

BP in Australia 2012 Sustainability Report

bp.com.au/sustainability



Building a stronger,
safer BP

About our report

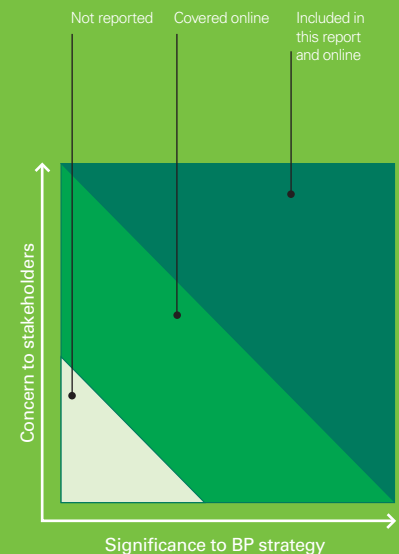
In the *BP in Australia Sustainability Report 2012*, we look at the impacts of our business on the environment, the societies and the economies where we operate. We also provide an update on the Gulf of Mexico and how we are working to enhance safety and risk management and earn back trust.

The report covers 18 months of data from 1 July 2011 to 31 December 2012 unless otherwise stated. The Australian business has moved to calendar year sustainability reporting to align with BP global reporting practice. In this report we cover a more extensive reporting period to ensure a smooth transition with our data.

Identifying issues to report

Our materiality process helps us to determine which issues are the most relevant in our reporting. We plot each identified issue on our materiality matrix, and we develop our reporting on issues we believe have the highest level of importance for our stakeholders and the greatest potential impact on BP's ability to deliver its strategy. This process is not an exact science and we exercise judgement in choosing what to report on through an internal and external review of the identified issues.

In 2012 issues falling within the higher priority category included embedding our operating management system (OMS), personal and process safety, environmental management, the future of refining, diversity and inclusion, values and behaviours, community support and investment, indigenous support, climate change policy and business changes as a result of the Gulf of Mexico accident. For more information see *Our approach to reporting* on page 45.



Find out more about our group online

Our website, bp.com/sustainability, includes detailed information about our environmental, social and safety performance with additional data, commentary and case studies.



HSE charting tool

Filter and analyse data on BP's health, safety and environmental performance.



Sustainability mapping tool

Browse our mapping tool to find out how we are addressing sustainability issues locally.



Note: All currency references throughout the report are in Australian dollars unless otherwise stated.



Cover image

BP contracted Petroleum Geo-Services to conduct the Great Australian Bite seismic survey. The vessel used to carry out the survey was the MV Ramform Sterling, one of the world's most modern seismic vessels.

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BP in Australia at a glance

Who we are

We aim to create value for shareholders by helping to meet growing demand for energy in a responsible way. Our activities also generate jobs, investment, infrastructure and revenues for governments and local communities. We operate in all states and territories of Australia.

Our priorities are to enhance safety and risk management, earn back trust and grow value. We strive to be a safety leader in our industry, a world-class operator, a responsible corporate citizen and a good employer.

Globally BP are working to build a stronger, safer BP that plays to its distinctive strengths and capabilities: exploration, operations in deep water, the managing of giant fields and gas value chains, and our Downstream business. Innovative technology and strong relationships with governments, partners and communities around the world underpin our activities.

Global Performance

85,700 employees
US\$20.4bn operating cash flow

US\$1.0bn invested in alternative energy in 2012
55% of hours worked in 2012 were by contractors

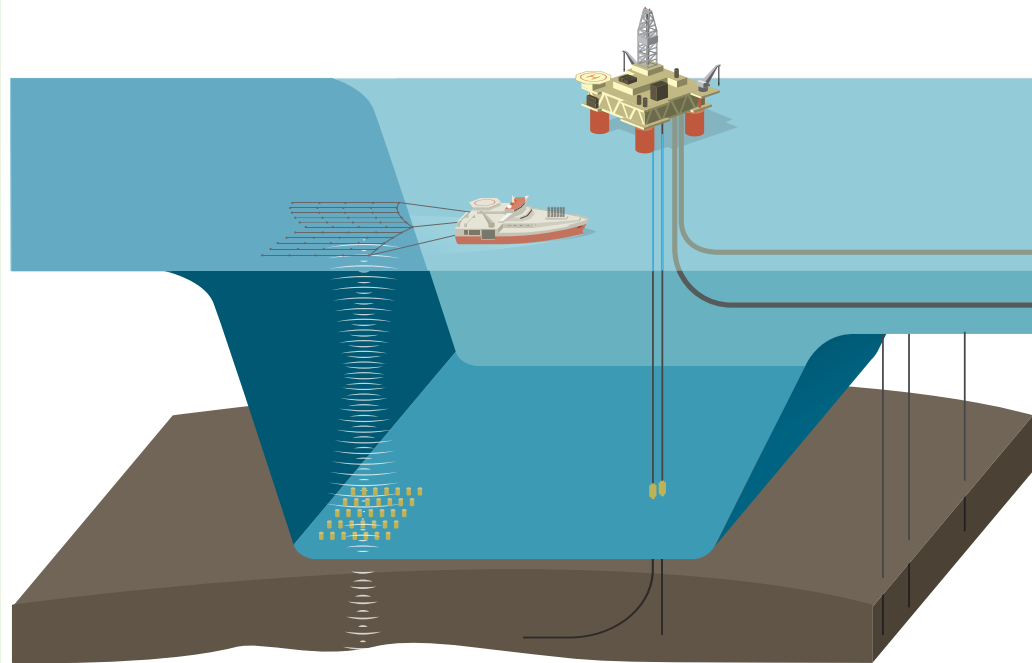
Our business model

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 the hydrocarbons, we work to bring them to the surface.



Upstream

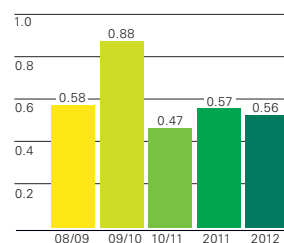
Our Upstream segment manages its exploration, development and production activities through global functions with specialist areas of expertise.

BP in Australia's key performance indicators

We track our performance against financial and non-financial measures. We believe that the non-financial measures shown have a useful role to play as leading indicators of future performance.

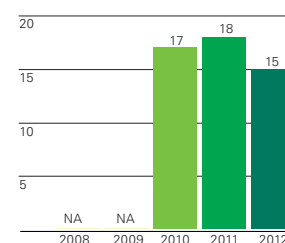
Refer to page 47 to view BP's performance data table.

Recordable injury frequency



This measures the number of reported work-related incidents that results in a fatality or an injury (apart from minor first aid cases) per 200,000 hours worked.

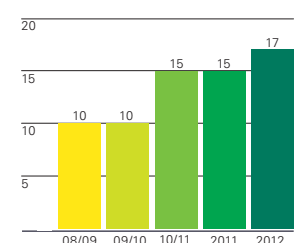
Loss of primary containment



This includes unplanned or uncontrolled releases, excluding non-hazardous releases, such as water from a tank, vessel, pipe, railcar or equipment used for containment or transfer.

This measure has only been recorded since 2010.

Number of oil spills



We report the number of spills of hydrocarbons greater than or equal to one barrel (159 litres). We include spills that were contained, as well as those that reached land or water.

Transporting and trading oil and gas

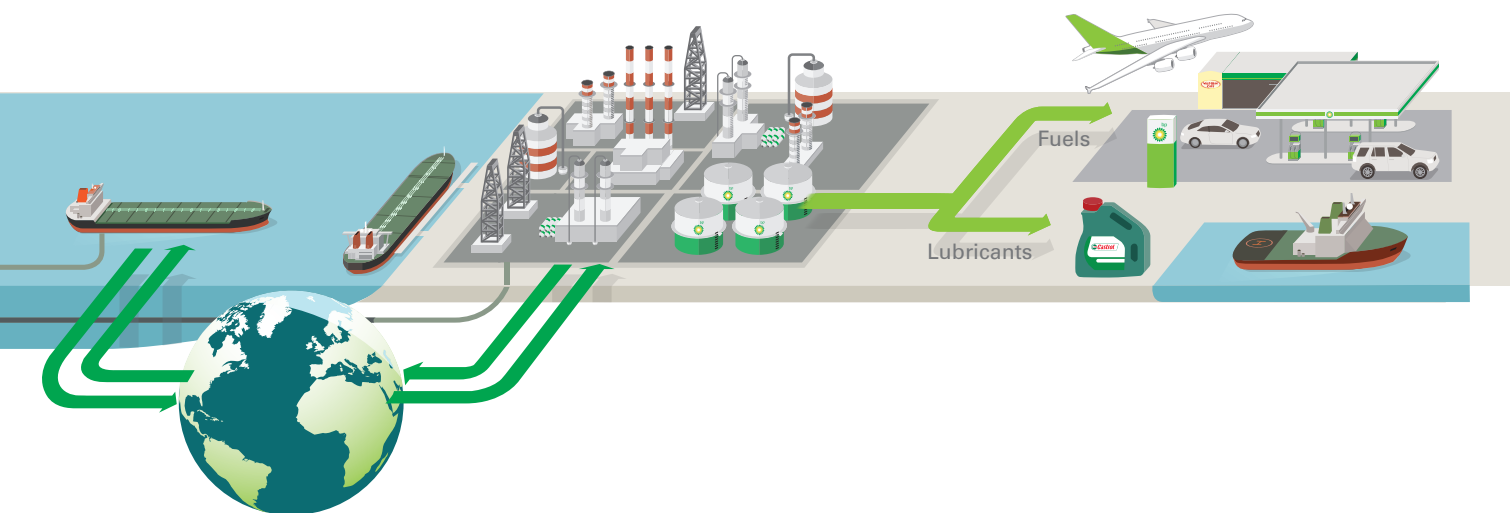
We move hydrocarbons using pipelines, ships, trucks, trains and we capture value across the supply chain.

Manufacturing fuels and products

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

Marketing fuels and products

We supply our customers with fuel for transportation, energy for heat and light, lubricants to keep engines moving.

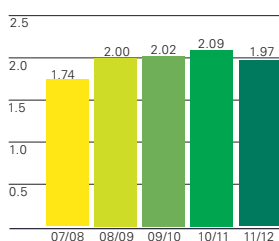


International oil and gas markets

Downstream

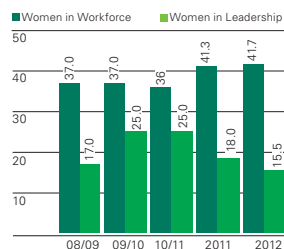
Our Downstream segment operates hydrocarbon value chains covering the fuels and lubricants businesses.

Greenhouse gas emissions (million tonnes of CO₂ equivalent)



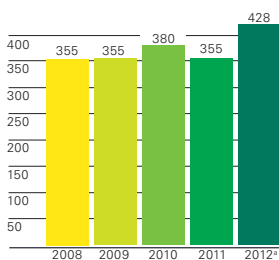
We report greenhouse gas emissions on a CO₂ equivalent basis, including CO₂ and methane.

Diversity and inclusion (%)



Each year we record the percentage of women in our workforce and in leadership positions.

Shop sales (US\$ million)



We report shop sales across our company own and operated sites.

^aAlthough operated from 2011, Reliance data was included from January from 2012.

Our non-operated joint ventures

These include the North West Shelf Venture, the proposed Browse LNG Development and the Jansz-Lo gas field amongst others at various stages of development.

36m

barrels of oil equivalent produced in 2012.

Our operations in Australia

BP is engaged in the exploration and production of crude oil and natural gas (our Upstream business), and the refining and marketing of petroleum products (our Downstream business).

The Upstream business includes our interests in the North West Shelf Venture, a \$27 billion investment of which BP owns approximately 1/6th as well as our interests in the proposed Browse LNG Development and the Jansz-Lo gas field and other nearby fields at various stages of development off the Western Australia coast. These activities are not directly operated by BP and, as a result, we do not report on them.

Also part of our Upstream business is our exploration activity in the Great Australian Bight where we are the operator and have recently completed an extensive 3D seismic survey. We are now planning an exploration drilling campaign.

We employ around 7,700 people plus contractors. The main centres of employment are Melbourne, Sydney, Perth and Brisbane. The vast majority of employees are drawn from local communities.

The Downstream business includes two refineries which manufacture liquid fuels and other products from crude oil like jet fuel, diesel and bitumen. Our refineries are in Perth, Western Australia, and Brisbane, Queensland. In addition to these manufacturing centres we have a network of terminals and depots to facilitate supply along with a retail network of around 1,400 BP branded service stations.

We also operate a substantial wholesale commercial business which supplies mining and rural customers especially in the resources states of Western Australia and Queensland.

The lubricants business is based in Sydney and manufactures and markets a wide range of advanced lubricants under both the Castrol and BP brands.

BP Marine has a global presence, supplying some of the largest container, tanker and bulk carrier shipping companies in the world. We are the only physical supplier offering fuel oil on both the east and west coasts of Australia.

Air BP is a supplier of jet fuel to both commercial airlines and the military and has a presence at all major city airports and in rural locations.

BP Shipping has two product carriers working full time in Australian waters and these are supplemented by crude carriers and additional product carriers as required.

For over 35 years BP was involved in the manufacture, distribution and sale of solar photovoltaic (PV) modules, but during the past few years the industry has radically changed into a low-margin commodity market. In 2011, BP announced its intention to wind down our remaining solar PV operations. This was completed in Australia in 2012 with the shut down of our sales and marketing business and our withdrawal from the Moree Solar Farm consortium.



BP Refinery Kwinana

(Perth, Western Australia):

Started operations in 1955 and is Australia's largest refinery with processing capacity of almost 146 thousand barrels per day of crude oil. BP Refinery Kwinana employs around 450 BP staff and also has contractors. It is the only refinery in Western Australia.



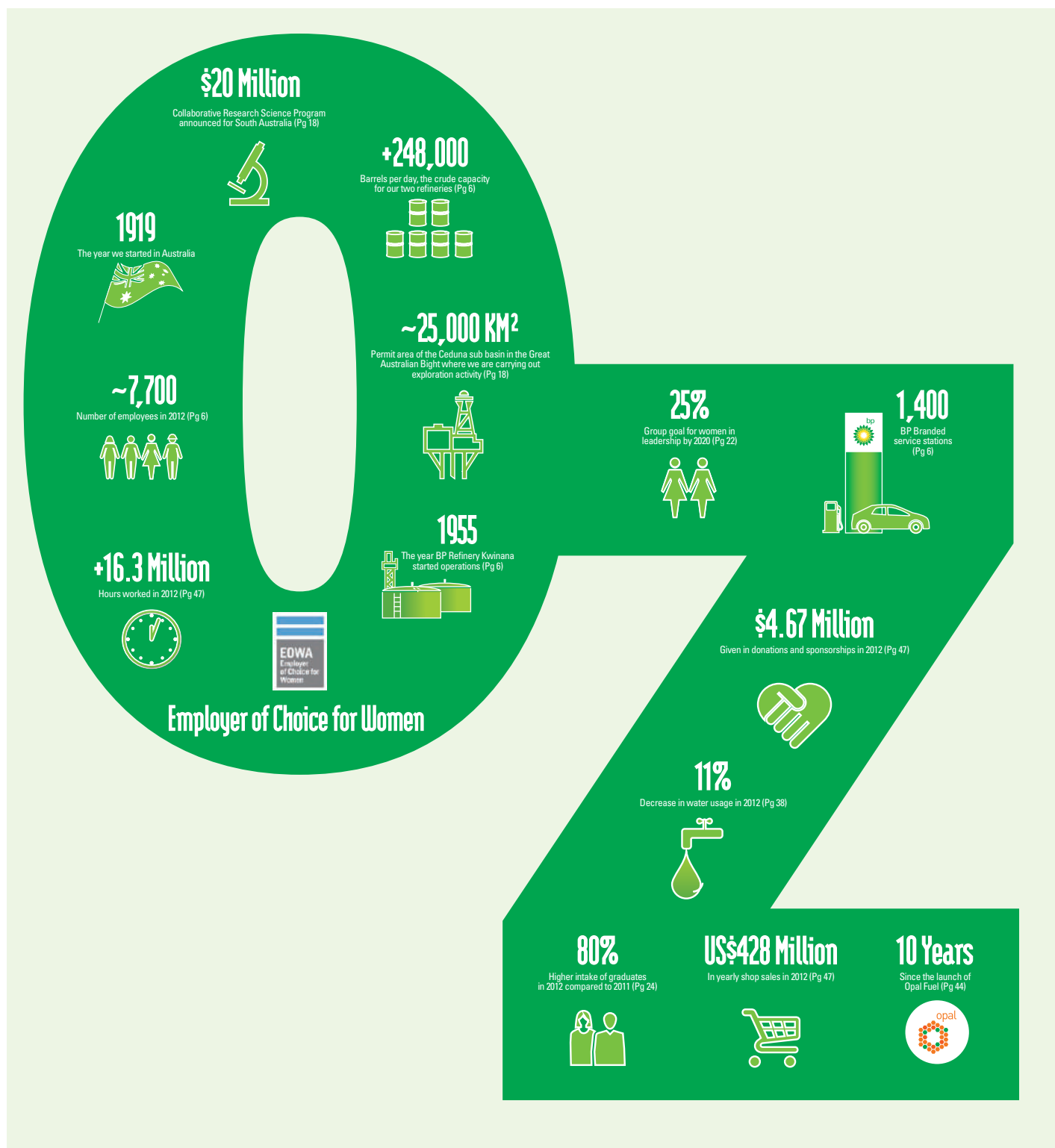
BP Refinery Bulwer Island

(Brisbane, Queensland):

Started operations in 1965 as an Amoco operation and was acquired by BP in 1985. BP Refinery Bulwer Island has processing capacity of almost 102 thousand barrels per day of crude oil and employs around 350 BP staff in addition to contractors. The refinery produces LPG, petrol, kerosene, jet fuel, heating oil, diesel and sulphur.

BP's performance in Australia

A snapshot of BP in Australia in 2011-12



Letter from our President



“

The Australian Bureau of Resources and Energy Economics predicts that exports of liquefied natural gas will more than double by 2016-2017. However, the development of these natural gas resources comes with challenges – both economic and regulatory – that must be addressed if Australia is to realize this extraordinary opportunity.

”

Paul Waterman
President BP Australia

It is approximately two years since the last full *BP in Australia Sustainability Report* and much has changed for us since then.

Following the award of exploration licences in 2011 for blocks in the Great Australian Bight we have moved from being a joint-venture partner in oil and gas fields operated by other companies, to becoming an operator in our own right.

Our exploration activities in the relatively unexplored waters of the Great Australian Bight, if successful, may lead to the opening up of a new oil and gas province. We completed an approximately 12,000km² 3D marine survey in 2012 – our first step in exploring the geology – and drilling is expected to follow in the summer of 2014/15 or later.

In the fuels marketing sector we acquired two new distribution businesses which have increased our workforce by 50% and increased our distribution and logistics network by 200 retail sites and 50 fuel depots across Australia. We are integrating these businesses into our company.

I am pleased to report we had no workforce fatalities in 2012, however the number of severe traffic accidents and the incidence of minor fires did increase. We have plans in place to improve performance in both areas and continue to successfully embed our operating management system (OMS) and adapt the organization to align with Group requirements for safety and operational risk management.

We have continued to progress our diversity and inclusion agenda and I am proud to say BP Australia received a second consecutive citation as an Employer of Choice for Women in March 2012. This was awarded by the Equal Opportunity for Women Australia (EOWA), now known as the Workplace Gender Equity Agency. We continue to build diversity in our organisation and our aim across BP globally is for women to comprise 25% of our group leaders by 2020.

Over the past decade we have been involved in a number of initiatives with indigenous communities. These include investing in local schools in Western Australia, mentoring small indigenous businesses and the development of low aromatic Opal® fuel which helps reduce petrol sniffing in around 110 communities.

In November 2011, we took our relationship with Australia's indigenous communities to a new level with the launch of our first Reconciliation Action Plan (RAP). Through this plan we are now focused on building employment and business opportunities for indigenous people. We know there are no quick fixes or easy ways of achieving the goals stated in the RAP, however,

we have made a start with some skills training, holding workshops for indigenous suppliers and by appointing a manager to drive the implementation of the plan.

In preparing this report we took the opportunity to review our materiality assessment with employees and external stakeholders. The feedback on what people want to read in this report was robust and has informed what we will report, now and in the future. I want to thank all our stakeholders for their honesty and support.

We have also taken the opportunity to move to calendar year reporting to align us with the BP group approach. To ensure a smooth transition to our new reporting timeframe this report covers data from 1 July 2011 to 31 December 2012.

This report also has an update on the progress made in the Gulf of Mexico and how we are applying what we have learned there to all our operations. In Australia we have been sharing these lessons with others in our industry as well as with the government and regulators.

In our Upstream business we continue to invest in the North West Shelf Venture's infrastructure. We are also involved in two new liquefied natural gas (LNG) projects; the Jansz-lo development and the Browse project. The development of the Jansz-lo field is underway and the Browse joint venture partners continue to review options, BP remains committed to the development of this resource.

These investments come at a time when Australia has the opportunity to capitalize on the growing demand for energy in Asia.

By our projections, in 2030 the world will require 36% more energy than it does today, the equivalent of adding another China and US to current demand. The vast bulk of this demand – more than 90% – will come from non-OECD countries, predominately China and India.

Australia has a large natural endowment of gas and is in close proximity to Asia. The Australian Bureau of Resources and Energy Economics predicts that exports of liquefied natural gas (LNG) will more than double by 2016-2017. However, the development of these natural gas resources comes with challenges – both economic and regulatory – that must be addressed if Australia is to realize this extraordinary opportunity.

In November 2012, the Federal Government released its *Energy White Paper – Australia's Energy Transformation* which in our view shows some of the best energy thinking we have seen in a long time. We made a submission to the

Energy White Paper and support it as a blueprint for the future. We believe it is crucial to creating a prosperous Australia.

At BP we believe in open and free markets. In our view the domestic energy market needs to take into account and reflect the external context – in particular the growth of Asia and the demand for a low carbon future.

While the *Energy White Paper* supports a free market mechanism, there continues to be a domestic gas reservation policy in parts of Australia that is inherently counter intuitive to the free market system. An example of this is the decision by the New South Wales government to impose an ethanol mandate on petrol in that state. In my view such actions not only undermine trade liberalization of the past 25 years, and the economic benefits we have enjoyed as part of that, but it has led to severe misallocation of fuel supply in Australia.

We look forward to the *Energy White Paper* being the blueprint for all to follow. Consistent policy and free markets will open the doors to greater investment in exploration and development opportunities and this will have a positive impact on Australia's national income and our economic and energy security.

Our submission to the Parliamentary Inquiry into Australia's refining sector endorsed the *Energy White Paper* and reiterated our belief that energy security would be best delivered by open markets and a stable policy framework. The submission also noted a substantial increase in refining capacity in South-East Asia and declining capacity in the OECD – including the recent refinery closures announced in Australia. Among the issues facing the refining sector in Australia are high input costs, a strong Australian dollar and the relatively small scale of domestic refineries.

Finally, for many years BP has advocated action to reduce carbon emissions and we support the need for policy settings and market mechanisms to price carbon. This year a carbon price was introduced in Australia and we started our first year of compliance reporting under the Federal Government's Clean Energy Act. We will continue to work with business and government on managing carbon liability to achieve a low carbon future.

Sustainability is very important to us and we look forward to your scrutiny of this report. We welcome your feedback.



Paul Waterman
President BP Australia
May 2013

Our strategy and sustainability

BP's objective is to create value for shareholders and supplies of energy for the world in a safe and responsible way.

We strive to be a safety leader in our industry, a world-class operator, a responsible corporate citizen and a good employer. We are working to enhance safety and risk management, earn back trust and grow value.

In 2012, BP Australian businesses have made progress in understanding and managing risk, and embedding our operating management system (OMS) into our business.

The progress we have made on our diversity and inclusion agenda, our Reconciliation Action Plan and our Employee Value Proposition has ensured we remain an employer of choice.

To deliver our strategy we must prepare our Downstream business to compete in evolving markets that are increasingly open to imports, driven by different business models and subject to high cost inflation. Our Upstream business must continue to build and strengthen its operational capability ahead of the Great Australian Bight drilling programme which is scheduled to begin, after the completion of significant planning, design and consultations.

Lisa Dwyer ANZ Fuels Value Chain Strategy Manager

We aim to be the best performing Downstream oil company in Australia and New Zealand. Our strategy is supported by our organization and systematic operations by focusing on the following three areas: Safety – through OMS and improved risk assessment and reduction, Customers – deliver the core offer and delight our customers, and Operational Excellence – decrease our cost of doing business and deliver improvement programmes underpinned by our continuous improvement mindset.



Update on the Gulf of Mexico

We are helping economic and environmental restoration efforts along the Gulf Coast as part of our ongoing commitment to the region following the Deepwater Horizon accident in 2010.

In this section



US\$179m

committed to Gulf states to support tourism from 2010 to 2013.



2,300+

employed in the Gulf of Mexico.



In the Gulf of Mexico, BP continues to make significant progress cleaning the Gulf shoreline and supporting economic and environmental recovery in affected areas. We are supporting regional tourism and Gulf seafood, and investing in the local communities through educational programmes and enterprise development. Our goal is to provide a positive legacy in these coastal communities.

We have fully funded the US\$20-billion trust we established in 2010 to provide assurance that the resources to pay claims, settlements, natural resource damages and other costs would be available.

BP directly employs more than 2,300 people in the Gulf of Mexico and supports tens of thousands of additional jobs in the region. We expect to invest at least US\$4 billion a year in oil and gas development in the Gulf of Mexico over the next 10 years.

Enhancing safety

We took significant steps to further enhance safety and risk management in our Gulf of Mexico operations in 2012, and continued to implement recommendations from our internal investigation into the Deepwater Horizon accident.

Following the settlement with the US government of all criminal claims related to the Gulf of Mexico, BP has agreed to appoint a process safety monitor in the US for a term of four years. The monitor will review, evaluate, and provide recommendations for the improvement of BP's process safety and risk management procedures concerning deep water drilling in the Gulf of Mexico. For more information on our US settlements for criminal and securities claims see bp.com/uslegalproceedings.

Restoring the environment

In 2012 we continued to work with state and federal trustee agencies through the Natural Resource Damages Assessment process to evaluate the potential for injury to wildlife and habitat, and the recreational use of these resources. The federal and state trustees have responsibility for the process and BP is a participant. The study data will inform an assessment of injury to the Gulf Coast natural resources. Detailed analysis and interpretation continue on the data that has been collected.

The trustees have already made some of the data sets from these studies available online while others are still being finalized. BP seeks to share data and information collected from the cooperative NRDA studies once these have been approved for release by the trustees.

While the injury assessment process is still ongoing, restoration has already begun. BP has funded several different types of restoration projects. Work has begun on an initial set of eight early restoration projects, which were approved by the trustees in April 2012 following public consultation. The projects, expected to cost approximately US\$60 million, aim to collectively restore and enhance wildlife, habitats, the ecosystem services provided by those habitats, and provide additional access for fishing, boating and related recreational uses.

The trustees also announced two additional proposed projects in November 2012, which are designed to improve nesting habitat for birds and loggerhead sea turtles on a number of Gulf Coast beaches. Funding comes from the US\$20-billion trust.

Completing the response

In November 2011 the US Coast Guard's federal on-scene coordinator (FOSC) approved the shoreline clean-up completion plan, which describes the rigorous process for determining if shoreline segments can be moved out of operational activity.

By the end of 2012 the FOSC had deemed removal actions complete on more than 4,029 miles (6,484km) of shoreline out of the 4,376 miles (7,043km) that were in the area of response. Approximately 108 miles were pending final monitoring or inspection and a determination that removal actions are complete. The remaining 239 miles are in patrolling and maintenance, which will continue until the FOSC determines that operational removal activity is complete.

We are working with US state and federal trustee agencies to evaluate injury to natural resources and are supporting long-term research into the potential impacts of oil spills on ecosystems.

Hurricane Isaac

In August 2012, Hurricane Isaac made landfall on the Gulf Coast, uncovering residual oil in some areas in Louisiana. The residual oil had been buried when tropical storms in 2010 and 2011 deposited several feet of sand. In many instances, net environmental analyses had indicated that deep cleaning at these sites could do more harm than good. But once Isaac removed this sand overburden, clean-up crews were able to clean the exposed residual material without the same degree of potential environmental impact.

Supporting long-term research

BP has committed US\$500 million over 10 years to fund independent scientific research through the Gulf of Mexico Research Initiative. The goal of the initiative is to improve society's ability to understand, respond to and mitigate the potential impacts of oil spills to marine and coastal ecosystems. The BP funding will cover grant awards and administrative costs. As of the end of 2012, the Gulf of Mexico Research Initiative had awarded US\$184 million in grants. Grant recipients are investigating the fate of oil releases; the ecological and human health aspects of spills; and the development of new tools and technology for future spill response, mitigation and restoration.

Restoring the economy

Our Gulf Coast economic recovery efforts have focused on paying all legitimate claims and supporting two of the region's most vital industries – tourism and seafood.

From 2010, BP has supported Gulf Coast tourism by committing US\$179 million through to 2013 to Alabama, Florida, Louisiana and Mississippi for regional and national tourism campaigns aimed at attracting visitors to the Gulf Coast. Another US\$57 million is being given to non-profit groups and government entities to promote the tourism and seafood industries as part of the Plaintiffs' Steering Committee settlement. Preliminary data from the National Oceanic and Atmospheric Administration (NOAA) indicates that recreational fishing, which is an important source of tourism and a significant contributor to the Gulf economy, continued to recover in 2012, following a strong year in 2011.

BP is also supporting the seafood industry across the Gulf region. By the end of 2012, we had paid or committed to pay US\$82 million to Alabama, Florida, Louisiana and Mississippi for state-led seafood testing and marketing programmes. This is in addition to resolving legitimate claims made by those in the fishing and seafood processing industry.

Although research and monitoring continues, many experts believe Gulf of Mexico seafood is making a strong recovery. Based on government testing results and commercial landings information, Gulf seafood is safe to consume and available in numbers comparable to pre-accident levels. According to a September 2012 report from the National Oceanic and Atmospheric Administration, commercial seafood landings in the Gulf reached their highest levels since 1999, although the results varied by state and by species.

Claims payments

Within weeks of the Deepwater Horizon accident, BP began paying compensation for legitimate claims for damages resulting from the accident. Since May 2010, BP has paid more than US\$8.2 billion to individuals and businesses through various claims processes, with US\$1.9 billion being paid in 2012. BP has paid almost US\$1.4 billion for claims, advances and settlements with government entities.

Agreement with the US government

BP reached an agreement with the US government in November 2012 to resolve all federal criminal claims arising out of the Gulf of Mexico incident. BP pleaded guilty to 11 felony counts of misconduct or neglect of ships officers relating to the loss of 11 lives; one misdemeanour count under the Clean Water Act; one misdemeanour count under the Migratory Bird Treaty Act; and one felony count of obstruction of Congress.

BP will pay US\$4 billion – including criminal fines and payments to the National Fish & Wildlife Foundation and to the National Academy of Sciences – over a period of five years. The court also ordered, as previously agreed with the US government, that BP serve a term of five years' probation.

BP has agreed to take additional actions, enforceable by the court, to further enhance the safety of drilling operations in the Gulf of Mexico. These include BP's risk management processes, such as third-party auditing and verification, training, and well control equipment and processes such as blowout preventers and cementing.

BP also reached a settlement with the US Securities and Exchange Commission (SEC) in November 2012, resolving the SEC's Deepwater Horizon related civil claims. BP has agreed to a civil penalty of US\$525 million, and to an injunction prohibiting it from violating certain US securities laws and regulations. BP made its first payment of US\$175 million in December 2012.

The US Environmental Protection Agency (EPA) announced in November 2012 that it had temporarily suspended BP p.l.c. and other BP companies from participating in or receiving new federal contracts, or renewing an expiring one. The suspension does not affect existing contracts BP has with the US government, including those relating to current and ongoing drilling and production operations in the Gulf of Mexico.

In February 2013, the EPA issued a notice of mandatory debarment to a BP group company, thus effectively preventing it from entering into new contracts or leases with the US government. We continue to work with the EPA to resolve suspension and debarment issues.

Legal proceedings

The Plaintiffs' Steering Committee (PSC) acts on behalf of individual and business plaintiffs in the multi-district litigation proceedings pending in New Orleans. In April 2012, BP announced we had reached definitive and fully documented agreements with the PSC to resolve the substantial majority of eligible private economic loss and medical claims stemming from the Deepwater Horizon accident and oil spill. These agreements were approved by the court in December 2012 and in January 2013, although BP is challenging a recent ruling by the court regarding the interpretation of certain protocols established in the economic and property damages settlement agreement. The first phase of a trial of liability, limitation, exoneration and fault allocation commenced in New Orleans in February 2013.

 For more information about ongoing legal proceedings see bp.com/uslegalproceedings

 More information online bp.com/gulfofmexico
 The Natural Resource Damages Assessment process
 Early restoration and other conservation projects
 Updates on the investigations and legal proceedings

How BP is changing

We have been implementing a wide-ranging programme to enhance safety and risk management and earn back trust following the Gulf of Mexico accident in 2010. Here we report on progress to date.



Safety and operational risk

Our safety and operational risk (S&OR) function is well established. S&OR sets our company-wide requirements for safety and operational risk management and works alongside our businesses to strengthen and scrutinize their efforts towards greater conformance with our operating management system (OMS). To support this, S&OR is working to ensure our operating leaders are not only capable, but have a deep commitment to fostering a strong safety culture. We continue to see examples of risk being mitigated as we improve our understanding and capabilities in the management of risk.



bp.com/safety

Risk management

We have continued to embed enhancements to the clarity, simplicity and consistency of the way we manage and report risks – from our frontline operations to the board. In 2012, we formed a new group risk team to hold a view of the group's risks, coordinate reporting activities of these risks, and maintain BP's overarching risk management system.



bp.com/riskmanagement

Upstream restructuring

We reshaped our Upstream business in 2010 with the aim of fostering the long-term development of global teams by building specialist expertise and to continuously improve our management of risk. Significant progress has been made over the past two years and we announced the appointment of a new segment chief executive in 2012 to lead this business.



bp.com/saferdrilling

Values and behaviours

Our values of safety, respect, excellence, courage and one team, reflect the qualities and behaviours that distinguish BP at its best. Our values are explicitly linked to our code of conduct and we are further embedding them into our group-wide systems and processes, including our recruitment, promotion and development assessments.



bp.com/ourvalues

Contractor management

The findings of the best practice review of contractors that we conducted in 2011 are informing our approach and, as a priority, we are identifying and reviewing contracts that involve potentially high-consequence activities. We are seeking to deliver enhanced conformance with the aspects of our OMS that relate to working with contractors. Gaps in conformance are identified and prioritized, with improvement plans built into the annual operating plans of our businesses.



bp.com/workingwithcontractors

Individual performance and reward

We have improved alignment between employee performance and reward with our values and we have identified 'safety' and 'taking a long-term perspective' as key indicators of individual performance. In annual performance conversations, staff are asked to set priorities on their contribution to safety, compliance and risk management. BP's overall group performance is used in determining individuals' bonuses.



bp.com/ourpeople

Technology

We implemented a new common technology management practice to increase the impact of technology, developed a new framework for technical career development, and refreshed our programme for technical advisors who contribute expertise to our businesses. We have seven cross-business science networks, with around 500 members, which are investing in 29 research projects.



bp.com/technology

Non-operated joint ventures

We piloted a draft group policy in 2012 intended to promote consistency in identifying, characterizing and reporting BP's exposure from new and existing non-operated joint ventures and in how the management of that exposure is documented. We expect to issue the policy, which covers safety and operational risk, as well as bribery and corruption risk, in 2013.



bp.com/ourjointventurepartners

Sharing lessons learned

BP is committed to sharing what we have learned from the Deepwater Horizon response to advance the capabilities and practices that enhance safety in our company and the deepwater industry.

Our experience has been built across the key capability areas of prevention and drilling safety, well capping and containment, relief wells, spill response, and crisis management.

We have been presenting at industry and regulator conferences around the globe to share knowledge on the learnings and the technology we have developed. We have conducted more than 200 briefings and presentations for industry, government and other groups in the past two years in nearly 30 countries.

In Australia

BP has worked with other industry participants, government and the Upstream industry association to ensure the lessons from the Deepwater Horizon tragedy are shared:

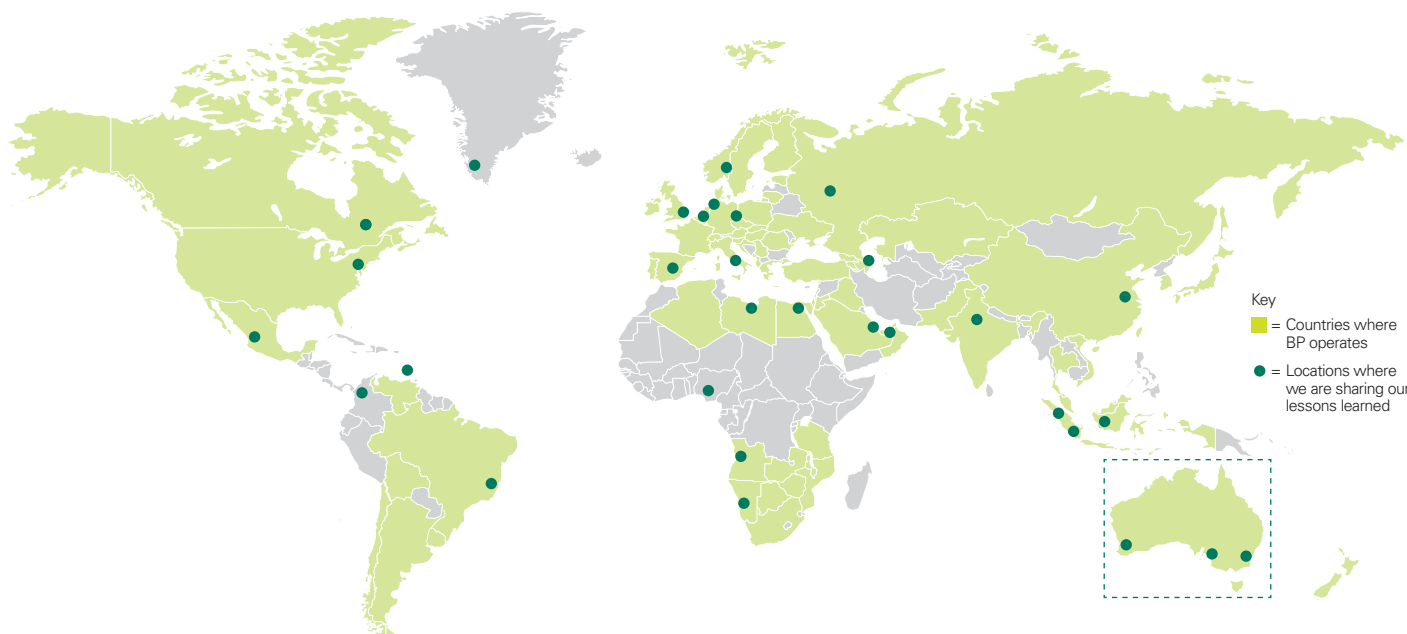
Australian Petroleum Production and Exploration Association (APPEA) – we are working with other member companies to establish an industry-wide ‘subsea first response toolkit’ in Australia with BP taking the lead on developing commercial documentation.

Minister briefings – we have briefed various ministers and government departments in preparation for the seismic activity and as part of the stakeholder engagement for the Great Australian Bight project.

BP’s global subject matter experts have also presented at a number of conferences during the reporting period, for example:

Society of Petroleum Engineers/ APPEA International Conference on Health, Safety and Environment in Oil, Gas, Exploration and Production – we have presented on various issues ranging from earning and protecting our licence to operate and implementing an integrated environmental and social standard.

International Offshore Petroleum Regulators and Operators Summit – we gave various presentations on how BP responded to the Deepwater Horizon incident, environmental stewardship and innovation and research and development in well containment and deep sea drilling.



Brett Whiteoak

Director of Marine Operations at the Deepwater Horizon wellhead site

BP continues to share all their learnings from the Gulf of Mexico accident, which has resulted in a multitude of industry changes including jointly shared well-capping equipment strategically located throughout the world in case of another incident.



More information online

bp.com/sharinglessonslearned



How we are working with industry and regulators to share lessons learned and experience from the Deepwater Horizon response.



Global and regional industry initiatives.



Information on our global deepwater well capping and tooling package.

The energy future

Today's challenge is to manage and meet growing demand for secure, affordable energy while addressing climate change and other environmental and social issues.

Our goals

We seek to engage with governments, universities and others to address the energy challenge.

We aim to address potential future regulation by factoring a carbon cost into our investment appraisals and engineering designs for new projects where appropriate.

Through our exploration activities in the Great Australian Bight we hope to identify a new oil and gas province for Australia.

In this section

Completed seismic survey in Great Australian Bight



Welcomed release of Federal Government's *Energy White Paper*



Submissions to the Australian Federal Treasury on aspects of tax policy development



The chief officer at the bow as tugs tow out of the port.



Meeting the energy challenge

With population and incomes projected to rise, the global energy challenge is to manage and meet demand affordably, sustainably and securely.



The global challenge

Population and economic growth are the main drivers of global energy demand. The world's population is projected to increase by 1.3 billion from 2011 to 2030, with real income likely to double over the same period. These factors will lead to increased energy demand and consumption. Energy and climate policies, efficiency gains and a long-term structural shift in fast-growing economies away from industry and towards less energy-intensive activities will help to restrain any increase, but the overall trend is likely to be one of strong growth. We expect demand for energy to increase by as much as 36% between 2011 and 2030, with nearly 93% of the growth to occur in non-OECD countries.

While energy is available to meet growing demand, action is needed to limit carbon dioxide (CO₂) and other greenhouse gases being emitted through fossil fuel combustion.

Energy security represents a challenge in its own right. More than 60% of the world's known reserves of natural gas are in just four countries, and more than 80% of global oil reserves are located in nine countries, most of which are well away from the hubs of energy consumption.

Meeting growing demand for energy that is secure and sustainable will also present an affordability challenge as the availability of easily accessible fossil fuels slowly diminishes, with many low-carbon resources remaining costly to produce at scale.

We believe that governments must set a stable and enduring framework for the private sector to invest and for consumers to choose wisely. Governments need to provide secure access for exploration and development of energy resources; define mutual benefits for resource owners and development partners; and establish and maintain an appropriate legal and regulatory environment.

Energy efficiency

Saving energy through greater efficiency addresses several issues at once. It helps with affordability – because less energy is needed. It helps with security – because it reduces dependence on imports. And it helps with sustainability – because it reduces emissions. Innovation can play a key role in improving technology design, process and use of materials, bringing down cost and increasing efficiency.

A diverse mix

We believe that, increasingly, the global energy challenge can only be met through a diverse mix of fuels and technologies. A broad mix can enhance national and global energy security while supporting the transition to a lower-carbon economy.

Oil and natural gas

Oil and natural gas are likely to play a significant part in meeting demand for several decades to come. We believe these energy sources will represent about 53% of total energy consumption in 2030. We expect oil to remain the dominant source for transport fuels, accounting for as much as 90% of demand in 2030.

Natural gas, in particular, is likely to play an increasingly strategic role. It is a lower-carbon fuel that is increasingly secure and affordable. When used in place of coal for power, it can reduce CO₂ emissions by half.

New sources of hydrocarbons are more difficult to reach, extract and process. This will require BP, and others in our industry, to develop new technologies to boost recovery from declining fields and commercialize currently inaccessible resources. Greater energy intensity could be required to extract these resources, which means operating costs and greenhouse gas emissions from operations are likely to increase.

Renewables

Renewables, such as biofuels and wind energy, will play a major role in addressing the challenges of energy security and climate change over the long term. Renewables are already the fastest growing energy source, however, they are starting from a low base. With a few exceptions, renewables are not yet competitive with conventional power and transportation fuels. Sufficient policy support is required to help commercialize effective lower-carbon options and technologies, but renewables will ultimately need to become free from subsidy and be commercially self-sustaining.

The Australian energy challenge

In the jaws of prosperity

Challenge for Australian energy policy in a new economic era



OPPORTUNITY
HISTORY OF 21ST CENTURY
THE FUTURE
AUSTRALIA
ENERGY SECURITY
GAS IS NOT OIL
JAWS OF PROSPERITY
INFRASTRUCTURE
CHINA
TAX
COMMUNITY
COMPETITION

Recommendations from BP Australia to the 2009 Energy White Paper process

In the jaws of prosperity – the challenge

Australia stands on the verge of a transformational economic era based on the match-up between our natural resource endowment and the demands of Asia. These are the jaws of prosperity – will we capture the prosperity?

This paper addresses the challenge: with the right policies, we can structurally lift the pace of economic growth, but we need to choose to prioritise the prosperity this can bring.

For more information see BP Australia's submission to the Energy White Paper process at bp.com.au/energywhitepaper2009



For more information on Energy White Paper see bp.com.au/energywhitepaper2009

The challenge for Australia is to develop its resources at an internationally competitive cost.



The Australian challenge

The urbanization and industrialization of Asia is creating new demands for Australian energy exports while Australia, like the rest of the world, is facing an intense challenge to find lower-carbon forms of energy.

The scale of Australia's natural gas resource to meet this demand is not in question, nor is the scale of the energy demand from Asia. The challenge for Australia is to develop its resources at an internationally competitive cost. While Australia has proximity to Asia, its competitors currently have the advantage of lower costs. A recent Business Council of Australia report *Pipeline or Pipe Dream? Securing Australia's Investment Future* stated that the cost of resources projects in Australia were 40% higher than in the US Gulf Coast.

In our view the Federal Government's *Energy White Paper – Australia's Energy Transformation* released in November 2012 outlines an energy policy that should improve the resilience of Australia's energy sector and deliver competitively priced energy in the future.

BP's submission to the paper argued that domestic energy policy needs to take into account the external context – in particular the growth of Asia and the demand for a low-carbon future. We also said energy policy is a core element of Australian economic and strategic policy interests and needs to encompass four interlocking priorities:

- Asian growth
- Domestic energy security
- A low-carbon future
- Competitive energy markets

These priorities should be interdependent, not competing. With the correct policy settings they will reinforce each other. For example, low-carbon energy products such as natural gas will strengthen our energy security and introduce new diversity into the domestic market, while also leading our response to new energy demands in Asia. For

Australia to reach its full potential, we believe it should focus on all four priorities.

BP believes free markets are the best mechanism by which to allocate scarce resources. We do not support domestic gas reservation policy or Australian biofuel mandates which skew the market and make it difficult to overcome cost challenges. For example domestic gas reservation policies may appear to provide a short-term win on prices for energy intensive gas consuming industries. However BP believes these lower prices work to discourage investment in new supply, ultimately leading to shortages and in the medium term to higher prices.

In our submission to the Parliamentary Inquiry into Australia's refining sector we restated our belief that open markets and a stable policy framework would best deliver energy security. The submission noted an increase in refining capacity in South-East Asia and declining capacity in the OECD – including recent refinery closures announced in Australia.

Among the issues facing the refining sector in Australia are high input costs, a strong Australian dollar and the relatively small scale of domestic refineries. In addition, the low margins of Asian refineries put pressure on Australian refineries.

In 2012 we also made submissions to the Australian Federal Treasury on aspects of tax policy development we believe are important for investment and the efficient administration of the tax system. These include the need to amend the Petroleum Resource Rent Tax law following a recent Federal Court decision allowing tax deductions for legitimate business expenses where they are reasonably apportioned to projects.

BP believes the *Energy White Paper* provides the right framework for future energy policy, but that it will need to be supported by changes across a number of policy areas if Australia is to realize a significant energy export opportunity, secure its own energy supply and embrace a low-carbon future.

Deepwater oil and gas

Deepwater production is a challenging frontier and a key part of our strategy.



BP's state-of-the-art facility in Houston monitors rig operations in the Gulf of Mexico, US.

Deepwater oil and gas resources are an important part of the energy mix. They account for around 6% of global oil production, a figure that is expected to rise to nearly 9% by 2030.

BP is integrating engineering, technology and operations to work safely and efficiently in deepwater environments. We have deepwater drilling operations in the Gulf of Mexico, Angola, Egypt and Brazil and we are pursuing further deepwater growth opportunities in Canada, India, Indonesia, Libya, Namibia, Trinidad & Tobago, the South China Sea and Uruguay.

In Australia we are exploring deepwater in the Great Australian Bight as outlined on page 18.

Drilling for and producing oil and gas from deepwater reservoirs creates many engineering and technical challenges. The oil and gas reservoir itself can be as much as 35,000 feet (10,660 metres) below sea level, under kilometres of hard rock, thick salt and tightly-packed sands. Once oil and gas are discovered in a deepwater field, massive production platforms and specially designed systems and pipelines are required to extract and transport the oil.

Implementing lessons learned from the Gulf of Mexico accident

BP has been working to centralize and standardize our approach to drilling standards and projects oversight with the establishment of the global wells organization (GWO) and the global projects organization in 2011. The GWO employs more than 2,000 people, bringing functional wells expertise into a single organization with common global standards. The GWO works with our safety and operational risk function with a view to reducing risk in drilling.

Since July 2011, BP has implemented enhanced drilling standards for operations in the Gulf of Mexico. These standards on blow-out preventers, cementing and oil spill response capabilities, exceed existing regulatory requirements in the US and strengthen oversight of contractors.

Mobile well cap for BP operations

We are advancing our capability to respond to potential incidents and work with our industry to further enhance access to equipment and technologies around the world. BP's global deepwater well capping and tooling package is stored in Houston and can be deployed in a matter of days to anywhere in the world in the event of a deepwater well blowout. The equipment is designed to operate in water depths up to 10,000 feet. It includes a remotely operated vehicles intervention system, a subsea dispersant injection system and subsea debris removal equipment and a deepwater well cap.

We continue to work with governments, regulators and the industry to share lessons learned from the Deepwater Horizon accident and how they can be applied in deepwater operations around the world.

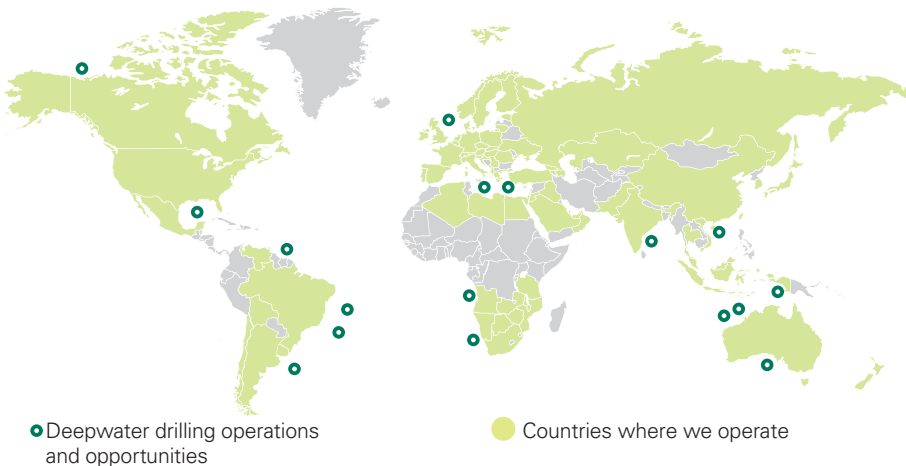
Monitoring safety and environmental issues

We have a number of technologies to help us to monitor safety and environmental issues in our deepwater drilling operations.

BP Well Advisor

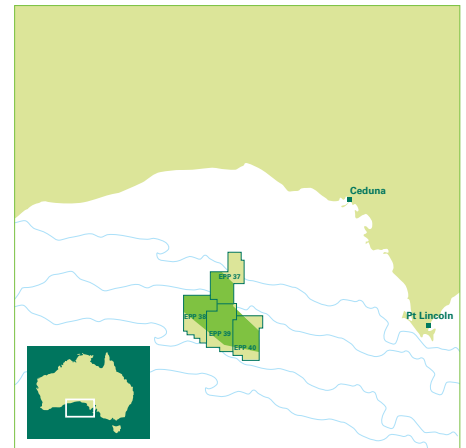
BP Well Advisor is a suite of tools to monitor conditions in the well. It uses real-time operational data to monitor safety-critical operations and equipment. It can therefore help drilling, rig and platform operators to make informed and timely decisions, enhance operational safety and integrity, and improve drilling efficiency. We used BP Well Advisor in Azerbaijan, the North Sea and Brazil in 2012.

Our deepwater drilling operations and future growth opportunities



Case study – The Great Australian Bight

In January 2011 when BP was awarded four exploration permits in the Great Australian Bight, it began a new journey in Australia as an Upstream operator.



The location of BP's four blocks in the Great Australian Bight off the coast of South Australia.

When BP was awarded four exploration permits in the Great Australian Bight (GAB) in January 2011, it provided the company with the opportunity to use its deepwater knowledge to search for hydrocarbons in previously underexplored waters of southern Australia.

The permits covering nearly 25,000 km² are more than 300 km off the South Australian coast in water depths ranging from less than 500 metres to more than 4,500 metres.

In return for being awarded the permits, BP committed to a work programme in the permit areas, including a 3D seismic survey and the drilling of four exploration wells.

A 3D seismic survey uses the reflection of a sound pulse to create an image of the rocks beneath the seabed. Geoscientists can identify structures which may contain hydrocarbons from the image. The process requires a ship to tow a sound source, followed by a long cable of listening hydrophones which pick up sound reflecting off the subsea geological formations.

BP was required to secure regulatory approvals before commencing the survey. This included

acceptance of an Environment Plan under the Offshore Petroleum and Greenhouse Gas Storage (Environment) Regulations 2009, referral under the Environment Protection, Biodiversity and Conservation Act 1999; and approval to enter and operate within the Great Australian Bight Commonwealth Marine Reserve. The approvals process also involved extensive consultation on key environmental issues with community groups and other commercial operators in the GAB, mostly notably the fishing industry.

In November 2011, ten months after the acreage was awarded, the 3D seismic survey began using the specialized survey vessel, the MV Ramform Sterling.

The survey was completed in May 2012 and the data is currently being analyzed at BP's Sunbury offices in the UK. The mass of information gathered in the GAB is being interpreted by geoscientists as they work towards developing a prospect inventory and building a better understanding of what the basin has to offer in preparation for identifying the best locations for drilling the four exploration wells.

Collaborative Research Science Programme

BP has agreed a unique Collaborative Research Science Programme to improve understanding of the environmental, economic and social value of the Great Australian Bight (GAB) in partnership with CSIRO and Marine Innovation Southern Australia (MISA).

The \$20 million science programme aims to obtain information about the unique marine environment and potential marine resources within the Ceduna sub-basin of the GAB.

"The science programme will be one of only a small number of whole-of-ecosystem studies undertaken in Australia," said Dr David Smith of CSIRO's Wealth from Oceans Flagship. "It will focus on collating information about the marine resources of the GAB and providing vital knowledge to inform future decisions for sustainable development in the region."

Phil Home, Managing Director for BP Developments in Australia said, "BP is already undertaking a range of studies to ensure environmentally responsible operations in the GAB. This additional multidisciplinary research programme will build on these and other studies to improve the understanding of how the GAB ecosystem functions. It provides an opportunity for co-investment by world class research institutions such as CSIRO and the member-institutions of MISA."

Q&A with the Managing Director, Dr Phil Home

“BP is committed to continuing stakeholder engagement throughout the project because it helps us learn about the potential impacts of our work and how we can design it better.”



Q: How is BP going to manage safety in the Great Australian Bight?

A: BP's operating management system (OMS) spells out in detail the steps we need to take in order to identify and systematically manage risks such as those to safety or the environment. The extent to which we do so is checked not only through a rigorous internal process of peer review and executive approval, it is also independently assessed and ultimately needs to be accepted by external regulators such as the National Offshore Petroleum Safety and Environmental Management Authority.

Dr Phil Home

Managing Director for
BP Developments in Australia

Q: How are you incorporating lessons learned from the Gulf of Mexico into this project?

A: The lessons from the Deepwater Horizon accident have been incorporated into our Operating Management System (OMS) and the relevant Defined Practices, and are being implemented by our global wells organization which is charged with applying BP standards consistently everywhere in the world. Even though we are still several years away from beginning to drill we have already commenced planning activities. Our focus, of course, is on preventing an incident occurring but we are also planning on how we would respond if necessary.

Q: What are the physical challenges for getting the Great Australian Bight project off the ground?

A: The area is remote and the marine environment is harsh, so to conduct the exploration drilling we have to source equipment that is capable of operating in this environment, establish logistical support chains, and rigorously plan matters from keeping the rig provisioned through to aviation support and emergency response. It's a huge task, and that's before we even discover whether there is any oil and gas to be developed.

Q: Are there any policy or regulatory challenges for this project?

A: At this exploration stage, our main challenges are associated with the remote and frontier nature of the area. Everything we are doing requires detailed planning and preparation. For example there is a lack of infrastructure for supporting offshore drilling and we might need to construct a helicopter base. These things take time and we need to make sure they meet regulatory expectations.

Of course if we proceed to making a developable hydrocarbon discovery then the scope of our work and consequential regulatory interface will expand. Generally Australia has a policy regime based on stable market based frameworks, but there is often pressure to change that – for example interest groups wanting to mandate local reservation of energy supplies, or doubling up of regulatory oversight, or ad hoc changes to the tax system. It is critically important that Australian state and federal governments resist this and keep focusing on how the tax and policy regime can be a competitive advantage for

Australia, since this helps to offset some of the inbuilt disadvantages here such as the higher cost of labour or the implications of operating remote sites at long distances.

Q: What contribution could the project make to South Australia?

A: It is extremely early in the life of this project – we don't even know yet whether we will find any oil and/or gas, and if we do in what form and quantity. But even so we will be developing onshore infrastructure to provide marine and aviation support, and no doubt there will be opportunities for local service providers. We are also partnering with local research institutions and community groups to research and manage environmental and social impacts. There may be a lot more to come if we discover a developable quantity of oil and gas, but it's too soon to say.

Q: How important is stakeholder engagement to this project?

A: It is very important. BP is committed to continuing stakeholder engagement throughout the project because it helps us learn about the potential impacts of our work and how we can design it better. For example, discussions with interest groups and the fishing industry have already provided valuable feedback on how we can best undertake the exploration activity. We believe this dialogue will continue to help identify and address key operational and environmental issues as we move through the various phases of the project. We have also established an office in Adelaide to facilitate discussions with government and regional authorities and to continue our engagement with stakeholders.

Climate change



Complying with the Clean Energy Act

Carbon pricing was introduced to Australia on 1 July 2012, with a carbon price of \$23 per tonne applying to more than 360 liable entities.

On the 1 July 2012, BP Australia Investments Pty Ltd became liable for its carbon emissions.

BP Refinery Kwinana, BP Refinery Bulwer Island and our Upstream joint ventures qualify for Emissions Intensive Trade Exposed (EITE) transitional assistance at a rate of 94.5% of the industry average under the Jobs and Competitiveness programme. For the 2012/13 year BP's two refineries received 1,762,134 JCP-issued carbon units. BP supports full transitional assistance for trade exposed industries in economies that are taking steps to price carbon ahead of their trading partners.

2012 was our fourth year reporting under National Greenhouse Energy Reporting (NGER).

We conducted a six-month management of change process to integrate carbon emissions management to a business as usual state.

Addressing the global challenge of climate change will require the efforts of governments, industry and individuals.

The situation

According to the Intergovernmental Panel on Climate Change (IPCC), warming of the climate system is happening, and it is in large part the result of an increase in greenhouse gas emissions and their concentrations in the atmosphere. The IPCC believes that warming of the climate is likely to lead to extreme weather events becoming more frequent and unpredictable. Results from models assessed by the IPCC suggest that to stand a reasonable chance of limiting warming to no more than 2°C, global carbon dioxide (CO₂) emissions need to peak before 2020 and be cut by between 50-85% by 2050.

The challenge

BP projects that with known and probable policy and technology developments, global CO₂ emissions from fossil fuels may be 26% higher in 2030 than they were in 2011, partly as a consequence of coal use in rapidly growing economies. These are projections of what we think is likely to happen, not what we would like to see.

More aggressive, but still plausible, energy policy and technology deployment could lead to slower growth in CO₂ emissions than expected, with greenhouse gas (GHG) emissions from energy use falling after 2020 – but probably not enough to limit warming to no more than 2°C. The International Energy Agency has acknowledged that its 450 scenario (450ppm atmospheric concentration of CO₂), which would put the world on a lower-carbon trajectory, looks increasingly unlikely.

There are several reasons why achieving substantial and rapid GHG emissions reductions will be challenging. Some potentially important lower-carbon technologies – including electric vehicles and carbon capture and storage – still face significant technology, logistical, infrastructure and cost challenges.

Concerns about nuclear power have grown in many countries following the Fukushima disaster in Japan. And worries about the cost of renewable technologies have led some governments to reduce their levels of support. In the meantime, the GHG intensity of oil and gas extraction and production looks likely to increase, with the move towards resources that are harder to access.

The scale of the challenge is such that it can only be met through governments acting to provide a clear stable framework for the private sector to invest and for consumers to choose wisely.

Global economic challenges have reduced the focus of some governments on climate policy, at least in the short term. But the commitment by both developed and developing countries at

the UN's most recent climate change conference in Doha to negotiate an agreement by 2015 that requires action from all countries by 2020, suggests that an emphasis on carbon policy may return.

Our view on the policy priorities

We believe that the most effective way to encourage companies to find, produce and distribute diverse forms of energy sustainability is to foster the use of markets that are open and competitive, and in which carbon has a price.

Our view is that putting a price on carbon – one that applies economy-wide and treats all carbon equally, whether it comes out of an industrial smokestack or a car exhaust – will make energy efficiency and conservation more attractive to businesses and individuals, and help lower-carbon energy sources become more cost competitive within the energy mix. While a global price would be most economically efficient, regional and national approaches are a necessary first step, provided temporary financial relief is given to domestic industrial sectors that are trade exposed.

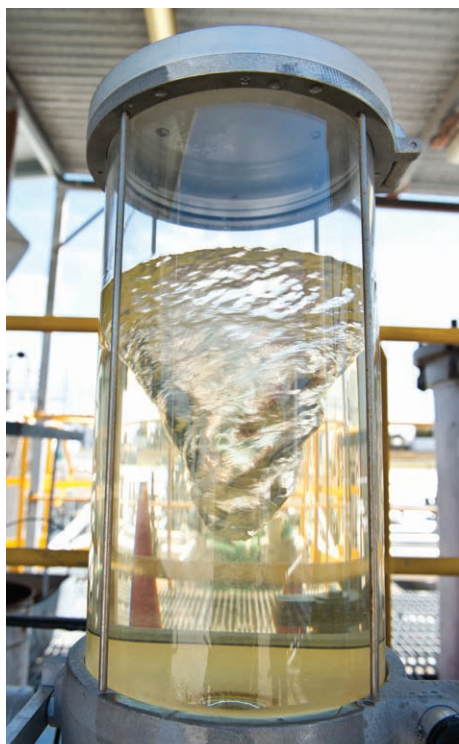
Globally BP supports:

- **Energy efficiency** – policies that emphasize efficiency in production and energy use as reducing the amount of energy used can have a material impact on GHG emissions.
- **Lower-carbon technologies** – transitional support for high-potential energy technologies, such as biofuels and wind energy, to incentivize their development and accelerate their deployment.
- **Technology research and innovation** – policies that prioritize and facilitate research and development to provide low-carbon options for the future.

In light of these views we see Australia's Clean Energy Act's carbon pricing mechanism which commenced on 1 July 2012 as an important domestic first step. We also welcome the Australian Government's decision to link with the European Union from 2015 as we believe the most effective way of managing carbon is through a global carbon price. We are encouraged by potential linkages between the different market-based schemes globally.

BP advocates market mechanisms, with preference for a cap and trade system as the most efficient mechanism for allocating resources to low-carbon investment. It both increases incentives for consumers to demand low-carbon energy, and remunerates its suppliers. In the meantime, we recognize complementary measures are also needed.

Our programme of action to manage carbon and climate risk



At BP, we are taking steps to understand and address carbon and climate risk.

Assessing carbon risk

BP Energy Outlook 2030 looks at future global and regional patterns of energy demand and supply and summarizes BP's view of what the energy world might look like in the future. This analysis, along with other BP-sponsored assessments such as the Energy Sustainability Challenge, and external assessment such as the IEA's *World Energy Outlook*, helps us to decide what resources we will seek to develop and where, and what technologies we will need to develop them safely and efficiently.

Lower-carbon energy development

We see natural gas as a key part of the lower-carbon economy. It is a plentiful resource that releases less carbon dioxide (CO₂) than other fossil fuels when burned, and the technologies needed to produce and use it are widely available today.

We are playing a major role in the growth of natural gas with production in the US, Trinidad & Tobago, Indonesia, Algeria, Oman and Egypt. We are developing important supply chains to Europe, as well as to China and India, two countries that could make up more than half of global energy demand growth by 2030.

We continue to invest strategically in alternative energy, with US\$1 billion invested in 2012.

Our internal carbon price

We factor a carbon cost into our investment appraisals and engineering designs for some new projects where appropriate. We do this in order to assess, and protect the value of, our new investments under future scenarios in which the cost of carbon emissions is higher than it is today. We 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.

The standard cost is based on our estimate of the carbon price that might realistically be expected in particular parts of the world. In industrialized countries, this standard cost assumption is currently US\$40 per tonne of CO₂ equivalent.

Greenhouse gas emissions

BP aims to manage its operational GHG emissions through operational energy efficiency, reductions in flaring and venting, and by factoring a carbon cost into our investment appraisals and the engineering design of new projects.

In Australia, BP's direct GHG emissions for National Greenhouse Energy Reporting (NGER)

was 1.42 million tonnes in 2012, compared with 1.59 million tonnes in 2011, a decrease of 0.17 million tonnes versus 2011. This reduction was principally due to a change in reporting methodology to align with NGERs requirements.

The net effect of acquisitions and divestments on overall direct and indirect emissions was minimal.

Greenhouse gas emissions target

BP established an absolute GHG emissions target in 1998. Initially this led to the implementation of a large number of cost-effective emission reduction initiatives and actions. In 2008, we concluded that an enterprise-wide GHG emissions target was no longer practical or useful in driving emissions reduction at the plant and operational level.

Instead, we decided that a local approach to GHG emissions management was more practical and we have since focused our efforts on energy efficiency and reducing flaring and venting where it is relevant for local business management. We apply a carbon price in investment decisions and design for new projects where appropriate.

Technology and policy research

Through in-house research and in partnership with leading academics, we are deepening our understanding of future energy trends and climate change. For example, we invest in the UK Energy Technologies Institute and we support energy and climate policy research at universities including Oxford, Princeton, Tsinghua, Berkeley, Illinois, Harvard, MIT and Tufts.

Climate change adaptation

We are taking steps to prepare for the potential physical impacts of climate change on our existing and future operations. We are working closely with Imperial College in the UK to develop specialized climate models that help us to better understand and predict possible impacts resulting from the changing climate.

Projects implementing our environmental and social practices, which are part of our operating management system, are required to assess the potential impacts to the project from the changing climate and manage any identified significant potential impacts. Where climate change impacts are identified as a risk for a project, our engineers seek to address them in the project design like any other physical and ecological hazard. We periodically review and adjust existing design criteria and engineering technology practices.

We regularly update and improve our climate impact modelling tools and make them available to both new projects and existing operations.



More BP group information
online at bp.com/energyfuture



Our approach to sustainability and biofuels.



Unconventional gas development and hydraulic fracturing.



How BP is taking steps to prepare for the potential physical impacts of climate change.

Our people and values

We value diversity of people and thought, and we aim to make sure that everyone at BP is treated with respect and dignity. How we behave as a company reflects our values.

Our goals

We strive to further embed our values in all we do.

Across BP globally we aim for 25% of our group leaders to be women by 2020.

We expect our graduate intake to increase by 12% in 2013.

In this section

We invested \$6.4 million in employee training and capability building.



We recruited 80% more graduates than in 2011.



Our employee engagement measure has improved by 8% compared to 2011.



Image:
Employees across our businesses.



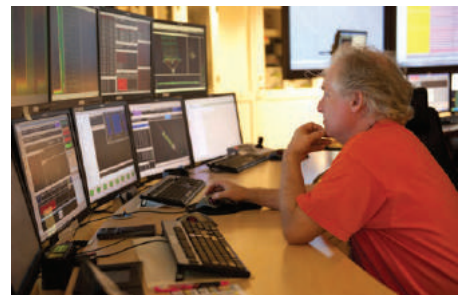
BP's Employee Value Proposition 'What it means to work at BP'

"We believe in the power of our people. We are defined by our environment of core values, opportunity and shared success...this is *what it means to work at BP*."

Core values and beliefs that unite us

Creating opportunities that lead to growth

Rewarding people for success



Managing our people



Belinda Herden Mechanical Engineer

Mechanical Engineer Belinda Herden has been internationally recognised as a Young Member of the Year from the Institution of Mechanical Engineers.

Belinda's success in the Member Engagement category was attributed to her significant efforts helping young engineers from across BP Australia and New Zealand work in partnership with the Institution.

Belinda reflects on her contribution: "My role is to engage the young engineers to understand and deliver their needs and promote participation in the Institution."

Belinda began at BP Refinery Bulwer Island in 2011 as a Graduate Engineer in the Reliability Team and currently works in the Turnaround (TAR) Team planning the 2014 TAR.

BP's performance depends on an engaged, talented workforce that is diverse and rewarded on merit.

We employ approximately 7,700 people in Australia, around 4,400 of them in our retail businesses. Our total headcount has increased as a result of integrating our rural and regional business interest with the corporate entity.

We aim to have a good understanding of our future demand for people and where they will come from. Building our employees' capability is a priority, as is rewarding them in a way that is aligned with our goals. We focus on ensuring the safety of our employees, engaging with them, and increasing the diversity of our workforce so that it reflects the societies in which we operate.

Engaging with our people

We conduct an annual employee survey to monitor employee engagement and identify areas where we can improve. The 2012 results show employee engagement in Australia has risen moderately since 2011. There were improvements across all measures, with the most significant increases being in employee experience and trust. We have a good communications culture in Australia, with most employees feeling that they are regularly updated about news and events. There has been an encouraging increase in the amount of people who believe communications about business priorities are clear and easy to understand. Employees believe safety remains a strong priority. However, there is more work for us to do in continuing to embed our operating management system as the way BP operates so people fully understand what it means for them.

We also measure employee engagement with our strategic priorities of strengthening safety, earning back trust and building long-term value. The group priorities engagement measure is derived from 12 questions about employee perceptions of BP as a company and how it is managed in terms of leadership and standards. Aggregate results for these questions in Australia showed an 8% improvement on 2011 to 70%.

In 2012, we introduced a new indicator of employee and workplace satisfaction to replace the previous employee satisfaction index (ESI). The aggregate Australian score for employee and workplace satisfaction in 2012 was 71%.

In 2009, we began a five-year programme to understand and redefine our employee experience to help us design a more compelling Employee Value Proposition (EVP). EVP is the term we use to describe the total benefits that our employees enjoy from working with us, from remuneration through to learning, development and an enjoyable working environment. In 2011 we undertook a survey to review progress. Over 1000 employees participated and the results indicated that overall employee value remains consistent with 2009. Employees still perceive a gap compared to offerings by our competitors, resulting in a risk to employee retention. The survey found financial rewards remain

the most critical element driving employee value, and our performance in this area has declined since 2009.

Employee perceptions of BP's reputation have declined since 2009, particularly in regard to being environmentally responsible. These results shifted positively in the 2012 Pulse survey which showed 73% of employees believe BP is taking the right action to rebuild trust and relationships globally. The 2011 survey also showed employees were concerned about a lack of opportunity for career advancement and perceived that BP's commitment to work/life balance had declined. Reassuringly, employees returned solid results in 2012 on most aspects of diversity and inclusion.

More than 300 employees across the organization participated in workshops to review the results and to provide input to the creation of an EVP framework and story. In 2012, we validated the draft framework.

Diversity and inclusion

We work to attract, motivate, develop and retain the best talent from the diversity the world offers – our ability to be competitive and to thrive globally depends on it. This has led us to a focus on four priority areas in Australia:

- An inclusive and meritocratic environment: to build an environment where all people can contribute and be successful, ensuring the right people are selected for the right roles
- Gender: to increase representation and retention of females at all levels
- Indigenous employment: to increase the proportion of indigenous employees in the workforce
- Ageing population: to become an age-friendly workplace.

We have set goals for gender representation in leadership positions. At the end of 2012, 15.5% of our group and senior level leaders in Australia were female. Our goal across BP is to increase this to 25% by the end of 2020. We are currently working on meaningful goals for minority representation.

Rewarding performance

BP employees are rewarded not just for what they deliver, but also for how they have demonstrated behaviour that reflects our values.

As part of their individual performance review, our employees set priorities on their contribution to safety, compliance and risk management; what they will deliver for the near and long term and how they will do their job.

Bonuses are awarded based equally on three criteria – the performance of the BP group overall, the performance of the immediate part of the company where the employee works, and the performance of the individual.

Building capability



564

experienced professionals participated in BP's Inclusive Leadership Programme designed to build values based leadership capability and explore the concept of how conscious and unconscious biases impact decision making.



Ryann Mills
Customer Service
& Sales Director
Elite Customer Solutions

BP's Emerging Talent programme has provided a fantastic opportunity for me to participate in high quality business relevant training and development, and provided me the opportunity to connect with colleagues from across the business including the refineries and our regional locations. The conversations and sharing of experiences within the group are often as powerful as the formal training, and allow the group to form a highly cohesive and safe environment in which we can speak openly, and in turn increase the value of the learning experience.

In between the formal components I have seen the Emerging Talent programme as a great opportunity to have conversations with senior level leaders to learn more about the business and future opportunities. We are fortunate to have access to this level of professional development at BP and the support to use what we learn in the business.

We aim to recruit the best people, develop the talents of our existing workforce and provide opportunities for ongoing professional development.

The energy sector relies heavily on the availability of highly skilled people from diverse backgrounds. Our industry is not only in competition with the energy sector, but also with many other industries and increasingly with the services sectors. It is a priority for BP to attract, develop and retain the best people. Our approach is to build the right capability within BP, and support this with targeted external recruitment to complement the skills and experience of our existing employees.

Structured recruitment

In Australia, in the 18 months to the end of 2012, we hired over 800 people (excluding retail staff) across the company to strengthen our business and increase resourcing of our safety and operational risk function. We are now working to achieve more of a balance between external hiring of professionals for leadership skills and building talent from within.

In line with our approach to build our talent pipeline for the future, our graduate intake in 2012 was 80% higher than that of 2011. We have plans to further increase the intake in 2013.

Talent management

We provide world class education opportunities for our people, partnering with 19 academies and institutes globally that deliver technical learning and development. We encourage all employees to take at least five training days a year.

We use succession planning to help us deploy our people effectively and obtain a better understanding of the talent coming through. Each year the group chief executive reviews all senior succession plans, which are made across the company.

While formal reviews are undertaken annually, discussions regarding talent, development and promotions happen across BP throughout the year.

Exported expertise

Expatriate employees are important in enabling us to deploy critical skills geographically and to develop and nurture talent in different places. At the end of 2012 we had over 70 Australian staff on international assignments and just over 40 expatriate staff working in our Australian businesses. These people are critical to the company's strategy of having the right skills in the right place at the right time and assisting in the development of the staff working around them.

Our values

Safety

Respect

Excellence

Courage

One Team

To deliver sustained high performance, we recognize we need to treat 'how' we do business as importantly as 'what' we do. Our values are a core part of the 'how.' We are working to bring them to life in our peoples' day-to-day behaviour.

Our values were set out by BP's leadership team in 2011 and are now being embedded into our group-wide systems and processes, including our recruitment, remuneration, promotion and development assessments.

We have a network of 'change agents' across the company who support team leaders in rolling out our values. These employees volunteer to act as advocates, encouraging their colleagues to talk about values through informal conversations, workshops and team meetings.

Our internal award programmes recognize employees who have displayed exceptional behaviour that reflects BP's values. Our Helios awards recognize teams while Team BP recognizes individual employees. We have also encouraged many other informal methods of embedding our values across the company.

Developing new leaders

We offer leadership development programmes tailored for employees moving into management, including those directing complex functions within the company.

Throughout a BP employee's career there are assessments for his or her recruitment into a senior level or group leader role. The purpose of these assessments is to provide a source of objective data that can help rate the capability of emerging leaders.

In the Downstream fuel business 38 employees are currently participating in the local Emerging Talent 18 month development programme aimed at identifying and developing first level leaders.

Our code of conduct



Steve Bolger
Ethics and Compliance Leader

BP's code of conduct is simply the moral compass for the company and all its employees. As such, it is an anchor point that will hopefully guide us and prevent us from venturing into any moral embarrassment that impacts the company's reputation and also its values.

BP's code of conduct outlines our commitment to high ethical standards and compliance with applicable laws wherever we operate.

Our code of conduct is based on our values and clarifies the ethics and compliance expectations for everyone who works at BP. The code includes sections on operating safely, responsibly and reliably; our people; our business partners; the governments and communities we work with; our assets and financial integrity; and a model for ethical decision-making.

The code takes into account key points from BP's internal standards related to anti-bribery and corruption, anti-money laundering, competition and anti-trust law, and trade sanctions.

Who the code applies to

Our code applies to every employee and officer in every BP wholly-owned entity. In joint ventures and entities over which BP does not have overall control, the code outlines our approach to do everything we reasonably can to make sure our partners follow similar principles.

We seek to work with contractors who operate under principles that are similar to those in our code. Where feasible, we seek a contractual commitment from such contractors to comply and work in line with our code, in which case we expect all contractors and their employees to act in a manner consistent with its principles. Where we have the right to do so, we will consider terminating contracts where a contractor has not complied with their obligations, or not renewing a contract where a contractor has acted in a manner that is not consistent with our values or our code.

Certifying to the code

Each year, BP engages our employees in code of conduct certification. This is mandatory for senior leaders up to the group chief executive and is also open to all other employees. Participants commit to comply with the code and to create an environment where people can confidently raise concerns.

Speaking up

BP is committed to providing an open environment where our employees, contractors and others with whom we come into contact, are comfortable speaking up whenever they have a question about our code of conduct or think that it, or legal requirements, may have been violated. Everyone employed by BP has a responsibility to ask questions, raise concerns or report any suspected or potential breach of the code or the law.

Employees are encouraged to discuss their questions or concerns with their supervisor, their local ethics and compliance leader, legal, human resources, the ethics and compliance team or BP's helpline OpenTalk.

In 2012, 26 cases were raised through OpenTalk in Australia, with the most common issues relating to the people section of the code.

Anyone who acts in good faith to seek advice, raise a concern, report misconduct or participate in an investigation of an ethics and compliance issue is following our code of conduct. We do not tolerate retaliation. Allegations of retaliation are investigated fully and, if substantiated, appropriate action is taken. Anyone found to be responsible for retaliation against individuals is subject to disciplinary action, up to and including dismissal.



More BP group information
online at bp.com/ourpeople



How we bring our code of conduct to life for employees.



Case studies on how we develop our people's capabilities and leadership.



Our new programme to deliver improved diversity and inclusion.



How we operate

BP's objective is to create value for its stakeholders and supplies of energy for the world in a safe and responsible way.

Our goals

We strive to be a safety leader in our industry, a world-class operator, a responsible corporate citizen and a good employer.

We expect all our contractors and their employees to act in a way that is consistent with our code of conduct.

We are committed to meeting our obligations to the communities in which we do business.

In this section

Continue to upgrade facilities with the aim of reducing operational risk.



Enhanced leadership oversight of the Australian risk profile in accordance with BP's group expectations.



Completed a three year group safety & operational risk audit of the Australian business.



Image:
Safety in operations



Our operating management system



We continue to upgrade the safety of our Australian operations. In 2012 we continued our programme of installing what we call 'high-high' level alarms across our terminal network. We now have high-high level alarms installed on all identified bulk motor spirit tanks. These alarms are independent of our other systems and activate if a tank gets too close to its safe fill limit, thus significantly reducing the likelihood of a tank overfill.

BP's operating management system (OMS) provides the basis for managing our operations in a systematic way.

Conforming to OMS is a dynamic process designed to continuously improve our group standards and drive performance improvements. Our standards and practices, assessments, actions and activities are guided by and live within our OMS.

What is it?

Our OMS integrates 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. It provides us with one systematic and controlled holistic approach for how businesses are managed.

How does it work?

Integrated into the OMS are guiding principles and requirements for safe, reliable and compliant operations. It addresses eight 'elements of operating', under the areas of people, plant, process and performance.

Each operating unit or function has an OMS which describes how it addresses specific operating risks and delivers its operating activities. Business needs, applicable legal and regulatory requirements and group-wide BP requirements are translated into practical plans to reduce risk and deliver strong, sustainable performance.

Driving conformance and continuous improvement

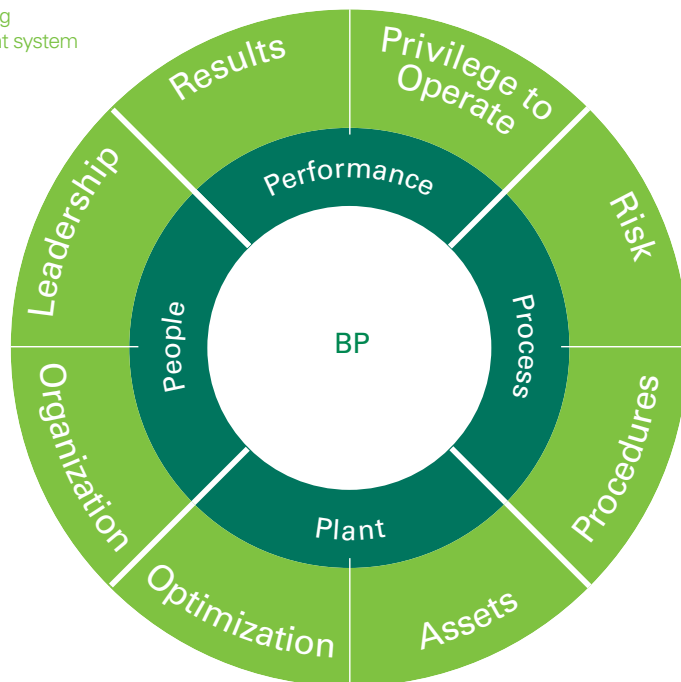
Our OMS was introduced in 2008. All of our operations, with the exception of those recently acquired, are applying our OMS to govern their BP operations and are working to achieve on-going conformance with its requirements.

Operations undertake an annual assessment, checking their performance against each of the requirements set out in their OMS. Resulting plans put in place by local operations to close any gaps and identify improvements are prioritized with the aim of continually driving reductions in the level of risk at the sites. Conducting assessments on an annual basis is a means to identify opportunities for continuous improvement. We update and enhance our group requirements within OMS as needed to reflect these, as well as the company's priorities and experience. For example, we have been updating our procedures around oil spill preparedness and response, crisis and continuity planning and learning from incidents.

Our environmental and social practices

The principles and standards of OMS are supported by our environmental and social practices. These set out how our major projects identify and manage environmental and social issues.

Our operating management system



Corporate governance and risk management



Terminal Manager, Jamie Winton, President BP Australia, Paul Waterman and the Hon. Tom Koutsantonis MP, Minister for Mineral Resources and Energy at Largs North Terminal expansion opening in 2012.

BP's risk management system is designed to help ensure that risks are identified, understood and managed so that we can deliver safe and strong operations.

Managing risk from field operations to board oversight

Our risk management system focuses on three levels of activity:

- Day-to-day risk identification and management occurs across our Australian operations and functions, with the approach varying according to the types of risk we face. We assess and manage day-to-day operating risks with reference to our management systems and actions to improve the management of risk are put in place where necessary.
- Periodic collation and review of risks and risk management plans happens at the business and functional levels, including major accident risk and other potentially high-consequence risks.
- Oversight and governance occurs at ANZ leadership team level with insights then conveyed on to board, executive and function as appropriate. This structure is deliberately designed to help foster effective group-wide oversight, business planning and resource allocation, intervention and knowledge sharing. Within Australia, the leadership team is meeting quarterly to review the entity's risk profile and the status of critical controls.

For risk factors that could have an adverse effect on our business see *BP Annual Report and Form 20-F 2012* at bp.com/annualreport.

BP's management of sustainability risks and issues

The table below summarizes BP group's management structure designed to address safety and operational risk. At the base of this structure are the local operational and functional capabilities. As with the rest of BP group, within Australia, risk is very much owned by the business line. The presence of functional expertise alongside the business line ensures risk owners have the support they need while also ensuring the function has the ability to independently escalate any material concerns.

Managing operational risk

Our safety and operational risk (S&OR) function supports the business in delivering safe, reliable and compliant operations across the business. S&OR:

- Sets clear requirements.
- Maintains an independent view of operating risk.
- Provides deep technical support to the operating businesses.
- Intervenes and escalates as appropriate to cause corrective action.

S&OR consists of a central team and teams deployed in BP's businesses. All teams report to the group chief executive via the head of S&OR, independently of the business line. S&OR – which has direct representation within the Australian business – includes some of BP's top engineers and safety specialists.

BP's management of sustainability risks and issues

BP Board		
Direction and oversight of BP on behalf of the shareholders for all aspects of BP's business. Comprised of the chairman, four executives and ten non-executive directors.		
Safety, ethics and environment assurance committee	Gulf of Mexico committee	
Reviews BP's processes to identify and mitigate significant non-financial risks and receives assurances that they are appropriate in design and effective in implementation.	Oversees the Gulf Coast Restoration Organization and various other matters related to the Deepwater Horizon incident.	
Executive team		
Supports the group chief executive in his accountability to the board for BP's overall business, including sustainability performance. Comprised of the group chief executive and the heads of businesses and certain functions including safety and operational risk.		
Group operations risk committee	Group ethics and compliance committee	Group people committee
Reviews company safety and risk management.	Provides information and assurance on the ethics and compliance programme.	Has overall responsibility for policy decisions relating to employees.
Group functions Functions, such as safety and operational risk, define and support implementation of group-wide standards.	Local operations Specialists and line management identify risks and implement our group-wide operating management system and other standards.	

External Stakeholders



Emergency exercise

In September 2012, BP conducted a full scale emergency exercise at the Hubert Street South fuel terminal in Townsville.

The exercise involved fire and emergency services along with BP personnel, who were tested on their response plans in the case of a total failure of the 5 million litre unleaded petrol tank.

Deploying safety and operational risk professionals in local operations.



Central team

Supporting Australia and the other regional businesses, the central S&OR team serves as the custodian of group S&OR requirements and runs S&OR audit and capability programmes. Along with deployed S&OR teams, they have the right to intervene where necessary, but the aim is that all BP operations manage their risks effectively, so that intervention is not needed.

In July 2012, global S&OR conducted an audit across the Australian and New Zealand marketing, supply and logistics operations. The audit identified improvements, including several areas of recognised better practice, specifically in our incident investigation process and emergency response plans. As expected with these audits, some system improvement opportunities were also identified.

Deployed experts

S&OR has a deployed section that works alongside the business line to provide a view of risk that is independent of the line, including sites' operating conduct and areas such as capability, leadership and culture in operating businesses and projects. Its members help the businesses apply our standards by providing tools and guidance to support conformance to our operating management system, and provide an overview of how operational risks are being managed, business by business.

Business line accountabilities

Operating businesses remain accountable for delivering safe, reliable and compliant operations with S&OR acting to provide independent advice, scrutiny, challenge and, if needed, intervention. They have the responsibility to identify and manage risks and bring together people with the right skills and competencies. They work in collaboration with deployed S&OR specialists and are also subject to independent scrutiny and assurance.

This way of working helps to build expertise and provide deep technical support in the area of safety and operational risk, while at the same time delivers independent assurance.

Our stakeholders

Engaging with a wide range of stakeholders helps BP to make responsible decisions.



86,000

Nearly 86,000 employees in more than 70 countries.

Our stakeholders are the many individuals and organizations who are affected in some way by BP's activities, whether it is in our role as an energy provider, an employer, or as a company that generates revenues and helps to boost local economies.

Employees

With around 7,700 employees in Australia, BP relies on a range of internal communications channels to keep our employees informed about the context within which they work. We have established channels for our employees and contractors to raise concerns, and we maintain regular communication with unions at many BP sites around the globe.

Governments and regulators

We engage with governments on many fronts, from consulting on environmental regulation and revenue transparency to collaborating on community or entrepreneurial initiatives. Our code of conduct requires that our employees and contractors are honest and responsive in any interactions they have with governments. In many countries where we operate lobbying activity is strictly regulated.

Our industry

BP is working with business and industry groups to help establish standards and address complex energy challenges. For example, we are members of the Business Council of Australia (BCA), Australian Institute of Petroleum (AIP) and Australian Petroleum Production and Exploration Association (APPEA). We are also members of industry partnerships on specific issues such as oil spill response and a low carbon future. These include Australian Marine Oil Spill Centre (AMOSOC), Australian Shipowners Association (ASA), Australasian Convenience and Petroleum Marketers Association (ACAPMA), Australian Industry Greenhouse Network (AIGN) and International Emissions Trading Association (IETA).

Contractors

Like our industry peers, BP rarely works in isolation. Safe and responsible operations rely on the capability and performance of our contractors. To this end, we set operational standards through legally binding agreements and we help to build capability through training and dialogue.

Local communities

We depend on our relationships with communities. This is important for all our activities, but particularly for major new projects, where our presence may bring about changes in the local area, such as jobs, capacity building for local suppliers and support for community development, but also increased road traffic, changes in land use and landscapes, increased demand for fresh water and varying levels of in-migration.

Non-governmental organizations

For our new projects, we often consult with relevant local and international NGOs, who may provide specialized expertise on managing impacts. We also engage with NGOs at a group level. In 2012 we discussed biodiversity, climate change and energy policy, revenue transparency, human rights and operating in sensitive areas in these meetings.

Customers

About 125,000 consumers in more than 15 countries participated in our global tracking research programmes in 2012, answering questions ranging from how they rate BP on customer satisfaction in relation to its competitors to the degree to which they recognize our brand and use our products.

Our joint venture partners

We seek to work with companies that share our commitment to ethical, safe and sustainable working practices. However, we do not control how our co-venturers and their employees approach these issues.

Typically, our level of influence or control over a joint venture is linked to the size of our financial stake compared to other participants. In some joint ventures we act as the operator. Our operating management system (OMS) provides that where we are the operator, and where legal and contractual arrangements allow, OMS applies to the operations of that joint venture.

In other cases, one of our joint venture partners may be the designated operator, or the operator may be an incorporated joint venture 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 available to our businesses as a reference point for their engagement with operators and co-venturers.



BP Developments Managing Director, Phil Home talks to stakeholders at the APPEA Conference in Adelaide in 2012.

Safety

We operate in a high-hazard industry so safety is a strategic priority for us. We continue working to embed safety and operational risk management into the heart of the company.

Our goals

We develop deep capability and a safe operating culture across all levels of BP.

We continue to embed our operating management system as the way BP operates.

We conduct self and independent assurance that confirms our conduct of operating.

In this section

36 mid-level managers completed the Managing Operations programme in 2012.



Global safety and operational risk (S&OR) audit conducted in July 2012 across Australian and New Zealand marketing supply and logistics (MS&L) terminals and asset management.



The Downstream risk review process identified improvements to systems and equipment mitigating a number of the highest risks.



A safety advisor in full protective clothing during the BP Refinery Kwinana maintenance shutdown in 2012.



Managing safety

Safety is at the heart of everything we do, driven by our leadership and applied through our operating management system (OMS).

While we maintain our focus on processes and practices, we also place great emphasis on how our workforce applies them, thereby working to strengthen safety culture and workforce capability.

Leadership and culture

BP's senior management sets clear expectations designed to help operational leaders to excel as safety leaders. Safety is one of our five values, embedding the behaviours and culture that guide us to act in a certain way. Additionally our code of conduct clarifies the basic rules our people must follow including expectations for operating safely, responsibly and reliably.

Our Operations Academy was established to enhance the existing safety and operations capability of BP's operations leaders. In 2012, 20 Australian leaders completed this programme. Our Leading in the Field programme aims to enhance managers' leadership skills and help them understand the challenges facing their employees.

The Managing Operations programme for mid level managers commenced in Melbourne in February 2012, and was attended by leaders from our operations businesses. In 2012, 36 mid-level managers completed the programme and 45 have been nominated to follow them in 2013.

Leading in the Field

Our Leading in the Field programme helps operations leaders to engage front line people to perform in accord with BP's values, to be motivated, proactive, rigorous and systematic and to know that leaders listen to them, value their work and support them to succeed. The programme enhances managers' skills to interact with their employees, gaining insight from their perspectives, understanding the challenges they face and assisting them to continuously improve systems.

In May 2012 we piloted the group Leading in the Field programme at BP Refinery Bulwer Island, lead by Susan Dio, Bulwer Business Unit Leader and her leadership team.

Organization and competence

Having the right people with the right capability and experience in safety-critical roles is essential. This applies to contractors as well as BP employees. Targeted programmes are reinforcing our values and building leadership capacity to embed our OMS and achieve consistently safe, compliant and reliable operations.

We are seeking to develop deeper technical expertise in-house in the critical disciplines of health, safety, engineering and operations. As part of this we have focused on bringing in expertise from high hazard environments with 29% of global external hires into our safety and

operational risk (S&OR) function in 2012 bringing experience of working in these industries. We are also strengthening capability and consolidating our competence management programme.

Results, checks and balances

We place strong emphasis on checks and balances to make sure our operations are running as they should. Internal and external performance reporting is part of this. Sites carry out self-verification, supported by deployed S&OR professionals. Results are reviewed by operational line management and the central S&OR team and used to facilitate targeted guidance and support to operating locations, as needed.

Deployed S&OR teams sit side-by-side with the business and are in a unique position to observe day-to-day operation and risk management processes, providing an informed view of operating performance and the quality of performance improvement cycle activity. The central S&OR audit team conducts audits of many of our operations, typically visiting sites on a three-year cycle, with higher-hazard facilities audited on a risk-prioritized frequency. They conduct approximately 60 audits per year across BP.

In July 2012, global S&OR conducted an audit across marketing, supply and logistics operations. The audit recognized several areas of better practice specifically in our incident investigation process and energy response plans and, as expected with these audits, identified some system improvement opportunities.

We continue to improve our approach to risk management with very strong attention on high consequence, low likelihood risks. Improvements to systems and equipment have mitigated a number of the highest risks in 2012. As well, Australian leadership reviewed ongoing plans for reducing risks which were then endorsed by global leadership.

In 2012, the marketing, supply and logistics business established the risk and compliance committee to improve governance of S&OR performance. This committee consists of senior leadership from all operational areas, S&OR, finance and legal. It meets quarterly to review and endorse management of risk, and monitor a range of lead and lag performance measures.

Learning from incidents

Where incidents do occur, enhanced reporting, investigation and learning practices are used to improve our ability to learn from them. We issue 'learning alerts' to communicate relevant information about safety issues which have arisen inside or outside the company that could highlight potentially unsafe working conditions or practices. These alerts include specific requirements or

recommendations for our operations to implement where applicable, which may help prevent a similar incident recurring.

Rewarding safety

Safety is an integral part of how BP employees are assessed and rewarded. We measure employees' performance based both on what they deliver and how they deliver it, balancing near and long-term performance goals, specific safety objectives and behavioural expectations set with operating leaders.



Susan Dio
Bulwer Business Unit
Leader, BP

Leading in the Field helped me look differently at how I communicate with the front line. Now when I walk through a work area I think more broadly about all of the activities that are taking place and I think about the people who are doing those jobs. By stepping back and considering how important each of them are to our organisation, I start to think about all the pieces that make our organization tick and how we ensure they all work together in an integrated way.

Managing our contractors

BP is continuing to implement changes to how we work with contractors, including a focus on contracts that involve potentially high-consequence activities.

Following the Deepwater Horizon incident, BP conducted an in-depth review of contractor management practices, with the aim of documenting and learning from best practice throughout BP and across a number of sectors and industries that use contractors in potentially high-consequence activities.

As a result of this review, we are focusing on developing deeper, longer-term, quality relationships with selected contractors.

In Australia we run the Accredited Contractor Programme (ACP) designed to provide assurance that required standards are being met. The programme involves annual auditing for compliance.

Clear and specific contracts

We have governance boards for Upstream contracts that review and endorse supplier strategies and the award of contracts that could involve potentially high-consequence activities. The boards bring together expertise from the business line, our supply chain function, and our safety and operational risk function.

We are improving the clarity and consistency of our communications with our contractors. This starts with contracts which set out clear and specific expectations of our contractors and we are reviewing contracts and considering opportunities to standardize the language and content. We incorporate local supplier clauses into

our contracts with strategic suppliers to ensure they are working with local suppliers where appropriate or necessary.

Self-verification, assurance and audit

We expect our contractors to work systematically according to their own safety management system. We also expect that contract companies will self-verify that they are following and applying their own safety management systems. We undertake safety, technical and quality pre-contract award audits for new contractors involved in potentially high-consequence activities. To better assess contractor performance we are incorporating process safety and quality key performance metrics into contracts for potentially high-consequence work.

Doug Sweetman Asset Project Manager BP Refinery Kwinana

The Helios awards are a fantastic opportunity for BP to globally share all the innovative and best in class approaches being used by its various sites and operations world wide. From a safety perspective our approach was to use design support from experienced, shop floor trades and combine this with elimination of the HSE risk by moving the work to a safer location. We have subsequently had enquires from several other sites keen to model this approach at their site. The Helios awards provide a mechanism to both celebrate our success and share our learnings.



BP Refinery Kwinana – A safety winner

In 2012 BP Refinery Kwinana in Western Australia won a BP Helios Award for safety. The award recognizes the work of BP Refinery Kwinana's maintenance team who came up with an innovative cartridge design for the dissolved air flotation (DAF) scraper being used to clean waste water at the refinery. DAF scrapers, which are essential to our environmental management, needed a lot of maintenance to keep them running properly and this work was difficult and uncomfortable for maintenance crews. Working with the experienced site maintenance crew, the team came up with a design that makes maintenance safer, easier and faster, works better than the old system, and saves more than \$300,000 per year – that's a 75% saving. Helios Awards recognize teams that live BP values and contribute to a safer, stronger BP.

Personal health and safety

Our work relies upon the safety of our people and preventing harm to our workforce.

In 2012 BP Australia reported no workforce fatalities.

We track both recordable injuries and the days away from work case frequency, as these are industry-standard measures to help gauge how we are managing our operations to prevent harm to our workforce.

In 2012, we reported 19 day away from work cases and 46 recordable injuries.

Opportunities for improvement in 2013 include:

- Implementing a coordinated and systematic behavioural safety programme for marketing, supply and logistics business.
- Implementing the Leading in the Field programme for senior leaders in the Australian fuel supply chain – see Leading in the Field.

Health and wellness

BP's group-wide operating management system provides requirements that our operations must follow with the objective of preventing harm to the health of employees, contractors, visitors and members of local communities who may live or work near our operating sites.

In Australia we have a programme of site baseline assessments to help us identify and assess the risks from occupational health hazards and to ensure sites comply with the relevant health compliance requirements. Findings from these assessments are shared with management to enable the

development of health risk management programs. This programme has been running for several years in bitumen, terminals and Air BP and is currently being extended to retail and our regional business. Similar programs also operate in our refineries.

With injury management we have focused on developing internal capability to better manage return-to-work processes for work related and non-work related injuries and illness, with the aim of minimizing harm in all cases. Related to this has been the development of greater awareness of risk factors to improve our preventive programmes around work related injury.

We have had a long standing commitment to health promotion in the region focused on major health issues in the community including heart disease, mental health and cancer prevention. We offer screening programmes to employees in a number of these key areas annually, including blood pressure and cholesterol checks, bowel cancer screening and skin cancer checks. Mental health awareness programmes are also offered widely.

Transportation safety

All modes of transportation involve inherent risks. Some of the greatest risks to our workforce, and in our industry, relate to transportation of our people and products. Our workforce faces a number of on-the-job hazards on a daily basis and driving safety remains a high priority for us.

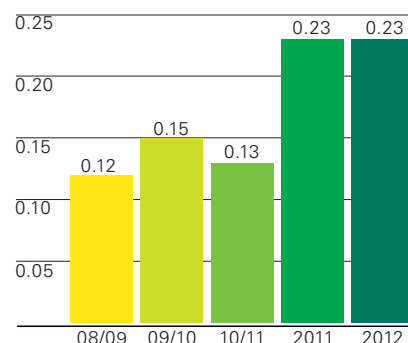
In 2012 we recorded 7 severe vehicle accidents.

Transport safety remains an area of strong focus as we manage both third party carrier contracts and run a fleet of trucks and drivers across our regional business network.

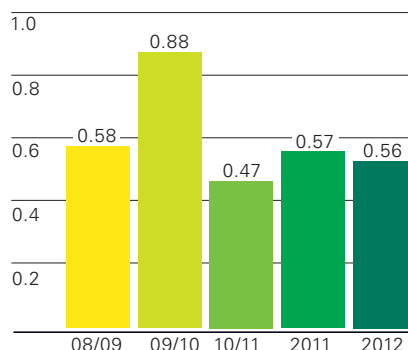
In 2011, we introduced the Stop for Safety programme to our regional workforce in addition to other safety activities already in place including bi-monthly safety tool box talks and driver training. Stop for Safety brings together business leaders and senior management with members of the regional workforce in cities and regional locations for face-to-face safety talks. As of 2013 the programme will become a bi-annual rather than annual event due to its popularity and positive safety outcomes.

Every two years we run the BP Australia and New Zealand driving championships for our third party carriers where drivers are judged on a range of skills ranging from manoeuvring and road craft to first aid. The event provides drivers, BP and carrier management personnel with the opportunity to better understand the challenges faced by drivers and to share good practices. Twelve drivers competed in the July 2011 championship held in Queensland.

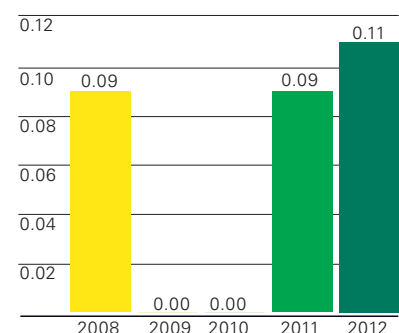
Days away from work case frequency



Recordable injury frequency



Severe Vehicle Accident Rate (SVAR)%



Preventing accidents and oil spills

We work to prevent, mitigate and ensure our preparedness to respond to accidents and spills across our operations.



Q: What processes do you have in place to prevent spills from occurring?

A: Ensuring we keep our product in pipes, trucks and tanks is critical during the 300,000 deliveries we make every year to our customers and the communities in regional Australia.

Our focus predominately lies in 3 key areas. Firstly, making sure we have the right plant in place, be it a fuel tanker or fuel hoses but also making sure our customer tanks comply with BP standards so we can make the delivery. Secondly, making sure our procedures are clear and our people are trained to execute them. Finally, we inspect and maintain our equipment on a regular basis.

Q: Do you have a process in place to manage the risk of spillage?

A: In the past couple of years we have put in place a process to make sure that every delivery is risk assessed, taking into consideration how we can get our fuel tanker to the customer site and making sure we are able to deliver the product safely.

George Roberts,
National Regional Operations Manager



We produce and transport fuels and chemicals which involves handling and converting large volumes of highly flammable and toxic substances. Process safety refers to the framework we have for managing the integrity of hazardous operating systems and processes to prevent accidents and oil spills.

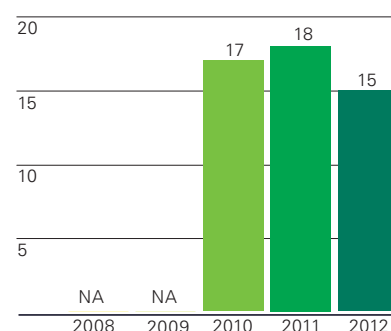
Tracking BP's process safety performance

To track our progress in process safety management we use leading indicators that focus on the strength of controls to prevent incidents. These include inspections and tests of equipment critical to process safety. We also measure lagging indicators that record events that have already happened – such as oil spills and other losses of primary containment.

Loss of primary containment

We monitor the integrity of our operations, tanks, vessels and pipelines used to produce, process and transport oil, hydrocarbons and other energy – with the aim of preventing the loss of material from its primary containment. Accordingly, we track loss of primary containment which includes unplanned or uncontrolled releases from a tank, vessel, pipe, railcar or equipment used for containment or transfer within our operational boundary, excluding non-hazardous releases such as water.

Loss of primary containment



More BP group information
online at bp.com/safety



Filter and analyse data on BP's health and safety performance using the charting tool.



See progress against recommendations made from our internal investigations of the Deepwater Horizon accident.



Find information on product stewardship and how we communicate the potential health, safety and environmental impacts of products.

Environment

BP is working to manage environmental impacts wherever we do business. We take a systematic approach to manage the environmental and social impacts of our operations and projects through our operating management system.

Our goals

We identify environmental impacts and seek to avoid or minimize them.

Our sites establish annual objectives to improve environmental performance.

We put action plans in place to reduce environmental risks associated with our projects and operations.

In this section

Completed a 3D marine seismic survey, partly in a marine protected area, in accordance with strict environmental regulatory conditions.



Trialled co-mingled recycling at our retail sites.



Achieved a Platinum award for water saving at our BP Refinery Kwinana.



We distribute fuels across remote and regional Australia.



Managing our impact

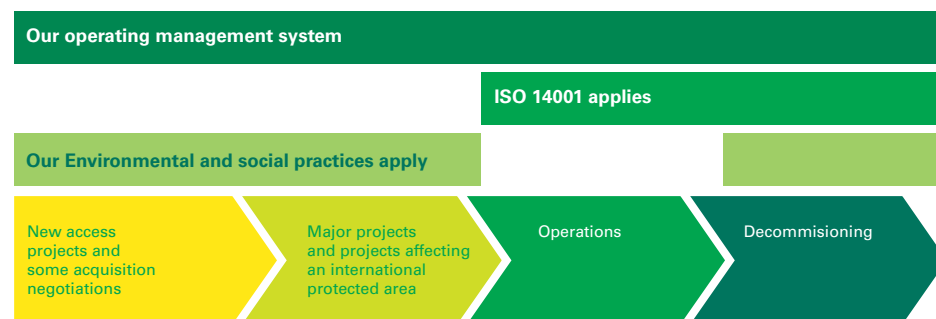


50%

improvement in potable water efficiency at Kwinana since 2008 (as recognised by the Western Australia Water Corporation Platinum Award).

Throughout the life-cycle of our projects and operations, we aim to manage environmental impacts and address any related impacts on local communities.

We annually review our management of material issues such as greenhouse gas, water and sensitive and protected areas. We seek to identify emerging risks and assess methods to reduce them across the company. For example, globally water scarcity is a potential risk for many of our operations, and we are working to develop tools and processes for our local businesses to use to address this issue.



Lifecycle approach

Our operating management system (OMS) is designed to drive continuous improvement in environmental performance as part of its role as our group-wide framework for a rigorous approach to safety, risk management and operational integrity. It integrates requirements on environment and social responsibility, as well as on health, safety and security, into a common management system.

Our OMS helps our operations around the world to assess, manage and wherever possible reduce their environmental and social impacts. This includes conducting an annual OMS assessment to identify risks and impacts, and then putting in place action plans to manage them.

The principles and standards of OMS are supported by our environmental and social practices. These set out how our major projects identify and manage environmental and social impacts. They also apply to projects that involve new access, projects that could affect an international protected area and some BP acquisition negotiations.

In the early planning stages these projects complete a screening process. Results are used to identify the most significant environmental and social impacts associated with the project, with a requirement to identify mitigations measures and implement these in the project design, construction and operations.

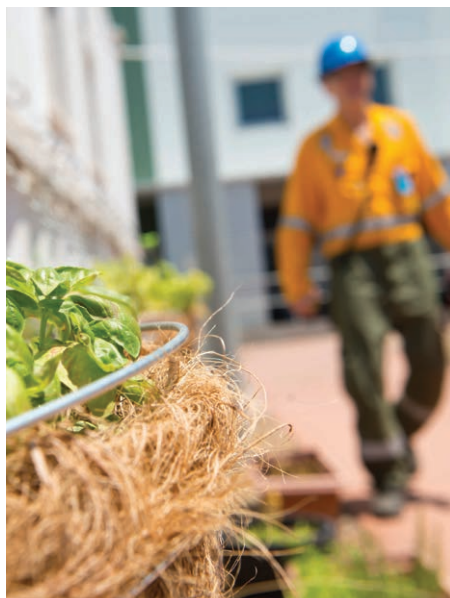
Complying with regulations

In Australia, we face diverse and complex environmental laws and regulations within national, state and local jurisdictions.

We manage applicable legal and regulatory health, safety, security and environmental (HSSE) requirements through our OMS, which includes requirements on HSSE compliance management systems. We strive to continuously improve performance by enhancing OMS and by sharing good practices via our networks.

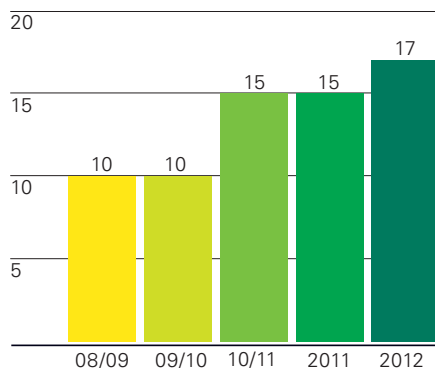
Across the company, we have deployed and continue to strengthen tools, systems and capabilities for managing HSSE compliance with applicable regulations.

Where regulations are already in place our businesses strive to comply fully with them at all times. Where regulations are under development, BP seeks to participate in the regulatory process while preparing for compliance with the likely regulations.

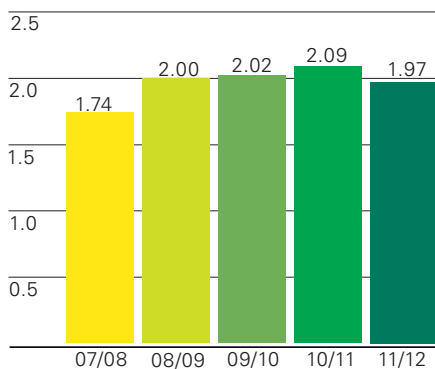


Environmental performance

Number of oil spills



Greenhouse gas emissions (million tonnes of CO₂ equivalent)



1.48Mte
Direct greenhouse
gas emissions

We report our environmental impacts at both group and local levels.

At a group level and local level, we report on key environmental issues such as energy use, greenhouse gas emissions, waste and water, providing information about the global context and how we manage the issue in our operations – as well as performance data and analysis



bp.com/environmentalperformance

We work in diverse environments, each of which can have specific types of environmental sensitivities.

We completed a 3D marine seismic survey, partly in a marine protected area, in accordance with strict environmental regulatory conditions as described in our Great Australian Bight case study. Through an effective stakeholder management process, we aim to address any environmental sensitivity concerns from non-government organizations (NGOs) and local stakeholders.

At our BP Refinery Kwinana we work with the natural resource management group, Coastcare, to improve coastal vegetation management along the fringe of Cockburn Sound which, in turn, improves the habitat for the local bandicoot population.

Oil spills and the environment

We have used lessons from our Deepwater Horizon oil spill response to strengthen our approaches to preparedness and response planning. In July 2012, new group requirements for oil spill preparedness and response planning, and for crisis management, were issued, with timeframes established for required conformance by the business.

The Australian Downstream business experienced 17 oil spills of one barrel (159 litres or more) in 2012. We include spills that were contained, as well as those that reached land or water. This included a leak from the pipeline at North Fremantle, Western Australia terminal into the harbour and a leak from an underground tank at Beresford, New South Wales.

The source of the Fremantle spill was a leak from a blanked-off pipeline which had not been used for some time. BP engineers installed a collar in the early stages of the incident to prevent further spillage and the Fremantle Port Authority deployed boom into the harbour to contain and recover the oil. The cause of the leak was found to be incorrect placement of the pipeline which led to it rubbing against the concrete wharf, which was not visible on inspection. This rubbing eventually wore away the lagging and sea water 'pooled' on top of the pipeline causing corrosion and ultimately

failure. Following the incident all other pipelines were inspected to determine whether they were correctly placed in relation to the concrete wharf.

An investigation into the cause of the Beresfield leak concluded that an earthquake on 10th September caused the single-walled fibreglass tank to crack and ultimately fail. Beresfield was constructed in 1999 and since then BP standards now require double wall tanks. The investigation also recommended a review of sites containing similar tanks.

Energy efficiency

We seek to increase energy efficiency across the company by implementing technologies to improve energy usage. For example, in Australia we developed a five-year energy reduction roadmap for our retail sites which outlines the projects we will implement to reduce energy consumption across the network. Each of our refineries continue to identify and develop projects for energy efficiency in line with their own site based energy plans and assessment and reporting schedule (ARS) developed under the Federal Government's Energy Efficiency Opportunities programme.

For information on our greenhouse gas data, see page 21.

Water management

BP uses water across all its operations. Our refining facilities use it for cooling, steam and manufacturing processes. We also use water at our terminals, bitumen, depots and retail. In Australia in 2012 water used decreased by 11% primarily because of improved measuring of water consumption and efforts to reduce water use.

In 2012 BP Refinery Kwinana was the recipient of a Western Australia Water Corporation Platinum Award for water efficiency. The platinum award recognizes water users who make more than 50% improvement in potable water efficiency which we have achieved since 2008. The refinery's potable water reductions in recent years were possible through a switch to recycled water.

Environmental remediation

Where possible, we work with our stakeholders to enable the productive use of assets that have been decommissioned. We work to find approaches that will have wider environmental and social benefits.

In Australia, between 2006 and 2012, BP provided industry leadership on a multi-discipline regulatory, research and industry panel that developed the CRC CARE Health



Screening Levels (HSLs). This work used the latest accepted global approaches to risk assessment to develop a suite of soil, vapour and groundwater guideline values, which can be readily compared to field measured data. CRC HSLs provide a rigorous and conservative approach to delivering an appropriate assessment of risk for all stakeholders, and open up opportunities for re-using land previously used for industrial activity.

Waste management

At many of our operating sites, we generate hazardous and non-hazardous waste. At these sites, we manage our waste through our local operating management systems. The improvements made to the way we manage our waste include implementing new minimization and recycling initiatives. For example, we piloted a co-mingled waste recycling initiative at our retail sites in 2012, as part of our commitment to the Australian Packaging Covenant.

Volatile Organic Compounds

Volatile Organic Compounds (VOC) are emitted during our operations in the manufacture, storage, loading and unloading of lighter fuels such as motor spirit. We aim to actively reduce these emissions where possible. For example: both of our refineries have active leak detection process in place where routine measurement of pipes, joins and other areas of the plant are checked for potential VOC emissions.

Environmental compliance

We develop plans for compliance with applicable legislation and seek to minimize any potential impacts. We are continually evaluating ways to improve our performance in this area.



More BP group information
online at bp.com/environment



Performance data on energy use, flaring, greenhouse gas emissions, ozone-depleting substances, emissions affecting air quality, waste and water



How we are laying the foundations for large-scale carbon capture and storage



Science and technology in environmental protection

Society

We care deeply about how we bring energy to the world. To BP, working responsibly means seeking to have positive impacts on the areas where we operate by managing activities in a systematic way.

Our goals

We seek to avoid or mitigate any negative socio-economic impacts of our operations and projects.

We aim to build open and constructive relationships with our stakeholders.

We aim to contribute to closing the gap of indigenous disadvantage through our Reconciliation Action Plan (RAP).

In this section

Our first year implementing our Reconciliation Action Plan.



Announced a partnership with the Australian Indigenous Education Foundation to support indigenous education.



\$1.4 million invested in community programmes.



President BP Australia, Paul Waterman launching our Reconciliation Action Plan in Melbourne in 2011.



Managing our impact on society



10

Years since the launch of Opal® fuel.



Opal

In 2002, BP received a letter from a youth worker in the Northern Territory pleading for help after witnessing first-hand the devastating impact of petrol sniffing in Aboriginal communities. In this letter, Chris Tangey described a grim reality: "As I write this, I can see an 11-year-old girl through the window with half a Coke bottle containing petrol strapped over her nose and mouth. I don't know if she will make her 12th birthday. Is there anything you can do?"

BP responded by developing Opal®, a fuel that contains only light aromatic vapours, denying substance abusers a 'kick' when it is sniffed. We now supply Opal® to around 110 communities in the Northern Territory, South Australia, Western Australia and Queensland, ranging from small populations of 100 people to towns such as Alice Springs with 25,000 residents. The government subsidizes Opal to ensure the price at the pump is same as regular unleaded.

Chris Tangey returned to Papunya 10 years later in 2012 to see how his original email had brought about change. "It's just incredible," he said of the turnaround. "The kids are running around as if none of this horrible war zone had ever happened. The lesson is that even if you think that what you're about to do won't make a difference; do it anyway."



To see the Opal story, visit
bp.com.au/reconciliation

We want communities to benefit from our presence, and this is set out in our code of conduct and our values.

Assessing impacts

At the start of new projects, we assess what the short and long-term impacts of our activities might be. Projects that are subject to our environmental and social practices are required to carry out an early screening to evaluate the potential environmental and socio-economic sensitivities in the area, and how our activities might affect them.

Screenings assess a number of factors including the needs of indigenous people, human rights implications, security, community needs, workforce welfare and local employment, the cultural heritage of the area, and the physical and economic aspects of involuntary resettlement.

In Australia, the Great Australian Bight (GAB) project is classified as a new access project in accordance with our Environmental and Social guidelines. New access project means the BP entity has been granted the rights for physical activity, including exploration projects, in an area where BP has not previously undertaken the same or substantially similar activities as those proposed for the project. As such screening was performed before the seismic survey to understand the potential impact of the seismic operations in the GAB environment. The screening required for the drilling operation has also been completed.



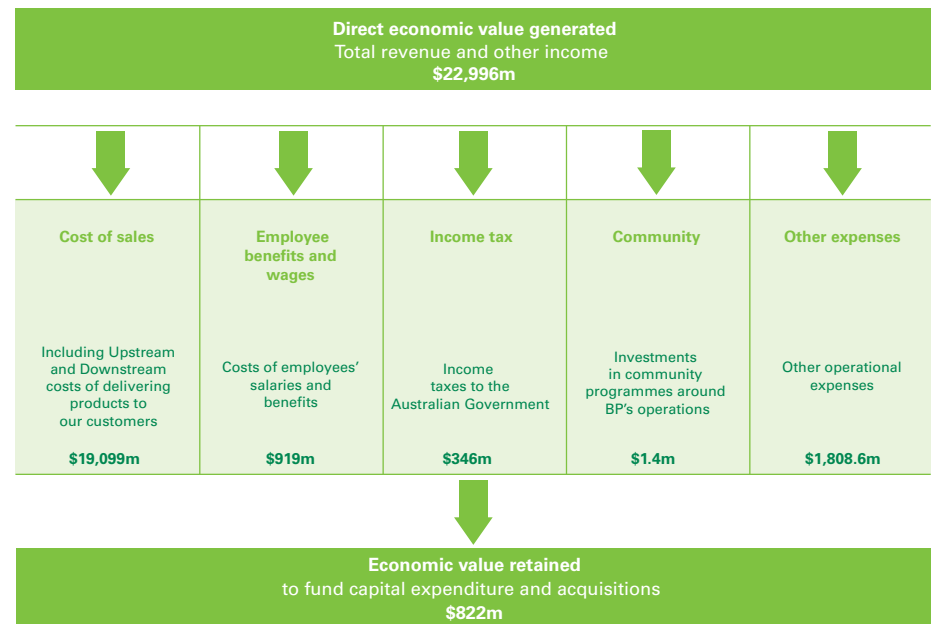
Host societies and local communities

EITI principles

1. We share a belief that the prudent use of natural resource wealth should be an important engine for sustainable economic growth that contributes to sustainable development and poverty reduction, but if not managed properly, can create negative economic and social impacts.
2. We affirm that management of natural resource wealth for the benefit of a country's citizens is in the domain of sovereign governments to be exercised in the interests of their national development.
3. We recognise that the benefits of resource extraction occur as revenue streams over many years and can be highly price dependent.
4. We recognise that a public understanding of government revenues and expenditure over time could help public debate and inform choice of appropriate and realistic options for sustainable development.
5. We underline the importance of transparency by governments and companies in the extractive industries and the need to enhance public financial management and accountability.
6. We recognise that achievement of greater transparency must be set in the context of respect for contracts and laws.
7. We recognise the enhanced environment for domestic and foreign direct investment that financial transparency may bring.
8. We believe in the principle and practice of accountability by government to all citizens for the stewardship of revenue streams and public expenditure.
9. We are committed to encouraging high standards of transparency and accountability in public life, government operations and in business.
10. We believe that a broadly consistent and workable approach to the disclosure of payments and revenues is required, which is simple to undertake and to use.
11. We believe that payments' disclosure in a given country should involve all extractive industry companies operating in that country.
12. In seeking solutions, we believe that all stakeholders have important and relevant contributions to make – including governments and their agencies, extractive industry companies, service companies, multilateral organisations, financial organisations, investors, and non-governmental organisations.

When managed properly, our presence in a region has the potential to contribute to local and national economies.

BP's direct economic contribution to Australia in 2012



We believe that host societies and local communities should share in the value that our activities create. BP's projects and operations have the potential to benefit local communities by creating jobs, supporting community development initiatives, generating tax revenues and providing opportunities for local suppliers.

Financial transparency

The taxes that BP pays are a significant part of BP's economic contribution to the countries in which we operate. We believe that tax systems should balance the generation of tax revenues with the encouragement of business investment through simple and efficient systems designed to allow competitiveness, while maintaining transparency and good governance in business and government.

Our code of conduct requires that our employees and contractors are honest and responsive in any interactions they have with governments. We have made a number of submissions to Australian Treasury in 2012 on aspects of tax policy development that we believe are important for investment and the efficient administration of our Federal tax system. These include the need to amend the Petroleum Resource Rent Tax law following the Federal Court's decision allowing deductions for legitimate business expenses where they are reasonably apportioned to projects. We also put our views to Treasury on proposals to amend the general anti avoidance

provisions of the Tax Act, Part IVA, to ensure there are no unintended consequences that raise further uncertainty and costs for both the Australian Tax Office (ATO) and business.

BP Australia seeks to work collaboratively with the ATO on tax compliance risks generally and is one of only a few companies to have entered into an Annual Compliance Arrangement with the ATO covering indirect taxes. We are represented on the Commissioner's Large Business Advisory Group and welcome the opportunity generally to provide input to continuous improvement initiatives in administration.

Extractive Industries Transparency Initiative

As a founding member of the Extractive Industries Transparency Initiative (EITI), and an alternate member of the initiative's board, BP works with governments, non-government organizations (NGOs) and international agencies on increasing the transparency of revenue flows.

In Australia, we have been involved in designing the reporting processes to be adopted as a founding member of the Multi Stakeholder Group for the Australian EITI pilot. The pilot commenced in July 2012 with the objective of testing the governance and transparency of Australia's financial reporting arrangements for the resources sector against the principles and criteria of the EITI and assessing whether there are any possible



Case Study: Project New Dawn

Project New Dawn is the brain child of BP employee Albert Li and Major Brendan Nottle from the Salvation Army, and was adopted by BP's Retail business in 2007.

The Project New Dawn (PND) programme moves long-term unemployed homeless persons from unsafe and often unhygienic living conditions to accommodation in a shared house and employment through BP's Retail network for up to 18 months.

BP currently leases five PND homes in Melbourne, Newcastle, Brisbane, and Perth. Each house has two programme participants and a lead tenant who acts as a positive role model.

Programme graduates can choose to stay working at BP or move on to other career opportunities. The Salvation Army teaches them how to budget for a bond and rent payments beyond the programme with the aim of moving them into independent living.

**Kris Halliday, Salvation Army,
Chris Mayo, Project New Dawn graduate
and Zen Durbridge, Senior BP Retail Trainer.**

enhancements of the EITI methodology that are appropriate for Australia. It will use information and data gathered from the Commonwealth, participating state governments and a sample of Australian and multi-national companies, including BP Australia, to test the application of EITI Principles to Australia's financial reporting regime.

Bribery and corruption

Our code of conduct requires that we do not engage in bribery or corruption in any form and our group-wide anti-bribery and corruption standard applies to all BP employees and contractors. We undertake an anti-corruption due diligence process to help us systematically identify and manage any potential corruption risk associated with third parties.

We are embedding this process in the way we manage our community investment, sponsorships and donations in Australia. Our decisions regarding community investment, sponsorships and donations will have to comply with the anti-bribery and corruption policy. Every organization which

applies for funds from BP Australia will be required to complete the anti bribery and corruption (ABC) due diligence process.

Developing local suppliers

Our procurement strategy is designed to reward suppliers who demonstrate leadership in sustainability, including supporting the prosperity of indigenous communities. We hosted a series of development workshop sessions empowering local suppliers with accreditation standards and providing an opportunity to receive feedback on submitted request for quotation documentation to improve quality and the likelihood of future quotations being successful.

BP is continuously striving to grow indigenous business. We will be proudly presenting the "BP Up and Coming Member" award at the 2013 Supply Nation – Diversity Awards. This award is presented to a new Supply Nation member who has shown immediate enthusiasm and involvement, and is continually promoting the Supply Nation cause.

Community investment

We aim to support development programmes that create a meaningful and sustainable impact – one that is relevant to local needs and aligned with BP's business. We work with local authorities, community groups and specialists to deliver these community programmes. Our community investment falls into several categories.

We are continuing to focus our community investments in education, energy and enterprise. In 2010 we decided to formally commit to supporting indigenous communities and launched our first Reconciliation Action Plan in 2011.

Host societies and local communities



Reconciliation Action Plan (RAP)

Our RAP aims to contribute to closing the gap of indigenous disadvantage through funding and developing initiatives such as cultural awareness, procurement, pathways to employment and the continued support of Opal® fuel. Within each area of the RAP there are key actions, timelines and measurable targets. We review progress on a quarterly basis and report annually.

As one of our key commitments to support pathways to employment, we entered into a \$1 million partnership with the Australian Indigenous Education Foundation (AIEF) to improve personal growth and career opportunities for indigenous youth. AIEF is a non-profit organization led by private sector, focused on empowering indigenous children in financial need to build a future through quality education and career pathways at Australia's leading schools, universities and companies. We aim to provide scholarships for indigenous children at some of the leading schools and universities in the nation and thus help equip them to pursue productive and fulfilling careers.



For more information about our RAP see bp.com.au/reconciliation

Enterprise development

We are committed to supporting indigenous-owned business through how we buy or procure good and services. We have provided additional measures to assist some indigenous owned businesses enhance their capacity to compete and win business.

We are also supporting the specifically designed indigenous business development programme (IBDP). This programme provides Aboriginal people working in indigenous-owned business enterprises with the opportunity to build on their skills and knowledge to effectively and efficiently manage their operations. Unlike generic vocational business skills training, this programme focuses on the developmental needs of each individual and their business. Participants are paired with BP mentors and focus on specific business capabilities. Participants have reported positive benefits in their business processes.

In 2012, BP hosted four Aboriginal entrepreneurs from the Pilbara, Western Australia as part of this programme.

Education

The BP education grants programme was established in 1992 to provide secondary schools with an opportunity to enhance learning by broadening their students perspective beyond the traditional classroom environment.

In 2012, we provided grants to 13 secondary schools in Queensland and Western Australia of up to \$10,000 each to develop projects that add value to the school, the community and business environments. These grants supported various innovative projects focused on alternative energy, sustainability, and engineering, science or technology and totalled over \$80,000.

Access to energy

As our third focus area, we continue to look for opportunities to help communities to access or conserve energy. This may be through renewable energy initiatives or by developing fuels such as Opal that allows remote communities access to energy whilst reducing the impact of petrol sniffing.

Employee volunteering programme

In response to employee demand for volunteering opportunities in the wake of the 2009 Victorian Bushfires (Black Saturday), we granted all permanent BP employees two days volunteer leave annually.

In 2012 we launched our employee volunteer programme that enables our employees to volunteer as individuals in their own time, as part of a team at away days and events or during the annual employee volunteer week. Ninety employees volunteered at the pilot programme held in Melbourne in October 2012.

Our approach to reporting

Input from our stakeholders is a key part of our reporting process, because it helps us to identify and report on sustainability topics that really matter.



Scope of reporting

This BP in *Australia Sustainability Report* and *bp.com.au/sustainability* concentrate on performance and activities from 1 July 2011 to 31 December 2012. In addition to our country sustainability report, we also publish a group sustainability report.

We aim to report on all aspects of our business, including joint ventures where we are the operator. Where appropriate, we also seek to provide an overview of joint venture activities where we are not the operator, but where we have significant influence on our partners.

Input from external stakeholders

We made decisions about which topics to cover in this report by talking with external stakeholders and by reviewing the year's developments with our own internal subject matter experts. We also regularly monitor media coverage of our company and our industry.

Before our report is published, BP's senior leaders review the content to ensure there are no significant omissions. Our external assurance provider, Ernst & Young, also reviewed the information reported in the 2011-12 BP Australia Sustainability Report to provide assurance over this content. This included a review of BP's materiality process, which is used to identify key issues for inclusion within the Report.

In preparing to publish our 2012 report, we engaged an external consultant to review our stakeholders and engage them for their views on our material issues. Some of the stakeholders included:

- NGOs
- Business representatives
- Regulators
- Federal government departments
- State governments
- Indigenous elders
- JV partners
- Commercial customers

What we heard	How we are responding
Safety	
Ensuring a safe workplace and maintaining safe processes, systems and operations	Safety is our first priority. We are enhancing risk management across our organisation through OMS and our S&OR function as described in the <i>How We Operate</i> section. See page 26
Energy future	
What is BP doing about energy security and future of refining	We look at the global energy landscape for 2030 and see opportunities and challenges for Australia as outlined in our submission to the <i>Energy White Paper</i> . See page 14 and <i>bp.com.au/energywhitepaper2009</i>
Social impact	
Involvement with indigenous and local communities	Through our Reconciliation Action Plan (RAP) and education scholarships we are supporting our indigenous and local communities in pathways to employment. See page 40
How are we changing	
What has changed in BP following the Gulf of Mexico accident	We report on the wide-ranging programme to enhance safety and risk management across BP including Australia. See page 12

Independent assurance statement to the Directors of BP Australia

BP Australia Sustainability Report 2012 (the Report) (comprising an on-line document located on-line at www.bp.com.au) has been prepared by the management of BP Australia Pty Ltd (BP Australia), who are responsible for the collection and presentation of information within it. Our responsibility, in accordance with BP Australia management's instructions, is to carry out a limited assurance engagement on the Report as outlined below, in order to provide conclusions on the claims, data and coverage of sustainability issues within it.

Our responsibility in performing our limited assurance activities is to the management of BP Australia only and in accordance with the terms of reference agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk. While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls.

What we did to form our conclusions

Our limited assurance engagement has been planned and performed in accordance with ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

The Report has been evaluated against the following criteria:

- Whether the Report covers the key sustainability issues relevant to BP in Australia for the eighteen months to December 2012 which were raised in the media, BP Australia's own review of material sustainability issues, and selected internal documentation.
- Whether claims made in the Report are consistent with the explanation and evidence provided by relevant BP Australia managers.
- Whether the performance data presented in the Report is consistent with the relevant business unit level data records.

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

1. Reviewed a selection of external media reports relating to the sustainability performance of BP Australia for the eighteen months to December 2012.
2. Reviewed the outcome of BP Australia's own processes for determining the key sustainability issues to be included in the Report.
3. Reviewed information or explanation about the Report's sustainability performance data and statements. Whilst we reviewed documentation to support the performance data contained within the Report, we did not test the data processes for gathering, collating and reporting data at country or site level.

Level of assurance

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

Our conclusions

On the basis of our review and in accordance with the terms of reference for our work we provide the following conclusions on the BP Australia Sustainability Report 2012. Our conclusions should be read in conjunction with the above section on 'What we did to form our conclusions'.

1. Does the BP Australia Sustainability Report 2012 cover the key sustainability issues?

We are not aware of any material sustainability issues relevant to BP Australia Pty Ltd which were raised in the media or the outcome of BP Australia Pty Ltd's own materiality process that have been excluded from the BP Australia Sustainability Report 2012.

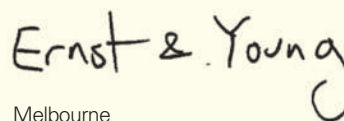
2. Are the data and claims regarding BP Australia Pty Ltd's sustainability performance contained within the BP Australia Sustainability Report 2012 supported by evidence or explanation?

We are not aware of any material misstatements in the assertions and data presented by BP Australia Pty Ltd management within the BP Australia Sustainability Report 2012 regarding BP Australia Pty Ltd's sustainability performance.

Our independence

In conducting our limited assurance engagement we have met the independence requirements of the APES 110 *Code of Ethics for Professional Accountants*. We have the required competencies and experience to conduct this assurance engagement.

Ernst & Young

The logo for Ernst & Young, featuring the company name in a stylized, handwritten-style font.

Melbourne

16 May 2013

BP in figures

Data on our safety, environment, people and performance from 2008 to 2012.

Performance	2008	2009	2010	N/A	2011	2012
Total refinery throughput – thousand barrels per day	195	204	196		208	193
Shop sales – US\$ million ^a	355	355	380		355	428
Total hydrocarbons produced per day – thousand barrels of oil equivalent ^b	94	107	110		102	99
Historical cost operating profit before tax – A\$ million	1,405	1,019	1,757		1,168	1,972
Donations and sponsorships – A\$ million	1.56	1.75	3.27		2.61	4.67
Salary and employee benefits – A\$ million	833	661	681		722	919
Total remuneration for directors – A\$ million ^c	7.87	8.91	8.50		6.16	5.89
Income tax expense – A\$ million	282	434	520		580	346
Safety ^d	2007/08	2008/09	2009/10	2010/11	2011	2012
Number of fatalities – workforce ^e	0	0	0	0	0	0
Days away from work case (DAFWC) – workforce ^f	6	7	8	8	18	19
Days away from work case frequency (DAFWCF) – workforce ^f	0.09	0.12	0.15	0.13	0.23	0.23
Recordable injuries (RI) – workforce ^f	48	35	46	30	44	46
Recordable injury frequency (RIF) – workforce ^f	0.70	0.58	0.88	0.47	0.57	0.56
Hours worked (million hours) – workforce ^f	13.7	12.1	10.4	12.6	15.6	16.3
Number of oil spills (≥159 L) ^g	22	10	10	15	15	17
Volume of oil spilled – litres ^g	76,064	48,030	10,640	200,603	57,253	78,185
Volume of oil unrecovered – litres ^g	23,149	10,895	207	21,318	44,918	3,610
Number of major incident announcements (MIAs) ^h	0	0	0	0	0	0
Number of high potential incident announcements (HIPOs) ^h	3	2	2	2	4	3
Integrity related incidents ⁱ	2	0	1	0	0	1
Environmental ^a	2008	2009	2010	N/A	2011	2012
Sulphur oxides (SOx) emissions – tonnes	5,903	6,750	6,476		7,562	6,596
Nitrogen oxides (NOx) emissions – tonnes	2,807	3,067	2,744		2,740	2,480
Non-methane hydrocarbons (NMHCs) – tonnes	8,134	8,056	8,291		8,654	8,498
Subtotal of non-GHG emissions	16,844	17,873	17,511		18,956	17,574
Hazardous waste disposed – tonnes	26,840	34,542	23,861		23,716	25,996
Non-hazardous waste disposed offsite – tonnes	47,022	25,595	12,027		13,084	23,488
Non-hazardous waste recovered / recycled offsite – tonnes	7,784	5,808	12,742		8,327	10,946
Potable water used – million litres	1,266	497	546		933	824
Freshwater and reclaimed water used – million litres	3,688	4,290	4,150		4,336	3,884
Subtotal water consumption	4,954	4,787	4,696		5,269	4,708
Discharges to water – million litres	2,142	2,143	2,212		2,378	2,260
Environment and safety fines > A\$5000 ^f	0	0	0		0	0
Environmental liabilities – A\$ million	23	33	35		38	38
	2007/08	2008/09	2009/10	2010/11	N/A	2011/12
Direct greenhouse gas (GHG) emissions – million tonnes CO ₂ equivalent ^g	1.35	1.51	1.55	1.62		1.48
Indirect greenhouse gas (GHG) emissions – million tonnes CO ₂ equivalent ^g	0.39	0.49	0.47	0.47		0.49
Total greenhouse gas (GHG) emissions – million tonnes CO ₂ equivalent ^g	1.74	2.00	2.02	2.09		1.97
People	2007/08	2008/09	2009/10	2010/11	2011	2012
Employee turnover – % ^h	11.0	18.7	11.2	13.1	14.7	14.9
Number of employees and contractors ⁱ	6,083	5,489	4,657	4,670	7,686	7,681
Women in workforce – % ⁱ	39.0	37.0	37.0	36.0	41.3	41.7
Women in leadership – % ⁱ	21.0	17.0	25.0	25.0	18.0	15.5

Notes to figures

- a** Includes company operated sites only. Although operated from November 2011, Reliance was included from Jan 2012
- b** Total hydrocarbons produced is BP's equity share of the North West Shelf Venture
- c** Remuneration for directors also includes executives as defined in the BP Australia Group Pty Ltd report
- d** Safety and operational integrity data covers BP operated assets only (however includes data from our commercial sites and transport incidents which fall outside the scope of this report)

- e** Environmental data includes BP operated assets only
- f** BP is not aware of any fines over \$5000.
- g** GHG emission amounts include both NGERs reportable and non-reportable entities
- h** Corporate turnover figures (excludes retail sites). Increase in 2008/09 due to closure of Solar Plant

- i** Due to the change in the timing of the publishing of this report, the reporting period of this performance data item has moved from a financial year basis to a calendar year basis. Historical financial year basis amounts have been presented as published in prior reports. All new amounts not previously published regarding this specific amount for 2011 and 2012 have been presented on a calendar year basis.



Our corporate reporting suite

This document is part of BP's corporate reporting suite. We report on our financial and operating performance, sustainability performance and also on global energy trends and projections.



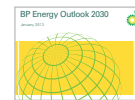
Annual Report and Form 20-F 2012

Details of our financial and operating performance in print or online. Publishes March.
bp.com/annualreport



Summary Review 2012

A summary of our financial and operating performance in print or online. Publishes March.
bp.com/summaryreview



Energy Outlook 2030

Projections for world energy markets, considering the potential evolution of global economy, population, policy and technology. Publishes January.
bp.com/energyoutlook



Sustainability Review 2012

A summary of our sustainability reporting or find additional information online. Publishes March.
bp.com/sustainability



Financial and Operating Information 2008-2012

Five-year financial and operating data in PDF or Excel format. Publishes April.
bp.com/financialandoperating



Statistical Review of World Energy 2013

An objective review of key global energy trends. Publishes June.
bp.com/statisticalreview

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You can also telephone
Tel: +61 (0) 3 9268 4111

or write to:
Corporate reporting
BP Australia
PO Box 5222,
Melbourne, Vic 3001