to further penalties, liabilities and private litigation or could result in suspension or debarment of certain BP entities.

Settlements with the US Department of Justice (DoJ) and the US Securities and Exchange Commission (SEC) impose significant compliance and remedial obligations on BP and its directors, officers and employees, including the appointment of an ethics monitor, a process safety monitor and an independent third-party auditor. Failure to comply with the terms of these settlements could result in further enforcement action by the DoJ and the SEC, expose us to severe penalties, financial or otherwise, and subject BP to further private litigation, each of which could impact our operations and have a material adverse effect on the group's reputation and financial performance. Failure to satisfy the requirements or comply with the terms of the administrative agreement with the US Environmental Protection Agency (EPA), under which BP agreed to a set of safety and operations, ethics and compliance and corporate governance requirements, could result in suspension or debarment of certain BP entities.

**Regulation** – changes in the regulatory and legislative environment could increase the cost of compliance, affect our provisions and limit our access to new exploration opportunities.

Governments that award exploration and production interests may impose specific drilling obligations, environmental, health and safety controls, controls over the development and decommissioning of a field and possibly, nationalization, expropriation, cancellation or non-renewal of contract rights. Royalties and taxes tend to be high compared with those of other commercial activities, and in certain jurisdictions there is a degree of uncertainty relating to tax law interpretation and changes. Governments may change their fiscal and regulatory frameworks in

response to public pressure on finances, resulting in increased amounts payable to them or their agencies.

Such factors could increase the cost of compliance, reduce our profitability in certain jurisdictions, limit our opportunities for new access, require us to divest or write down certain assets or curtail or cease certain operations, or affect the adequacy of our provisions for pensions, tax, decommissioning, environmental and legal liabilities. Potential changes to pension or financial market regulation could also impact funding requirements of the group.

Following the Gulf of Mexico oil spill, there have been cases of additional oversight and more stringent regulation of BP and other companies' oil and gas activities in the US and elsewhere, particularly relating to environmental, health and safety controls and oversight of drilling operations, which could result in increased compliance costs. In addition, we may be subjected to a higher number of citations and level of fines imposed in relation to any alleged breaches of safety or environmental regulations, which could result in increased costs.

**Ethical misconduct and non-compliance** – ethical misconduct or breaches of applicable laws by our businesses or our employees could be damaging to our reputation, and could result in litigation, regulatory action and penalties.

Incidents of ethical misconduct or non-compliance with applicable laws and regulations, including anti-bribery and corruption and anti-fraud laws, trade restrictions or other sanctions, or non-compliance with the recommendations of the ethics monitor appointed under the terms of the DoJ and EPA settlements, could damage our reputation, result in litigation, regulatory action and penalties.

**Treasury and trading activities** – ineffective oversight of treasury and trading activities could lead to business disruption, financial loss, regulatory intervention or damage to our reputation.

We are subject to operational risk around our treasury and trading activities in financial and commodity markets, some of which are regulated. Failure to process, manage and monitor a large number of complex transactions across many markets and currencies while complying with all regulatory requirements could hinder profitable trading opportunities. There is a risk that a single trader or a group of traders could act outside of our delegations and controls, leading to regulatory intervention and resulting in financial loss and potentially damaging our reputation. See **AR** Financial statements – Note 28.

**Reporting** – failure to accurately report our data could lead to regulatory action, legal liability and reputational damage.

External reporting of financial and non-financial data, including reserves estimates, relies on the integrity of systems and people. Failure to report data accurately and in compliance with applicable standards could result in regulatory action, legal liability and damage to our reputation.

## Gulf of Mexico oil spill

There continues to be uncertainty regarding the extent and timing of the remaining costs and liabilities relating to the Gulf of Mexico oil spill not covered by the proposed Consent Decree and the Settlement Agreement. The proposed Consent Decree between the United States, the five Gulf Coast states and BP and the Settlement Agreement between BP and the Gulf Coast states will, subject to these becoming effective, settle all federal and state claims arising from the 2010 Gulf of Mexico oil spill. The proposed Consent Decree and the Settlement Agreement are conditional upon each other and neither will become effective until there is final approval of the Consent Decree. There continues to be uncertainty regarding the extent and timing of the remaining costs and liabilities relating to the Gulf of Mexico oil spill not covered by the proposed Consent Decree and the Settlement Agreement. For items not covered by the proposed Consent Decree and the Settlement Agreement and for further information, see **AR** Financial statements – Note 2 and Legal proceedings (**AR** page 237).

The Strategic report was approved by the board and signed on its behalf by David J Jackson, company secretary on 4 March 2016.

# Board of directors

As at 4 March 2016

 **Board biographies**  
See [bp.com/governance](http://bp.com/governance)



**Carl-Henric Svanberg**  
Chairman

Chair of the nomination and chairman's committees; attends geopolitical, Gulf of Mexico, SEEA<sup>a</sup> and remuneration committees



**Bob Dudley**  
Group chief executive



**Dr Brian Gilvary**  
Chief financial officer



**Paul Anderson**  
Non-executive director

Chair of the SEEA committee; member of the geopolitical, Gulf of Mexico, nomination and chairman's committees



**Alan Boeckmann**  
Non-executive director  
Member of the SEEA, Gulf of Mexico, remuneration and chairman's committees



**Admiral Frank Bowman**  
Non-executive director  
Member of the SEEA, geopolitical, Gulf of Mexico and chairman's committees



**Antony Burgmans**  
Non-executive director  
Chair of the geopolitical committee; member of the SEEA, remuneration, chairman's and nomination committees



**Cynthia Carroll**  
Non-executive director  
Member of the SEEA, geopolitical, nomination and chairman's committees



**Ian Davis**  
Non-executive director  
Chair of the Gulf of Mexico committee; member of the remuneration, nomination and chairman's committees



**Professor Dame Ann Dowling**  
Non-executive director  
Chair of the remuneration committee; member of the SEEA, nomination and chairman's committees



**Brendan Nelson**  
Non-executive director  
Chair of the audit committee; member of the nomination and chairman's committees



**Phuthuma Nhleko**  
Non-executive director  
Member of the audit, geopolitical and chairman's committees



**Paula Rosput Reynolds**  
Non-executive director  
Member of the audit and chairman's committees



**Sir John Sawers**  
Non-executive director  
Member of the SEEA, geopolitical and chairman's committees



**Andrew Shilston**  
Senior independent director  
Member of the audit, geopolitical, remuneration, nomination and chairman's committees



**David Jackson**  
Company secretary

<sup>a</sup> Safety, ethics and environment assurance.

## Remuneration summary 2015

The table below shows the total remuneration received by executive directors in 2015 and reflects the following:

**Salary** – no increases were granted for 2015, in line with the group-wide salary freeze. The last increase was in July 2014.

**Annual bonus** – the key focus for 2015 was safe and reliable operations, delivery of strong operating cash flow relative to plan and major projects within the year. This resulted in **a final overall group score of 1.70 but limited to 1.50 for executive directors**.

**Deferred bonus** – 2012 deferred bonus was conditional on safety and environmental sustainability performance over the period 2013 through to 2015. There was strong and consistent delivery against this hurdle and **2012 deferred and matching shares vested in full**.

**Performance shares** – vesting was based one third on relative total shareholder return (TSR), one third on operating cash flow and one third on strategic imperatives including safety and operational risk (S&OR), relative reserves replacement ratio (RRR) and major project delivery★. TSR performance was third amongst the oil majors. There was strong performance related to operating cash flow and the strategic imperatives. On a preliminary assessment **77.6% of the 2013-2015 award is expected to vest**.

**Pension** – pension figures reflect the UK requirements to show 20 times the increase in accrued pension over the year for defined benefit plans, as well as the company match to retirement savings plans and any cash paid in lieu. The UK requirement overstates the true increase in value of Bob Dudley's US pension (see **AR** page 82 for explanation).

### Single figure table of remuneration of executive directors in 2015 (audited)

Remuneration is reported in the currency received by the individual				
	Bob Dudley thousand		Dr Brian Gilvary thousand	
	2015	2014	2015	2014
<b>Annual remuneration</b>				
Salary	<b>\$1,854</b>	\$1,827	<b>£732</b>	£721
Annual cash bonus <sup>a</sup>	<b>\$1,391</b>	\$1,005	<b>£549</b>	£396
Benefits	<b>\$119</b>	\$114	<b>£53</b>	£51
<b>Total</b>	<b>\$3,364</b>	\$2,946	<b>£1,334</b>	£1,168
<b>Vested equity</b>				
Deferred bonus and match <sup>b</sup>	<b>\$2,603</b>	\$3,401	<b>£1,272</b>	£0
Performance shares	<b>\$7,116<sup>c</sup></b>	\$7,020 <sup>d</sup>	<b>£2,223<sup>e</sup></b>	£2,185 <sup>d</sup>
<b>Total</b>	<b>\$9,719</b>	\$10,421	<b>£3,495</b>	£2,185
<b>Total remuneration</b>	<b>\$13,083</b>	\$13,367	<b>£4,829</b>	£3,353
<b>Pension</b>				
Pension and retirement savings – value increase <sup>a</sup>	<b>\$6,519</b>	\$3,023	<b>£0</b>	£21
Cash in lieu of future accrual	<b>N/A</b>	N/A	<b>£256</b>	£252
<b>Total including pension</b>	<b>\$19,602</b>	\$16,390	<b>£5,085</b>	£3,626

<sup>a</sup> This reflects the amount of bonus paid in cash with the deferred portion as set out on **AR** page 77.

<sup>b</sup> Value of vested deferred bonus and matching shares. The amounts reported for 2015 relate to the 2012 annual bonus deferred over three years, which vested on 9 February 2016 at the market price of £3.34 for ordinary shares and \$28.95 for ADSs and include re-invested dividends on shares vested. The amounts reported for 2014 relate to the 2011 annual bonus.


<sup>c</sup> Represents the assumed vesting of shares in 2016 following the end of the relevant performance period, based on a preliminary assessment of performance achieved under the rules of the plan and includes re-invested dividends on shares vested. In accordance with UK regulations, the vesting price of the assumed vesting is the average market price for the fourth quarter of 2015 which was £3.72 for ordinary shares and \$33.81 for ADSs. The final vesting will be confirmed by the committee in second quarter 2016 and provided in the 2016 Directors' remuneration report.

<sup>d</sup> In accordance with UK regulations, in the 2014 single figure table, the performance outcome value was based on an estimated vesting at an assumed share price of £4.27 for ordinary shares and \$40.74 for ADSs. In May 2015, after the external data became available, the committee reviewed the relative reserves replacement ratio position and assessed that the group was in first place relative to the other oil majors. This resulted in an adjustment to the final vesting from 60.5% to 63.8%. On 7 May 2015, 167,824 ADSs for Bob Dudley and 478,090 shares for Brian Gilvary vested at prices of \$41.83 and £4.57 respectively. The 2014 values for the total vesting have increased by \$628,746 for Bob Dudley and £280,827 for Brian Gilvary.

<sup>e</sup> Represents (1) the annual increase net of inflation in accrued pension multiplied by 20 as prescribed by UK regulations, and (2) in the case of Bob Dudley only, the aggregate value of the company match under his US retirement savings arrangements. Full details are set out on **AR** page 82. In Bob Dudley's case, the 2014 amount has been restated to reflect the revised disclosure of Mr Dudley's participation in the US retirement savings arrangements.

### Single figure table of remuneration of non-executive directors in 2015 (audited)

£ thousand	Fees		Benefits <sup>a</sup>		Total	
	2015	2014	2015	2014	2015	2014
Carl-Henric Svanberg	785	785	38	37	823	822
Paul Anderson	177	175	28	48	205	223
Alan Boeckmann	178	70	14	17	192	87
Admiral Frank Bowman	177	165	12	17	189	182
Antony Burgmans	149	150	19	9	168	159
Cynthia Carroll	127	125	68	66	195	191
George David <sup>b</sup>	60	185	15	18	75	203
Ian Davis	145	150	3	5	148	155
Professor Dame Ann Dowling <sup>c</sup>	141	140	1	11	142	151
Brendan Nelson	125	125	11	16	136	141
Phuthuma Nhleko	167	150	11	9	178	159
Paula Rosput Reynolds <sup>d</sup>	93	–	56	–	149	–
Sir John Sawers <sup>d</sup>	85	–	0	–	85	–
Andrew Shilston	165	150	3	8	168	158

 Read the remuneration committee chair's annual statement on page 22. See [bp.com/remuneration](http://bp.com/remuneration) for our remuneration policy and the rest of the 2015 remuneration report, taken from the annual report.

<sup>a</sup> Benefits include travel and other expenses relating to the attendance at board and other meetings. Amounts disclosed have been grossed up using a tax rate of 45%, where relevant, as an estimation of tax due.

<sup>b</sup> Retired on 16 April 2015.

<sup>c</sup> In addition, Professor Dame Ann Dowling received £25,000 for chairing and being a member of the BP technology advisory council.

<sup>d</sup> Appointed on 14 May 2015.



## Summary consolidated financial statements

These summary consolidated financial statements represent an abridged version of the financial statements in *BP Annual Report and Form 20-F 2015*, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and IFRS as adopted for use by the European Union (EU). IFRS as adopted for use by the EU differs in certain respects from IFRS as issued by the IASB, however, the differences have no impact on the group's consolidated financial statements for the years presented.

These summary consolidated financial statements do not contain sufficient information as to allow for a full understanding of the results and state of affairs of BP, in particular, they do not include important disclosures relating to the Gulf of Mexico oil spill and other matters. These statements are not BP's statutory accounts for the year ended 31 December 2015. The statutory accounts are to be filed with the Registrar of Companies. The independent auditor's report on the consolidated financial statements: (1) was unqualified; and (2) included a statement that the information given in the Strategic report and the Directors' report in *BP Annual Report and Form 20-F 2015* was consistent with the financial statements and that statement was also unqualified.

### Summary group income statement

For the year ended 31 December	\$ million		
	2015	2014 <sup>a</sup>	2013 <sup>a</sup>
Total revenues and other income	<b>225,982</b>	358,678	396,217
Purchases	<b>164,790</b>	281,907	298,351
Manufacturing, exploration and production expenses	<b>40,429</b>	33,965	38,015
Depreciation, depletion, amortization, impairments and losses on sale of businesses and fixed assets	<b>17,128</b>	24,128	15,471
Distribution and administration expenses	<b>11,553</b>	12,266	12,611
Profit (loss) before interest and taxation	<b>(7,918)</b>	6,412	31,769
Finance costs	<b>1,347</b>	1,148	1,068
Net finance expense relating to pensions and other post-retirement benefits	<b>306</b>	314	480
Profit (loss) before taxation	<b>(9,571)</b>	4,950	30,221
Taxation	<b>(3,171)</b>	947	6,463
Profit (loss) for the year	<b>(6,400)</b>	4,003	23,758
Attributable to			
BP shareholders	<b>(6,482)</b>	3,780	23,451
Non-controlling interests	<b>82</b>	223	307
	<b>(6,400)</b>	4,003	23,758
Earnings per share – cents			
Profit (loss) for the year attributable to BP shareholders			
Basic	<b>(35.39)</b>	20.55	123.87
Diluted	<b>(35.39)</b>	20.42	123.12

<sup>a</sup> A minor reclassification has been made between manufacturing, exploration and production expenses and distribution and administration expenses to align with the presentation in 2015.

### Group statement of comprehensive income

For the year ended 31 December	\$ million		
	2015	2014	2013
Profit (loss) for the year	<b>(6,400)</b>	4,003	23,758
Other comprehensive income	<b>(1,818)</b>	(12,715)	(892)
Total comprehensive income	<b>(8,218)</b>	(8,712)	22,866
Attributable to			
BP shareholders	<b>(8,259)</b>	(8,903)	22,574
Non-controlling interests	<b>41</b>	191	292
	<b>(8,218)</b>	(8,712)	22,866

## Group statement of changes in equity

	\$ million		
	BP shareholders' equity	Non-controlling interests	Total equity
At 1 January 2015	<b>111,441</b>	<b>1,201</b>	<b>112,642</b>
Total comprehensive income	<b>(8,259)</b>	<b>41</b>	<b>(8,218)</b>
Dividends	<b>(6,659)</b>	<b>(91)</b>	<b>(6,750)</b>
Share-based payments, net of tax and other items	<b>693</b>	<b>20</b>	<b>713</b>
At 31 December 2015	<b>97,216</b>	<b>1,171</b>	<b>98,387</b>
At 1 January 2014	129,302	1,105	130,407
Total comprehensive income	(8,903)	191	(8,712)
Dividends	(5,850)	(255)	(6,105)
Repurchases of ordinary share capital	(3,366)	–	(3,366)
Share-based payments, net of tax and other items	258	160	418
At 31 December 2014	111,441	1,201	112,642

## Summary group balance sheet

At 31 December	\$ million	
	2015	2014
Fixed assets	<b>178,881</b>	183,851
Other non-current assets	<b>12,349</b>	13,192
Non-current assets	<b>191,230</b>	197,043
Current assets	<b>70,602</b>	87,262
Total assets	<b>261,832</b>	284,305
Current liabilities	<b>54,724</b>	63,615
Non-current liabilities	<b>108,721</b>	108,048
Total liabilities	<b>163,445</b>	171,663
Net assets	<b>98,387</b>	112,642
Equity		
BP shareholders' equity	<b>97,216</b>	111,441
Non-controlling interests	<b>1,171</b>	1,201
Total equity	<b>98,387</b>	112,642

## Summary group cash flow statement

For the year ended 31 December	\$ million		
	2015	2014	2013
Operating activities			
Profit (loss) before taxation	<b>(9,571)</b>	4,950	30,221
Depreciation and other similar non-cash charges	<b>18,291</b>	26,262	5,066
Net charge for provisions, less payments	<b>11,792</b>	1,119	1,061
Movements in working capital	<b>843</b>	6,925	(6,843)
Income taxes paid	<b>(2,256)</b>	(4,787)	(6,307)
Other	<b>34</b>	(1,715)	(2,098)
Net cash provided by operating activities	<b>19,133</b>	32,754	21,100
Net cash used in investing activities	<b>(17,300)</b>	(19,574)	(7,855)
Net cash used in financing activities	<b>(4,535)</b>	(5,266)	(10,400)
Currency translation differences relating to cash and cash equivalents	<b>(672)</b>	(671)	40
Increase (decrease) in cash and cash equivalents	<b>(3,374)</b>	7,243	2,885
Cash and cash equivalents at beginning of year	<b>29,763</b>	22,520	19,635
Cash and cash equivalents at end of year	<b>26,389</b>	29,763	22,520

## Five-year record

This information, insofar as it relates to 2015, has been extracted or derived from the audited consolidated financial statements of the BP group presented on **AR** page 95. **AR** Note 1 to the financial statements includes details on the basis of preparation of these financial statements. The selected information should be read in conjunction with the audited financial statements and related notes elsewhere herein.

	\$ million except per share amounts				
	2015	2014	2013	2012	2011
<b>Income statement data</b>					
Sales and other operating revenues	<b>222,894</b>	353,568	379,136	375,765	375,713
Underlying replacement cost (RC) profit before interest and taxation★	<b>8,791</b>	20,818	22,776	26,454	33,601
Net favourable (unfavourable) impact of non-operating items★ and fair value accounting effects★	<b>(14,820)</b>	(8,196)	9,283	(6,091)	3,580
RC profit (loss) before interest and taxation★	<b>(6,029)</b>	12,622	32,059	20,363	37,181
Inventory holding gains (losses)★	<b>(1,889)</b>	(6,210)	(290)	(594)	2,634
Profit (loss) before interest and taxation	<b>(7,918)</b>	6,412	31,769	19,769	39,815
Finance costs and net finance expense relating to pensions and other post-retirement benefits	<b>(1,653)</b>	(1,462)	(1,548)	(1,638)	(1,587)
Taxation	<b>3,171</b>	(947)	(6,463)	(6,880)	(12,619)
Profit (loss) for the year	<b>(6,400)</b>	4,003	23,758	11,251	25,609
Profit (loss) for the year attributable to BP shareholders	<b>(6,482)</b>	3,780	23,451	11,017	25,212
Inventory holding (gains) losses, net of taxation	<b>1,320</b>	4,293	230	411	(1,800)
RC profit (loss) for the year attributable to BP shareholders	<b>(5,162)</b>	8,073	23,681	11,428	23,412
Non-operating items and fair value accounting effects, net of taxation	<b>11,067</b>	4,063	(10,253)	5,643	(2,242)
Underlying RC profit for the year attributable to BP shareholders	<b>5,905</b>	12,136	13,428	17,071	21,170
Per ordinary share – cents					
Profit (loss) for the year attributable to BP shareholders					
Basic	<b>(35.39)</b>	20.55	123.87	57.89	133.35
Diluted	<b>(35.39)</b>	20.42	123.12	57.50	131.74
RC profit (loss) for the year attributable to BP shareholders	<b>(28.18)</b>	43.90	125.08	60.05	123.83
Underlying RC profit for the year attributable to BP shareholders	<b>32.22</b>	66.00	70.92	89.70	111.97
Dividends paid per share – cents	<b>40.00</b>	39.00	36.50	33.00	28.00
– pence	<b>26.383</b>	23.850	23.399	20.852	17.404
Capital expenditure and acquisitions, on an accruals basis	<b>19,531</b>	23,781	36,612	25,204	31,959
Acquisitions and asset exchanges, on an accruals basis	<b>49</b>	420	71	200	11,283
Organic capital expenditure, on an accruals basis	<b>734</b>	469	11,941	1,054	1,096
Organic capital expenditure★, on an accruals basis	<b>18,748</b>	22,892	24,600	23,950	19,580
<b>Balance sheet data (at 31 December)</b>					
Total assets	<b>261,832</b>	284,305	305,690	300,466	292,907
Net assets	<b>98,387</b>	112,642	130,407	119,752	112,585
Share capital	<b>5,049</b>	5,023	5,129	5,261	5,224
BP shareholders' equity	<b>97,216</b>	111,441	129,302	118,546	111,568
Finance debt due after more than one year	<b>46,224</b>	45,977	40,811	38,767	35,169
Net debt to net debt plus equity★	<b>21.6%</b>	16.7%	16.2%	18.7%	20.4%
<b>Ordinary share data<sup>a</sup></b>					
Basic weighted average number of shares	<b>18,324</b>	18,385	18,931	19,028	18,905
Diluted weighted average number of shares	<b>18,324</b>	18,497	19,046	19,158	19,136

<sup>a</sup> The number of ordinary shares shown has been used to calculate the per share amounts.



## Shareholder information

**Company secretary:** David Jackson

**Registered office:** 1 St. James's Square, London SW1Y 4PD

### 2016 shareholder calendar<sup>a</sup>

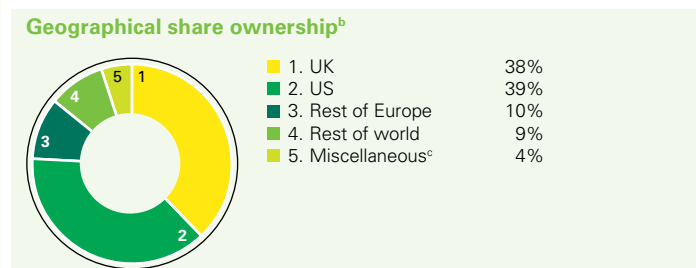
24 Mar 2016	Fourth quarter interim dividend payment for 2015
14 Apr 2016	Annual general meeting
26 Apr 2016	First quarter results announced
6 May 2016	Record date (to be eligible for the first quarter interim dividend)
17 Jun 2016	First quarter interim dividend payment for 2016
1 Jul 2016	8% and 9% preference shares record date
26 Jul 2016	Second quarter results announced
1 Aug 2016	8% and 9% preference shares dividend payment
5 Aug 2016	Record date (to be eligible for the second quarter interim dividend)
16 Sep 2016	Second quarter interim dividend payment for 2016
25 Oct 2016	Third quarter results announced
4 Nov 2016	Record date (to be eligible for the third quarter interim dividend)
16 Dec 2016	Third quarter interim dividend payment for 2016

<sup>a</sup> All future dates are provisional and may be subject to change. For the full calendar see [bp.com/financialcalendar](http://bp.com/financialcalendar)

From 6 October 2014, the London Stock Exchange shortened the standard settlement cycles from T+3 to T+2 and means ordinary shares now settle one day earlier than American Depositary Shares (ADSs) traded on the New York Stock Exchange which remains on a T+3 settlement cycle.

### Share capital

	31 Dec 2015
Ordinary shares of 25 US cents each (excluding shares held in treasury)	18,381,007,513
8% cumulative first preference shares of £1 each	7,232,838
9% cumulative second preference shares of £1 each	5,473,414



<sup>b</sup> Represents BP's best efforts to determine ownership of the group's shares, based on analysis of the year-end share register.

<sup>c</sup> Miscellaneous represents unidentified shares that are awaiting confirmation of the identity of the holder and the nature of their interest in the shares following enquiries made under section 793 of the Companies Act 2006.

### Major shareholders

	% as at 16 Feb 2016
Guaranty Nominees Limited <sup>d</sup>	29.01
BlackRock, Inc.	6.86
Legal & General Group plc	3.21

<sup>d</sup> Nominee for JPMorgan Chase Bank, N.A., depositary for ADSs.

### Dividends

Full information regarding dividends announced and paid by the company on ordinary shares, ADSs and preference shares is provided in the full *BP Annual Report and Form 20-F 2015* or at [www.bp.com/dividends](http://www.bp.com/dividends). The following table shows dividends announced and paid by the company in the past year on ordinary shares.

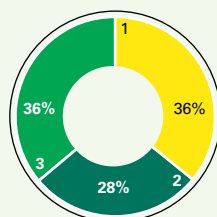
Dividends paid ordinary shares	UK pence <sup>*</sup>	US cents <sup>*</sup>	US cents <sup>†</sup>
Fourth quarter 2014	6.6699	10	60
First quarter 2015	6.5295	10	60
Second quarter 2015	6.5488	10	60
Third quarter 2015	6.6342	10	60

<sup>\*</sup> Per ordinary share.

<sup>†</sup> Per ADS (1 ADS represents 6 ordinary shares).

A Scrip Dividend Programme (Scrip Programme) was approved by shareholders in 2010 and was renewed for a further three years at the 2015 AGM. It enables BP ordinary shareholders and ADS holders to elect to receive new fully paid BP ordinary shares (or ADSs in the case of ADS holders) instead of cash dividends. For further information, please see [www.bp.com/scrip](http://www.bp.com/scrip).

### Dividend payment choices



1. Direct to bank: receive dividends securely and quickly by contacting the BP Registrar.
  2. SCRIP: receive additional shares instead of cash dividends; see terms and conditions at [www.bp.com/scrip](http://www.bp.com/scrip).
  3. Cheque: contact the BP Registrar to see if you have any unclaimed dividends.
- Percentages represent the average of choices made by registered shareholders during 2015.

### Manage your shares online

You can manage your account online via the BP Share Centre at [www.mybpshares.com](http://www.mybpshares.com) (for ordinary shareholders) and at [www.adr.com/bp](http://www.adr.com/bp) (for ADS holders). This service allows you to view details of your BP shareholding and dividend payments online, amend your address details, apply for dividends to be paid directly to your bank, download forms and documents and state your preference for receiving company mailings by email or otherwise.

### Share dealing service

In December 2013 BP launched a share dealing service to its European Economic Area based retail shareholders. This service enables eligible shareholders to buy, sell or donate ordinary shares easily. To find out more please call the BP Registrar or visit the BP Share Centre at [www.mybpshares.com](http://www.mybpshares.com) to access the frequently asked questions.

### Annual General Meeting (AGM)

The 2016 AGM will be held on Thursday, 14 April 2016 at 11.30am at ExCeL London, One Western Gateway, Royal Victoria Dock, London, E16 1XL. A separate notice convening the meeting (*Notice of BP Annual General Meeting 2016*) is distributed to shareholders which includes an explanation of the items of business to be considered at the meeting.

### Notice of meeting

To order a copy of the *Notice of BP Annual General Meeting 2016*, please contact the BP Registrar or the BP Depositary.

### The BP Registrar, Capita Asset Services

#### Ordinary and preference shareholders

The Registry, 34 Beckenham Road  
Beckenham, Kent BR3 4TU, UK  
From within the UK 0800 701107  
From outside the UK +44 203 170 3678  
Lines are open Monday to Friday, 8.30am to 5.30pm (UK time)  
Email: [mybpshares@capita.co.uk](mailto:mybpshares@capita.co.uk)  
Internet: [www.mybpshares.com](http://www.mybpshares.com)

### The BP Depositary, JPMorgan Chase Bank N.A.

#### ADS holders

PO Box 64504  
St Paul, MN 55164-0504, US  
Toll-free in US and Canada +1 877 638 5672  
From outside the US and Canada +1 651 306 4383  
Internet: [www.adr.com/bp](http://www.adr.com/bp)

## Abbreviations

### ADR

American depositary receipt.

### ADS

American depositary share. 1 ADS = 6 ordinary shares.

### Barrel (bbl)

159 litres, 42 US gallons.

### bcf/d

Billion cubic feet per day.

### bcfe

Billion cubic feet equivalent.

### bcma

Billion cubic metres per annum.

### b/d

Barrels per day.

### boe/d

Barrels of oil equivalent per day.

### DoJ

US Department of Justice.

### GAAP

Generally accepted accounting practice.

### Gas

Natural gas.

### GHG

Greenhouse gas.

### GWh

Gigawatt hour.

### HSSE

Health, safety, security and environment.

### IFRS

International Financial Reporting Standards.

### KPIs

Key performance indicators.

### LNG

Liquefied natural gas.

### LPG

Liquefied petroleum gas.

### mb/d

Thousand barrels per day.

### mboe/d

Thousand barrels of oil equivalent per day.

### mmb/d

Million barrels per day.

### mmboc/d

Million barrels of oil equivalent per day.

### mmBtu

Million British thermal units.

### mmcf/d

Million cubic feet per day.

### mmte

Million tonnes.

### MW

Megawatt.

### NGLs

Natural gas liquids.

### PSA

Production-sharing agreement.

### PTA

Purified terephthalic acid.

### RC

Replacement cost.

### SEC

The United States Securities and Exchange Commission.

## Glossary and trade marks

Unless the context indicates otherwise, the definitions for the following glossary terms are given below.

### Associate

An entity over which the group has significant influence and that is neither a subsidiary nor a joint arrangement of the group. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

### Brent

A trading classification for North Sea crude oil that serves as a major benchmark price for purchases of oil worldwide.

### Cash costs

Non-GAAP measure. Cash costs are a subset of production and manufacturing expenses plus distribution and administration expenses and excludes costs that are classified as non-operating items. They represent the substantial majority of the remaining expenses in these line items but exclude certain costs that are variable, primarily with volumes (such as freight costs). Management believes that the presentation of cash costs is a performance measure that provides investors with useful information regarding the company's financial condition because it considers these expenses to be the principal operating and overhead expenses that are most directly under their control although they also include certain foreign exchange and commodity price effects.

### Commodity trading contracts

BP's Upstream and Downstream segments both participate in regional and global commodity trading markets in order to manage, transact and hedge the crude oil, refined products and natural gas that the group either produces or consumes in its manufacturing operations. These physical trading activities, together with associated incremental trading opportunities, are discussed in Upstream on page 28 and in Downstream on page 34. The range of contracts the group enters into in its commodity trading operations is described below. Using these contracts, in combination with rights to access storage and transportation capacity, allows the group to access advantageous pricing differences between locations, time periods and arbitrage between markets.

### Dividend yield

Sum of the four quarterly dividends announced in respect of the year as a percentage of the year-end share price on the respective exchange. The ordinary shareholders annual dividend yield includes an estimate of the sterling amount expected to be paid in respect of the dividend for the fourth quarter 2015 which was announced on 2 February 2016 in US dollars.

### Fair value accounting effects

We use derivative instruments to manage the economic exposure relating to inventories above normal operating requirements of crude oil, natural gas and petroleum products. Under IFRS, these inventories are recorded at historical cost. The related derivative instruments, however, are required to be recorded at fair value with gains and losses recognized in the income statement. This is because hedge accounting is either not permitted or not followed, principally due to the impracticality of effectiveness-testing requirements. Therefore, measurement differences in relation to recognition of gains and losses occur. Gains and losses on these inventories are not recognized until the commodity is sold in a subsequent accounting period. Gains and losses on the related derivative commodity contracts are recognized in the income statement from the time the derivative commodity contract is entered into on a fair value basis using forward prices consistent with the contract maturity.

BP enters into commodity contracts to meet certain business requirements, such as the purchase of crude for a refinery or the sale of BP's gas production. Under IFRS these contracts are treated as derivatives and are required to be fair valued when they are managed as part of a larger portfolio of similar transactions. Gains and losses arising are recognized in the income statement from the time the derivative commodity contract is entered into.

IFRS require that inventory held for trading is recorded at its fair value using period-end spot prices, whereas any related derivative commodity instruments are required to be recorded at values based on forward prices consistent with the contract maturity. Depending on market conditions, these forward prices can be either higher or lower than spot prices, resulting in measurement differences. BP enters into contracts for pipelines and storage capacity, oil and gas processing and liquefied natural gas (LNG) that, under IFRS, are recorded on an accruals basis. These contracts are risk-managed using a variety of derivative instruments that are fair valued under IFRS. This results in measurement differences in relation to recognition of gains and losses.

The way BP manages the economic exposures described above, and measures performance internally, differs from the way these activities are measured under IFRS. BP calculates this difference for consolidated entities by comparing the IFRS result with management's internal measure of performance. Under management's internal measure of performance the inventory and capacity contracts in question are valued based on fair value using relevant forward prices prevailing at the end of the period. The fair values of certain derivative instruments used to risk manage LNG and oil and gas processing contracts are deferred to match with the underlying exposure and the commodity contracts for business requirements are accounted for on an accruals basis. We believe that disclosing management's estimate of this difference provides useful information for investors because it enables investors to see the economic effect of these activities as a whole.

#### **Free cash flow**

Operating cash flow less net cash used in investing activities, as presented in the group cash flow statement.

#### **Gearing**

See Net debt and net debt ratio definition.

#### **Henry Hub**

A distribution hub on the natural gas pipeline system in Erath, Louisiana, that lends its name to the pricing point for natural gas futures contracts traded on the New York Mercantile Exchange and the over the counter swaps traded on Intercontinental Exchange.

#### **Hydrocarbons**

Liquids and natural gas. Natural gas is converted to oil equivalent at 5.8 billion cubic feet = 1 million barrels.

#### **Inventory holding gains and losses**

The difference between the cost of sales calculated using the replacement cost of inventory and the cost of sales calculated on the first-in first-out (FIFO) method after adjusting for any changes in provisions where the net realizable value of the inventory is lower than its cost. Under the FIFO method, which we use for IFRS reporting, the cost of inventory charged to the income statement is based on its historical cost of purchase or manufacture, rather than its replacement cost. In volatile energy markets, this can have a significant distorting effect on reported income. The amounts disclosed represent the difference between the charge to the income statement for inventory on a FIFO basis (after adjusting for any related movements in net realizable value provisions) and the charge that would have arisen based on the replacement cost of inventory. For this purpose, the replacement cost of inventory is calculated using data from each operation's production and manufacturing system, either on a monthly basis, or separately for each transaction where the system allows this approach. The amounts disclosed are not separately reflected in the financial statements as a gain or loss. No adjustment is made in respect of the cost of inventories held as part of a trading position and certain other temporary inventory positions. See Replacement cost (RC) profit or loss definition below.

#### **Joint arrangement**

An arrangement in which two or more parties have joint control.

#### **Joint operation**

A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

#### **Joint venture**

A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

#### **Liquids**

Comprises crude oil, condensate and natural gas liquids. For the Upstream segment, it also includes bitumen.

#### **Major projects**

Have a BP net investment of at least \$250 million, or are considered to be of strategic importance to BP or of a high degree of complexity.

#### **Net cash margin**

Net cash margin is defined by Solomon Associates as the net margin achieved after subtracting cash operating expenses and adding any refinery revenue from other sources. Net cash margin is expressed in US dollars per barrel of net refinery input.

#### **Net debt and net debt ratio (gearing)**

Non-GAAP measures. Net debt is calculated as gross finance debt, as shown in the balance sheet, plus the fair value of associated derivative financial instruments that are used to hedge foreign currency exchange and interest rate risks relating to finance debt, for which hedge accounting is applied, less cash and cash equivalents. The net debt ratio is defined as the ratio of net debt to the total of net debt plus total equity. All components of equity are included in the denominator of the calculation. BP believes these measures provide useful information to investors. Net debt enables investors to see the economic effect of gross debt, related hedges and cash and cash equivalents in total. The net debt ratio enables investors to see how significant net debt is relative to equity from shareholders. The derivatives are reported on the balance sheet within the headings 'Derivative financial instruments'. See [AR](#) Financial statements – Note 26 for information on gross debt, which is the nearest equivalent measure to net debt on an IFRS basis.

#### **Net income per barrel**

Non-GAAP measure. Net income per barrel is calculated by taking underlying replacement cost profit before interest and tax for the Downstream segment, deducting tax at an assumed 30% effective tax rate on underlying replacement cost profit and then dividing this notional post tax underlying replacement cost profit by the Downstream segment's total refining capacity.

#### **Net investment (organic)**

Net investment (organic) is organic capital expenditure less the value of divestments announced in the year.

#### **Net wind generation capacity**

The sum of the rated capacities of the assets/turbines that have entered into commercial operation, including BP's share of equity-accounted entities. The gross data is the equivalent capacity on a gross-joint venture basis, which includes 100% of the capacity of equity-accounted entities where BP has partial ownership.

#### **Non-operating items**

Charges and credits are included in the financial statements that BP discloses separately because it considers such disclosures to be meaningful and relevant to investors. They are items that management considers not to be part of underlying business operations and are disclosed in order to enable investors better to understand and evaluate the group's reported financial performance. Non-operating items within equity-accounted earnings are reported net of incremental income tax reported by the equity-accounted entity. An analysis of non-operating items by segment and type is shown on [AR](#) page 217.

#### **Operating capital employed**

Non-GAAP measure. Total assets (excluding goodwill) less total liabilities, excluding finance debt and current and deferred taxation.

#### **Operating cash flow and operating cash**

Net cash provided by (used in) operating activities as stated in the group cash flow statement. When used in the context of a segment rather than the group, the terms refer to the segment's share thereof.

#### **Operating management system (OMS)**

BP's OMS helps us manage risks in our operating activities by setting out BP's principles for good operating practice. It brings together BP requirements on health, safety, security, the environment, social responsibility and operational reliability, as well as related issues, such as maintenance, contractor relations and organizational learning, into a common management system.

### Organic capital expenditure

Excludes acquisitions, asset exchanges, and other inorganic capital expenditure. An analysis of capital expenditure by segment and region is shown in **AR** Financial statements – Note 5.

### Plant reliability

Plant reliability is calculated taking 100% less the ratio of total unplanned plant deferrals divided by installed production capacity. Unplanned plant deferrals are associated with the topside plant and where applicable the subsea equipment (excluding wells and reservoir). Unplanned plant deferrals include breakdowns and weather.

### Pre-tax returns

Non-GAAP measure. Pre-tax returns is the ratio of underlying replacement cost profit before interest and tax to the average operating capital employed for the period.

### Production-sharing agreement (PSA)

An arrangement through which an oil company bears the risks and costs of exploration, development and production. In return, if exploration is successful, the oil company receives entitlement to variable physical volumes of hydrocarbons, representing recovery of the costs incurred and a stipulated share of the production remaining after such cost recovery.

### Proved reserves replacement ratio

The extent to which production is replaced by proved reserves additions. This ratio is expressed in oil equivalent terms and includes changes resulting from revisions to previous estimates, improved recovery, and extensions and discoveries.

### Realizations

Realizations are the result of dividing revenue generated from hydrocarbon sales, excluding revenue generated from purchases made for resale and royalty volumes, by revenue generating hydrocarbon production volumes. Revenue generating hydrocarbon production reflects the BP share of production as adjusted for any production which does not generate revenue. Adjustments may include losses due to shrinkage, amounts consumed during processing, and contractual or regulatory host committed volumes such as royalties.

### Refining availability

Represents Solomon Associates' operational availability, which is defined as the percentage of the year that a unit is available for processing after subtracting the annualized time lost due to turnaround activity and all planned mechanical, process and regulatory downtime.

### Refining marker margin (RMM)

The average of regional indicator margins weighted for BP's crude refining capacity in each region. Each regional marker margin is based on product yields and a marker crude oil deemed appropriate for the region. The regional indicator margins may not be representative of the margins achieved by BP in any period because of BP's particular refinery configurations and crude and product slate.

### Replacement cost (RC) profit or loss

Reflects the replacement cost of inventories sold in the period and is arrived at by excluding inventory holding gains and losses from profit or loss. RC profit or loss is the measure of profit or loss that is required to be disclosed for each operating segment under IFRS. RC profit or loss for the group is not a recognized GAAP measure. Management believes this measure is useful to illustrate to investors the fact that crude oil and product prices can vary significantly from period to period and that the impact on our reported result under IFRS can be significant. Inventory holding gains and losses vary from period to period due to changes in prices as well as changes in underlying inventory levels. In order for investors to understand the operating performance of the group excluding the impact of price changes on the replacement of inventories, and to make comparisons of operating performance between reporting periods, BP's management believes it is helpful to disclose this measure. See **AR** Financial statements – Note 5.

### Subsidiary

An entity that is controlled by the BP group. Control of an investee exists when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

### Tier 1 process safety events

Losses of primary containment from a process of greatest consequence – causing harm to a member of the workforce or costly damage to equipment or exceeding defined quantities.

### Tight oil and gas

Natural oil and gas reservoirs locked in hard sandstone rocks with low permeability, making the underground formation extremely tight.

### UK National Balancing Point

A virtual trading location for sale, purchase and exchange of UK natural gas. It is the pricing and delivery point for the Intercontinental Exchange natural gas futures contract.

### Unconventionals

Resources found in geographic accumulations over a large area, that usually present additional challenges to development such as low permeability or high viscosity. Examples include shale gas and oil, coalbed methane, gas hydrates and natural bitumen deposits. These typically require specialized extraction technology such as hydraulic fracturing or steam injection.

### Underlying production

Production after adjusting for divestments and entitlement impacts in our production-sharing agreements.

### Underlying RC profit or loss

RC profit or loss after adjusting for non-operating items and fair value accounting effects. Underlying RC profit or loss and fair value accounting effects are not recognized GAAP measures. See **AR** pages 217 and 218 for additional information on the non-operating items and fair value accounting effects that are used to arrive at underlying RC profit or loss in order to enable a full understanding of the events and their financial impact. BP believes that underlying RC profit or loss is a useful measure for investors because it is a measure closely tracked by management to evaluate BP's operating performance and to make financial, strategic and operating decisions and because it may help investors to understand and evaluate, in the same manner as management, the underlying trends in BP's operational performance on a comparable basis, year on year, by adjusting for the effects of these non-operating items and fair value accounting effects. The nearest equivalent measure on an IFRS basis for the group is profit or loss for the year attributable to BP shareholders. The nearest equivalent measure on an IFRS basis for segments is RC profit or loss before interest and taxation.

## Trade marks

Trade marks of the BP group appear throughout this report.

They include:

*ACTIVE*

*Aral*

*ARCO*

*BP*

*Bright Water*

*Castrol*

*Independent Simultaneous*

*Source*

*Nexcel*

*Field of the Future*

*Wild Bean Cafe*

Apple Pay is a registered trade mark of Apple Inc.

M&S Simply Food is a registered trade mark of Marks & Spencer plc.



## Cautionary statement

In order to utilize the 'Safe Harbor' provisions of the United States Private Securities Litigation Reform Act of 1995 (the 'PSLRA'), BP is providing the following cautionary statement. This document contains certain forecasts, projections and forward-looking statements – that is, statements related to future, not past events – with respect to the financial condition, results of operations and businesses of BP and certain of the plans and objectives of BP with respect to these items. These statements may generally, but not always, be identified by the use of words such as 'will', 'expects', 'is expected to', 'aims', 'should', 'may', 'objective', 'is likely to', 'intends', 'believes', 'anticipates', 'plans', 'we see' or similar expressions. In particular, among other statements, certain statements under the headings 'Our market outlook', 'Our business model and strategy', 'Beyond 2035', 'Our distinctive capabilities' and 'Lower oil and gas prices' and including but not limited to statements regarding plans and prospects relating to future value creation, long-term growth, capital discipline and growth in sustainable free cash flow and shareholder distributions; expectations regarding the effective tax rate in 2016; future working capital and cash management and the net debt ratio; our intention to maintain a strong cash position; our aim to rebalance our sources and uses of cash by 2017; expectations regarding our ability to respond to the current low oil price environment; plans and expectations regarding capital expenditure, reduction in our cost base and cash costs, divestments and gearing in 2016 and beyond; plans to reduce our workforce and third-party spend in the near term; expectations regarding underlying production and capital investment in 2016; plans to invest in a balanced range of resources and geographies; plans and expectations regarding the settlement of legal exposures relating to the Deepwater Horizon incident and the court approval thereof; plans regarding production and value creation from new projects including at Shah Deniz 2 in Azerbaijan and Khazzan in Oman; expectations regarding the future level of oil and gas prices and industry product supply, demand and pricing in the near and long term, demographic changes and their effect on demand for energy and our outlook and projections of future energy trends, including the role of oil, gas and renewables therein; plans to strengthen our portfolio of high-return and longer-life assets and improve operations; plans to form key partnerships and relationships with governments, customers, partners, communities, suppliers and other institutions; expectations regarding advances in technology including from research at the BP International Centre for Advanced Materials; plans to undertake joint exploration with Rosneft including in East Siberia, the West Siberian and Yenisey-Khatanga basins and the Volga-Urals region of Russia; expectations regarding future managed base decline and the current and future prospects of our discoveries, resources, reserves and positions; plans and expectations regarding the timing and composition of future projects, including with regard to the Atoll discovery in Egypt; expectations regarding the 2016 environment for refining and refinery turnarounds; plans to dissolve our German joint operation with Rosneft, to dispose of our Amsterdam oil terminal and to enter into joint ventures on certain midstream assets in North American and Australia; plans to roll out BP fuels with *ACTIVE* technology in Spain and additional markets in 2016; plans and expectations with regard to the strategic aims of Air BP and our lubricants business; expectations regarding improvements in operating performance and efficiency in the petrochemicals business; expectations regarding future safety performance and plans to enhance safety, cybersecurity, compliance and risk management; the future strategy for and planned investments in renewable energy including investment in biobutanol; plans and expectations regarding the annual charges of Other business and corporate for 2016, the introduction of 28 deep-sea oil

tankers and six LNG tankers into the BP-operated fleet between 2016 and 2019 and improvements in production, revenue and life of fields from investment in equipment and maintenance; expectations regarding the actions of contractors and partners and their terms of service; expectations regarding future environmental regulations and policy, their impact on our business and plans to reduce our environmental impact; our plans to work collaboratively with government regulators in planning for oil spill response and to implement its human rights policy; our planned disclosures regarding payments to governments in compliance with the EU Accounting Directive; plans to reduce activity and simplify processes in response to the current low oil price environment; our aim to develop the capabilities of its workforce with a focus on maintaining safe and reliable operations; our aim to maintain a diverse workforce, create an inclusive environment and ensure equal opportunity, including for women to represent 25% of group leaders by 2020; and policies and goals related to risk management are all forward looking in nature.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will or may occur in the future and are outside the control of BP. Actual results may differ materially from those expressed in such statements, depending on a variety of factors, including: the specific factors identified in the discussions accompanying such forward-looking statements; the receipt of relevant third party and/or regulatory approvals; the timing and level of maintenance and/or turnaround activity; the timing and volume of refinery additions and outages; the timing of bringing new fields onstream; the timing, quantum and nature of certain divestments; future levels of industry product supply, demand and pricing, including supply growth in North America; OPEC quota restrictions; production-sharing agreements effects; operational and safety problems; potential lapses in product quality; economic and financial market conditions generally or in various countries and regions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; regulatory or legal actions including the types of enforcement action pursued and the nature of remedies sought or imposed; the actions of prosecutors, regulatory authorities and courts; the timing and amount of future payments relating to the Gulf of Mexico oil spill; exchange rate fluctuations; development and use of new technology; recruitment and retention of a skilled workforce; the success or otherwise of partnering; the actions of competitors, trading partners, contractors, subcontractors, creditors, rating agencies and others; our access to future credit resources; business disruption and crisis management; the impact on our reputation of ethical misconduct and non-compliance with regulatory obligations; trading losses; major uninsured losses; decisions by Rosneft's management and board of directors; the actions of contractors; natural disasters and adverse weather conditions; changes in public expectations and other changes to business conditions; wars and acts of terrorism; cyber-attacks or sabotage; and other factors discussed elsewhere in this report including under Risk factors (pages 53-54). In addition to factors set forth elsewhere in this report, those set out above are important factors, although not exhaustive, that may cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

### Statements regarding competitive position

Statements referring to our competitive position are based on the company's belief and, in some cases, rely on a range of sources, including investment analysts' reports, independent market studies and our internal assessments of market share based on publicly available information about the financial results and performance of market participants.

## Information about this report

This *BP Strategic Report 2015* for the year ended 31 December 2015 constitutes the Strategic report, as included in the *BP Annual Report and Form 20-F 2015*, and supplementary information including the information that BP is required to include by law. The Strategic report is only part of the *BP Annual Report and Form 20-F 2015* and this document does not contain sufficient information to allow as full an understanding of the results and the state of affairs of BP and of its policies and arrangements concerning directors' remuneration as *BP Annual Report and Form 20-F 2015*.

Shareholders may obtain a copies of the *BP Annual Report and Form 20-F 2015* or *BP Strategic Report 2015* online at [bp.com/annualreport](http://bp.com/annualreport) or a printed copy on request, free of charge (see outer back cover).

No material on the BP website, other than the items identified as *BP Annual Report and Form 20-F 2015* or *BP Strategic Report 2015*, forms any part of those documents. References in this document to other documents on the BP website, such as the *BP Energy Outlook*, *BP Sustainability Report*, *BP Statistical Review of World Energy* and *BP Technology Outlook* are included as an aid to their location and are not incorporated by reference into this document.

BP p.l.c. is the parent company of the BP group of companies. The company was incorporated in 1909 in England and Wales and changed its name to BP p.l.c. in 2001. Where we refer to the company, we mean BP p.l.c. Unless otherwise stated, the text does not distinguish between the activities and operations of the parent company and those of its subsidiaries, and information in this document reflects 100% of the assets and operations of the company and its subsidiaries that were consolidated at the date or for the periods indicated, including non-controlling interests. The term 'shareholder' in this *BP Strategic Report 2015* means, unless the context otherwise requires, investors in the equity capital of BP p.l.c., both direct and indirect. As BP shares, in the form of ADSs, are listed on the New York Stock Exchange, an Annual Report on Form 20-F is filed with the US Securities and Exchange Commission in accordance with the US Securities Exchange Act of 1934. BP discloses in *BP Annual Report and Form 20-F 2015* and on its *website at [bp.com/NYSEcorporategovernancerules](http://bp.com/NYSEcorporategovernancerules)* significant ways (if any) in which its corporate governance practices differ from those mandated for US companies under NYSE listing standards.

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London Stock Exchange symbol 'BP.'



BP's corporate reporting suite includes information about our financial and operating performance, sustainability performance and also on global energy trends and projections.



#### Annual Report and Form 20-F 2015

Details of our financial and operating performance in print and online. Published in March.  
[bp.com/annualreport](http://bp.com/annualreport)



#### Strategic Report 2015

A summary of our financial and operating performance in print and online. Published in March.  
[bp.com/annualreport](http://bp.com/annualreport)



#### BP Energy Outlook 2016 edition

Projections for world energy markets, considering the global economy, population, policy and technology. Published in February.  
[bp.com/energyoutlook](http://bp.com/energyoutlook)



#### Sustainability Report 2015

Details of our sustainability performance with additional information online. Published in March.  
[bp.com/sustainability](http://bp.com/sustainability)



#### Financial and Operating Information 2011-2015

Five-year financial and operating data in PDF and Excel format. Published in April.  
[bp.com/financialandoperating](http://bp.com/financialandoperating)



#### Statistical Review of World Energy 2016

An objective review of key global energy trends. Published in June.  
[bp.com/statisticalreview](http://bp.com/statisticalreview)

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