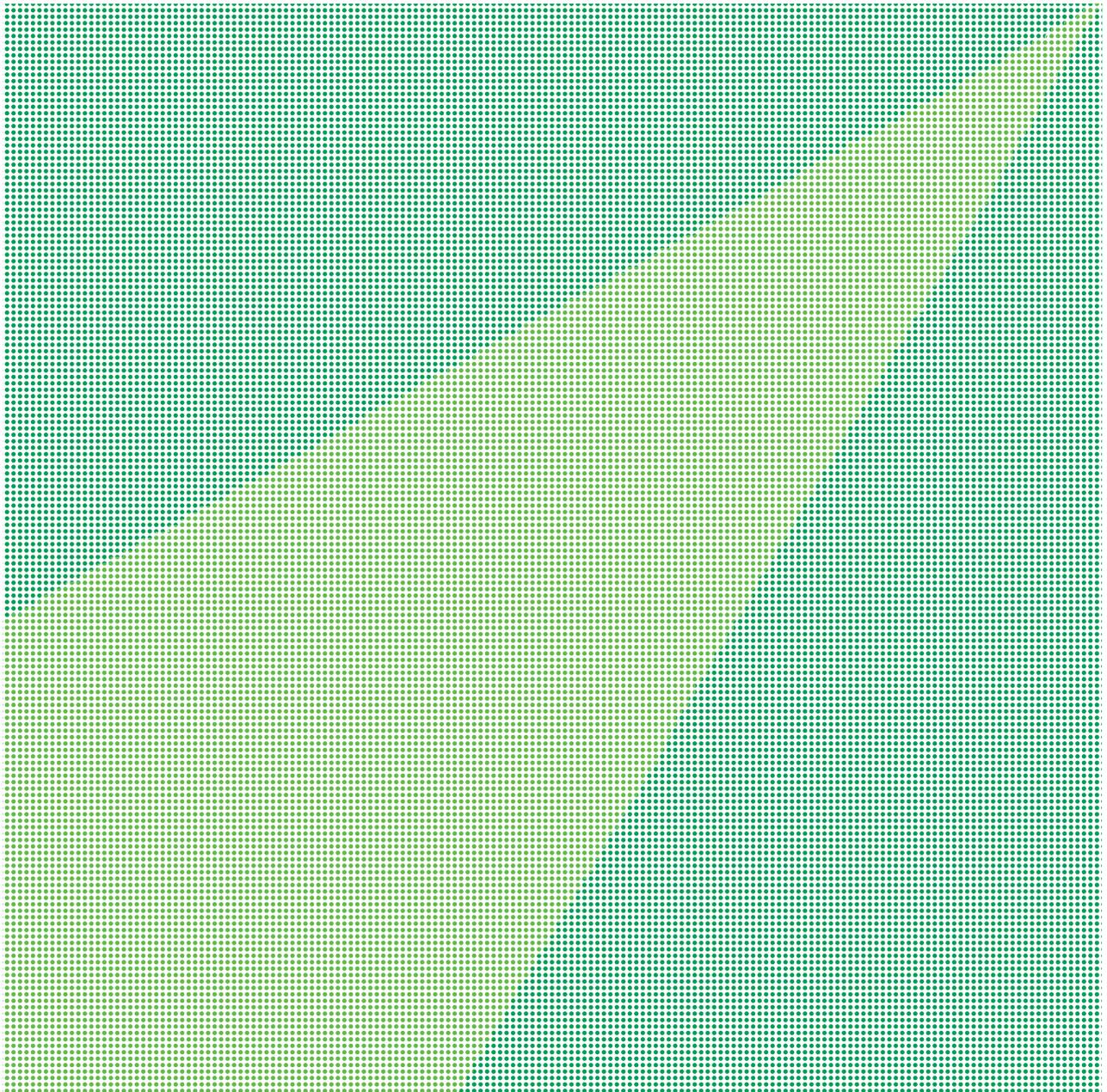




## Defining our path



●●● This report covers BP's business, environmental record and role in society. This year, in response to external feedback, we have produced an integrated report that explains the relationship between environmental, social and ethical issues and our business strategy, including many factors relevant to the long-term future of the group. We have therefore given it a new title: *BP Sustainability Report 2003*.

For us, 'sustainability' means the capacity to endure as a group by renewing assets, creating and delivering products and services that meet the evolving needs of society, attracting successive generations of employees, contributing to a flourishing environment and retaining the trust and support of customers, shareholders and communities.

This report shows how we seek sustainability in many different areas of activity. As we organize and manage the group and its activities year by year, our judgements are shaped by a set of core values that reflect our experience and sustaining beliefs.

At the core of BP is an unshakeable commitment to integrity, honest dealing, treating everyone with respect and dignity, striving for mutual advantage and contributing to human progress. Our products and services contribute to a better quality of life. They provide the freedom to move, to heat, to see. We believe this freedom is inseparable from the responsibility to produce and consume energy in ways that respect both human rights and the natural environment.

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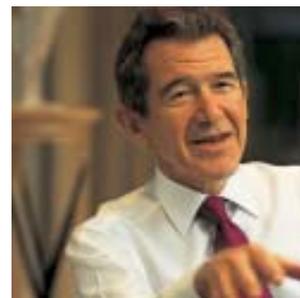
### Introductory comment from Ernst & Young

We have reviewed the contents of *BP Sustainability Report 2003* to provide assurance on the information reported.

This work involved assessing data management processes, examining relevant management information, interviewing BP management, reviewing external media sources and visiting a sample of operational sites. Our conclusions, which can be found on pages 41-43, have been prepared against the main principles of the AA1000 Assurance Standard: Materiality, Completeness and Responsiveness.

A selection of specific observations, based on our visits to operational sites, have been included on relevant pages of this report.

## Group chief executive's introduction



Over the last five years BP has grown significantly. From several heritage companies we have created one BP group, with a strong portfolio of assets, market positions and people, connected by shared values and a common purpose. Our aspirations have grown. We are striving to be numbered among the world's great companies and to be a force for human progress. We are doing all this in testing times when confidence in major corporations has declined and the spotlight on our activities has become even brighter.

Our intention is therefore to report on more than just our financial performance and tell a broader story as clearly as we can, highlighting our achievements but also being open about the difficulties we encounter. Our goal is to provide a clear window through which our policies, commitments and performance can be assessed, both by the outside world and by our 103,700 employees.

This year we have created a report that provides a concise account of the main issues affecting the energy business and explains how BP is seeking to address them. We have sought to show how environmental, social and ethical issues help shape our business strategy, a process that begins with our fundamental purpose – to maximize long-term shareholder value.

This is a simple phrase, but one that makes complex demands.

First, it demands that we develop a strategy that will give the company competitive advantage and so create value. Second, since it demands that shareholder value be maintained for the long term, it requires us to build a company that will endure – a sustainable company, operating in a sustainable world. This is one of the reasons we have called this the *BP Sustainability Report 2003*.

Our strategy defines the destination – shareholder value – but the test of sustainability provides the reference by which we judge everything we do. It defines the path towards our destination. To be sustainable, a company cannot exist in isolation but must recognize and manage its wider impact and its contribution to society.

In practical terms, we do this by defining our core values, enshrining them in policies with real meaning and then applying them through specific controlled management processes and standards throughout the group. All of this is carried out within a well-defined system of governance, details of which are clearly laid out in *BP Annual Report and Accounts 2003*.

Looking to more specific issues, as we seek to manage the impact of our activities on the environment we are driven by an aspiration to transcend the apparent trade-off between energy-led improvements in living standards and environmental degradation. Our goal is to enable energy to be produced and consumed in ways that do no long-term damage to the planet or its people.

In 2003, this led to a range of actions, including a more focused inquiry into what is required to stabilize greenhouse gas concentrations in the atmosphere, and further work to minimize emissions from our own operations. In addition, we have implemented a new programme to determine how reduced emissions from cleaner, less carbon-intensive fuels such as natural gas, or motor fuels such as BP Ultimate, can be recognized for their contribution to broader global reduction targets.

The principle of mutual advantage underpins our approach to relationships. Mutual advantage represents our aspiration that every contact a third party has with BP should bring advantage to them as well as to us. This applies as much to a community, country or supplier as to a customer or employee.

In 2003, two developments stood out as examples of our commitment to this principle. The first was the 1,762-kilometre Baku-Tbilisi-Ceyhan (BTC) oil pipeline, which we began to build in April on behalf of the BTC Company. It is the largest foreign direct investment in the region, with an estimated cost of around \$3 billion. The longest pipeline ever built by BP, it avoids the need to send more tankers through the congested Bosphorus and Turkish Straits. We have set out to make the pipeline a flagship for local economic benefit, for environmental and social safeguards and for community involvement. Its construction continues, as do scrutiny and external challenge. So, too, does our determination to make it a positive outcome for all involved as we work to complete the construction in 2005.

Last year, we also made a major investment in Russia, one of the world's great hydrocarbon basins. Here we are starting a long journey that will test how well we can put our principles into practice. In the joint venture with our partners, we are determined to contribute to the continuing economic progress of Russia, and over time reduce the impact of our operations on the environment.

We attach great importance to the work done by expert organizations to create benchmarks for reporting a company's performance in respect of the environment, ethics, governance, employment and social issues. This report has been prepared in accordance with the 2002 Global Reporting Initiative Guidelines and has been independently verified. We believe it represents a balanced and reasonable presentation of our economic, environmental and social performance. We also include a 'Communication on Progress' on how we are living the United Nations Global Compact Principles.

As we progress towards our goals, we will not get everything right all the time. We are grappling with difficult and complex issues in challenging parts of the world. But I am convinced that BP must be a force for good wherever we operate and that corporate responsibility must remain at the heart of our business, driving everything we do. You will judge how well we are succeeding.

I hope this report will provide a clearer picture of the actions we are taking to meet the world's needs for energy while promoting human progress and preserving the natural environment. If there are ways we can improve it, please let us know. I hope it provides real insight as to what is at the core of BP.

A handwritten signature in black ink, which appears to read 'The Lord Browne of Madingley'. The signature is written in a cursive style with a long horizontal line extending to the right.

**The Lord Browne of Madingley**  
Group Chief Executive  
April 2004



On these pages we present a selection of the achievements that the group recorded during 2003, along with details of some of the main difficulties we faced. Within 'Achievements', we list examples of financial and operational successes, as well as advances in the environmental, employment, ethical and social fields. Under 'Challenges', we list examples of the main difficulties faced in 2003, along with some key challenges for the future.

## Achievements

### Financial results

Our pro forma financial result, adjusted for special items, was up by over 40% to \$12.4 billion from \$8.7 billion in 2002. Our pro forma return on average capital employed improved from around 13% in 2002 to around 16% in 2003. Full details are given on page 2 of *BP Annual Report and Accounts 2003*. References within *BP Sustainability Report 2003* to 'operating result' and 'result' are to pro forma results, adjusted for special items.

### Reserve replacement

We more than replaced our production with new proved reserves at an organic rate of 122%. This was the 11th successive year in which we more than replaced our production, giving us the material for future growth.

### Safety

Although the number of fatalities among our workforce rose (*see opposite*), our overall safety performance, based on the frequency of all injuries – minor or severe – improved by 16%, with the number of incidents causing recordable injuries falling from 1,936 in 2002 to 1,604 in 2003.

### Environmental management

By the end of 2003, 85 of our 86 major operations had been independently assessed for certification to the ISO 14001 international standard on environmental management. The one exception is our widespread gas production operation in Canada, which has achieved partial certification and is working to meet the standard fully over the next year.



### Emissions reductions

Although our operational emissions of greenhouse gases (GHGs) increased last year by 1.4 million tonnes (Mte) after four years of reductions, new energy efficiency projects created 1.4Mte of sustainable reductions for the future – without which the increase would have been 2.8Mte. This performance keeps us on track to meet our aim of eliminating half our underlying emissions growth up to 2012 through increased efficiency. Over the next few years, we intend to offset the other half of this growth by demonstrating how our products are reducing emissions at the global level.

### The Helios Awards

Nearly 1,800 teams, representing over 10% of BP's workforce, entered this year's Helios Awards, designed to recognize and reward outstanding performance. This year the programme was extended to recognize the contributions of external organizations who work in partnership with BP.

### Russia

During 2003, we concluded our \$6.8 billion transaction to purchase 50% of TNK-BP, the third largest oil producer in Russia, one of the world's most significant hydrocarbon-producing economies.

### Academies launched

During 2003, we set up specialist academies to enable BP people to develop world-class skills in project management and sales and marketing – two disciplines that are critical to our upstream and customer-facing strategy.

### BP Ultimate

We launched BP Ultimate, which represents a new generation of fuels, delivering more performance at the same time as reducing emissions. BP Ultimate is currently available in the UK, Greece, Spain, Australia and (as Amoco Ultimate) in the US. The UK test programme for BP Ultimate gasoline demonstrated a 14.5% reduction in carbon monoxide, a 5.3% reduction in nitrogen oxides and a 2.2% reduction in carbon dioxide, compared with traditional fuels.

### OpenTalk

In 2003, we launched OpenTalk, a new global initiative through which employees can raise

concerns about suspected breaches of company policy or standards. Employees or contractors can raise concerns through a confidential 24-hour telephone line, fax, e-mail or letter. More than 250 cases from 35 countries have been raised through OpenTalk, covering topics such as fraud, conflict of interest, gifts and entertainment, environmental breaches, employment issues and risks to health and safety. These cases have led to actions such as changes in procedures, counselling, reinforcement of standards and some dismissals.

### Diversity and inclusion

We continue to make progress in increasing the diversity of our group leadership – the top 609 jobs in BP. In 2003, 49% of the people appointed to positions in the leadership were either women, or from beyond the UK and US or from a UK or US racial minority. This exceeded our aim of 40%. As a result of these appointments, the overall proportion of women in our group leadership rose to 15%, having stood at 9% in 2000. The proportion of people from beyond the US and UK in the group leadership rose to 18%, having stood at 14% in 2000.

### Advisory panels

During 2003, reports were published by panels of eminent experts whom we had invited to provide critical reviews and recommendations in respect of two of our most prominent projects, the Baku-Tbilisi-Ceyhan pipeline and the Tangguh liquefied natural gas project in Indonesia. In each case BP responded to the reports. (*See [www.bp.com/location](http://www.bp.com/location) reports.*)

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## Challenges

### Fatalities and road safety

There were 20 fatalities among our employees and contractors in 2003, more than in 2002 when there were 13, or 2001 when there were 16. Most resulted from accidents involving motor vehicles. We deeply regret this loss of life. In response, we have developed a new and more rigorous group-wide driving standard, which is being implemented in 2004.

### Oil spills

In 2003, the volume of oil released to the environment rose by nearly 30% on 2002's level, although the total number of individual spills fell. The overall volume of oil released was 1.4 million litres, compared with 1.1 million litres in 2002. The overall number of oil spills of more than one barrel fell by over 15%, from 761 in 2002 to 635. We constantly review our spill prevention measures to improve our performance.

### Employee reductions

During 2003, BP's employee numbers reduced from 115,250 to 103,700. This mainly resulted from rationalization of our assets following previous mergers and acquisitions, as well as programmes to reduce costs and prolong the viability of mature operations. Some of these reductions were employees transferring employment. We aimed to reduce the impact of job losses on individuals, families and communities by seeking voluntary departures and helping employees find new jobs.



### Russia

Our joint venture, TNK-BP, faces a challenge in bringing health, safety and environmental performance up to international standards. Many of TNK-BP's assets date from the Soviet era and transforming these operations will take time with regard to transparency and governance. Our aspiration is that each year they will achieve measurable improvements in health, safety, security, social and environmental performance.

### Whiting fire

On 18 February 2003, a leak of heavy oil and a vapour cloud occurred within the BP Whiting refinery, the third largest refinery in the US. The associated vapour cloud ignited, resulting in a significant fire. One employee sustained a minor first aid injury. Our investigation revealed that the failure was caused by corrosion. Recommendations were made for inspection, engineering and communications procedures which have been shared with all BP refineries.

### Trading investigation

NYMEX (New York Mercantile Exchange) and FERC (Federal Energy Regulatory Commission) investigated alleged improprieties in BP's US crude oil and energy trading activities. The allegations were settled by BP without admitting or denying wrongdoing. The settlements involved a payment to NYMEX of \$2.5 million in fines and a charitable donation of \$3 million in resolution of the FERC enquiry. Further investigations are ongoing.

### Employee satisfaction

We research BP employees' views by conducting an annual voluntary 'People Assurance Survey' (PAS). In 2003, this was completed by almost seven out of every 10 eligible employees. When comparing our 2003 feedback, BP continued to score above external norms on 21 out of 26 items. However, the overall results showed a reduction of around 2% in favourable responses from the previous year. We are committed to identify and address underlying concerns during 2004.

### Air quality case

In 2003, the South Coast Air Quality Management District in the US filed a complaint against BP West Coast Products LLC and Atlantic Richfield Company in Los

Angeles County Superior Court, alleging multiple violations of air quality regulations at the Carson oil refinery in California. Atlantic Richfield Company operated the refinery until it was transferred to BP West Coast Products LLC on 1 January 2002. BP West Coast Products LLC and Atlantic Richfield Company believe that the penalties sought are disproportionate to any alleged environmental harm.

### GHG emissions

Direct emissions of greenhouse gases (GHGs) from BP's operations in 2003 increased by 1.4 million tonnes on a like-for-like basis. These increases largely resulted from expansion of capacity, much of which provides lower-carbon products that have the potential to decrease reliance on more carbon-intensive fuels, such as using gas for power generation instead of coal. An ongoing challenge is to find ways to quantify the emissions reductions achieved by our products, as well as in our own operations, and to reduce demonstrably our overall contribution to global GHG emissions.

### Working in sensitive areas

BP's work in environmentally sensitive areas has caused concern to some shareholders. In responding, we have explained that we will only work within or close to such sensitive areas if we believe we can properly manage the risks to the environment. Our sites' plans aim to ensure that our activities will make a positive contribution to local biodiversity. Fulfilling our pledges to report openly on this issue, in this report we list the areas where we operate which are designated as protected under the IUCN system and the results of environmental assessments relating to sensitive areas in Bolivia and Georgia.

### Social investment

Our social investment in 2003 was less than in the previous year. We invested a total of \$74.4 million in community programmes and community-based organizations around the world, down from \$85.2 million in 2002. We are rebalancing our social investments towards the developing world in support of our strategic growth centres and refocusing towards economic development and education. Our priority remains to choose the most appropriate projects and to seek the most effective allocation of funds.

## The energy paradox

Our work as a global energy company brings us into contact with some of the most challenging issues facing society today. How do we reconcile economic growth with environmental responsibility? How can we establish secure supplies of energy in an unpredictable world? How can growing urbanization and demand for transport be matched with the desire for better air quality in cities? What role should international corporations play in the developing world?

These are questions that we confront every day in our work – and there are no easy answers. They represent different dimensions of a central paradox – the paradox in which the energy that provides society with heat, light and mobility, fuelling economic growth and development, simultaneously presents us with serious environmental and social challenges.

Shying away from these challenges is not an option for an energy company that plans to be successful in the long term. We believe we should assess and address concerns felt by customers, shareholders and citizens. These concerns have become increasingly significant as the pace of world development has accelerated, continuing the pattern of exponential rates of development that began with the industrial and technological revolutions.

Energy has been a major force in this transformation, providing comfort and mobility, supporting economic and social development and widening opportunities. In the past 50 years, energy consumption has grown, generating economic growth and improved standards of living. In the same period, life expectancy at birth has increased by nearly 20 years<sup>1</sup> and the proportion of people living in poverty has fallen faster than in the preceding 500 years<sup>2</sup>.

Consumption of energy is now forecast to increase at just under 2% a year over the next decade<sup>3</sup>, potentially doubling by 2050<sup>3</sup>. The number of cars worldwide is increasing at an estimated 16 million a year<sup>4</sup> and the number of people with internet connections is growing by around 100 million a year<sup>5</sup>.

As the World Energy Assessment said: 'Energy is central to achieving the inter-related economic, social and environmental aims of sustainable human development.'<sup>6</sup> Yet if energy is to fulfil this role, first, it must be widely available, and second, we must address the consequences of its production and consumption. Availability has several dimensions. The world is estimated to have enough proved reserves of oil for 40 years and of natural gas for 60 years at current production levels<sup>7</sup>. Over the last decade, reserves have grown, rather than diminished, partly as a result of advances in exploration, technology and efficiencies, which have enabled more oil and gas to be discovered or recovered economically from existing fields. Meanwhile, progress continues to be made towards developing renewable energy sources for the future.

In many countries, the focus of recent concern has been the security of energy supplies. Might a country or region find itself cut off from energy because of terrorism, war, political actions, accidents, economic crisis or volatile prices?

In fact, the world market has worked well to maintain supplies,

keeping oil and gas flowing through such periods as the 2003 Iraq war and the aftermath of the September 2001 attacks on the US. A key factor in the market's resilience is the increasing diversity of energy sources, enabling countries to import their oil and gas from many different locations. BP is now playing a part in extending this diversity, by building new profit centres in some of the world's most important emerging sources of supply. For example, in 2003 we made new discoveries and started production from new fields in Angola and the deepwater Gulf of Mexico, as well as extending our liquefied natural gas production in Trinidad.

Providing energy for the developing world presents a particular challenge. Over one billion people still live on less than \$1 a day<sup>8</sup>. Around 1.6 billion people live without access to electricity and over two billion continue to rely on traditional 'biomass' fuels – such as wood and charcoal – for cooking and heating<sup>3</sup>, with health, environmental, social and economic consequences. While economic growth and development, sometimes derived from natural mineral wealth, represent the main routes towards greater access to energy, BP has played a specific, though relatively small, role in tackling these issues by bringing solar energy to remote areas in Brazil, the Philippines and elsewhere.

As we undertake our operations, we must manage a range of impacts – from the impact of an individual site on its surroundings to that of greenhouse gas emissions on the earth's atmosphere.

Safety is of the highest priority. We operate in conditions which, if not managed well, could be hazardous for us and our neighbours. Our safety record has improved over the years, but is still not good enough. Road safety was a particular concern in 2003, with incidents involving vehicles accounting for most of the 20 fatalities among our employees and contractors. We have implemented a major driving safety campaign to prevent future accidents. We are also dedicated to operating our plants responsibly, not only securing the safety of employees, contractors and communities but also minimizing waste and preventing spills. (*These issues are discussed on pages 12-15.*)

Our commitment to employees goes far beyond provision of a safe workplace. Therefore, our performance with respect to our people drives every other dimension of performance – whether environmental, social, ethical, financial or operational – in respect of assets, markets, innovation or cost efficiency.

Our success depends on achieving excellence in the way people are recruited, trained, motivated and rewarded. We must attract and then retain the best men and women. This means welcoming diverse people in terms of background, age, religion, ethnic origin, nationality, disability and sexual orientation. Not only must we welcome the best, but we must enable them to give of their best, to attain rewards and satisfaction, bring success to the company and help society confront the challenges posed by energy use. (*Our record with regard to employees is covered on pages 16-19.*)

Foremost among these challenges is the prospect of climate change associated with rising concentrations of greenhouse gases (GHGs) in the earth's atmosphere – predominantly carbon dioxide and methane. These are emitted from many natural resources and from hydrocarbon consumption in industrial processes, buildings, power stations and motor vehicles. Our understanding of this phenomenon is still developing, but for some years there has been



sufficient evidence – in BP’s view – to conclude that precautionary action has to be taken.

Having already achieved our first emissions reduction objective by 2001, we are making continuing efforts to reduce emissions from our production and our products. In 2003, we developed our thinking on how GHG concentrations could be stabilized over time – acknowledging the magnitude of the challenge while identifying potential solutions. We tested a process for quantifying GHG reductions achieved by our fuels, and we continued to bear down on our emissions from our own operations. *(Our thinking and performance on this issue are set out on pages 22-25.)*

At a more local level, particularly in cities, an important issue has been the impact of energy use on air quality. This has been a particular concern where coal is used, as it is more carbon-‘heavy’ than oil, which in turn contains proportionately more carbon than gas. While the use of coal has been curbed by legislation in many countries, it remains a major energy source in economies such as the US and China, where efforts are under way to substitute gas for coal in power generation. Concerns over lead, sulphur and particulates emitted by motor fuel have caused many countries to ban lead in motor fuels and seek reductions in levels of sulphur.

BP manufactures and markets a growing range of cleaner fuels, frequently upgrading our refineries well ahead of legislative deadlines. Since 1998, we have also more than doubled our sales of lower-carbon natural gas. *(Our performance in respect of sustainable transport is described on pages 26 and 27.)*

While the consumption of energy raises one set of issues, further challenges are raised by its production.

Prime among these has been the impact of energy production in the developing world. In regions such as Africa, Asia and South America, the increasing availability of energy benefits millions, but the extraction of oil and gas has led to a number of problems.

Some countries developing large quantities of natural resources have suffered from rising currency levels, which have damaged exports from other sectors such as agriculture. In other cases, oil or gas revenues have failed to benefit the population at large, either because of corruption or because governments have been unused to the challenge of handling large inflows of money. Construction sites have sometimes become ‘honeypots’, attracting people and resources from other areas and importing social and health problems to fragile communities. Fears over human rights have been aroused by the arrangements made for protecting people, plant and pipelines.

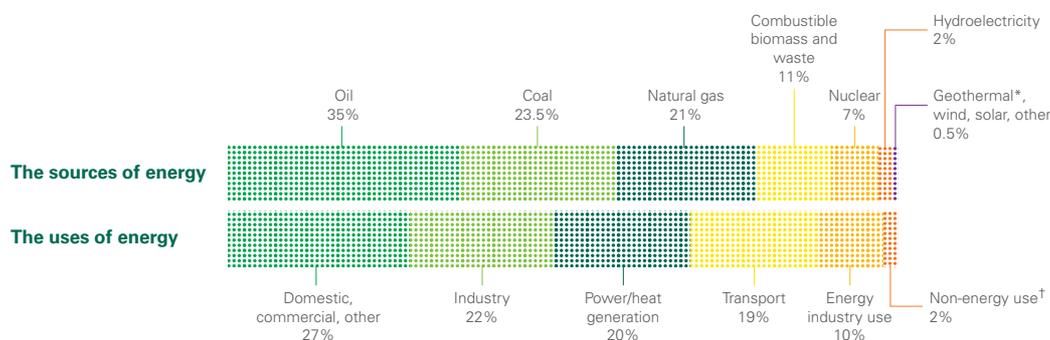
In our view, such difficulties are not inevitable. There are examples showing that developing countries can benefit from possession of natural resources. For example, an independent study by a Colombian think-tank found that oil production in the Casanare region, where BP has operated since 1987, had made a positive impact on education, health, water and electricity services.

Today, when we are involved in large projects in many different parts of the world, we seek to live by the principle of ‘mutual advantage’. This holds that, when we conduct our business, it should be of benefit to all involved – the company, employees, the local community, regional and central governments and other stakeholders. This means creating a dialogue and building relationships. It also means consulting and involving local communities, and ensuring we have properly assessed the likely environmental and social impacts of everything we do. In particular, we respect human rights when we organize security, employ local people or interact with local communities. *(Our approach to creating a dialogue on such issues is covered on pages 30-34.)*

To ensure that host communities actually benefit from our presence, we strive to promote local employment, enable local companies to become our suppliers, invest in the community, particularly through education, and do what we can towards enabling the revenues we generate to be of maximum benefit to local populations. *(Our activities and investments in local communities are discussed on pages 35-37.)*

The populations among whom we work are dispersed among 100 countries, each with its own cultures and characteristics. Our task is to operate in each of them in accordance with a common set of values, to achieve consistency and common purpose in many different contexts, while respecting cultural diversity, as we address the major issues that confront us. To see how BP goes about that task, we look next at the group’s history, structure, strategy and performance.

- 1 *Statistics on Population Ageing*, UN Department of Economic and Social Affairs (UNDESA), February 2002.
- 2 *Facts and Figures on Poverty*, UN Development Programme (UNDP), 1999.
- 3 *World Energy Outlook 2002* © OECD/IEA 2002.
- 4 *Global Truck and Car Forecast*, J D Power-LMC, 2003 Q4.
- 5 [www.nua.ie/surveys/how\\_many\\_online](http://www.nua.ie/surveys/how_many_online).
- 6 *World Energy Assessment 2000*, UNDP, UNDESA, World Energy Council.
- 7 *BP Statistical Review of World Energy June 2003*, quoting figures published by *Oil & Gas Journal*.
- 8 *PovertyNet*, World Bank, 2004.



\* Naturally occurring steam used to drive turbines.

† Use of products derived from oil, coal, gas or other energy sources other than for fuel – e.g. lubricants, chemicals.  
Sources: *Key World Statistics 2003* © OECD/IEA (data relating to 2001)/*World Energy Outlook 2002* © OECD/IEA 2002/*BP Statistical Review of World Energy June 2003*.

# 1. BP – our business

## Our progress

2001

BP meets its first greenhouse gas emissions target.

2000

BP acquires ARCO and Burmah Castrol.

1998

BP and Amoco announce largest-ever industrial merger, worth \$48 billion.

1992

BP publishes first global environmental emissions and discharges targets.

1988

BP acquires Britoil.

1980

BP's Oil Spill Response Base is established in Southampton, which in 1985 becomes Oil Spill Response Limited, the world's largest international oil spill response organization.

1969

BP announces major oil discovery at Prudhoe Bay on Alaska's North Slope.

1924

Grangemouth plant in Scotland opens.

BP's worldwide expansion includes France and Australia.

1917

The company's first research facilities are established in Sunbury, UK.

1908

Syndicate formed by English entrepreneur William Knox D'Arcy strikes first oil in Persia.

2002

BP acquires Veba Oil.

BP joins the Global Business Coalition on HIV/AIDS.

1997

BP announces its position on climate change based on the precautionary principle.

1987

BP acquires the remaining shares in Sohio and forms BP America.

UK government sells its shareholding in BP.

1968

BP monitors and publishes company-wide safety incident rates.

1909

Anglo-Persian Oil Company is formed.

2003

BP signs \$6.8 billion joint venture operating in Russia to create TNK-BP.

BP develops guidelines for resettlement.

1991

BP publishes its first environmental report.

1978

BP gains majority holding in Standard Oil of Ohio (Sohio).

1935

Company is renamed the Anglo-Iranian Oil Company as Persia changes its name.

1914

Anglo-Persian secures contact with UK Admiralty to supply fuel oil for the Royal Navy. UK government takes majority shareholding in return.



### 1.1

To achieve its goals, BP requires an effective structure, a clear strategy, strong values, practical policies and a clearly understood way of working. This section of the report explains how BP works – its structure, strategy and system of governance.

#### Structure

The group is organized into business segments, functions and regions.

BP currently has four business segments. Exploration and Production – ‘upstream’ – carries out exploration, and builds and operates facilities to extract oil and gas, including pipelines. In 2003, the segment contributed \$15,977 million to BP’s operating result and employed over 15,000 people.

The Gas, Power and Renewables segment markets and trades natural gas and power, and runs BP’s renewable energy business, mainly focused on solar. A key growth area is liquefied natural gas (LNG), which can be transported for longer distances than piped gas. It also trades in NGLs (natural gas liquids) such as ethane, propane and butane. In 2003, the segment contributed \$472 million to BP’s operating result and employed around 3,550 people.

The Refining and Marketing segment – ‘downstream’ – runs BP’s refineries and retail stations as well as businesses supplying aviation fuel, marine fuel, other specialist fuels and lubricants. In 2003, it contributed \$3,689 million to BP’s operating result and, as a key customer-facing segment, employed over 66,000 people. It creates value by building the group’s brands – BP, ARCO, Aral, Castrol and BP Connect.

The Petrochemicals segment manufactures and markets a selected range of chemicals, largely from feedstock created by upstream activity. In 2003, the segment contributed \$606 million to BP’s operating result and employed nearly 16,000 people.

A function is an organization with common professional skills that operates across the group. Functions include Communications and External Affairs; Diversity and Inclusion; Financial Control and Accounting; Group Compliance and Ethics; Health, Safety, Security and the

Environment; Human Resources Management; Internal Audit; Marketing; Remediation Management; and Strategic Planning.

BP’s four regions are: Europe; Western Hemisphere and the Americas; Africa, Middle East, Russia and the Caspian; and Asia, the Indian sub-continent and Australasia. Their task is to integrate BP’s activities in each region.

#### Strategy

Our strategy is to apply the distinctive capabilities possessed by our people to a distinctive portfolio of assets, chiefly oil and gas fields, refineries, service stations and petrochemicals plants. This takes place within a disciplined financial framework, providing the opportunity to generate highly competitive, but secure, returns.

Our distinctive capabilities and assets have been brought together over the past five years as BP has undertaken a series of mergers and acquisitions to become a leader in the global oil and gas industry.

We have developed a track record as a ‘first mover’. For example, we were at the forefront of the recent consolidation in our industry. We moved first to recognize publicly the need for precautionary action on climate change. We also moved first to take advantage of new opportunities, such as our investments in China and Russia. Moving first demands analytical skills and ability to build relationships with partners and governments around the world.

Having made the investment choices to secure a distinctive and advantaged portfolio, we then apply our capabilities segment by segment, within a rigorous system of performance management.

In the exploration and production segment, BP invests in a portfolio of large, lower-cost oil and natural gas fields chosen for their potentially strong return on capital

employed. We seek to manage those assets safely with maximum capital and operating efficiency. We are developing six new profit centres in which we have a distinctive position: Trinidad, Angola, Azerbaijan, Gulf of Mexico, Asia Pacific gas and Russia. These augment the production assets in our existing profit centres, providing greater reach, investment choice and opportunity for growth.

In the gas, power and renewables segment, in line with changing demand patterns for cleaner fuels, BP seeks to participate at scale in the fast-growing markets for natural gas, gas liquids and solar energy. We hold market leadership positions in North American gas and NGLs and significant strength in the LNG and solar markets. We are expanding our LNG business by accessing import terminals in Asia, North America and Europe.

In refining and marketing, our marketing businesses are underpinned by world-class manufacturing and brands. Our retail, lubricants and business-to-business sectors reach around 13 million customers a day. Our retail strategy provides fuel and convenience offers to some of the most attractive global markets. Our lubricants brands, BP and Castrol, offer customers benefits through technology and relationships. We seek to develop deep business-to-business customer relationships that can evolve into strategic partnerships.

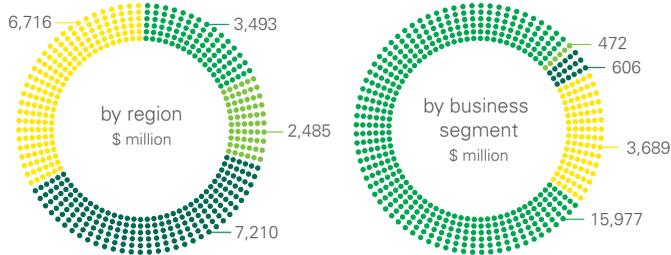
In petrochemicals, BP focuses on seven core products – purified terephthalic acid (PTA), paraxylene, acetic acid, acrylonitrile, ethylene, high-density polyethylene (HDPE) and polypropylene (PP) – that enhance the everyday lives of consumers. These core products are eventually used in the manufacture of a wide variety of consumer goods, including plastic drinks bottles, computer housings, adhesives, inks, rigid packaging, pipes, food packaging and automobile components, as well as textiles for clothes and carpets. Our core products have been selected on the basis of growth characteristics, proprietary technology, leadership positions and group integration value.

Here we provide some financial and operating information about our group, in particular, elements that we consider are useful in the context of sustainability. Further information can be found in *BP Annual Report and Accounts 2003*. In addition, further data is included on pages 44-45 of this report.

1.2

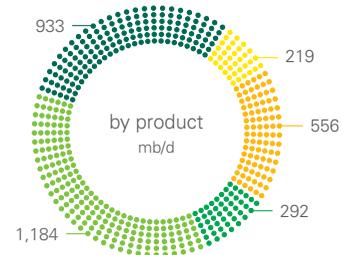
## Where does our operating result come from?

### Replacement cost operating profit adjusted for special items and acquisition amortization

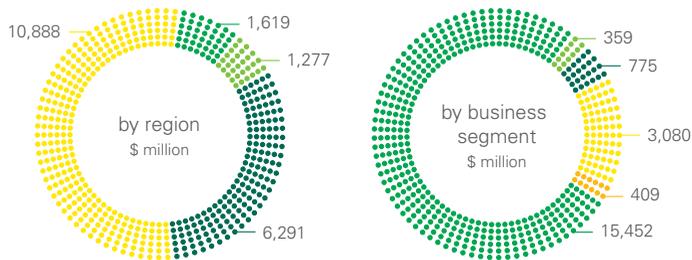


## What are our main refined products?

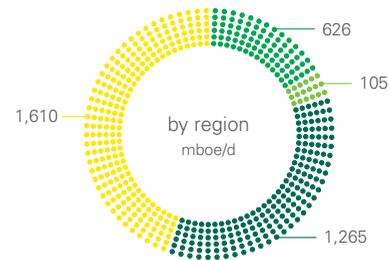
### Regional marketing sales volumes



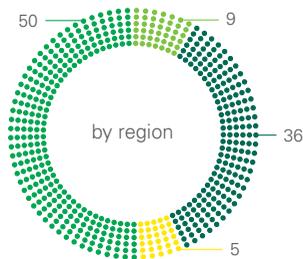
## Where did we invest in 2003?



## How much oil and gas do we produce?

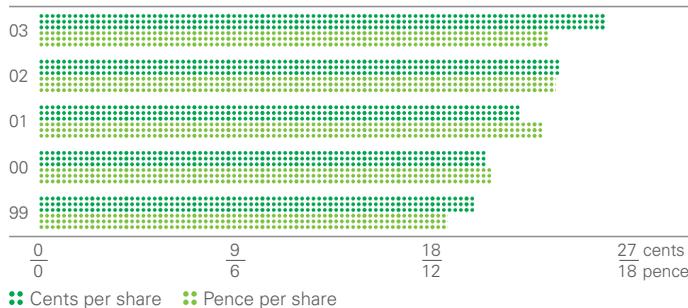


## Where are our shareholders?



## What do our shareholders receive?

### Annual dividends per share (cents/pence)



## Key

### By region

- UK
- Rest of Europe
- USA
- Rest of World

### By business segment

- Exploration and Production
- Gas, Power and Renewables
- Petrochemicals
- Refining and Marketing
- Other businesses and corporate

### By product

- Aviation fuels
- Gasolines
- Middle distillates
- Fuel oil
- Other products

mb/d Thousand barrels a day

mboe/d Thousand barrels of oil equivalent a day



### Our economic benefit to society

Maximizing long-term shareholder value is our fundamental purpose as a business. In seeking to fulfil this aim, we also create wealth and economic benefits for many groups and individuals beyond our own shareholders and employees.

We help meet growing demand for energy products, promoting social progress and economic development. Every day we deliver high-quality products to 13 million customers: cleaner fuels, designed to reduce emissions and improve air quality; natural gas to replace oil and coal in rapid growth economies; and chemicals products, including many basic ingredients used in the manufacture of health, personal care, electrical goods, packaging and food products.

We also help governments convert oil and gas reserves into revenues. These can be used to fund public services and provide a stimulus for long-term economic and social development. As well as helping build local capacity, we also invest in environmental, community, cultural, health and education programmes.

	\$ million
	<b>2003</b>
Taxes to governments	<b>52,815</b>
Distributions to shareholders	<b>5,753</b>
Spending on contractors and suppliers	<b>33,800</b>
Employee costs (including wages, salaries, benefits and pensions)	<b>8,700</b>
Community investment	<b>74</b>

### Stakeholders and benefits (graphic not to scale)





## 1.3

Through the mergers and acquisitions of recent years, BP has undergone enormous changes to arrive at the BP group of today. It incorporates the heritages of the various enterprises that have come together to establish our current base, from which we can compete and grow.

### Setting out clear principles

While the scope and scale of the BP group may have changed, our work continues to be guided by enduring core values – integrity, honest dealing, treating everyone with respect and dignity, striving for mutual advantage and contributing to human progress. These values are developed into policies that govern all areas of our operations. Everyone in BP is expected to take responsibility for living up to them.

In 2003, our business policies focused on five specific areas – ethical conduct; employees; relationships; health, safety and environmental performance; and control and finance. They covered commitments:

- To respect the rule of law, conducting our business with integrity and showing respect for human dignity and the rights of the individual wherever we do business.
- To create mutual advantage in all our relationships so that people will trust us and want to do business with us.
- To demonstrate respect for the natural environment and work towards our aspiration of no accidents, no harm to people and no damage to the environment.
- To respect the rights and dignity of all employees, and create an exciting and rewarding work environment in which every individual feels included in the responsibility for BP's performance and reputation.
- To manage our operational and financial performance to maximize long-term value for our shareholders.

These commitments were given effect in a number of detailed policy standards, for example, the group's policy of never paying or taking bribes, of providing open and constructive feedback to employees, holding leaders accountable for safety,

setting clear performance targets and working towards measurable improvements in the communities where we operate.

Full details of our group policies are available at [www.bp.com/aboutbp](http://www.bp.com/aboutbp).

The objectives set out in some of the policies represent the results of current practice, while in others they represent our aspirations for the future. They guide us towards consistent and appropriate behaviour wherever we operate.

As we have grown in scope and scale, we have increasingly identified the need for clearer frameworks to encourage the right behaviour at all times. For policies to be effective, they must not only be declarations but also practical guides for consistent action in a global group. The reputation of our business is vital. Our reputation is not the result of what we say. It is the result of how our 103,700 employees act in real-life situations.

During 2003, we conducted a comprehensive review of how our existing values are given expression through our management framework and policies. Our fundamental values remain unchanged, reflecting our experiences and common sustaining beliefs. However, we recognize that our group policies should evolve over time so our practices continue to reflect our values and become embedded in our actions. During 2004, we will be developing them within an integrated management framework, which will help us to set clearer goals and expectations against which we can more effectively test performance and measure our progress.

### Putting our principles into practice

Our policies and commitments are translated into action by individuals at all levels of the group. This requires a clear

structure for delegation of authority, with clarity over roles, objectives and responsibilities. Such a structure for delegated authority, and its corollary of accountability, are embedded in the governance of the BP group. We recognize the chain of authority that begins with our owners, our shareholders, through the board of directors, which promotes and represents their collective interests, to the group chief executive, to whom authority for the executive management of the group is delegated. The goal established by the board for the group places the interests of our owners at the heart of all we do. It recognizes that their collective interest is in the maximization of long-term shareholder value through our business operations. The long-term nature of this goal drives our need to operate in a sustainable manner and shapes our core values.

The board is accountable to our shareholders for the operations and performance of the entire group. It therefore monitors the exercise of the authority delegated to the group chief executive for the executive management of the group through the mechanisms established in its governance policies. Since the executive directors undertake the executive management of the group, this monitoring task naturally devolves to the board committees, which are composed of independent non-executive directors. Non-executive directors make up a majority of the board and occupy the positions of chairman and deputy chairman. At the end of 2003, BP had 12 non-executive directors and six executive directors.

The board is instrumental in establishing the values of the group through the executive limitations. These are the limits it sets on the means by which the group chief executive may pursue the goals established for the group. Through its executive limitations policy the board sets boundaries for the group's activities in respect of ethics, health, safety, the environment, financial discipline, internal controls, risk preferences, the treatment of employees

and political considerations. The board's Ethics and Environment Assurance Committee, chaired by Dr Walter Massey, a non-executive director, monitors all non-financial aspects of the group's activities, particularly the observance of the executive limitations established by the board.

Consistent principles of delegation are applied throughout the group. Whenever authority is delegated, performance contracts are drawn up that are designed to provide clear targets, limitations on authority and processes through which progress will be reported and performance monitored. Likewise, a blueprint has been established to ensure that all those to whom authority is delegated draw up effective plans to achieve their targets.

In a business such as ours, effective planning necessarily requires staff at all

levels to assess the risks inherent in our operations and to plan appropriate responses. As projects are evaluated, constructed, operated and decommissioned, a range of risks has to be identified, evaluated and managed. This ensures the viability of our investment and the safety of employees and contractors, as well as the protection of the communities where we operate and the environment beyond.

We have criteria by which to assess the magnitude of any risk, including the commissioning of independent assessments where appropriate. Before major projects are agreed, Environmental Impact Assessments and Social Impact Assessments are carried out to identify and minimize the likely impacts of new projects (see page 31).

Throughout the year the board regularly monitors the way the company manages its risks and opportunities. The board is supported in this process by the work of its committees. These are described in more detail in *BP Annual Report and Accounts 2003*. Each committee comprises solely independent non-executive directors and plays a key role in testing the decisions, processes and judgements of executive management.



Sir Ian Prosser

The Audit Committee is chaired by Sir Ian Prosser. It is responsible for monitoring all the reporting, accounting, control and financial aspects of executive management activities.



Dr Walter Massey

The Ethics and Environment Assurance Committee is chaired by Dr Walter Massey. It is responsible for monitoring the non-financial aspects of executive management activities.



Sir Robin Nicholson

The Remuneration Committee is chaired by Sir Robin Nicholson. It is responsible for determining the structure of rewards for the group chief executive and executive directors.



Sustainability – of our people, our company and our working environment – is founded on responsibility. This starts with responsible operations, providing for the safety of our people and the integrity of our plants and sites.

### Safety

Our work brings our staff and contractors into contact with hazardous and flammable materials, heavy equipment, harsh weather conditions and challenging environments. Safety is therefore of the highest priority in BP's operations.

During the late 20th century, the industry made significant progress in improving its safety record. However, it is still some way from having the unblemished record it seeks. Today, health and safety are embedded in management responsibilities for BP's operations. Managers are tasked with ensuring that sufficient resources are available for a safe and healthy workplace. Everyone who works for BP knows they have a personal responsibility for health and safety. We require all employees and contractors to be coached in our 'Golden Rules of Safety', which cover factors such as working at heights, working in confined spaces, isolating energy sources and lifting operations. A management system, 'Getting Health, Safety and Environment Right', applies to all operations.

Performance contracts for executives and businesses include commitments to meet specific safety objectives. We use Advanced Safety Auditing (ASA), a technique in which managers trained in safety issues observe people at work, discussing and agreeing with them how risks should be managed. Over 150,000 ASA reports were issued last year within BP operations. If incidents do occur, we use root-cause analysis to look beyond the immediate reasons to diagnose and address the underlying cause.

Our global management tool, Tr@ction, enables us to track, record and analyse safety performance more effectively than ever before. By making this web-based

system widely available, health, safety, environmental and security performance can be monitored at any level – plant, site, country or region. Almost 60,000 incidents were reported in 2003. The system, introduced two years ago, has been used by over 27,000 employees and contractors to log and analyse events, ensuring that lessons learned are shared and transformed into improved performance.

### Safety performance

Our performance in 2003 presented a mixed picture. Fatalities were a serious cause for concern. Twenty members of our workforce – five employees and 15 contractors – lost their lives. This was more than in 2002, when there were 13 fatalities, and 2001, when there were 16. Fourteen of the 20 fatalities in 2003 resulted from incidents involving vehicles. From 2004, we are introducing a much tougher group-wide standard on driving safety. Additionally, 31 members of the public died in incidents related to BP activities. Twenty-eight of these fatalities were transport-related. We deeply regret this loss of life. Our target is zero fatalities and our senior managers are judged on progress towards this goal. Road safety must be our primary focus over the next few years.

Meanwhile, our overall health and safety performance, as recorded by the frequency of minor or severe injuries, improved by 16%, with the number of incidents causing recordable injuries falling from 1,936 in 2002 to 1,604 in 2003. The frequency of serious injury cases – those resulting in employees or contractors being away from work for a day or more – has reduced from 0.25 in 1999 to 0.10 per 200,000 hours worked in 2003, having stood at 0.10 in 2002. On this measure of overall

performance, we achieved the target we set for 2003 – to maintain our 2002 performance level – even though we had introduced many new people to our workforce through our acquisition of Veba, whose injury rate was historically higher than BP's.

### Driving standard

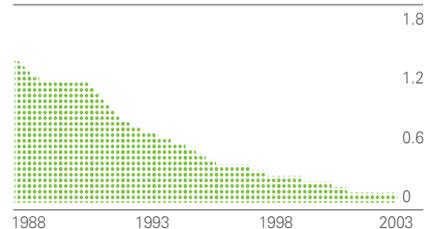
BP staff and contractors cover over 1.62 billion kilometres a year in our fleet-owned and contractor-operated vehicles. During 2003, we planned a new group-wide driving standard to be introduced throughout 2004 and effective from 1 January 2005. This represents an effort to reduce the number of fatalities we have experienced, as well as to improve driving practice generally across the group.

The aim of the standard is to ensure that there is a formal approach to managing driving risk for all BP companies, employees

### Specific observation from Ernst & Young

At the sites visited we observed that the site leadership was demonstrating their commitment to HSE by participating in Advanced Safety Audits.

### Long-term improvement in safety performance (DAFWCF)<sup>a</sup> 1988-2003



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

and vehicles while on group business. The standard includes minimum vehicle requirements, driver fitness requirements, mobile phone use prohibition (including 'hands-free' use), compulsory seatbelt use and risk assessments for high-risk routes.

#### Safe driving awareness

In some countries, BP teams have taken initiatives to promote safer driving and the group has been highlighting these as examples to follow:

- ∴ Castrol India won a national award, the Institute of Road Traffic Education and Prince Michael Road Safety Award, in October for a campaign highlighting the dangers of driving without wearing seat belts or while using mobile phones.
- ∴ In Vietnam, BP has participated in the 'Helmets for Kids' programme, which has provided over 100,000 helmets for young motorcycle riders. BP Vietnam distributed

more than 4,000 helmets to primary schools in major cities. The programme has recorded 49 crashes where lives have been saved by helmets.

#### Occupational health

Promoting health awareness at work and at home among our employees, contractors and local communities provides long-term benefits to our people and our business.

During 2003, we implemented many local initiatives to improve the wellbeing of our staff. We took immediate action to respond to the SARS crisis, providing health support and minimizing travel risks. No BP employees contracted the illness.

#### Communicating on safety

During 2003, we discussed concerns raised over safety issues in Alaska with several investors, following incidents there in 2002. While we acknowledge that some investors

have ongoing concerns, others have been reassured on key aspects. This is particularly the case where we have had the opportunity to describe in some detail our initiatives to clear the maintenance backlog and to increase investment in safety resources, as well as to introduce systems such as OpenTalk (*see page 17*), by which employees can raise any concerns they have.

Important news on safety is rapidly communicated to our staff via our internal website, which reports on major incidents and success stories. For example, one business unit recognized during 2003 was BP Colombia, whose operations cover 102 wells and include 450 employees and 2,500 contractors. It reached a milestone of 10 million man hours worked without a day away from work case. Further details are available at [www.bp.com/healthandsafety](http://www.bp.com/healthandsafety).



### Grangemouth – a safety revolution

The experience of the past two years at the Grangemouth Complex in Scotland has shown what determined action on health and safety, as an integral part of the overall business, can achieve. At the end of 2001, safety performance at Grangemouth fell short of the BP group's high expectations. The site's reputation had been affected following three incidents in 2000. Early in 2002, Grangemouth set three simple improvement targets, for safety, plant availability and cost, which together represented a transformation in business performance.

Enormous progress has been made in all three areas, especially safety performance. There was a three-fold reduction in injuries, a 25% reduction in process leaks and, by April 2003, over a year had been worked without an incident resulting in a day away from work case.

This occurred alongside improvements in availability and cost. The site's leadership team clearly communicated expectations and accountabilities. Fourteen key 'HSE habits' were drawn up, a formal process safety management structure was implemented and more than 1,800 employees and over 500 contractors were taken through a revitalized safety induction process. Capital spending was raised to twice the industry's normal levels to make further improvements to safety and integrity at the site.

Lessons learned have been shared within BP and with our regulators through a workshop in December 2002 and the publication in 2003 by the UK Health and Safety Executive of a report which has promoted fundamental change across our industry.



1.5

We are committed to operating our sites in a way that not only protects our people and contractors but minimizes our impact on the environment. In this section, we explain how we manage our sites and report on our performance in 2003.

### Environmental management system

By the end of 2003, 85 of our 86 major operations had been independently assessed for certification to the ISO 14001 international standard on environmental management. This drives continuous performance improvement to reduce emissions, discharges and accidental releases, including oil spills to sea or land. The exception is our complex and widespread Canadian gas production operation, which has achieved partial certification and is working to meet the standard fully in 2004. The certified operations include refineries, chemicals plants, oil and gas production facilities and solar manufacturing plants.

We are piloting a new reporting tool that identifies the location of major sites where particular issues need to be managed – biodiversity, freshwater access, waste, air quality and discharges to water – and gives details of performance. We aim to publish this tool on our website for the first time in 2004.

### Oil spills

We aim to reduce the frequency and impact of all oil and chemicals spills, big or small, by monitoring vessels and pipelines, recording incidents using the Tr@ction system and responding effectively when spills occur. All spills of over 100 barrels are categorized as major incidents and thoroughly investigated so that lessons learned can be shared.

Over the past five years, we have cut the total volumes spilled by 47% and the volumes released to the environment by 64%. In 2003, performance was mixed. The number of oil and chemicals spills of more than one barrel fell from 761 in 2002 to 635, a reduction of 14%. However, the overall volume of oil released to the environment,

1.4 million litres (37% of the total spilled), was nearly 30% higher than in 2002. Of the spills that reached the environment, 89% were to land and 11% to water.

In our refining and marketing operations, out of 280 reported spills, 64% of the volume spilled was accounted for by five major incidents in three downstream business units – Toledo refinery, Pipelines North America and Kwinana refinery. The incident in Toledo refinery in the US, when almost 800,000 litres of diesel fuel leaked into a sewer, was the largest. All this material was recovered. The largest spill on land happened at Edmond, Oklahoma, US, when a contractor struck a pipeline with a bulldozer and almost 500,000 litres of oil were spilled. The largest spill in exploration and production operations occurred at Gori, Georgia, when over 100,000 litres of oil leaked from the Western Route Export Pipeline that connects the Caspian Sea oil fields to the Black Sea. Sabotage is suspected and the Georgian authorities continue to investigate the incident.

### Shipping

BP's business strategy has been to renew and increase the size of the BP-owned fleet, while decreasing reliance on chartered vessels. This approach is financially efficient and mitigates the risks of major spills by enabling us to operate modern double-hulled tankers to high safety and environmental standards. Our aim is that all tankers in our directly operated fleet should be double-hulled by the end of 2004 – six years before the international phase-out period of 2010 to 2015. In meeting this aim, we will provide leadership and push for early compliance in our industry. At the end of 2003, our fleet numbered 28 oil tankers, with an average age of three years (25 are

double-hulled and three double-sided), and eight gas ships, with an average age of six years. The programme will continue and should see 11 modern double-hulled vessels delivered by the end of 2004, with a further 14 confirmed for 2005-06. Where we charter additional vessels, they are vetted prior to use to ensure they meet our rigorous standards.

### Access to clean water

BP works hard to conserve water by preventing pollution and conserving freshwater. BP's largest water users are refining and chemicals facilities, typically using between 2 and 150 million cubic metres of water each in 2003 for cooling, steam generation and industrial processing.

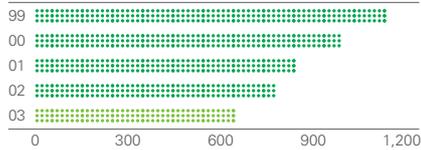
We assess our use of water and the impact of discharges at each site and implement water management plans wherever there are significant challenges to address. Over half of our major operational sites have management plans for fresh water use and 35 sites are seeking to improve their performance through objectives, targets or research.

Over three-quarters of major sites have management plans for discharges to water but, in 2003, seven sites did not meet planned improvement targets. In 2003, our total discharges to water decreased

**99%**  
of our major operations  
have been independently  
assessed for certification  
to the ISO 14001  
international standard on  
environmental management.

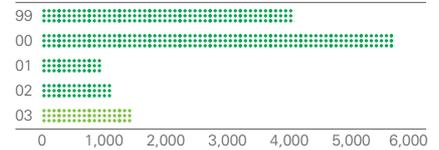
### Number of oil spills

(loss of primary containment)



### Volume of oil spilled and not recovered

(thousand litres)



by over 50%, primarily as a result of a reduction in drilling operations as new projects were established.

We also monitor waste water closely. Apart from evaporative losses, which are significant for cooling water, we aim to reuse water and return most of it to its source, having been filtered and cleaned.

#### Air emissions

Our operations emit various substances into the air. The largest emission is carbon dioxide, a GHG. Our record in addressing GHG emissions, including methane, is discussed on pages 22-25. Other emissions, including sulphur oxides, nitrogen oxides, carbon monoxide and particulates, are more significant for their impact on local air quality and their potential impact on human health. In 2003, our total emissions of these substances decreased by over 14% (see page 44).

In 2003, we:

- Reduced emissions of nitrogen oxides by installing low nitrogen oxide burners and selective catalytic reduction in our refineries.
- Improved energy efficiency, so reducing emissions and costs.
- Used vapour recovery systems that capture and condense volatile organic compounds (VOCs) and send recovered

fuel back into product storage tanks.

We use vapour recovery systems at our two largest crude oil tanker-loading facilities, in Alaska and Scotland. We have installed systems at all major gasoline distribution terminals in the EU.

#### Waste management

We aim to maximize efficiency and reduce, reuse and recycle as much waste as possible. Waste is identified as a management issue for 97% of our ISO 14001 sites. In 2003, hazardous waste volumes decreased by 21% compared with 2002. General solid waste disposed increased by 2%.

#### Decommissioning

Decommissioning, the removal of offshore production facilities and restoration of sites, represents a major challenge to the industry. BP has participated in projects investigating the technology and environmental challenges of removing large platforms such as those in the North Sea and the deepwater Gulf of Mexico.

A current example of decommissioning is the North West Hutton platform, 130 kilometres east of the Shetland Islands, which was shut down in 2002. Topsides equipment has been cleaned of hydrocarbons, all wells have been plugged

and the pipelines have been cleaned and isolated. We are now preparing for the final stages of removal of the platform, which is unlikely to start before 2006. Studies are in progress to find the best decommissioning solutions for the jacket footings, pipelines and drill cuttings pile. A programme of consultation is ongoing and an independent review group of six academics from the UK, Norway and Germany has been established to review the studies.

Other BP-operated North Sea fields that may be considered for decommissioning in the next few years include the Don field – a subsea development tied back to the Thistle platform – the Thistle platform itself and the Miller platform.

In the Gulf of Mexico, we have been decommissioning the Eugene Island 322 platform, which was severely damaged by Hurricane Lili. We have now finished cleaning up the topsides and completed the well abandonments.

#### Remediation

Remediation is another key challenge. This involves protecting the land we use and restoring it for other uses after the closure of a production site, plant, refinery or petrol station. BP has a large number of closed sites undergoing lengthy remediation processes. In 2003, we managed sites with an estimated total liability of \$2 billion, spending over \$400 million during the year on remediation projects. Our biggest projects in 2003 included:

- Working with public sector partners to build a new 175-acre business development, the Baglan Energy Park, on the site of former petrochemicals facilities at Port Talbot, South Wales, and creating a new urban village nearby on land previously used by BP Llandarcy.
- The restoration of a former refinery site in Casper, Wyoming, US, to provide local amenity use, including a golf course.
- The clearance and decontamination of the site of an oil terminal in Auckland, New Zealand, which will be converted into a prime waterfront development.



Our aim is that all tankers in our directly operated fleet should be double-hulled by the end of 2004 – six years before the international phase-out period of 2010 to 2015.



## 1.6

The success of our business strategy and our long-term sustainability as a company depend on the people who work in BP. This section of the report reviews the main developments in BP's workforce during 2003.

BP has expanded rapidly to become a global group, competing in a fast-moving and challenging industry. We seek to attract the world's most talented people, and give them the opportunity to fulfil their potential while helping the group achieve its goals.

We must attract and retain the best men and women. This means welcoming diverse people in terms of background, age, religion, ethnic origin, nationality, disability and sexual orientation.

Our approach is designed to promote personal development, maintain high levels of employee motivation and develop the competencies needed for the group to fulfil its strategic objectives.

We state in our policy that every employee will be treated fairly, is entitled to feel included as part of an organization where people are recruited and promoted on merit, without discrimination, and has the right to form or join trades unions, consistent with local legislation.

Following our series of mergers and acquisitions, the last few years have seen major changes. New operations have been launched and others ended. Some have been brought together and others reorganized to ensure commercial viability.

In 2003, BP's employee headcount reduced by over 11,000 employees, owing to the sale and rationalization of assets. There was a reduction of approximately 2,300 employees in our retail service station network in the US and of some 1,400 employees in Germany, following the acquisition of Veba Oil. A number of employees transferred their employment. For example, in Russia, almost 2,000 BP employees transferred to TNK-BP, while in Asia, following the sale of Fosroc Mining, over 2,000 employees transferred their employment. Where transfer was not available, we offered voluntary redundancy

whenever possible to minimize the impact on families and the community, and offered employees who departed support packages, including help to find new employment.

2003 also saw further progress in our development programmes. More than 5,500 employees attended the First Level Leaders events and a new Senior Level Leaders programme was piloted.

We follow global principles in which we aim to recognize and reward employees competitively for their performance. We offer pay linked to performance, employee share ownership plans and a range of benefit plans. HR group vice president, Chris Moorhouse, explains: 'People work for BP for more than pay and benefits alone. We therefore offer challenging roles, opportunities for development and a working environment that supports people's personal and professional goals.'

During 2003, we continued to focus on developing local staff and local leaders worldwide. In China, for example, between 2001 and 2003, the proportion of Chinese employees at senior leadership levels rose from 6% to 17%. In Azerbaijan, a special Organizational Development Capability team has been created to select, train and develop 350 employees. In Angola, where BP's workforce is due to rise from 300 to 900 by 2007, BP is seeking skilled local staff, using specialist agencies to overcome communication problems resulting from the recent civil war.

### People Assurance Survey

We research the effectiveness of our approach through an annual voluntary People Assurance Survey (PAS). In 2003, we saw a strong response to the PAS, with 69% of eligible employees participating. However, the overall results showed a reduction in favourable responses. The

overall Employee Satisfaction Index score for the group was 60%, a drop from 62% in 2002 and 63% in 2001.

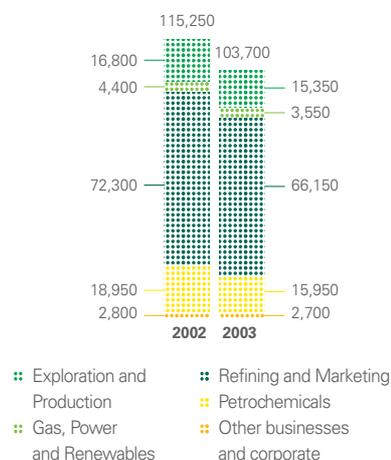
Consistent with other companies, the results varied across all levels within the group. Overall, our more senior employees showed a slight increase in their results, while among other employees our results were slightly lower than in previous years.

Comparing BP with 250 major companies, employees continued to score BP higher than the external norms on most items, in particular on questions regarding effective management of the company, teamwork and co-operation within teams. However, while the external trend is for companies' PAS results to remain largely unchanged from year to year, ours moved downwards.

Therefore, while scores are still encouragingly high, the 2003 survey contains key messages that we are addressing, including a diminishing perception of BP's loyalty towards employees (down 6%) and less willingness to recommend BP as a place to work (down 4%).

The decision to respond to the rapid inflation in medical costs in the US by reducing medical benefits has, as expected, adversely affected satisfaction with benefits

### Employment across business segments



packages. This year, 48% of employees returned favourable responses when questioned about their benefits packages, compared with 55% in 2002.

The 2003 survey identified some improvements. There was a rise of 8% in employees' rating of BP's financial performance, while the rating for management listening to employees' ideas for improvement rose by 3%.

In response to the downward trend of the results, we know we must work hard throughout 2004: first, to understand PAS data better and then to identify any underlying causes of dissatisfaction and create action plans to address them in a thorough and thoughtful way. To ensure this happens, we have committed to improving communication throughout the organization to create clear links between PAS results and actions taken and to monitor ongoing progress.

**Highlighting concerns**

During 2003, we launched OpenTalk, a group-wide initiative designed to help anyone in BP raise concerns about possible breaches of group policy or standards. This global, multi-lingual programme has replaced several regional and national services with a consistent, worldwide system.

Through OpenTalk, employees or contractors can raise concerns over such issues as unethical business conduct, including fraud and conflict of interest; bribery and facilitation payments; environmental incidents; risks to health and safety; or discrimination and harassment.

Individuals with concerns to raise can use a confidential 24-hour telephone line to contact an independently managed call

centre that can handle calls in more than 50 languages. They can also contact OpenTalk by fax, e-mail or letter and can choose to remain anonymous. We do not tolerate retaliation against anyone raising issues. The concerns are forwarded to one of nine regional ombudspersons – senior BP executives located around the world – who are responsible for ensuring that the issue is investigated and resolved. OpenTalk aims to demonstrate that it is acceptable for employees to raise concerns without risking retaliation.

By the end of 2003, 258 cases had been raised, just over half anonymously.

As a result of OpenTalk, a number of breaches of policy have been identified and addressed. For example, following reports of fraud involving theft, credit card misuse and improper procurement, three employees and three contractors were dismissed at a US site, and assets worth more than \$100,000 recovered. In another case, a contract with a supplier was terminated after reports were substantiated of failure to follow the correct procurement procedures, including those relating to health and safety.

Employees are still encouraged to raise their concerns with their line managers or, if they feel unable to do so, with a manager in another business unit. However, OpenTalk provides a means of raising issues if they feel that neither of these routes is appropriate.

**Recruitment and resourcing**

Our success depends on attracting and developing talented people around the world with a wide variety of skills and experience. It also depends on providing new recruits with the development, training

**Specific observation from Ernst & Young**

During our site visits we observed that OpenTalk had been rolled out at all but one of the BP-operated sites and to BP employees at the four joint ventures. It had not generally been rolled out to contractors, but consideration was being given at several joint venture sites to implement a similar tool for the whole of the joint venture.

and inclusive environment that enables them to fulfil their potential in BP.

In 2003, we recruited more than 300 recent university graduates and over 1,100 experienced staff. We run internal and external recruitment campaigns that enable us to compare talent within BP against that available in the external market.

Attracting the best people is never easy. We try to make the BP career offer attractive and market it in different ways. For example, in 2003 we continued to develop the way we use the internet to attract staff. Our Global Career Centre portal now enables job seekers to register their interest in working for BP, list their skills and experience and investigate specific opportunities. BP's resourcing team is then able to create talent pools of potential recruits in different disciplines, matching them to specific opportunities. During 2003, over 1.3 million people visited the site, with more than 76,000 people registering their interest.

We also aim to be a business whose workforce reflects the societies in which it operates. During 2003, several projects



**Spotlighting success**

Staff from our Korean contractor, Daewoo Shipbuilding and Marine Engineering, and their BP colleagues won a newly created award for 'partnership' at BP's 2003 Helios Awards. The team worked three million man hours with no recordable incidents as they built the semi-submersible hull for the Thunder Horse project in the deepwater Gulf of Mexico. The awards recognize outstanding achievements in demonstrating BP's brand values: performance-driven, innovative, progressive and green. In 2003, they attracted 1,778 team entries, representing more than 13,000 people – over 10% of BP's workforce.

The 'green' award went to a team at BP's Wilmington Calciner in California who pioneered the use of waste water in the plant's cooling tower. The 'progressive' award was won by a team who recruited local residents, including refugees, for work at the Sangachal terminal in Azerbaijan. The 'innovation' award went to a team who created a new method of removing sulphur from gasoline. The BP Thunder Horse team took the 'performance-driven' award. The overall 'human energy' award, for a project representing all four brand values, was given to the Prodeem project, which brought solar power to more than 1,800 schools in rural Brazil.



In 2004, BP handed operation of China's Yacheng 13 gas field to our Chinese partner, CNOOC. This was the culmination of a 10-year programme to develop local managers, which has seen Chinese graduates studying for Masters degrees in the US and working closely with expatriate staff during the transition.

have focused on achieving this. An initiative in Azerbaijan that provided employment for local people, including from the UMID refugee camp, has been recognized as an outstanding example of progressive action, winning a BP Helios Award. Another example is China's largest offshore gas field, Yacheng 13.

For our group leadership, we try to fill vacancies from within BP. During 2003, we appointed 61 people into senior executive positions, of which 56 were internal candidates.

#### Development

Opportunities for learning and development are provided throughout the group and employees are encouraged to take an average of five training days a year.

In terms of specific initiatives, 2003 was the second year of the First Level Leaders' programme, an all-inclusive global development programme for the first level of management. These employees provide leadership to the majority of the organization. The programme enables them to develop their leadership skills and deepen their understanding of the business. The programme includes face-to-face events hosted by our senior leaders, online learning opportunities and a coaching scheme. During 2003, more than 5,500 people attended the 148 face-to-face events, following the 4,800 who attended during 2002.

Also in 2003, we piloted a Senior Level Leaders (SLL) programme for the 6,000 people in key managerial positions across the group. The programme provides a simple framework for people to plan their development, inspiring them to the best possible performance and creating a global community of leaders who can contact and learn from each other. Fifty people went through the pilot programme in 2003

and 1,500 senior managers are expected to participate in 2004.

In 2003, we set up specialist academies to enable BP people to develop world-class skills in two disciplines critical to our strategy – project management and sales and marketing.

#### The Projects Academy

'When you have come this far, where do you go? Further.' – *BP Projects Academy website 2003.*

Managing projects lies at the heart of BP's business. Every day in 2003 we invested around \$20 million on capital projects. We expect to spend \$100 billion on 70 major projects by the end of this decade in some 20 countries worldwide.

Our projects include developing large oil and gas fields, often in deep waters or remote areas, and building export pipelines, refineries and chemicals plants. We also have huge logistical projects to undertake, such as establishing networks of fuel retail stations. Budgets run into billions of dollars, schedules stretch over several years and thousands of people are involved, both from within the group and from our partners, contractors and suppliers.

Top-flight project leadership is therefore vital for BP. A review carried out in 2002 showed it to be one of the biggest levers in delivering best-in-class performance, while the lack of such leadership was the main cause of projects failing.

In May 2003, building on this review, we set up BP's Projects Academy, in partnership with the Massachusetts Institute of Technology (MIT), one of the world's leading academic and research institutions and a centre of expertise in leadership, as well as in technology and project management. It is the largest industry collaboration in the 73-year history of the MIT Sloan Management School.

Under the programme, teams of 25 BP project managers spend three two-week periods working with MIT's experts. They focus on three broad themes – leadership, business acumen and technical excellence. The academy encourages interaction and discussion. It encourages project managers to think beyond current practices and examine ideas from outside the group.

The terms are orientated around the life cycle of a typical project: strategy development, pre-sanction planning and post-sanction execution. There are also 'deep-dive' action-learning sessions where managers work on live cases taken from ongoing BP projects.

#### The Sales and Marketing Academy

Sales and marketing are becoming vital for BP as we build our customer-facing businesses into important sources of future growth. Traditionally, marketing and sales tended to be secondary considerations among energy companies, with the main focus being on exploration and production.

However, recognition has been growing of the potential of customer-facing businesses, such as retail outlets, and sales of products such as lubricants, air and marine fuels, to create competitive advantage and a powerful second leg for BP.

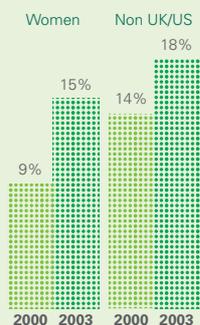
BP is therefore developing world-class sales and marketing capabilities and competencies and aiming to make these a key source of future growth. In October 2003, we took a major step in this area with the launch of a Sales and Marketing Academy, which provides training for employees from BP's sales and marketing community. The academy will run programmes for 1,000 people each year.

The academy has partnered with leading marketing institutions and individuals to create a series of learning programmes, relevant to practical business issues, that

"My position is that no enterprise can operate without the complete engagement and inclusion of its employees. Get this right and issues around race, gender and religion tend to go away too."

**Don Parus, Director,**  
South Houston Site, Texas

#### Group leadership make-up



Over  
**10,000**

First Level Leaders, who provide leadership to the majority of the organization, have attended an all-inclusive, global development programme.

are recognized externally as well as being tailored to BP's specific needs:

- Marketing professionals can follow the two-week BP Marketing Excellence programme, which is delivered by a dedicated BP faculty with 16 students on each course. In 2004, the programme will be run in a number of BP locations, including Australia, Russia, Singapore, South Africa, the UK and the US.
- We have custom-designed a Sales and Marketing Leadership Programme with the Kellogg School of Management for business and functional leaders and their management teams.
- BP Sales and Marketing Electives on particular subjects – such as account management, brand management and pricing – are being developed.
- A BP Sales and Marketing Gateway, introducing BP's approach to marketing, is being developed as an online learning experience for all.

#### Diversity and inclusion

BP's workforce has changed dramatically over the past decade. Ten years ago, most of our operations were in the UK or US. Our people were overwhelmingly white, male and from a traditional oil industry background. Today, the profile is very different. Our people come from a widening range of nationalities, cultures, races and religions. More and more women are seeking to work and advance in BP. The companies which have become part of BP, such as Amoco, ARCO, Castrol and Veba, have brought with them distinctive areas of expertise and knowledge.

We recognize that talent takes many forms. We benefit as a business by valuing and using many types of skills and approaches.

Therefore, we actively seek out people with new ideas, distinctive skills, enthusiasm

and the ability to put these into practice in many different geographical and cultural contexts. To achieve this we need to attract and retain the best men and women, which means welcoming diverse people in terms of background, age, religion, ethnic origin, nationality, disability and sexual orientation.

We distinguish between 'diversity' and 'inclusion'. BP has become diverse by its very nature, with operations in six continents and over 100 countries. Today 'inclusion' is the greater challenge: making people feel valued and encouraging employees to behave in a way that enables everyone to fulfil their potential as individuals and employees. This means broadening people's perspectives to accept and appreciate the different contributions that people from different backgrounds can make.

This is not only an aspiration but also a business objective, pursued through a programme of specific activities. Through this programme:

- Recruitment and promotion processes are reviewed and, where necessary, modified to ensure they are inclusive and free from bias.
- Research has been carried out to understand and help us to overcome barriers to greater inclusion.
- Innovative mentoring programmes have brought together junior employees as mentors to senior employees, to exchange experiences and new ideas, in the 'mutual mentoring' programme.
- 'Gender-speak' workshops have explored the differing communication styles used by men and women in the workplace.
- Sessions on cross-cultural interaction are offered to build awareness and improve understanding in many regions to enhance our employees' ability to be effective in multiple cultures.

- In 2003, major conferences were held in the US, engaging business leaders and a cross-section of employees on issues of race. Since these events were held, an estimated 10,000 employees have already engaged in a structured discussion on the topic. A toolkit of 30 different activities, video and discussion guide have been created to assist team leaders further as they manage and incorporate diversity throughout the country.

In 2003, 49% of the people appointed to positions in the group leadership (the top 609 positions in BP) were either women, or from beyond the UK and US or from a UK or US racial minority. This exceeded our goal of 40%.

Although recent performance has been encouraging, the overall representation of women and people from beyond the US and UK in the group leadership remains relatively low, reflecting gradual but continuing change from the traditional oil industry profile.

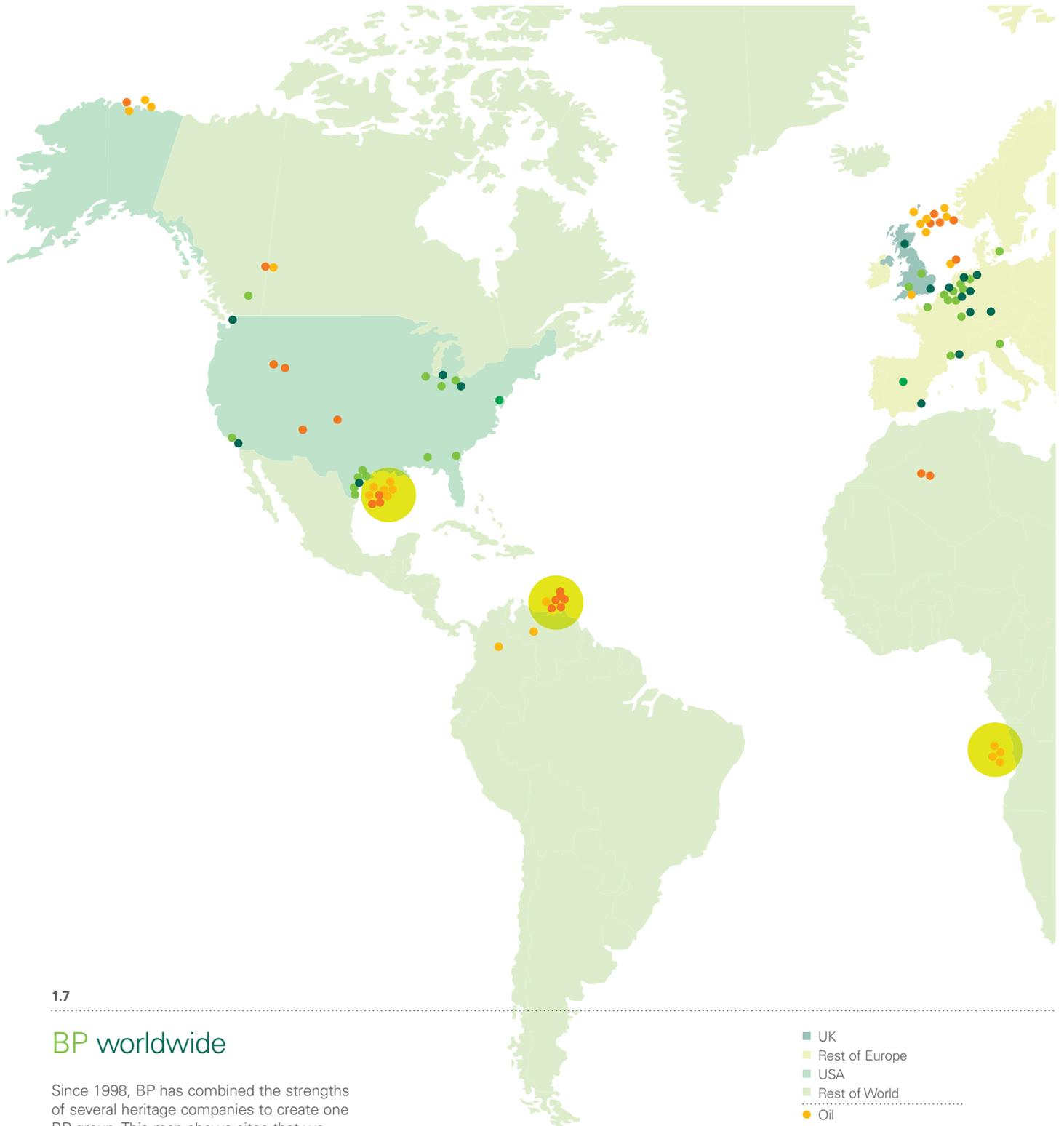
The number of women in our group leadership has risen from 9% in 2000 to 13% in 2002 and to 15% in 2003, exceeding the objective of 14%.

Numbers of people from beyond the UK and US in the group leadership have risen from 14% in 2000 to 16% in 2002, and 18% in 2003, exceeding a 17% objective.

The number of people from UK and US racial minorities in the group leadership has risen from 3% in 2002 to 4% in 2003, achieving our objective.

Over time, the composition of the leadership should reflect the potential represented by the proportions of our graduate intake.

In 2003, women accounted for 41% of graduate entrants and people from beyond the UK and US accounted for 40%.



1.7

## BP worldwide

Since 1998, BP has combined the strengths of several heritage companies to create one BP group. This map shows sites that we operate, including refineries, chemicals plants, oil fields and natural gas fields (including developments), as at the end of 2003.

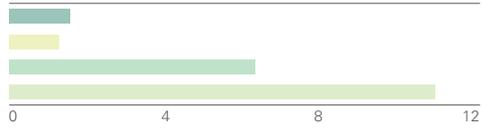
- UK
- Rest of Europe
- USA
- Rest of World
- Oil
- Natural gas
- Solar
- Refining
- Petrochemicals
- New exploration and production profit centres



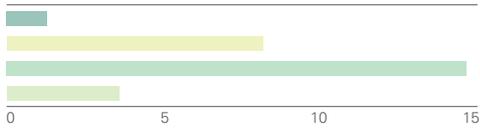
**Employees** (thousand)



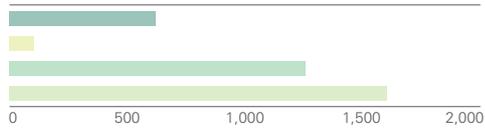
**Total capital expenditure and acquisitions** (\$ billion)



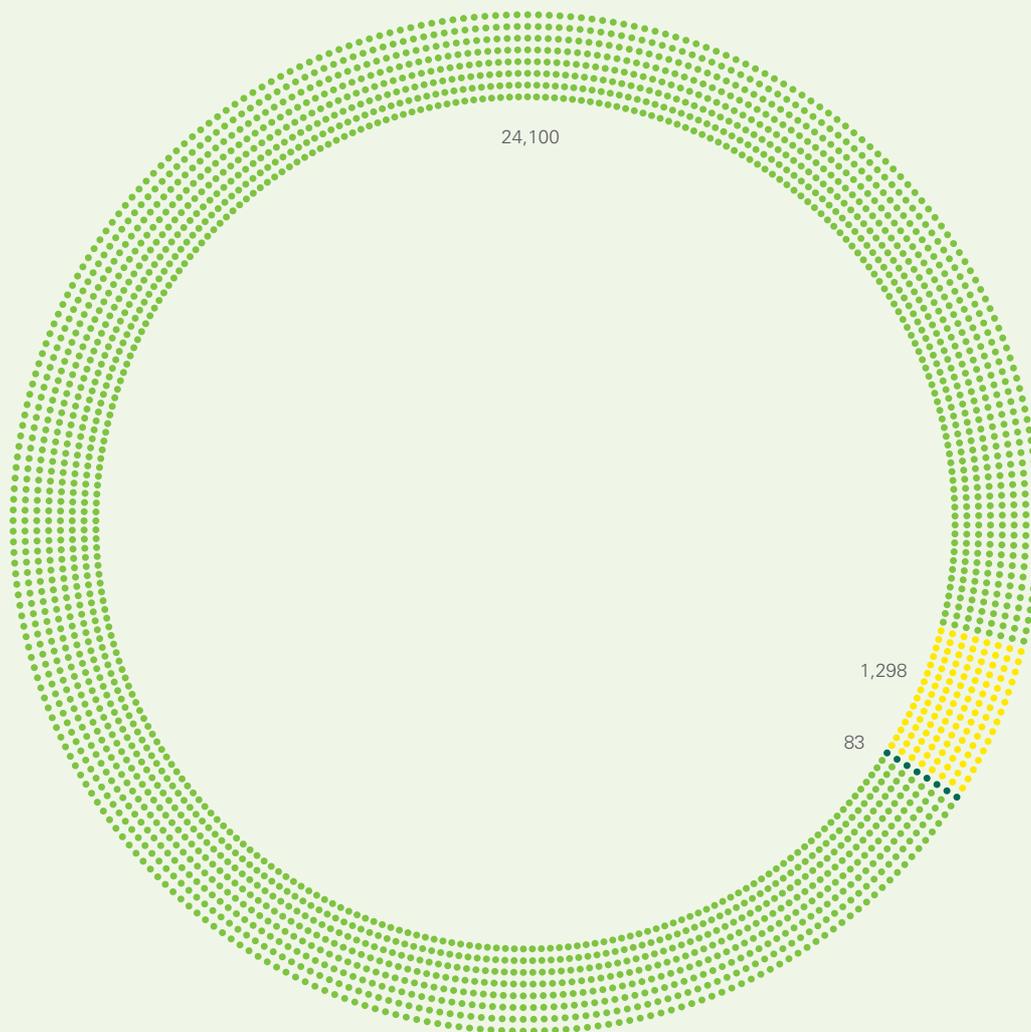
**Retail sites** (thousand)



**Production** (mboe/d)



## 2. BP and the environment



### Where greenhouse gas emissions come from (million tonnes)

- **World fossil fuel consumption\*** In 50 years these emissions could double. Our view is that actions can be taken to reduce these emissions to today's level by 2050 to prevent serious damage.
- **BP's products†** The fuels and other products we sell each year account for 5% of total world emissions. We continuously aim to make these products more environment-friendly.
- **BP's own operations†** Our aim is to minimize emissions through efficiency, innovation and energy management.

\* *International Energy Annual 2001*, US Energy Information Administration.

† BP data 2003.



The prospect of climate change is a challenge we have to address if we are to fulfil our aspiration to be a sustainable company in a sustainable world. This section of the report examines BP's thinking and performance on this issue.

Greenhouse gases (GHGs) act as the world's insulation, without which it would be 33°C colder. GHG concentrations have risen from an estimated 280 parts per million (ppm) before the industrial revolution to 370 ppm today. Meanwhile the earth's surface has warmed – by about 0.6°C in the 20th century – and the Intergovernmental Panel on Climate Change (IPCC) forecasts that temperatures could rise between 1.4°C and 5.8°C in the century ahead.

The world is now recognizing the risk that climate change is linked to human activities – the effects of changing land use, including deforestation, and new forms of agriculture, as well as the use of hydrocarbons – coal, oil and gas – to provide energy for power generation, industrial processes, transport and domestic use.

In 1997, in a speech at Stanford University, California, group chief executive Lord Browne stated that BP accepted that the problem was potentially very serious and that precautionary action was justified. BP then announced a target for 2010: that greenhouse gas emissions from its own operations would be 10% lower than emissions in 1990.

BP achieved that target at the end of 2001, nine years ahead of schedule, and gained around \$650 million in net present value through increased operational efficiency, the application of technological innovation and improved energy management. For example, BP has achieved one of the oil industry's lowest rates of gas flaring – the burning of surplus gas produced at the same time as oil, but with no apparent market.

BP then set a new target for the year 2012. While in some years our GHG emissions may increase, our objective is that our net emissions will show no increase from 2001 levels by 2012. We expect our continued

work on energy efficiency and flaring reductions to eliminate around half of any emissions growth we would otherwise create; and we intend to account for the other half by demonstrating how our actions are reducing emissions through the products we sell.

Emissions from the products we sell are currently about 15 times higher than emissions from our operations. BP is producing cleaner products that can be used more efficiently, such as lower sulphur diesel and liquefied natural gas, even though these often require more energy-intensive production processes.

During 2003, we continued to analyse these issues. In November, Lord Browne set out the results of our latest thinking and research on the issue of climate change. While many uncertainties remain, we believe that business planning and long-term strategy should be based on stabilizing atmospheric concentrations of greenhouse gases in the range of 500 to 550 ppm. This would provide a focus for action to bring emissions to a level at which scientists believe serious damage to the environment could be avoided while society would be provided with the energy it needs. This position may change as scientific understanding evolves.

This requires the world to address the potential trade-off between growth in energy demand and the substantial environmental impact this could cause. It is estimated that the world's annual emissions from hydrocarbon consumption, currently equivalent to 24 billion tonnes (or gigatonnes) of carbon dioxide, could double over the next 50 years. An important step to achieve atmospheric stabilization at 500-550 ppm would be to counter this trend and restore emissions to today's levels by 2050.

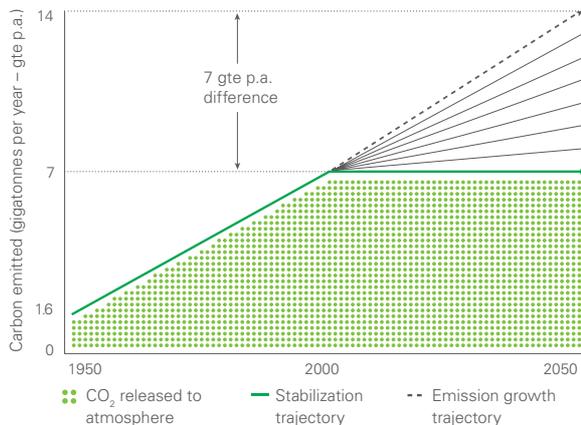
How could this be achieved? Experts from Princeton University have described a series of options, each of which has the potential to lower emissions by around one billion tonnes of carbon (equivalent to approximately 3.5 billion tonnes of carbon dioxide) per year. These actions could be started now and could combine to counter this emissions growth by 2050 (see *diagram on page 24*).

Several of these growth options are clearly aligned with BP's business strategy. For example, bringing more natural gas to China from the Kovytka field in East Siberia could reduce growth in carbon dioxide emissions by 120 million tonnes if coal-fired power stations were taken out of service.

Of course, all the options proposed by Princeton would require concerted effort by governments and other industries if they were to be realized on a sufficient scale to counter the emissions growth. In addition, different industry sectors can work in partnership to bring new lower-carbon solutions to the market.

BP can contribute because we are already actively working in many of the areas Princeton has described – producing and marketing increasing volumes of gas, researching into carbon capture, working to create cleaner and more economic fuels, and marketing solar energy.

We believe governments and international bodies can also contribute, through devising mechanisms that promote access to increasing clean energy in developing countries and achieve cost-effective emission reductions within developed economies. For example, emissions of greenhouse gases are particularly suitable for national or international trading because the goal is to reduce global emissions. If a 'common currency' in emissions can be developed, this will enable different efforts to reduce emissions around the globe to be valued on a common basis. BP has actively promoted the use of market mechanisms, including Emissions Trading and the Clean Development Mechanism. BP helped to develop the existing UK emissions trading



**Stabilizing global emissions**

According to experts, global annual emissions of greenhouse gases could double in 50 years if no action is taken ('emission growth trajectory' in diagram). However, researchers at Princeton University, US, have described a series of actions ('wedges' in the diagram) that could each reduce annual emissions by one billion tonnes of carbon (equivalent to approximately 3.5 billion tonnes of CO<sub>2</sub>). Together, the wedges could reduce emissions to today's level by 2050 and enable stabilization of GHGs in the atmosphere. Practical examples of these wedges are:

- ∴ Gas replacing coal in around 1,400 new large-scale gas-fired power stations.
- ∴ Doubling the fuel economy of potentially two billion cars in the world by 2050 from 30 mpg to 60 mpg.
- ∴ Major increases in renewable energy, with solar capacity growing 1,000-fold or wind energy capacity growing 70-fold.

scheme, in which it is now a participant, and is following the same course of involvement within the European Union trading scheme, due to start in 2005, as well as voluntary schemes in the US.

**Emissions from operations**

Direct emissions of GHGs from BP's operations for 2003 were 83.4 million tonnes (Mte) – an overall increase of about 1Mte on our 2002 figure of 82.4Mte. If we include emissions that would have come from operations sold in 2003, the like-for-like increase would have been 1.4Mte.

In 2003, we continued to invest in energy efficiency activities that removed 1.4Mte of direct emissions from our operations. Without such actions, the underlying emissions growth from our expanding businesses would have been 2.8Mte.

Our target envisages that around 50% of our underlying operational emissions growth could be eliminated by keeping up the focus on energy efficiency and conservation within BP. Two years into the programme we can report that we are on track. Since 2001, around three-quarters of our underlying emissions growth of 4.4Mte has been offset by 3.3Mte of real sustainable reductions delivered by our businesses.

Since 2001, we have steadily increased oil and gas production, as well as raising volumes of fuel processed in our refineries and volumes of manufacturing in our chemicals business. We can compare this business growth with our emissions growth to calculate our direct GHG emissions per unit of production, measured in tonnes of CO<sub>2</sub> equivalent (CO<sub>2</sub>e) per barrel of production, refinery throughputs or manufactured volumes, as appropriate (te/kte). In 2003, compared with 2001, our operations showed:

- ∴ An 11% reduction from 24.9 to 22.2

teCO<sub>2</sub>e/mboe\* in exploration and production.

- ∴ A 4.6% reduction from 1,064 to 1,015 teCO<sub>2</sub>e/uEDC<sup>†</sup> in refining.
- ∴ A 2.4% increase from 528 to 540 teCO<sub>2</sub>e/kte in petrochemicals.

The significant improvement in the exploration and production segment reflects the continued delivery of reductions in flaring and venting from our operations. The change in refining reflects improved energy performance, despite upgrading our facilities to produce cleaner fuels using more energy-intensive technologies. The petrochemicals increase is due to portfolio changes with the addition of two energy-intensive ethylene crackers in Europe.

We have earmarked an additional \$350 million over the next five years for energy efficiency investment so our businesses can access the best technologies available. During this time, we expect to carry out large numbers of small projects across our segments rather than a small number of large ones. We are focusing on two areas: first, to benchmark and improve the performance of the operational assets we already have; and secondly, then to make targeted capital investment where a technology change is good for business and can improve efficiency further.

**Emissions from products**

During 2003, we have been working to quantify the GHG emissions created by the use of our products and to test a new process for measuring the contribution of cleaner products to lowering emissions.

Assuming that all our products were consumed and therefore converted to CO<sub>2</sub>, emissions in 2003 were 1,298 million tonnes from the end use of the products we sell. This figure is about 15 times the total of emissions from our operations. The emissions from products sold are greater than the emissions from the oil and gas that BP extracts from the earth because BP purchases substantial quantities of oil and gas to refine, process and sell.

Our challenge is to meet the increasing demand for energy by providing products with fewer impacts on the earth's climate. We have made a good start. For example, we have more than doubled our gas sales since 1998. Our capacity to produce clean fuels exceeds legislative requirements in all markets where BP has a refinery. Also, we have been growing our solar business, with sales increasing from 32 megawatts (Mw) of generated capacity to 71Mw over the past four years (see page 28). We believe that products such as these are already making a positive contribution to addressing the challenge of stabilization. We now aim to quantify this contribution.

In 2003, we tested a prototype methodology for quantifying emission reductions enabled by some of our products. We have taken this route rather than setting a target to reduce the total of product emissions, which would mean cutting back

Emissions from end-use of BP products	
	million tonnes CO <sub>2</sub>
Coal (divested during 2003)	15
Fuels and lubricants	590
Gas	610
Chemicals (assumes combustion)	83
<b>Total</b>	<b>1,298</b>

\* mboe – thousands of barrels of oil equivalent.  
<sup>†</sup> The utilized Equivalent Distillation Capacity (uEDC) is used globally in the refining industry as a normalized measure of production.

on products that are delivering environmental benefits. This 'learning by doing' approach is intended to demonstrate that BP's actions provide a clear contribution to reducing global emissions and that these actions can be the starting point on the journey towards stabilization. The process is still at the pilot stage, because it has proved extremely challenging to deal with many of the issues that need to be addressed, such as agreeing what would have been the alternatives in the absence of BP's products. We are discussing the programme with a range of stakeholders and experts to explore how the principles can be applied widely.

However, we believe that we are now close to a workable system. The process has so far been tested on a range of BP products, including solar panels and lubricants. Preliminary outcomes indicate that 2003 sales of BP panels would act to reduce CO<sub>2</sub> emissions by around 0.5 million tonnes over their lifetime, while fuel-saving lubricants have reduced emissions by around 0.8 million tonnes in 2003 alone.

Our aim is to test the new system with a wider range of products through 2004 and to report results early in 2005. Over the next two years we will establish a database of such emission reductions. We believe this will be widely applicable, initially by quantifying reductions that will contribute around 50% towards our objective that our net emissions should show no increase from 2001 levels by 2012. For more information see [www.bp.com/environment](http://www.bp.com/environment).

#### Research

Top-quality science is essential for tackling climate change. We therefore support research that can help us set the future direction for our business as well as informing understanding of climate change worldwide. Just as our thinking on the route towards stabilization of GHGs was informed by our work with Princeton University, we expect that other leading research partnerships will help guide our future plans. For example, at Stanford University, US, we have signed a three-year, \$2-million agreement for a broad research programme on public policy aspects of modern energy markets.

At a fundamental level, our plans must be based not only on factors such as oil and gas price forecasts but on the potential impacts of climate change. Our partnership with Princeton University, known as the Carbon Mitigation Initiative (CMI), which we jointly support with Ford, aims to provide such assumptions through advanced modelling techniques. Since its inception three years ago, the CMI has built a strong reputation in the science community, academia, industry and government as a leader in identifying technology applications to address climate change.

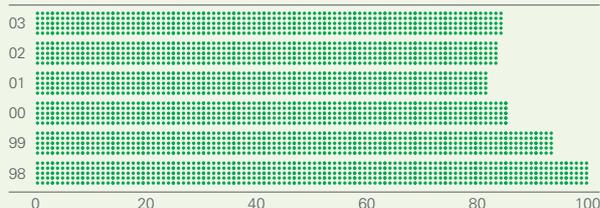
One important option for reducing emissions – alongside many others – is capture and storage of CO<sub>2</sub>. In particular, safe disposal of CO<sub>2</sub> will be critical if fuel cell technology based on hydrogen from natural gas is to realize its potential as a way of

reducing GHG emissions on a large scale. BP has been at the forefront of supporting research in this area. In 1999, we initiated the Carbon Capture Project (CCP), the industry's first large-scale project to develop technology for capturing and storing carbon dioxide. In 2004, we will pilot the technology at our In Salah gas plant in Algeria – the world's first project of this scale in a producing gas field.

We are also supporting a five-year programme at Imperial College London that is investigating the use and storage of energy by buildings and how energy may be supplied to buildings in the future.

GHG emissions are forecast to grow strongly in countries that are experiencing rapid economic growth. We therefore believe it is critical to understand how low-carbon technologies can be transferred into such economies. Our pioneering research project at Chinese Academy of Sciences and Tsinghua University, 'Clean Energy: Facing the Future' is a \$10-million, 10-year programme, now entering its third year, to understand the implications of clean energy technologies for China and the rest of the world. In July, we officially opened the Tsinghua BP Clean Energy Research and Education Centre, providing \$500,000 of start-up funding. Tsinghua's work has already included hosting a multinational conference on China's options for utilizing coal gasification with carbon sequestration to produce hydrogen and clean fuels.

#### Direct greenhouse gas emissions (million tonnes CO<sub>2</sub> equivalent)



Our 2002 and 2003 direct emissions data now includes the Veba Oil operations in Germany, acquired during 2002 (adding 4.1Mte to 2002 emissions and a further 1.5Mte to 2003). The total impact of all acquisitions and divestments increased emissions by 2.2Mte in 2002 and decreased emissions less than 0.4Mte in 2003. TNK-BP emissions are not yet available as systems for collecting greenhouse gas data have yet to be established. Direct emissions result from generation of heat and power on BP sites.

#### Our largest emissions increases during 2003 resulted from growth of our business:

- In Trinidad, a new liquefied natural gas (LNG) plant came on stream, resulting in increased emissions there of over 650,000 tonnes.
- Two new gas-fired power stations – in Bilbao, Spain, and Great Yarmouth, UK – produced an increase of over 800,000 tonnes.
- There were 450,000 tonnes of new emissions in our petrochemicals operations, owing to development of new facilities in the Far East and expansion of activities in Germany.

#### Our biggest reductions in emissions during 2003 included these projects:

- Our Trinidad operations reduced emissions by over 460,000 tonnes by upgrading compressors to decrease their flaring and venting.
- The Coryton refinery in the UK, the pilot for BP's energy management initiative EnManage<sup>1</sup>, lowered emissions by 40,000 tonnes at no cost through increased monitoring and operational focus.
- Our onshore US exploration and production operations reduced emissions by 144,000 tonnes by enhancing well automation to reduce venting.
- At Lavéra, France, 16,000 tonnes of carbon dioxide from a hydrogen manufacturing plant were compressed, chilled and sold through a partnership with gas products company Messer.
- At Whiting refinery, US, high-carbon decanted oil was replaced as a fuel by natural gas, lowering emissions by 62,000 tonnes a year.

<sup>1</sup> EnManage is a registered trademark of Enviros Consulting Limited.



## 2.2

Transport presents a particular challenge to society. People want the mobility provided by cars, planes and trains. They want the products delivered by trucks, vans and motorcycles. But increasingly society is also looking for ways to reduce or eliminate the environmental cost of transport.



The continuing rise in demand for transport is illustrated by the growth in car use. In 1920, there were around seven million cars in the world. In 1960, there were some 60 million and in 2000, around 675 million. Forecasts suggest the total will be approaching one billion by 2020<sup>1</sup>.

While the design and cost of cars and other motor vehicles have changed radically over the past century, one common factor remains – the vast majority still use an internal combustion engine, fuelled by petrol or diesel. Some emissions from these engines are GHGs, while others, such as carbon monoxide and particulates, have an impact on local air quality. Some, such as nitrogen oxides, have impacts at global and local levels.

Although the transport sector accounts for around 25% of the global total of GHG emissions, road transport is where they are growing most rapidly. Air quality, particularly in the developing world, is

likely to remain a pressing concern for the foreseeable future.

A key mobility challenge in the early years of the 21st century is therefore to develop and deliver more sustainable solutions. For BP, this has a particular relevance in our efforts to address climate change, as emissions from the products we sell are 15 times higher than emissions from our operations. In searching for ways to reconcile transport demand with environmental concerns, there are four approaches to the issue:

- ⌘ Improving vehicle and fuel efficiency – the distance travelled per unit of fuel consumed.
- ⌘ Developing fuels that produce lower levels of emissions.
- ⌘ Reducing overall demand for transport.
- ⌘ Improving the efficiency of transport, for example, by encouraging a shift from private to public transport.

When attempting all these solutions, suppliers, researchers and policy makers must bear in mind the total life-cycle impact of fuels. For example, a cut in emissions at the tailpipe has to be set against any increased emissions at the refinery where the fuel is processed. This is called a 'well to wheels' approach.

The most sustainable mobility solution that we know to be technically feasible is that of carbon-free or neutral hydrogen used to power a fuel cell propulsion system. However, there are many obstacles to overcome before this becomes a mass market commercial customer proposition. While BP continues to take a lead in testing and trialling hydrogen solutions, we are also working on a range of shorter-term actions that will mitigate the environmental impact of current transportation systems.

- ⌘ The BP Cleaner Fuels Strategy – targeted on improving local air quality – has led

to the launch of cleaner alternatives to existing fuels in 119 cities worldwide, from Atlanta to Zurich and Perth to Paris. We are at the forefront of the development of ultra-low sulphur and sulphur-free fuels in Europe and the US. This drive towards low-sulphur gasoline and diesel facilitates the development of advanced vehicle technologies that will further help to control emissions such as nitrogen oxides and particulates.

- ⌘ BP Ultimate, launched in many countries in 2003, represents a major step forward for BP as the start of a new generation of advanced fuels.
- ⌘ We are working with a number of partners to develop the next generation of biofuels. These fuels can deliver emissions reductions on a 'well to wheels' basis, being produced from crops, wood, waste and other agricultural and biomass materials that are not farmed intensively and can be converted to fuel using energy-efficient processes.
- ⌘ In our lubricants business, Castrol has developed fuel-efficient lubricants for passenger cars and heavy-duty vehicles. Our Castrol Elixion lubricant for heavy-duty diesel engines offers a guaranteed fuel efficiency improvement of 4%. We have also been collaborating with our customers on a number of initiatives to help reduce GHG emissions:
- ⌘ Our Fleet Performance Management consultancy service helps reduce fuel consumption and maximize operational efficiency among medium to large commercial fleets. By the end of 2003, truck fleet operators in the UK, France, Benelux and Germany were taking part in the programme. We intend to extend it to the US during 2004.
- ⌘ Our Global Choice programme in Australia enables companies to offset their vehicles' GHG emissions by funding carbon abatement projects. All such projects, which include the treatment of landfill gas and the commissioning of a state-of-the-art waste processing

<sup>1</sup> Global Truck and Car Forecast, J D Power-LMC, 2003 Q4.



and recycling facility, are subject to independent certification and verification.

#### BP Ultimate

In 2003, a new generation of fuels, BP Ultimate, that delivers 'more performance, less pollution', was launched.

Currently available in the UK, Greece, Spain, Australia and, as Amoco Ultimate, in the US, BP Ultimate fuels deliver more performance at the same time as improving the cleaning of engine valves and fuel injector sprays, so reducing emissions.

If every driver in the UK switched to BP Ultimate, the improvement in air quality through reduced emissions of nitrogen oxides would be the equivalent of taking one million cars off the road.

We put BP Ultimate through its technical paces in a rigorous 18-month testing programme involving more than 60 types and sizes of engines.

14.5%

reduction in carbon monoxide demonstrated by BP Ultimate unleaded compared with traditional fuels.

Tests showed that BP Ultimate unleaded gasoline has twice the cleaning power of normal fuels and delivers significant emissions reductions. The UK test programme demonstrated reductions of 14.5% in carbon monoxide, 5.3% in nitrogen oxides, 2.2% in carbon dioxide and 5.6% in unburned hydrocarbons, compared with standard fuels.

A further environmental benefit is that Ultimate diesel reduces engine noise by an average of 15% and by as much as 58%, or 4dB, in some models, comparable with the difference in noise levels created by a delivery van and a luxury saloon car.

#### Hydrogen

Hydrogen offers great potential as a sustainable, cleaner fuel. It is abundant and, when used in a fuel cell engine, the only emission from the engine is water. But there are many practical and economic obstacles to its use. Hydrogen is found all over the world – it is the H in H<sub>2</sub>O (water) and in CH<sub>4</sub> (natural gas) – but it is always bound to other substances. To use it as a fuel, the hydrogen must be separated. While economically viable production methods exist, hydrogen storage and distribution are still expensive.

There are many technical and economic challenges facing the developers of fuel cell technology. At BP we are focused on the production, distribution and retailing of hydrogen, which fits with our core experience in other fuels. We have identified over 20 potential pathways by which hydrogen can be produced, using different sources and processes. Some, such as generation of hydrogen from coal or gas,

are already established. Others, such as using biotechnology to process waste biomass, are more speculative.

At BP, we are focusing on city-based demonstration projects to evaluate the technical and economic challenges of different pathways for producing, distributing and retailing hydrogen.

- ⌘ The Clean Urban Transport for Europe (CUTE) hydrogen bus project, part-funded by the European Commission, is supplying hydrogen-powered public transport buses to European cities in 2004. BP is providing refuelling infrastructure in London, Barcelona and Porto and technical expertise to support partners in Stuttgart and Hamburg. We are also providing hydrogen and hydrogen refuelling infrastructure to a companion project in Perth, Australia.
- ⌘ In Singapore, we are building two hydrogen refuelling sites to support a fleet of Daimler Chrysler fuel cell passenger cars.
- ⌘ In California, in partnership with Praxair, we are providing a BP-branded hydrogen refuelling site at Los Angeles airport. We are also a member of the California Fuel Cell Partnership, which opened its first hydrogen refuelling station in Sacramento in 2000.
- ⌘ In Germany, through our subsidiary Veba (Aral), we have built the first public hydrogen refuelling station at Munich airport.



## 2.3

Over the past decade, global electricity production from renewable sources has been growing much faster than conventional power, but it is projected to meet only a very small proportion of the world's energy needs over the next two decades. Most of the world's energy supplies during this period will continue to be met by fossil fuels.

Currently, most forms of renewable energy are commercially or technically uncompetitive with traditional fuels, such as oil and gas, and need government support to reach their market. The challenge for companies involved in renewable energy is to build sustainable and profitable businesses that support continued development of new technologies today while creating opportunities for the future.

### Solar

BP's renewable energy business is just one element in our contribution towards cleaner, lower-carbon energy. Our primary aim in solar, our main renewables technology, is to build a material and profitable business through the manufacture and marketing of photovoltaic cells. We participate in markets where government support is available – such as Germany, the UK and California – or where the absence of electricity grid supply makes solar power the energy of choice.

2003 saw some price and margin pressure created by production over-capacity in the industry. We took steps to establish a sustainable business model for our solar activities. By simplifying business organization and processes, and by creating greater flexibility and responsiveness in our manufacturing capacity and product slate, we focused the business on markets and delivering solutions our customers want.

These included:

- Closure at the end of 2002 of two US facilities dedicated to thin film production whose costs could not be reduced to match their technical performance.
- Consolidation of our Spanish manufacturing on to a single site.
- A 20% reduction in staffing across the global business.

- A restructuring charge of \$45 million in the third quarter.
- Increasing the flexibility of our integrated plant at Frederick, US.
- Launching new technology production lines in India, the US and Australia.
- Refocusing our activities on delivering solutions and attracting customers in the major growth markets of the developed world where solar applications support electricity grids.

These changes focused our product portfolio in support of our marketing efforts. This helps us provide the balance of price and performance that customers demand. One example of this was in California, where we launched a new and distinctive branded offer, BP Solar Home Solutions. This simplifies the purchase of solar systems for residential customers with the added assurance that a major international energy company can bring to a fragmented market. Initial responses exceeded expectations, enabling us to capture more than 25% of the local market.

During the year, we continued to develop a number of off-grid solar projects in Asia, Africa and South America, bringing electricity to isolated and rural communities. While these projects are often complicated and difficult to execute, they offer progress to people who cannot otherwise afford it and for whom there are no alternative technology solutions. In the Philippines, we initiated the first phase of the world's largest solar community initiative – the \$48 million Solar Power Technology Support (SPOTS) project, funded by the Spanish government. This provides an integrated solar-powered package to more than 400,000 people in the isolated regions of Mindanao. The electricity will be used for

health, educational and social projects such as water systems, vaccine refrigeration, telecommunications, and street and residential lighting.

In Brazil, our work on the government-sponsored Programme for the Development of States and Municipalities (Prodeem) brought power and modern education to more than 60,000 children in 1,852 rural schools, while in Morocco we are installing solar home systems that will benefit 20,000 people. In India, a joint venture with local partner Tata brought 8,700 solar home systems and 6,000 solar lanterns to 14,700 families in Ladhaki, as well as 630 solar water-pumping systems to Punjab to help farmers irrigate their fields.

These projects, and hundreds of other partnerships such as those in Angola, the Galapagos National Park, India, Mauritania, Madagascar and Mali, demonstrate the benefits that solar power, with funding support, can bring to impoverished communities. BP has entered two new partnerships, the Global Village Energy Partnership and the Renewable Energy and Energy Efficiency Partnership (REEEP), to help create sustainable processes to facilitate such projects.

### Wind

While solar remains our core renewable activity, we are also generating clean energy through harnessing wind technology. At present we are focusing on identifying further opportunities that can be co-located with our existing operations in countries that encourage the development of renewable energy.

In the Netherlands, our 22.5 megawatt wind farm at the jointly owned Nerefco oil refinery near Rotterdam completed its first full year of operation. In support of Dutch government policies, the project – the first significant wind development within BP – displaces some 20,000 tonnes of carbon dioxide emissions each year and provides electricity to around 20,000 Dutch homes.



### 2.4

As a group that operates in a wide range of environments worldwide, we are very conscious of the richness and variety of natural life on this planet and our obligation to respect, preserve and promote biodiversity. It is not simply a case of protecting endangered species of fauna and flora, but also of understanding the relationship between natural habitats and human communities and how protecting natural environments can also help protect people's ways of life.



During 2003, 28 of our major sites addressed biodiversity considerations as part of their ISO 14001 environmental management systems. Units that have operations in areas considered important for biodiversity draw up Biodiversity Action Plans. More than 20 of these have now been prepared. These plans aim to ensure that our activities will not damage or compromise biodiversity at those sites and identify research and conservation actions that will make a positive contribution to local biodiversity. We report the details of our group-wide progress on biodiversity management on our website.

#### Working together for biodiversity

We form partnerships with conservation organizations to train conservationists, develop new ways of managing biodiversity and fund conservation projects around the

world. For example, BP is a member of the Energy and Biodiversity Initiative<sup>1</sup>, formed by four oil and gas companies and five international conservation organizations to develop practical tools for site selection and operations in sensitive environments. Now publicly available, these tools are being introduced to the oil and gas sector through IPIECA (International Petroleum Industry Environmental Conservation Association).

BP supports many specific projects to protect and promote biodiversity, including a National Marine Environment Centre at Cat Ba Island in Vietnam, conservation training at a regional centre in South East Asia and forest rehabilitation in Azerbaijan.

BP also funds the Conservation Awards Programme, involving Birdlife International, Conservation International, Fauna & Flora International and the Wildlife Conservation Society. In the last 18 years, these awards have supported more than 200 projects and trained over 2,000 people in the field of conservation in 64 countries.

#### Protected areas

The nature of our work means we are frequently asked about our activities or potential activities in protected areas such as those designated as a World Heritage Site, including those with a 'Ramsar' wetlands listing or having a World Conservation Union (IUCN) management category. We will only work within or close to sensitive areas if we believe we can properly manage the risks to the environment.

On page 45 of this report, we list the 16 areas where we operate that already have IUCN management designations. These are

also reported in more detail on our website, [www.bp.com/biodiversity](http://www.bp.com/biodiversity). BP was the first company in the oil and gas sector to report on these issues.

We have pledged to publish the results of risk assessments that support any new decisions to explore or operate in areas designated under IUCN categories I-IV. In 2003, two risk assessments, discussed below, became relevant in this regard.

In Bolivia, Environmental Evaluation Impact Studies (EEIS) were published before construction of an access road and exploration well site in a national park, designated as an IUCN category I area.

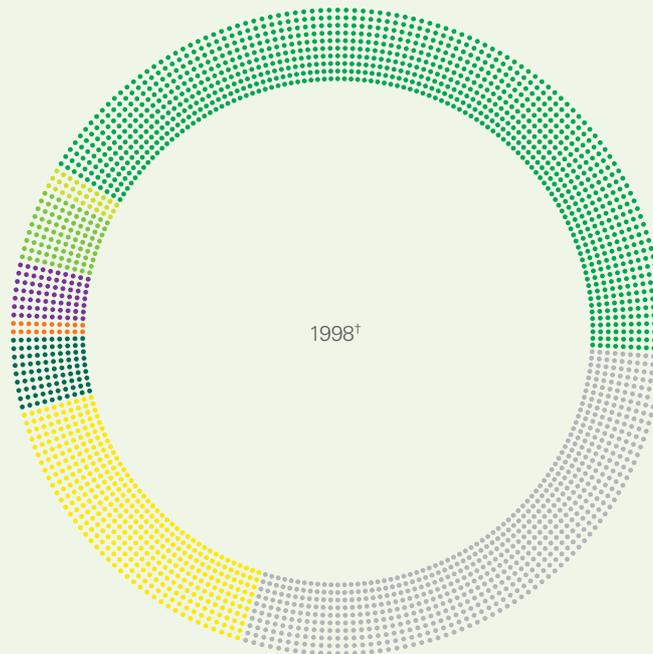
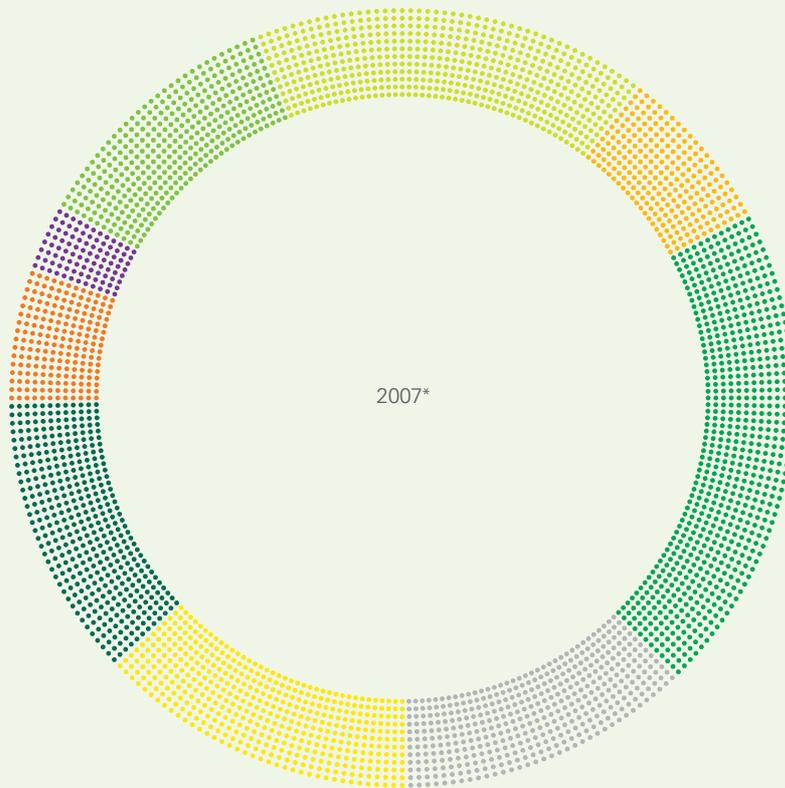
Also in 2003, a managed reserve in Georgia was listed for designation in IUCN category IV. The Baku-Tbilisi-Ceyhan (BTC) pipeline, which will pass through the reserve, was the subject of an extensive Environmental and Social Impact Assessment (ESIA) published in 2002.

Our website provides further information and access to detailed descriptions of the risk assessments for these two sites.

A key international issue is the lack of a comprehensive set of globally agreed and consistently applied definitions for protected and sensitive areas. Some sensitive areas are undesignated, while some areas with IUCN designations are open to limited commercial operations. We therefore believe it is prudent to assess each potential investment on a case-by-case basis, thoroughly examining the risks of development associated with each site. We also continue to support, financially and through direct participation, the IUCN *Speaking a Common Language* project, which is seeking to improve the effectiveness of its categorization system. Other partners include Conservation International and WWF, together with other major energy companies and the International Council on Mining and Metals.

<sup>1</sup> [www.theebi.org](http://www.theebi.org)

### 3. BP in society



**The changing nature of our production portfolio**

- North America
- North Sea
- South America, Middle East, Africa (excluding Angola)
- Gulf of Mexico deepwater
- Azerbaijan
- Asia Pacific
- Trinidad
- Russia
- Angola

\*BP projection 2003 data.

†1998 data from *BP Financial and Operating Information 1998-2002*.



## 3.1

Our fundamental contribution to society is to run a sustainable business founded on our belief in mutual advantage, sound ethics, concern for the environment and the support of human rights. We face social, ethical and environmental challenges in some of the areas where we operate. Our approach to addressing these includes rigorous analysis within the business and engagement with many stakeholder groups. This section looks at how we seek to play a positive role in society, how we interact with stakeholders, and how we strive to extend the benefits of our business as widely as possible.

Our guiding principle in relationships is that of mutual advantage – creating sustainable relationships that bring benefits to all parties. Our business fulfils that principle because it creates wealth for countries and local communities. We directly employ more than 103,000 people. We provide over \$33 billion of business for suppliers. We pay taxes to governments of some \$53 billion and make major investments in research and development and technology.

Over recent years our business strategy has taken us from being primarily focused on the UK and US to having activities in over 100 countries. Our task has been to learn how to do business successfully in many different circumstances. We believe that it is in our own interest, as well as that of local people, to live in a thriving society that follows the rule of law and where human rights are respected.

### Dialogue and assessment

Our business brings us into contact with a wide range of people, including customers, suppliers, partners, employees, investors, government representatives, media, opinion-formers, community leaders and members of non-governmental organizations (NGOs). By talking with these stakeholders, understanding their concerns and reflecting their input in our actions, we believe we can deliver better business results.

For example, for major projects, such as our developments in the Caspian, Angola, Indonesia and Trinidad, we conduct dialogue with a broad range of stakeholders, explaining our plans and inviting feedback. Often this is done at the same time as environmental and social impact

assessments, which evaluate how our business plans will affect a location.

During 2003, we finalized environmental and social assessments for the BTC pipeline and conducted social impact assessments in China and Trinidad. Increasingly these assessments conform to World Bank guidelines. The combination of scientific research, field studies and stakeholder dialogue is used as input to our plans. These can be substantially altered as a result, as with the BTC pipeline route, which was amended a number of times before being finalized.

For two of our most prominent projects – BTC and Tangguh – we have set up panels of experts to provide critical reviews of our plans and recommend actions. During 2003, both panels reported their findings.

One example of the advice of the Tangguh panel (TIAP) concerned security arrangements. The panel supported BP's proposal to adopt a broad-based integrated community approach to security. We also confirmed our intention to maintain dialogue with the army, police, government and local community and to have a continuous BP presence at all sites to monitor private security staff.

The work of the Caspian Development Advisory Panel (CDAP), which advises on BTC, is highlighted on page 34.

We conduct dialogue with specialist stakeholders, such as NGOs, multilateral organizations and academics, to help us develop specific guidelines. For example, we worked with the Global Business Coalition and the Joint UN programme on HIV/AIDS to develop procedures now being applied across BP. We avoid resettlement wherever possible, but have developed a

### Specific observation from Ernst & Young

We saw that an independent Social Impact Assessment had been completed for the SECCO petrochemicals project in China and the management were considering how to respond to the findings. At the LNG project in China a Social Impact Assessment had not yet been commissioned.

set of guidelines in partnership with a major economic and social rights NGO to ensure that, if people must be relocated, they are treated with respect and compensated fairly. In 2003, this helped decision-making in Angola, Indonesia and China.

We commission formal feedback exercises with stakeholders in particular locations. Carried out by independent consultants, they encourage people to speak candidly about their experiences with BP. The findings are published on [www.bp.com/locationreports](http://www.bp.com/locationreports). To date, we have undertaken this exercise in Alaska, Angola, Australia, China, Indonesia and Scotland. Exercises are planned for Trinidad and Germany in 2004.

We also hold meetings with investors and NGOs interested in issues of corporate responsibility. Discussions in 2003 focused on climate change, transparency, security, safety and human rights, particularly relating to our projects in the Caspian and Indonesia and our new investments in Russia.



### 3.2

As a global business and a participant in society, we are sensitive to the need to respect and support human rights. We aim to ensure that we act responsibly to protect the rights of employees and contractors, and we work with governments and other bodies to promote respect for human rights wherever we work.

Our goal is to help foster thriving communities. However, in some of the societies in which we operate there are problems that inhibit their development and stability, such as corruption, security concerns and endemic disease. While governments have the primary responsibility to protect human rights, we have a direct responsibility to support and promote the human rights of those affected through activities that we control, such as the rights of our employees. Beyond our operations, where we have influence but not control, we have a role to play as a corporate citizen but not necessarily the legitimate right or expertise to act alone. So we seek to work in partnership with governments, communities, NGOs and many others to understand issues and develop responses.

We support both the belief that human rights are universal and the UN Universal Declaration of Human Rights. We also want

to help reduce and contribute to the elimination of all forms of forced, compulsory and child labour.

One forum for engagement in the consideration of such issues is the UN's Global Compact. Launched four years ago, the Global Compact is a network that promotes responsible corporate behaviour in the areas of human rights, labour rights and the environment. By listening to the experience of others in this network we have learned much to help us support human rights in our business interactions around the world. In December 2003, we presented a detailed case study on the BTC pipeline and human rights concerns at the Global Compact's Learning Forum in Brazil. (*For further information about the Global Compact principles, see page 39.*)

#### **Combating corruption and supporting transparency**

One of the most serious enemies of development is corruption within any organization or at any level of public administration. It diverts revenues that should benefit communities, reducing the opportunity for economic growth and robbing people of their future.

In 2003, we continued to address corruption from two angles: first, within the company by promoting and implementing a high standard of ethical behaviour and second, by working with others to address corruption outside BP.

We are committed to high standards of ethical conduct and expect all staff to comply with our code of ethics. It is against the code of ethics to pay or take bribes. Also, we do not make political contributions from corporate funds. We expect our partners, suppliers, contractors and

distributors to adopt an approach to corruption aligned with our own. During 2003, we stopped working with 29 suppliers or contractors because of concerns about their standards of ethical behaviour.

Our annual ethics certification – a critical tool for measuring compliance with this code – has been enhanced to encourage greater disclosure and improved management of risk. Staff in positions of responsibility certify their compliance with the group policy and are asked to report all specific instances where there may be any suggestion of non-compliance. Nearly 200 business and functional leaders submitted compliance reports, which addressed aspects such as ethical risk, dismissals, contract terminations, gifts and entertainment registers, and awareness programmes. To support overall staff awareness of ethical issues and assist in the certification process, more than 500 ethics workshops were held globally in 2003 to explain ethical issues and highlight any potential areas of concern.

Transparency is one of the most intensely debated aspects of the economic impacts of energy production. It includes the ability of the public to scrutinize financial agreements and dealings between energy companies and host governments, such as those regarding fees, revenues and taxes. Such agreements have traditionally remained undisclosed on grounds of commercial confidentiality and national security. The challenge is for countries and companies to work together towards achieving a more open system.

In 2003, we continued to support the Extractive Industries Transparency Initiative (EITI), launched at the World Summit for Sustainable Development in 2002. This initiative, largely focused on promoting transparency about payments and revenues to governments, held a high-level multi-stakeholder conference in June 2003 to launch a Statement of Principles. At the core of these principles is a belief that natural resource wealth, used prudently, should provide the basis for sustainable

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

The approach to assessing ethics risks varies across the sites visited. Most sites have not completed a formal ethics risk assessment; however, several sites visited had completed a management workshop with the support of BP's internal audit team to assess ethical risks. Key risks and progress over the last year are recorded in the annual ethics certification process, but progress is generally not tracked throughout the year.

economic growth and poverty reduction. BP played a leading part in this conference and was commended by the campaign for publicly endorsing the initiative. Three countries where we have major business interests – Azerbaijan, Indonesia and Trinidad and Tobago – and a further four countries were among those who indicated their commitment to pilot the EITI.

We are increasing transparency in what we publish about our own operations. The BTC Company, led by BP, agreed to publish payments to the governments of Azerbaijan and Georgia and has made key legal agreements available on a public website. Those governments have also adopted poverty reduction strategies that detail medium-term spending priorities and have agreed that BTC revenues will be managed through national budgets.

During 2003, we also took an active part in the Extractive Industries Review, an initiative launched by the World Bank to discuss its future financing role in the extractive industries.

**Conflict and security**

Doing business in a wide range of countries, some of which have recently faced civil unrest or even civil war, can present significant human rights challenges. To attempt to address these issues, BP has worked with the governments of the UK, US, Norway and the Netherlands, as well as other energy companies and NGOs, to implement the Voluntary Principles on Security and Human Rights. Published in 2000, these provide companies with guidelines on risk assessment and relations with security providers, from both public and private sectors.

We are now integrating the Voluntary Principles (VPs) in our operations around

the world. For example, in Azerbaijan, guards recruited for pipeline security operations are trained in the VPs and BP is sponsoring a 'Train the Trainer' programme for further dissemination of the VPs. They were included in agreements for security in Turkey and training has already been given to guards in Georgia. In Angola, respect for human rights is included in our contract with the security provider, which is refreshed every three months to underline our commitment that dialogue should always be used in place of force. For our project at Tangguh, Indonesia, we have developed a code of conduct for security providers as part of our commitment to the VPs. Following BP's invitation for a VP delegation to visit Colombia, representatives of the UK and US governments gained support for the VPs from the Colombian government, embassies and other companies.

With the increased global threat of terrorism, BP also took additional steps to protect its staff, assets and local communities. High-risk assets were identified and systematic reviews conducted to highlight areas where security needed to be improved. Enhancement measures are now either complete or well under way. We continue to assess security regularly at these sites.

**Health**

HIV/AIDS killed over 3 million people in 2003, and it is estimated that 40 million around the world are infected.

The disease affects our employees, our contractors, their families and the communities we work in. Those with the disease or suspected of carrying it are often put in a position where their basic human rights – their job, their

**Specific observation from Ernst & Young**

During the site visits at two joint ventures in China (LNG project and SECCO petrochemicals plant project) and the Egypt joint venture (GUPCO), we did not see evidence of progress made in relation to the implementation of the Voluntary Principles on Security and Human Rights.

home, their ability to get help – are threatened.

BP has developed programmes to support people with HIV/AIDS, based on principles of inclusion, confidentiality, tolerance and non-discrimination. Our experiences in southern Africa led us to second a member of our Knowledge Management team to the UNITAR/UNAIDS Competence Programme, a four-member team which in 2003 developed a self-assessment tool to help organizations improve their ability to respond to the disease. During the year, the tool was used in 18 countries, including Brazil, India, Uganda, Thailand, Trinidad, Ukraine and Zambia, and several European countries. Methods used by BP for sharing and learning have been adapted to help organizations worldwide to learn from their actions and share their experiences.

Other infectious diseases present significant health risks to our staff. Malaria is endemic in many countries in which we operate, Angola being a particularly high-risk area. Our Malaria Management Plan, developed for the Angolan business unit, addresses the risk in full. This includes raising awareness about the risks, reducing the spread of the disease through mosquito control and bite prevention and providing access to early diagnosis and treatment where prevention efforts fail. For more information see [www.bp.com/society](http://www.bp.com/society).



HIV/AIDS poses an unprecedented threat to human welfare and progress. It is the leading cause of death in sub-Saharan Africa and the fourth biggest global cause of death.

## Dialogue and response – the BTC pipeline



During 2003, BP began constructing the BTC pipeline, designed to carry a million barrels of oil a day over 1,000 miles from the Caspian Sea to the Mediterranean.

With a shareholding of 30.1%, BP operates the project on behalf of the BTC Company, made up of 11 international oil companies.

At 1,762 kilometres, it is the longest pipeline built by BP, running from Sangachal in Azerbaijan, across Georgia to Ceyhan in Turkey. Due for completion in 2005 and costing \$3 billion, it is the largest foreign direct investment in the region. It will export crude oil to world markets, avoiding extra shipping via the Turkish Straits.

BP and its partners have set out to establish a new benchmark in human rights and environmental standards. As operator, BP has made a commitment to ensure that the project results in benefits for the villages on the route and the citizens of the three countries. BP's business principles, including creating mutual advantage, were adopted by all the 11 BTC Co. shareholders.

The European Bank for Reconstruction and Development (EBRD) approved up to \$250 million in loans to the project, after the decision of the International Finance Corporation (IFC) to approve a similar financial package. The organizations had carried out two years of scrutiny of the project and a thorough public consultation. The IFC concluded that 'the projects have been developed and will be implemented to the highest international standards'. The lenders continue to monitor the project through formal quarterly audits.

During 2002, Environmental and Social Impact Assessments (ESIAs) were carried out by independent consultants, covering

ecology, geology, biodiversity, water, archaeology, land ownership, employment and social conditions. The BTC website ([www.caspiandevelopmentandexport.com](http://www.caspiandevelopmentandexport.com)) has published over 11,000 pages of assessments, the first extractive sector project to make so much material public.

Following the assessments, BTC Co. has designed a route that avoids the permanent dislocation of any people. The pipeline will be buried, with land reinstated for use after construction. The extensive design, operational and security measures applied to sections of pipeline near Lake Tsalka and Borjomi in Georgia make them the 'two most protected pieces of pipeline in the world', according to the IFC.

The project involves ongoing consultation and dialogue with local communities, NGOs and other stakeholders. BTC Co. has consulted 450 communities, including all communities within two kilometres of the pipeline route. In Georgia, 74 meetings have been held with local communities, 27,500 documents distributed and advertisements run in 20 newspapers. In Turkey, 10,000 non-technical summaries and 22,000 community pamphlets have been distributed, backed up by 100 community meetings and meetings and seminars with NGOs and the media. The efforts to consult women living along the route won specific praise from the IFC.

A major effort to find and compensate the individual landowners affected, as well

as state and public land owners, is under way. Over 16,000 compensation agreements have now been signed.

### Responding to human rights concerns

In 2003, steps were taken to clarify contentious legal points raised by Amnesty International and others, concerning employment and human rights. These focused on the agreements between BTC Co. and the host governments: the umbrella Inter-Governmental Agreement (IGA) and three Host Government Agreements (HGAs).

In May 2003, a Joint Statement was issued by BTC Co. and the host governments, confirming their commitment to International Labour Organisation conventions on issues such as forced labour, freedom of association, collective bargaining and equal opportunities. The Joint Statement also explicitly commits the signatories to abide by the Universal Declaration of Human Rights.

In September 2003, following dialogue with Amnesty International, BTC Co. provided a Human Rights Undertaking, including a formal agreement not to seek compensation from the governments for any breach of the HGAs brought about by the governments acting on obligations under international human rights, environmental or other treaties.

### Community investment

In 2003, BTC Co. allocated \$25 million for community investment programmes during the construction phase, providing benefits to 270 communities. These include rehabilitating school buildings, installing new gas supply lines, repairing roads and bridges and loans to small businesses.

### The Caspian Development Advisory Panel

Independent experts advise us on the environmental, economic and community aspects of the project. During 2003, the Caspian Development Advisory Panel (CDAP) made 100 recommendations in two reports, many of which have been accepted and implemented.

For example, it advised BP to make a clear commitment to invest in sustainable development in the whole Caspian region. BP agreed to play its part in an extensive programme of socio-economic activities, working with other international and local groups, all co-ordinated within a Regional Development Initiative.



### 3.4

As a major investor in countries around the world, we play a significant role in local economies, in some cases remaining in the same location for more than 40 years and investing billions of dollars. It is in our own interests, as a business, to encourage the long-term development of open and thriving economic markets in the places where we operate. We encourage the provision of cost-effective local supplies to provide goods, materials and services that meet international standards.

Our local economic impact can take many forms, from encouraging local suppliers and supporting balanced economic development through to ensuring that, when we leave an area or scale down our operations, we help to ensure continued prosperity.

During 2003, BP has been active in programmes designed to strengthen small and medium enterprise (SME) sectors. These help to supply the needs of large companies such as BP at the same time as enabling local companies to play a greater part in national and global economies. One example is the Enterprise Centre in Azerbaijan, which helps local SMEs service the oil and gas industry. During the year, the centre ran 300 training courses and helped 100 companies by providing consultancy and business advice. Partly as a result of these efforts, about 30% of materials and services supplied to our major investment projects in Azerbaijan during 2003 were sourced from local companies.

In South Africa, we began work on SME development in partnership with SBP (Small Business Project), an independent specialist body. We have now extended this to Tanzania, working with SBP and eight other multinationals to set up the \$1.2 million Private Sector Initiative (PSI), which enables Tanzanian SMEs to acquire resources, skills and business. The United Nations recently commended PSI as a role model.

Our Cannonball gas supply project in Trinidad, which involves building an offshore platform and modifying existing onshore facilities, already has its entire project management team based on the island, making possible the transfer of skills to local employees. Overall the project is expected

to achieve a 30% local content spend, comparing favourably with the previous project, which only achieved 10%.

A related challenge is to ensure that the economic activity we stimulate leads to wide-ranging and sustainable economic benefits rather than being concentrated around our sites and limited to the duration of our operations. We support initiatives that broaden and deepen local economic capacity, not only to provide services to BP but to create a more balanced economy.

In Indonesia, the team running the Tangguh gas project is working with the government of Papua to ensure that revenues from the project benefit the people of the whole region. A diversified growth strategy has been drawn up to make the project a catalyst for development throughout Papua. Job seekers will be directed not to the site itself but to other towns in the region where contractors will base their businesses. The strategy also looks to support industries such as fishing and forestry.

While operating in any area brings distinctive challenges, so too does leaving one or scaling down our operations. Each situation has to be handled according to its circumstances. The guiding principle is that the local community should continue to benefit while also taking an active role in determining its own future.

For example, 2003 saw the launch of a 10-year initiative to promote new technologies and new business opportunities in Falkirk. This area of Scotland, traditionally dependent on petrochemicals industries, has recently been affected by the scaling-down of BP's operations. Falkirk Council, Scottish

Enterprise Forth Valley and BP have embarked on a £23-million plan, 'My Future's in Falkirk', to create 4,250 jobs, stimulate up to £200 million of additional investment and attract a diverse range of businesses. A number of projects are under way. Three have been completed and are operating successfully, including a state-of-the-art business incubator at Denny, the Falkirk Wheel and Grangemouth technology park. New jobs have been created, with further projects now under way.

This approach has also been successfully adopted at Baglan Bay in South Wales, where we once employed over 2,000 people. We announced that we were closing our remaining petrochemicals manufacturing plant there on 17 February 2004. Working in partnership with the Welsh Development Agency and the local authority, we used surplus land to create the Baglan Energy Park. Our initial £2 million investment has attracted a further £20 million from UK, European and Welsh government sources. The aim is to attract manufacturing and service industries in a 10-year plan to create up to 6,000 jobs. Competitively priced energy is provided by GE Energy, which has built a new power station on the site.

Commended as a role model by the UN, the \$1.2m Private Sector Initiative (PSI) enables Tanzanian SMEs to acquire resources, skills and business.





3.5

While our social investment programmes around the world incorporate a wide range of initiatives appropriate to local circumstances, they are increasingly undertaken within a common, global approach. This is designed to foster mutual advantage through projects that help create stable, open and thriving communities – because we believe these provide the best conditions for business to be successful.

To strengthen the link between our business and our social investments, we are progressively reducing the proportion of purely philanthropic donations we make. Increasingly instead we are supporting the long-term development of economic opportunity and education in line with our business investments. However, we do continue to recognize a place for charitable giving, including responding to disaster relief with humanitarian aid.

In 2003, we continued with our strategy of directing resources towards locations that represent key strategic growth opportunities, which are mainly in developing countries. In 2003, we invested a total of \$74.4 million in community programmes and community-based organizations around the world, down from \$85.2 million in 2002. Our priority remains to choose the most appropriate projects and to seek the most effective allocation of funds.

The majority of our investments in 2003 helped towards community development, education, environment and health programmes – examples of which have

### Specific observation from Ernst & Young

BP has been encouraging business units to move away from philanthropic giving towards social investment, which aligns more to business and community needs. We found some examples in Europe of existing community programmes that had not yet been reviewed in this light.

already been included in this report. \$2.6 million of the total was given to support humanitarian aid and disaster relief in various locations around the world, including Algeria, Angola and the US. \$8.7 million of the total was paid as part of a global Employee Matching Fund, which enables eligible BP employees to have their personal charitable donations and proceeds from fund-raising efforts matched by the BP Foundation. Employees can also apply for a grant to the charitable organizations for which they are volunteering. Through this scheme, our employees donated over \$11.6 million to charitable organizations and more than 120,000 hours to volunteering activities. BP and its employees together therefore invested a total of \$86 million in community programmes in 2003.

### Helping to build a sustainable future

One example of humanitarian aid comes from Gujarat, India, where BP helped people rebuild their lives and communities after the 2001 earthquake. BP and its employees raised over \$350,000 to help affected villagers. Rather than simply providing short-term financial aid, we worked in partnership with a local NGO, the Vivekananda Research and Training Institute, on a new kind of intervention programme, helping the people of Bandiya village determine their priorities and create a new future for the village.

During 2003, 141 houses and 25 retrofitted houses, a community building and a school were built to withstand future earthquakes. In addition, we set up clean drinking water and sanitation facilities and installed solar lighting in public places.



### A new approach to combating forecourt vandalism in Australia

Australia provides an example of targeted social investment that is relevant to our business. Since December 2001, in response to growing concern about vandalism on our forecourts in Australia, we have been developing a new approach to forecourt security that focuses on crime prevention.

Working with government, youth organizations, local businesses, the police and young people, we have addressed the social dimension of the problem by increasing training and employment opportunities for those involved in crime and antisocial behaviour. The major change in this approach has been to make each service station a more valued part of the community. We are ensuring that all staff at these retail outlets are drawn from the surrounding area, establishing training pathways between the service stations and local schools.

The success of the programme clearly demonstrates the link between social progress and financial performance. At one site, the value of goods lost through theft has fallen from an average of A\$7,000 a month to around A\$700, and sales growth has increased above the average rate.



## 3.6

Education has a powerful impact on human progress. By supporting education, a company can help to create a community that can sustain itself and has the opportunity for economic development and growth. For these reasons, education is a core and enduring element of our social investment programmes around the world.

We support a range of educational activities from primary and secondary schooling through to higher education and workplace learning. We are deepening the impact of our educational activity, identifying and extending the most effective projects and creating stronger links between activities in different parts of the world.

Our educational activities include those that directly benefit our own business, ranging from research and development to executive education, through to community-based projects that enhance local services. We support educational programmes in over 25 countries. When we work with students, we concentrate on what we know best – science, engineering, energy, the environment and leadership skills.

Our educational focus is also determined by local social, cultural and economic priorities. For example, in the US, our

community education spending is focused on two teacher training programmes: one linked with the environment and energy, the other with science and mathematics. In South Africa, we support a national educational programme promoting HIV/AIDS awareness.

### Linking sites and schools

Educational activity is one of the best-established forms of social investment we make in the UK. The Schools Link Programme has been successfully building bridges between BP and schools in the UK for 35 years. The programme enables around 1,000 BP employee volunteers to forge creative links between our sites and local schools. Its main objectives are to increase the number of industry experiences available to teachers and their pupils, and to build a better understanding

of BP and the energy industry. Through presentations, readings, mentoring and interviewing, the volunteers help to enhance the curriculum. Some 400 people act as Link Officers, organizing site visits, work experience and teaching attachments. In 2003, visits were arranged for more than 20,000 young people and 234 schools were linked to 14 BP sites and offices, from Shetland to South Wales. The BP Educational Service complements the programme by providing educational resources. Each year the service interacts with some 32,000 UK schools, handling 100,000 orders for educational resources. For more information see [www.bp.com/education](http://www.bp.com/education).

### Taking the environmental initiative in China

In China, we have continued to develop an initiative to raise awareness of environmental issues through the education system. Working with the Worldwide Fund for Nature and the Chinese Ministry of Education, BP has helped to create new curriculum subjects for primary and secondary school children. In parallel with classroom work, outdoor activities are organized to help children understand how they can bring environmental protection into their lives. These activities include newspaper recycling, battery recovery and plastic pollution prevention. Our target is to reach around 200 million students by 2005.

### Helping Angolan youngsters stay healthy

During 2003, we expanded a healthy-living information campaign with schools in Luanda. Starting in 2002 with two schools in the Cazenga and Ilha districts, our employees worked with teachers, students and parents to improve school hygiene. We promoted campaigns on issues such as clean water, healthy living and disease prevention. Now expanded to a further seven schools in Luanda, this campaign marks the beginning of BP's long-standing participation in Angolan education and provides a model for how we can work elsewhere.



Our Schools Link Programme has been successfully building bridges between BP and schools throughout the UK for 35 years.

The programme enables around 1,000 BP employee volunteers to build creative links between our sites and local schools.



This report has told 'the story so far' for BP. But it is a continuing story. This final section of the report looks at the path ahead and the next steps in maintaining a sustainable company. It also sets out how we plan to report our activities in the years to come.

Our business is characterized by long cycles of investment. For BP to endure and thrive, we need to recognize and respond to the issues that affect our business today as well as anticipating those that will arise in the future. We believe sustainably great companies are marked out by this foresight and, through it, act with consistency and endurance. This also demands that we engage constructively with those stakeholders who help build our future success.

To achieve such constructive engagement, BP needs to ensure that its activities benefit the largest possible number of people in all communities at all times, in ways that align with our ability to do business, or our 'licence to operate', as it is often termed.

The principle of mutual advantage is where our business goal of sustainability meets the aspiration for sustainability among local communities and broader society. We strongly believe this principle of mutual advantage is the product of long-term engagement and founded on a clear understanding of the needs and aspirations of all those with whom we do business.

Scale and focus are key aspects of our business strategy – operating at global scale, but concentrating attention and resources on the most advantaged or significant opportunities.

In the future, while operating at scale in many different locations, we intend to achieve increased focus in our environmental, social and ethical activities in order to build sustained mutual advantage between ourselves and the communities in which we operate.

This includes:

- Supporting education as the key tool for delivering opportunity and progress to the people of the areas in which we operate and as a means of building long-term relationships.
- Developing local capacity and infrastructure where we operate, with an emphasis on long-term integrated programmes.
- Continuing to develop economically effective approaches to the environmental challenges posed by increasing energy consumption, including precautionary action in response to the risks associated with climate change.
- Continuing to support efforts to reduce the impact of corruption by open and transparent reporting and through active support for global initiatives.
- Initiating studies to improve our understanding of the full economic impact and potential created by our investment and activity.

## Our reporting

The way we report on our activities is evolving too. This report has sought to describe them in an integrated way, first explaining our business strategy and activities (BP – our business) and then using these as a foundation to describe our environmental performance (BP and the environment) and social performance (BP in society), effectively presenting three chapters of activity.

This reflects the distinction we draw between those areas over which we have control – our own businesses and operations – and those in which we simply have influence, alongside other players – the environment and society.

In the first area, we can be held accountable for our actions and report on our activities in some detail. On the other two topics there are 'grey' areas where we cannot always distinguish between our impacts and those of other parties, such as impacts on the global environment or on a local economy. Here our task is to use our influence for good and contribute towards a positive overall outcome.

We are now working to use this three-chapter framework at three levels – not only in the global reporting undertaken in this document but also in the country and site-level reports that we publish. A similar framework is being used for our online reporting. This provides a consistent structure for all publications and web-based reports, enabling readers to track progress over time.

## The path ahead

We believe that reporting openly and clearly is a component of mutual advantage. It complements the material benefits we seek to generate by explaining what we are doing and why. We do not claim to have all the answers to the complex issues discussed in this report. But we do aspire to be at the leading edge of thinking and action in our industry as the journey towards greater understanding continues.

Our commitment is to report as fully and openly as possible as we progress, explaining how we are pursuing shareholder value at the same time as being guided by principles – environmental responsibility, mutual advantage, a commitment to play a positive role in society and, above all, a determination to build an enduring, sustainable company. As the journey continues, these are the principles defining our path.

# UN Global Compact



The UN Global Compact is an international initiative that brings together companies, UN agencies and labour and civil society organizations in support of nine principles covering human rights, labour and the environment. The nine principles are based on the Universal Declaration of Human Rights; the International Labour Organisation's Declaration of the Fundamental Principles and Rights at Work; and the Rio Declaration on Environment and Development.

As a member of the Global Compact, we believe that our business policies incorporate the nine principles. We participate in Global Compact meetings and other initiatives. In December 2003, at the Learning Forum meeting, we submitted a case study on the Baku-Tbilisi-Ceyhan (BTC) pipeline project, reporting our progress towards the principles. A copy of this case study is available from [www.unglobalcompact.org](http://www.unglobalcompact.org).

Here we provide an index to our performance in living the nine principles. More information and data are available throughout this report and on our website. This index also cross-references to relevant Global Reporting Initiative (GRI) indicators. (*Further information on our approach to the GRI principles and our GRI index is available on pages 40 and 46-48 of this report.*)

Global Compact Principles	Corresponding GRI indicators	Where will I find reference to this principle? Section	Page
1 Businesses should support and respect the protection of international proclaimed human rights within their sphere of influence.	HR1, HR2, HR3, HR4	The energy paradox BP at a glance Our people BP in society	4-5 9 16-19 30-37
2 Business should make sure that they are not complicit in human rights abuses.	HR2, HR3	Operating responsibly – promoting safety Creating a dialogue Respecting and supporting human rights Dialogue and response – the BTC pipeline The path ahead	12-13 31 32-33 34 38
3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	HR5, LA3, LA4	Our people	16-19
4 Businesses should uphold the elimination of all forms of forced and compulsory labour.	HR7	Respecting and supporting human rights	32-33
5 Businesses should uphold the effective abolition of child labour.	HR6	Respecting and supporting human rights	32-33
6 Businesses should eliminate discrimination in respect of employment and occupation.	HR4, LA10, LA11	Our people Diversity and inclusion Respecting and supporting human rights	16-19 19 32-33
7 Businesses should support a precautionary approach to environmental challenges.	3.13	Operating responsibly – managing impacts BP and the environment	14-15 22-29
8 Businesses should undertake initiatives to promote greater environmental responsibility.	EN1, EN2, EN3, EN4, EN5, EN6, EN7, EN8, EN9, EN10, EN11, EN12, EN13, EN14, EN15, EN16, 1.1	BP and the environment Climate change – our approach, our record Operating responsibly – managing impacts Performance data Protecting biodiversity GCE introduction	22-29 23-25 14-15 44 29 1
9 Businesses should encourage the development and diffusion of environmentally friendly technologies.	EN17	BP in perspective Operating responsibly – managing impacts BP and the environment	7 14-15 22-29

# Global Reporting Initiative

This year, for the first time, we are reporting in accordance with the guidelines of the Global Reporting Initiative (GRI). The guidelines, launched in 2000 and revised in 2002, provide a comprehensive set of indicators covering all dimensions of sustainable development.

We structure our reporting around the key issues for our business and our stakeholders. We use the GRI guidelines to ensure we cover relevant topics, identified by a broad range of stakeholders, which are generic to sustainability reporting by any organization.

The revised guidelines comprise several sections. The two most important contain the 11 reporting principles and the 97 sustainability indicators, of which 50 are termed 'core'.

We believe the reporting principles are at the heart of the GRI guidelines and we aim to be well-aligned with these. We also provide an index against the core GRI indicators on pages 46-48 and a complete index against both core and additional indicators on our website, [www.bp.com/gri](http://www.bp.com/gri).

## How we report against the GRI Principles

### Transparency

As well as disclosing facts, we believe that transparency must convey understanding of how we manage risks and impacts. On our website we therefore publish details of our reporting processes and provide tools so stakeholders can easily access our data. On some issues transparency remains a challenge for our industry, including payments to governments. In this area, BP has supported the Extractive Industries Transparency Initiative and will continue to work with others to build frameworks for greater transparency.

### Inclusiveness

Our reporting is produced with the needs of a range of audiences in mind. Some, including employees, academics, NGOs, socially responsible investors and specialist consultancies, are knowledgeable about sustainability aspects of our business. Others, such as customers, suppliers, investors, governments, local communities and the public, have a more general interest in our performance. We survey our stakeholders' views on how we can be more transparent and respond to these every year.

### Auditability

We engage professional auditors, who combine the strengths of financial auditing experience with technical competency in environmental and social standards. We ensure that records are maintained so that any information can be evidenced on request. We give our auditors open access to management and operations. We ask the auditors to confirm every reported statement about our environmental, social and ethical performance and publish their observations.

### Completeness

We aim to report on all aspects of our business that have significant sustainability impacts and fall within the boundary of our operational control. We also seek to report on areas that are beyond our direct control, but where we have an influence. For

example, as well as reporting on our own greenhouse gas emissions we also now report on emissions resulting from customers' use of our products.

### Relevance

Our reporting aims to focus on the material risks and significant issues related to our activities. To determine relevance, we use engagement processes such as confidential surveys, workshops, dialogue sessions and media reviews. We try to present a balanced picture of our values, conduct and performance, against which we can be judged and from which we can receive feedback to inform future actions and reporting.

### Sustainability context

We believe our report should demonstrate what sustainability means in an integrated manner, in a global and local context. We aim to show how environmental, social and ethical issues play their part in our business strategy and align with our governance processes.

### Accuracy

It is important that the report is sufficiently accurate to enable stakeholders to make judgements and take decisions based upon its findings. Our control processes aim to take account of materiality and to ensure the validity of the statements or data reported. We ask our auditors to review these processes and to comment on areas where we could improve.

### Neutrality

We aim to present an unbiased picture of our activities by reporting our performance openly, whether good or bad. In this report we aim to give equal weighting to the achievements and challenges faced during 2003. Our auditors' information also includes a media review to ensure that major issues raised are appropriately covered in our reporting.

### Comparability

We believe performance should be judged on more than a year-to-year basis and therefore typically publish data for five years to permit comparability over time. We report on major changes that may affect the interpretation of our data. We also benchmark with peer companies to ascertain our relative performance within the industry and work with them to produce common definitions for key performance indicators.

### Clarity

We aim to meet the information needs of both the expert and the general reader. Through our printed Sustainability Report we can present a succinct narrative that covers the most material issues. On our website we offer a variety of tools to improve accessibility and meet different user requirements, from global to local information and from overview to greater levels of detail.

### Timeliness

BP has published a corporate report on aspects of health, safety and environmental performance every year since 1991 and on social performance since 1998. This pattern will continue with our Sustainability Report. Each year we also completely revise our web reporting. We update the website on material issues during the year, as appropriate.

## Assurance statement to BP management

*BP Sustainability Report 2003* (the Report) has been prepared by the management of BP p.l.c., who are responsible for the collection and presentation of information within it. In accordance with BP management's instructions we have reviewed the Report, as outlined below, in order to provide conclusions in relation to Materiality, Completeness and Responsiveness.

Our responsibility in performing our assurance activities is to the management of BP p.l.c. only and in accordance with the terms of reference agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization. Any reliance any such third party may place on the Report is entirely at its own risk.

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

This year we have further aligned our assurance process to AccountAbility's AA1000 Assurance Standard and have reviewed whether in our opinion the Report is in accordance with the Global Reporting Initiative's 2002 Sustainability Reporting Guidelines (GRI). In order to form our conclusions we undertook the steps outlined below. The text highlighted in *italic* indicates new tasks undertaken this year.

1. **Interviewed a selection of BP executives and senior managers** to understand objectives and priorities for embedding and managing BP's social, ethical and environmental expectations as set out in BP's non-financial policies (What We Stand For), the means by which BP planned to accomplish those objectives, the degree to which those objectives were met and how internal assurance is given to the board on these matters.
2. **Reviewed BP's approach to stakeholder engagement** through interviews with key stakeholder relationship holders in BP, observing a limited number of stakeholder engagement activities that coincided with our planned work schedule and reviewing selected associated documentation.
3. **Reviewed BP's internal processes for reviewing the sustainability reporting practices of peer organizations** and conducted a high-level benchmarking exercise of the material issues and areas of performance covered in the environmental and social reports of BP's peers.
4. **Reviewed a selection of external media** sources for reports relating to BP's adherence to its policies, as a check on the scope and appropriateness of statements made in the Report.
5. **Assessed information and explanation about the Report's data, statements and assertions** regarding BP's sustainability performance. As part of this we visited a sample of 10 BP sites chosen to give coverage across business segments and the geographies in which BP operates.
6. **Reviewed selected documents**, such as board and ethics and environment assurance committee minutes, to assess management awareness of performance against non-financial policy commitments.
7. **Reviewed health, safety and environment, community investment, ethics dismissals and diversity and inclusion (graduate recruitment and group leadership) data samples and processes** to assess whether they have been collected, consolidated and reported appropriately at the group level.

8. **Reviewed BP's processes for determining material issues to be included in the Report** and assessed whether the processes had been appropriately applied in preparing the Report.
9. **Reviewed the information received at group level** on which judgements of the issues to be disclosed are based.
10. **Assessed whether BP's reporting (which includes both the environmental and social web content and the Report together) are 'in accordance'** with GRI through reviewing whether the reporting:
  - a. Contains all information required in Sections 1-3 of Part C of the Guidelines (Vision and Strategy, Profile and Governance Structure and Management Systems).
  - b. Contains a GRI Content Index.
  - c. Contains data regarding performance against each of the GRI core indicators or explanations for omissions.
  - d. Is consistent with the 11 principles by reviewing BP's own assessment against GRI and interviewing a selection of BP staff.
  - e. Contains a statement signed by the board or the CEO confirming that the reporting has been prepared in accordance with GRI.

### Level of assurance

There are currently no final guidelines from AccountAbility on agreed definitions for levels of assurance when using the AA1000 Assurance Standard. We planned and performed our review to obtain information and explanation that we considered necessary to form our conclusions against each of the AA1000 Assurance Standard's assurance principles (Materiality, Completeness and Responsiveness), within the terms of reference agreed with BP management.

### Limitations of our review

The scope of our work was limited to a sample of 10 visits to operational sites out of approximately 150 material reporting units.

Our observation of stakeholder engagement activities was limited to BP's engagement activities that coincided with our planned work schedule.

Our review of data processes only included the following data sets: health, safety and environment (HSE), community investment, ethics dismissals and selected diversity and inclusion data (graduate recruitment and group leadership). Our review of these data processes at operations level was limited to the 10 operational sites visited.

A review of BP's performance against the UN Global Compact Principles was not included in our scope of work.

## Our conclusions

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

## Materiality

### Has BP provided a balanced representation of material issues concerning BP's social and environmental performance?

Based on our review, we consider that:

- ∴ With the exception of the subject areas listed below the Report provides a balanced representation of material aspects concerning BP's sustainability performance as defined in the scope of the Report.
- ∴ BP has applied its processes for determining Materiality in the content of the Report, as described in the 'Relevance' section on page 40. However, we consider that BP could have covered the following subject areas in more depth in the Report:
  - Legal challenges that have arisen regarding the BTC project. However, further information can be found on [www.caspiandevelopmentandexport.com](http://www.caspiandevelopmentandexport.com).
  - Position regarding fuel pricing.
  - How BP influences the performance of suppliers to be consistent with BP's policies.
  - BP's response to health and safety issues in Alaska. However, a Location Report on Alaska, which covers the health and safety issues, is available in the environmental and social content on the web ([www.bp.com/locationreports](http://www.bp.com/locationreports)).
  - Adequacy of pension provision for employees.
  - Policy and performance on 'work-life balance'.
- ∴ BP's reporting covers the core GRI indicators or explains the reasons for any omissions. The reporting covers data that BP management considers is material when evaluating BP's performance.

## Completeness

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

Based on our review:

- ∴ We are not aware of any material issues excluded or misstatements made in relation to the information on which BP has made judgements in respect of the content of the Report.

- ∴ We are not aware of any material reporting units that have been excluded in BP management's review of social and environmental performance.
- ∴ BP does not have a standardized method at group level for documenting and collating the outputs of stakeholder engagement. Therefore materiality judgements on the basis of issues raised by this process may not be made on complete information. However, a formal process for reviewing group reputation has recently been established.

## HSE data

- ∴ We consider that the material reporting units have been included in the group HSE data and that it has been properly collated from information reported at operations level.
- ∴ We consider that the 2003 HSE data is reliable for assessing group-wide HSE performance in the context of the data reporting boundaries stated in the Report.
- ∴ We are not aware of any errors that would materially affect the group HSE data. Documentation of the greenhouse gas emissions data collection, assumptions and assurance activities was in place at the operational sites visited. However, as in previous years, the completeness of documentation to support other HSE parameters is varied.

## Community investment data

- ∴ We consider that the material reporting units have been included in the group community investment data and that it has been properly collated from the reporting units through the group's financial data management system.
- ∴ We are not aware of any material omissions in relation to the total community investment data. However, there is scope for more detailed review and challenge at group level of the categorization of community investment data.

## Ethics dismissals data

- ∴ During the course of visits to operational sites we found two dismissals that were omitted from the site compliance report and which have not been included in the group-wide data. This indicates that the capture of this data could be further improved.

## Diversity and inclusion data

- ∴ We consider that the leadership diversity and inclusion data has been collated appropriately from group-wide systems.
- ∴ We consider that the graduate recruitment diversity and inclusion data has been appropriately collated at group level from regional databases.

#### *Other non-financial data*

- ∴ We have reviewed information or explanation to substantiate the other non-financial data on BP's sustainability performance presented in the Report.
- ∴ BP has included limited data on the economic and social impacts of its activities in the Report. BP is in discussions with others, including other reporting companies, about appropriate indicators to include in future.

#### **Responsiveness**

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

Based on our review:

- ∴ We consider that the Report's scope and content addresses issues expressed in the limited group-based stakeholder engagement we observed and reviewed.
- ∴ For the first time BP has reported in accordance with the GRI Guidelines and also reported greenhouse gas emissions estimates from products sold.
- ∴ We have observed policies, programmes and discrete activities aimed at addressing issues raised by stakeholder engagement. Observations on progress in these activities are provided in several sections of the Report. It is recognized that the response taken is BP's judgement and may not always be consistent with the expectations of all stakeholders.
- ∴ The Report, which is published annually, has previously only been available in English, although this is not the first language for a large proportion of BP employees and stakeholders. Efforts are being taken to improve the accessibility of the Report. For example:
  - This year, for the first time, the Report will also be available in German.
  - Some parts of the environmental and social content on the web will be available in English and German.
  - The web-based Angola Location Report is available in both English and Portuguese.
  - We understand that consideration is being given to providing Sustainability Reporting (web and paper-based reports) in other languages in the future.

##### **Has the Report been prepared in accordance with the GRI?**

Based on our review we consider that BP's reporting (which includes both the environmental and social web content and the Report together) has been prepared 'in accordance' with the GRI 2002 Sustainability Reporting Guidelines.

#### **Areas of progress since last year and areas for improvement**

Within the 'Our conclusions' section of this statement we have highlighted several areas for improvement. Our observations and areas for improvement will be raised in a report to BP management. A selection of specific observations from our visits to operational sites regarding progress made and areas for improvement can also be found embedded in appropriate sections of the Report, pages 2-38.

#### **Our independence**

Our assurance team has been drawn from our global environment and sustainability network, which undertakes similar engagements to this with a number of significant UK and international businesses. As auditors to BP p.l.c., Ernst & Young are required to comply with the independence requirements set out in the Institute of Chartered Accountants in England & Wales (ICAEW) Guide to Professional Ethics. Ernst & Young's independence policies, which address and in certain places exceed the requirements of the ICAEW, apply to the firm, partners and professional staff. These policies prohibit any financial interests in our clients that would or might be seen to impair independence. Each year, partners and staff are required to confirm their compliance with the firm's policies.

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

##### **Ernst & Young LLP**

 **ERNST & YOUNG**

London

24 March 2004

## Performance data

	1999	2000	2001	2002	2003
<b>Financial and operating</b>					
Pro forma result adjusted for special items <sup>1</sup> (\$ million)	5,428	12,183	11,559	8,715	<b>12,379</b>
Total hydrocarbons produced (thousand barrels of oil equivalent a day)	3,107	3,240	3,419	3,519	<b>3,606</b>
Total refinery throughputs (thousand barrels of oil equivalent a day)	2,541	2,928	2,943	3,117	<b>3,097</b>
Total gas sales to third parties (million cubic feet a day)	8,930	14,471	18,794	21,621	<b>26,269</b>
Total petrochemicals production (thousand tonnes)	21,853	22,065	22,716	26,988	<b>27,943</b>
Shop sales (\$ million)	1,741	2,624	3,234	5,171	<b>5,708</b>
<b>Safety<sup>2</sup></b>					
Fatalities – employees	10	10	5	3	<b>5</b>
Fatalities – contractors	20	13	11	10	<b>15</b>
Days away from work cases – employees	175	184	138	100	<b>106</b>
Days away from work cases – contractors	286	266	189	172	<b>146</b>
Recordable incidents – employees	1,118	947	935	898	<b>701<sup>3</sup></b>
Recordable incidents – contractors	1,478	1,779	1,457	1,114	<b>903<sup>3</sup></b>
Hours worked – employees (million hours)	204	245	244	250	<b>247</b>
Hours worked – contractors (million hours)	162	219	259	276	<b>280</b>
<b>Environment<sup>2</sup></b>					
Direct carbon dioxide (CO <sub>2</sub> ) (million tonnes) <sup>4</sup>	82.8	76.6	73.4	76.7 <sup>5</sup>	<b>78.5</b>
Indirect carbon dioxide (CO <sub>2</sub> ) (million tonnes) <sup>4</sup>	10.2	9.7	10.1	11.4 <sup>5</sup>	<b>10.4</b>
Direct methane (CH <sub>4</sub> ) (million tonnes) <sup>4</sup>	0.45	0.33	0.34	0.27 <sup>5</sup>	<b>0.24</b>
Direct greenhouse gas (million tonnes CO <sub>2</sub> equivalent) <sup>4</sup>	92.3	83.7	80.5	82.4 <sup>5</sup>	<b>83.4</b>
Flaring (exploration and production) (thousand tonnes of hydrocarbons)	1,924	1,981	2,017	1,735	<b>1,342</b>
Sulphur dioxide (SO <sub>2</sub> ) (thousand tonnes)	273.0	234.7	224.5	169.2	<b>150.9</b>
Nitrogen oxides (NO <sub>x</sub> ) (thousand tonnes)	237.5	241.9	266.1	242.1	<b>220.3</b>
Non-methane hydrocarbons (NMHC) (thousand tonnes)	365.3	368.0	365.0	322.1	<b>268.8</b>
Number of spills (loss of primary containment)	1,098	958	810	761 <sup>5</sup>	<b>635</b>
Volume of product spilled (thousand litres)	7,299	9,685	3,471	3,524	<b>3,837</b>
Volume of product unrecovered (thousand litres)	3,897	5,490	965	1,084	<b>1,407</b>
Discharges to water (thousand tonnes)	46.4	58.4	80.9	125.9	<b>57.1</b>
Hazardous waste (thousand tonnes)	196.9	161.0	241.9	302.0	<b>238.6</b>
Environmental and safety fines and penalties (\$ million)	11.1	6.6	12.0	27.5	<b>7.0</b>
<b>Employees<sup>2</sup></b>					
Group	80,400	107,200	110,150	115,250	<b>103,700</b>
Exploration and Production	12,500	16,000	16,550	16,800	<b>15,350</b>
Gas, Power and Renewables	2,950	3,400	4,200	4,400	<b>3,550</b>
Refining and Marketing	44,650	67,100	64,600	72,300	<b>66,150</b>
Petrochemicals	18,700	17,600	21,950	18,950	<b>15,950</b>
Other businesses and corporate	1,600	3,100	2,850	2,800	<b>2,700</b>
<b>Social<sup>2</sup></b>					
Global community investment by region (\$ million)					
UK	10.4	15.4	14.9	13.9	<b>12.7</b>
Rest of Europe	3.5	5.3	8	6.2	<b>8.2</b>
USA	36.4	46	52.9	46.3	<b>31.5</b>
Rest of World	17.1	14.9	18.9	18.8	<b>22.0</b>
Global community investment by theme (\$ million)					
Community development	29.5	28.2	33.3	24.3	<b>22.8</b>
Education	14.8	21.3	29.5	24.2	<b>27.1</b>
Environment and health	4.7	8.3	15.5	19.8	<b>15.4</b>
Arts and culture	11	15	8.2	6.6	<b>5.6</b>
Other	7.4	8.8	8.2	10.3	<b>3.5</b>

<sup>1</sup> The pro forma result is replacement cost profit before exceptional items, excluding acquisition amortization and adjusted for special items. Acquisition amortization is depreciation relating to the fixed asset revaluation adjustment and amortization of goodwill consequent upon the ARCO and Burmah Castrol acquisitions. Special items refer to non-recurring charges and credits.

<sup>2</sup> Quantitative performance indicators have been chosen, with stakeholder input, to reflect the most important sustainability issues for BP. The data is collected only from operations under BP management control, except as in footnote <sup>4</sup>. We use common processes that seek to provide acceptable estimates to enable year-to-year comparisons.

<sup>3</sup> Prior to 2003, recordable incidents included both illnesses and injuries. From 2003, only injuries are reported in this category. The number of recordable illnesses for 2003 is 73, which is now recorded separately. The number of recordable illnesses included in the 2002 data was 76.

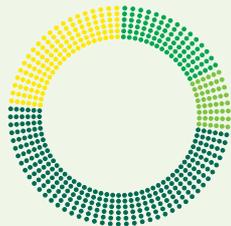
<sup>4</sup> The data is collected from all operations in which BP has an equity share.

<sup>5</sup> 2002 data includes Veba operations.

## Business ethics indicators

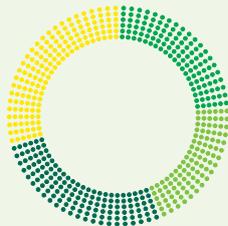
### Ethics workshops

Workshops are an important way to raise awareness of business ethics. In 2003, over 500 workshops were completed, covering all regions where we operate and maintaining the momentum established in the previous year. The workshops communicate the ethical conduct policy to employees. Sessions are designed to encourage open discussion of real-life ethical issues.



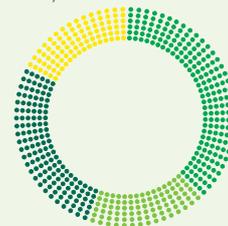
### Dismissals

We take appropriate disciplinary measures when policy breaches occur. In 2003, 165 employees were dismissed for unethical behaviour (excluding retail site dismissals), compared with 132 in 2002. The main reasons for these dismissals were fraud, including the falsification of expenses, theft and dishonesty.



### OpenTalk cases

In 2003, we launched OpenTalk, a new global initiative that aims to give employees in all parts of our business the opportunity to raise concerns about possible breaches of company policy or standards. 258 cases have been raised through OpenTalk from all regions where we operate, covering topics such as fraud, conflict of interest, employment issues and risks to health and safety.



### Key

● Western Hemisphere and the Americas   
 ● Europe   
 ● Africa, Middle East, Russia and Caspian   
 ● Asia, Indian sub-continent and Australasia

## Working in sensitive areas

In line with our previous commitment to disclose information on biodiversity and sensitive areas, we publish below a list of all known areas designated by the World Conservation Union (IUCN) as management categories I-VI in which we operate. We have also committed to publish the results of risk assessments related to any new decisions to operate in an IUCN category I-IV designated area, such as the two summarized below. For further information see [www.bp.com/biodiversity](http://www.bp.com/biodiversity).

### IUCN designated areas where BP operates

Ia	Ajemeti Nature Reserve, Georgia
Ia	Saguramo Nature Reserve, Georgia
Ib	Aguarague National Park, Bolivia
Ib	Duinen bij Bergen, Netherlands
II	Carrasco National Park, Bolivia
II	Thousand Island National Park, Indonesia
II	Fiordland National Park, New Zealand
IV	Shamkir State Forbidden Area, Azerbaijan
IV	Proposed Ktsia-Tabatskuri Managed Reserve, Georgia
IV	Schoorlse Duinen, Netherlands
IV	McFaddin National Wildlife Refuge, US
V	Loch Lomond and Trossachs National Park, UK
V	Dorset Heath Area of Outstanding Natural Beauty, UK
VI	San Juan National Forest, US
VI	National Forests, US
VI	Black Kettle National Grasslands, US

**Ktsia-Tabatskuri Managed Reserve, Georgia** The risk assessment for the portion of the BTC pipeline that passes through the reserve identified 15 major risks, including impacts to habitats, plants and animals, water resources, contamination from spills and other accidental releases, reduced soil stability and increased erosion, and disturbance to local residents during construction. Comprehensive risk management processes developed by the project team include extensive baseline environmental surveys, minimizing project land-take, timing construction to avoid sensitive periods for wildlife, operational procedures to reduce noise and potential contamination, habitat reinstatement plans and environmental training and awareness programmes. Detailed results of the project risk assessments are on the project website at [www.caspiandevelopmentandexport.com](http://www.caspiandevelopmentandexport.com).

**Aguarague National Park, Bolivia** The risk assessment for the exploration wellsite and access road within Aguarague National Park (IUCN II) identified the following major environmental risks: disruption to natural water systems, impacts to local fauna and flora, land-take and disturbance to local human populations. The risk management processes put in place included routing the access road to avoid important aquatic habitats, constructing drainage structures to ensure adequate water flow, minimizing the road corridor, dust suppression, timing restrictions to avoid disturbance to wildlife and providing the trees cleared for the road and wellsite for use by a local village. In all cases the project obtained environmental licences after submitting Environmental Evaluation Impact Studies (EIS), which included public consultation with the communities, municipalities, park authorities, NGOs present in the area and state governments. An onsite monitor oversees the project's compliance with the Environmental Management Plan presented in the EIS.

# GRI index

Here we provide an index to our sustainability reporting based on the Global Reporting Initiative (GRI) reporting elements and core performance indicators, as defined in the GRI Sustainability Reporting Guidelines 2002. The index shows how and where we are addressing GRI elements and indicators throughout this report and within our website.

A more detailed index, including additional GRI performance indicators, is also available on our website ([www.bp.com/gri](http://www.bp.com/gri)). This incorporates all of our Corporate Reporting, including *BP Annual Report and Accounts 2003*.

## Key

- Fully reported
- ◐ Partially reported
- Not reported
- a Locally managed indicator, but not globally aggregated.
- b Detailed data not collected or not yet reliable.
- c Not applicable to most oil products except lubricants and polymers.

Corresponding with United Nations Global Compact principle

SR *BP Sustainability Report 2003*  
 p page  
 IFC Inside front cover

	Location	SR	Web
<b>1. Vision and strategy</b>			
1.1 Statement of the organization's vision and strategy regarding its contribution to sustainable development	IFC, p1, 7	●	●
1.2 Statement from the CEO describing key elements of the report	p1	●	●
<b>2. Profile</b>			
2.1 Name of reporting organization	Title	●	●
2.2 Major products and/or services, including brands, if appropriate	p7	●	●
2.3 Operational structure of the organization	p7	●	●
2.4 Description of major divisions, operating companies, subsidiaries and joint ventures	p7	◐	●
2.5 Countries in which the organization's operations are located	p20-21	●	●
2.6 Nature of ownership; legal form		○	●
2.7 Nature of markets served	p7	◐	●
2.8 Scale of the reporting organization (including employees, assets, sales and products)	p8, 20, 44	●	●
2.9 List of stakeholders, key attributes of each and relationship to the reporting organization	p9, 32	●	●
2.10 Contact person(s) for the report, including e-mail and web addresses	p49	●	●
2.11 Reporting period for the information provided	Title	●	●
2.12 Date of most recent previous report	p49	●	●
2.13 Boundaries of report and any specific limitations on the scope		○	●
2.14 Significant changes in size, structure, ownership or products/services that have occurred since the previous report	p1, 6	●	●
2.15 Basis for reporting on joint ventures, partially owned subsidiaries, leased facilities, outsourced operations and other situations that can significantly affect comparability from period to period and/or between reporting organizations	p24-25	◐	●
2.16 Explanation of the nature and effect of any restatements of information provided in earlier reports, and the reasons for such restatements		○	●
2.17 Decisions not to apply GRI principles or protocols in the preparation of the report	p40, 46-48	●	●
2.18 Criteria/definitions used in any accounting for economic, environmental and social costs and benefits	p8-9	◐	●
2.19 Significant changes from previous years in the measurement methods applied to key economic, environmental and social information	p44	●	●
2.20 Policies and internal practices to enhance and provide assurances about the accuracy, completeness and reliability that can be placed on the sustainability report	p40	●	●
2.21 Policy and current practice with regard to providing independent assurance for the full report	p46-47	●	●
2.22 Means by which report users can obtain additional information and reports about economic, environmental and social aspects of the organization's activities, including facility-specific information	p49	●	●
<b>3. Governance structure and management systems</b>			
3.1 Governance structure of the organization, including major committees under the board of directors that are responsible for setting strategy and for oversight of the organization	p10-11	◐	●
3.2 Percentage of the board of directors that are independent, non-executive directors	p10-11	●	●

		Location	SR	Web
3.3	Process for determining the expertise board members need to guide the strategic direction of the organization, including issues related to environmental and social risks and opportunities		○	●
3.4	Board-level processes for overseeing the organization's identification and management of economic, environmental and social risks and opportunities	p11, 46-47	●	●
3.5	Linkage between executive compensation and achievement of the organization's financial and non-financial goals		○	●
3.6	Organizational structures and key individuals responsible for oversight, implementation and audit of economic, environmental, social and related policies	p10-11	●	●
3.7	Mission and values statements, internally developed codes of conduct or principles, and policies relevant to economic, environmental and social performance and the status of implementation	p1, 22-23, 31	●	●
3.8	Mechanisms for shareholders to provide recommendations or direction to the board of directors		○	●
3.9	Basis for identification and selection of major stakeholders	p31-32, 46-47	●	●
3.10	Approaches to stakeholder consultation reported in terms of frequency of consultations by type and by stakeholder group	p31	●	●
3.11	Type of information generated by stakeholder consultations	p31	●	●
3.12	Use of information resulting from stakeholder engagements	p34	●	●
3.13	Explanation of whether and how the precautionary approach or principle is addressed by the organization	p22	●	●
3.14	Externally developed, voluntary economic, environmental and social charters, sets of principles or other initiatives to which the organization subscribes or which it endorses	p32-33	●	●
3.15	Principal memberships on industry and business associations and/or national/international advocacy organizations		○	●
3.16	Policies and/or systems for managing upstream and downstream impacts	p12-15, 27, 35-37	●	●
3.17	Reporting organization's approach to managing indirect economic, environmental and social impacts resulting from its activities	p26-27, 29, 30-37	●	●
3.18	Major decisions during the reporting period regarding the location of, or changes in, operations	p2-3	●	●
3.19	Programmes and procedures pertaining to economic, environmental and social performance. Include discussion of priorities, targets, internal communication and training, performance monitoring, auditing and senior management review	p7-36	●	●
3.20	Status of certification pertaining to economic, environmental and social management systems	p14	●	●
<b>4. GRI content index</b>				
4.1	A table indicating location of each element of the GRI report content by section and indicator	p46-48	●	●
<b>5. Performance indicators</b>				
EC1	Net sales – as listed in the profile section under 2.8	p44	●	●
EC2	Geographic breakdown of markets		○	●
EC3	Cost of all goods, materials and services purchased	p9	●	●
EC4	Percentage of contracts that were paid in accordance with agreed terms, excluding agreed penalty arrangements	a	○	○
EC5	Total payroll and benefits including wages, pension, other benefits and redundancy payments broken down by country or region	p9	●	●
EC6	Distributions to providers of capital broken down by interest on debt and borrowings and dividends on all classes of shares, with any arrears of preferred dividends to be disclosed	p8	●	●
EC7	Increase/decrease in retained earnings at end of period		○	●
EC8	Total sum of taxes of all types paid broken down by country	p9	●	●
EC9	Subsidies received broken down by country or region	b	○	○
EC10	Donations to community, civil society and other groups broken down in terms of cash and in-kind donations per type of group	p36	●	●
EN1	Total materials use other than water, by type	a	○	○
EN2	Percentage of materials used that are wastes from sources external to the reporting organization	b	○	○
EN3	Direct energy use segmented by primary source		○	●
EN4	Indirect energy use	p24	●	●
EN5	Total water use	p14	●	●
EN6	Location and size of land owned, leased or managed in biodiversity-rich habitats	p45	●	●
EN7	Description of the major impacts on biodiversity associated with activities and/or products and services in terrestrial, freshwater and marine environments	p29	●	●
EN8	Greenhouse gas emissions	p22-25, 44	●	●
EN9	Use and emissions of ozone-depleting substances	b	○	○

	Location	SR	Web
EN10 NOx, Sox and other significant air emissions by type	p44	●	●
EN11 Total amount of waste by type and destination	p15	●	●
EN12 Significant discharges to water by type	p14-15	●	●
EN13 Significant spills of chemicals, oils and fuels in terms of total number and total volume	p15	●	●
EN14 Significant environmental impacts of principal products and services	p22-25	●	●
EN15 Percentage of the weight of products sold that is reclaimable at the end of the products' useful life and percentage that is actually reclaimed	c	○	○
EN16 Incidents of and fines for non-compliance with all applicable international declarations/conventions/treaties, and national, sub-national, regional and local regulations associated with environmental issues	p3	●	●
LA1 Breakdown of workforce, where possible, by region/country, status, employment type and employment contract	p20, 44	●	●
LA2 Net employment creation and average turnover segmented by region/country	p16	●	●
LA3 Percentage of employees represented by independent trade union organizations or other bona fide employee representatives broken down geographically or percentage of employees covered by collective bargaining agreements broken down by region/country	a	○	○
LA4 Policy and procedures involving information, consultation and negotiation with employees over changes in the reporting organization's operations (e.g. restructuring)	p16	●	●
LA5 Practices on recording and notification of occupational accidents and diseases, and how they relate to the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases	p12	●	●
LA6 Description of formal joint health and safety committees comprising management and worker representatives and proportion of workforce covered by any such committees	a	○	○
LA7 Standard injury, lost day and absentee rates and number of work-related fatalities	p12-13, 44	●	●
LA8 Description of policies or programmes (for the workplace and beyond) on HIV/AIDS	p12-13, 33	●	●
LA9 Average hours of training per year per employee by category of employee	p16	●	●
LA10 Description of equal opportunity policies or programmes as well as monitoring systems to ensure compliance and results of monitoring	p19	●	●
LA11 Composition of senior management and corporate governance bodies including female/male ratio and other indicators of diversity as culturally appropriate	p19	●	●
HR1 Description of policies, guidelines, corporate structure and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results	p32-33	●	●
HR2 Evidence of consideration of human rights impacts as part of investment and procurement decisions, including selection of suppliers/contractors	p32-33	●	●
HR3 Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors, including monitoring systems and results of monitoring	a	○	○
HR4 Description of global policy and procedures/programmes preventing all forms of discrimination in operations, including monitoring systems and results of monitoring	p16, 19	●	●
HR5 Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures/programmes to address this issue	p16	●	●
HR6 Description of policy excluding child labour as defined by the ILO Convention 138 and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring	p32	●	●
HR7 Description of policy to prevent forced and compulsory labour and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring	p16, 17, 32	●	●
SO1 Description of policies to manage impact on communities in areas affected by activities, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring	p31-36	●	●
SO2 Description of the policy, procedures/management systems and compliance mechanisms for organizations and employees addressing bribery and corruption	p32-33	●	●
SO3 Description of policy, procedures/management systems and compliance mechanisms for managing political lobbying and contributions	p32-33	●	●
PR1 Description of policy for preserving customer health and safety during use of products and services, and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring		○	●
PR2 Description of policy, procedures/management systems and compliance mechanisms related to product information and labelling		○	●
PR3 Description of policy, procedures/management systems and compliance mechanisms for consumer privacy		○	●

## Further information

### Publications

Further copies of *BP Sustainability Report 2003*, *BP Environmental and Social Review 2002* and other BP publications may be obtained, free of charge, from the following sources:

#### US and Canada

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