



Our policies are at the core of what we stand for. Judge us by our performance and our conduct.



# A guide to our environmental and social reporting

Environmental reporting in BP encompasses health, safety and environmental (HSE) performance, the subject of one of our business policies. Our HSE performance is the progress we make towards our policy goals of no accidents, no harm to people and no damage to the environment.

Similarly, our social performance can be seen as the progress we make towards the commitments in our business policies on ethical conduct, employees and relationships.

However, environmental and social reporting is about more than goals and commitments. It is the outcome of three things: how we behave and live up to our policies; the impact of our operations and products; and our overall contribution to society.

## Our reporting principles

We set out to be transparent, honest and representative when reporting performance against our policies. We aim to address the key issues faced by our industry and provide measures of performance wherever possible. We explain how we seek assurance that the policies are being applied and significant risks are being managed. Our reporting is also externally verified.

## Environmental and social reporting on *bp.com*

This Review has been prepared by the executive management to describe the progress made in BP's social and environmental performance in 2002. Neither the Review, nor the additional social and environmental material on *bp.com*, is part of BP's Annual Report and Accounts.

The Review aims to provide an overview of the content on our website, which provides much greater detail on our global and local performance. On *bp.com*, the Environmental and Social section features performance against our business policies and key issues. The website also features location reports chosen to illustrate how we put our policies into practice in some of the many different places where we operate. They include independently collected views from our stakeholders.

## How to use this Review

The coloured boxes below show where we have added either external commentary from a cross-section of our stakeholders or specific observations from site visits carried out by our auditors, Ernst & Young. Texts that appear framed by a thin yellow line are specific examples that illustrate the issues we describe in the adjacent text. Yellow boxes at the bottom of each page direct you to the relevant page on *bp.com*.

External commentary

Verification

Specific examples

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

## Contents

- 2 2002 in review
- 6 Policies
- 10 Business benefits and impacts
- 14 Issues
- 20 Location reporting
- 26 Performance data
- 30 Assurance statement
- 32 Further information

## A message from Ernst & Young

We have reviewed the contents of BP's *Environmental and Social Review 2002* to give the reader assurance regarding the information reported.

Our work involved assessing data management processes, examining relevant management information, interviewing BP management, reviewing external media sources and visiting a sample of operating sites. We have set out our conclusions by reference to the assurance principles described in the draft AA1000 Assurance Standard. Our conclusions can be found on pages 30-31.



I believe that our long-term future depends on our environmental and social performance. Excellence in operational performance generates financial returns, but enduring growth depends on something more – on being a responsible citizen in the world and earning the continuing support of customers, shareholders, local communities and other stakeholders.

At BP, environmental and social responsibility is interwoven with operational and financial responsibility – treated with the same discipline, rigour and attention to detail. During 2002, we took some significant steps:

- We again improved our safety record. Fewer people were hurt while working for BP, whether as employees or contractors, maintaining our long-term improvement since 1987.
- We ended corporate political contributions.
- We prohibited all facilitation payments.
- We set out our new target on greenhouse gas emissions.

This Review covers BP's environmental and social progress in 2002, and sets out our ambitions for the years ahead. It shows not only that we have achieved a good deal, but also that we are restless to achieve much more.

In addition, we discuss here our wider role and responsibilities as one of the world's largest energy suppliers. Energy meets basic human needs for warmth, light and power. It alleviates poverty, extends life expectancy and assists development. It powers manufacturing, commerce and communications.

The challenge to energy companies such as BP is to generate these benefits while managing the social and environmental impact of their production. This Review shows how we are managing these issues as we extend our operations from established fields in the North Sea and Alaska to new areas with new opportunities and new challenges, including Russia, China, Angola, Azerbaijan and Indonesia.

During 2002, the business world remained under intense scrutiny. The Johannesburg Summit underlined the role of business in development and, in the USA, new legislation has provided stronger safeguards for investors.

While such scrutiny can help to build greater trust in businesses, I believe that the lasting guarantees of corporate probity lie within a company rather than outside it – in its people, values and behaviour. This Review therefore reiterates 'what we stand for' – our policies and commitments with regard to health, safety and environment; employees; relationships; and ethical conduct.

By following such policies, striving for improvement and reporting openly on progress, I believe we will build on our record and become what we aspire to be – a great company in a sustainable world.

A handwritten signature in black ink, which appears to read 'John Browne'. The signature is stylized and fluid, with a long horizontal line extending from the end of the name.

**The Lord Browne of Madingley**

Group Chief Executive  
April 2003

# 2002 in review

As part of our commitment to open reporting, we summarize here some of the key achievements and most significant challenges in our environmental and social performance during 2002.



## **Workforce safety**

Continuous focus on safety across all our operations has delivered a remarkable improvement in performance over the last 15 years. In 1987, our performance on serious injuries and illnesses was 1.55 incidents per 200,000 man-hours (measured as days away from work case frequency). In 2002, it was 0.10, representing a 94% reduction. This progress now gives us one of the best safety records in our industry. While we recognize this achievement, we also report on our challenges related to safety. Eliminating accidents is a priority for our staff and benefits our business.

Although we are proud of our safety improvement, we must not become complacent, because any injury or fatality is unacceptable. Within our management system we also recorded a number of near-miss incidents that did not result in harm but reinforce the need to strive for further improvement. More information about our safety record is found on pages 3-4, 18-19 and 26.

## Acknowledging our achievements

### HIV/AIDS – giving our support

In 2002, BP joined the Global Business Coalition on HIV/AIDS, an alliance of international companies committed to improving the effectiveness of business's response to the epidemic. As part of the responsibilities of joining this coalition we developed a new global approach to HIV/AIDS in the workplace. Based on successful policies and programmes developed by our businesses in South Africa and informed by other external sources, this approach prohibits discrimination against people living with HIV/AIDS. It also promotes an environment in which people who are HIV positive can be open about their status without fear of stigma or rejection.

### Stakeholder engagement in Tangguh

The proposed Tangguh liquefied natural gas project in Papua, Indonesia, is committed to addressing the many social, economic, and environmental dimensions of its operation. We aspire to make Tangguh a model project for social empowerment and sustainable development in Papua, and stakeholder engagement is a vital part of realizing this aim. The Indonesian government approved integrated environmental and social impact assessments for the project in October 2002. Associated programmes, now legally binding, include workforce management, conflict resolution, indigenous people's development, land acquisition and resettlement.



In addition, BP established the Tangguh Independent Advisory Panel, chaired by former US senator George Mitchell, to provide external review, comment and advice to BP on non-commercial aspects of the project. Its first report concluded that the project had potential to provide a stable supply of clean fuel to customers while helping to meet the needs of the local population and protect the environment.

### Environmental management

By the end of 2002, 96 of our 104 major operations had achieved the internationally recognized ISO 14001 standard for environmental management systems. This included refineries, chemicals plants, exploration and production operations, photovoltaic cell manufacturing plants and a research facility. We have set a goal to achieve this standard for all major operations, each of which must also produce an independently verified environmental report. Forty-nine of these verified statements are already published on *bp.com*, and more will follow during 2003.

## Meeting our challenges

### Fatalities

We deeply regret that 66 lives were lost last year in incidents involving BP. Fifty-three of these fatalities were members of the public, 75% of which resulted from road accidents, mainly in Africa or Asia. Although our ability to control traffic risks is limited, we are as concerned about these road accidents as we are about serious incidents in our plants. We are intensifying our efforts to avoid such tragic events. In particular, through our Road Safety Leadership Team, we have initiated collaboration with others inside and beyond our industry to share and adopt best practices aimed at improving road safety wherever we operate.

Of the 66 fatalities, 13 were members of our workforce, including three employees and 10 contractors. While this represents a reduction in our workforce fatal accident rate, down 22% from last year, these fatalities are unacceptable and our goal will always be zero.

### Baku-Tbilisi-Ceyhan pipeline

BP is managing the construction of the Baku-Tbilisi-Ceyhan pipeline. This will transport oil from the Caspian Sea through Azerbaijan and Georgia to Turkey's Mediterranean coast. Transporting oil via pipeline rather than by ship will not add to pressure on the already congested Turkish Straits, so reducing environmental risk. Development of oil and gas in the south Caspian region will help meet global market demand, potentially create 10,000 local jobs during construction and provide an estimated \$26 billion to \$63 billion in government revenues during its lifetime. The projects have been fully approved by the governments of Azerbaijan, Georgia and Turkey.

We have explained the social and economic benefits of the project and published details of potential impacts. However, BP, our partners and supporting financial institutions have received criticism from some pressure groups and the media. As we develop the pipeline, we are continuing to work closely with all stakeholders to investigate the best local solutions to issues raised – solutions aimed at benefiting people without significantly affecting the environment.

### Job losses

We regret that we had to announce job losses in several parts of the world in 2002, including Canada, England, Germany, the Philippines and Scotland. This action was necessary to reduce costs and prolong the commercial viability of mature operations. We continue to dispose of those assets that no longer offer us the right performance potential. Excluding those who transfer their employment when assets are divested, we have currently announced programmes to reduce our workforce by 3,700 employees and contractors. These are never easy decisions, but we strive to reduce the impact of job losses on individuals, families and communities by seeking voluntary departures and through generous support to help employees find new jobs.

## Acknowledging our achievements continued

### Climate change

In 2002, we announced a new approach on climate change, which received favourable reactions from many expert organizations worldwide. Having already lowered our greenhouse gas emissions by 10%, we are now committed, through combinations of energy efficiency, flaring reductions and effective credits from the supply of lower-carbon products, to maintain our net emissions at these reduced levels over the next decade. We are pleased to report that, on a like-for-like basis to take into account the effect of acquisitions and divestments, our net 2002 emissions were lower than in 2001 – in line with our new target.

At the local level, our businesses continue to take substantial steps to tackle climate change. In Australia, BP runs the Global Choice programme, investing 1-2 cents in greenhouse gas reduction projects for every litre of fuel sold. In China, BP is a gas supplier and the sole foreign partner in a liquefied natural gas (LNG) import facility, supporting China in its efforts to secure environmental benefits by increasing the proportion of gas in the energy mix. In the UK, System City, an advanced fuel and lubricants package, has allowed commercial vehicle operators to make significant emissions reductions without any additional capital investment.

### Renewables

BP has made significant strides in the growth of its renewable energy business. Our solar business is launching its first major marketing initiative to target residential customers. With sunny weather and state financial incentives designed to promote solar power, California, USA, was a logical place to begin. If successful, we intend to expand this offer into other markets.

BP and ChevronTexaco have also commissioned a new, fully commercial, 22.5 megawatt (MW) wind farm located at the jointly owned Nerefco oil refinery near Rotterdam, Netherlands. The farm, consisting of nine 2.5MW wind turbines, generates sufficient electricity for approximately 20,000 households. It is estimated to displace 20,000 tonnes of greenhouse gas (carbon dioxide) emissions annually.

### Fostering diverse talent

We are working towards becoming an organization whose workforce reflects the societies in which we operate. The principal source of our future leadership is our existing staff – men and women from a vast array of backgrounds. To achieve this goal we are creating an environment where everyone, based on demonstrated merit, is given equal access to development and advancement opportunities. We aspire to ensure that the composition of our senior management better reflects the diversity of our workforce, and are making good progress. In 2002, 40% of appointments into senior management were women and non-UK/US nationals. Continuing on the success of previous years, the composition of our group leadership increased to 13% women and 16% non-UK/US nationals, reflecting increases of 60% and 38% respectively in the absolute numbers since 2000.

## Meeting our challenges continued

### Safety issues in Alaska

Despite continuous improvements in safety performance for many years, our operations in Alaska had more safety incidents in 2002 than in 2001. We deeply regret the harm caused by these events. Three of them were very serious. Thorough investigations of these incidents were shared with staff and also made public. Our performance was criticized by the media and socially responsible investors. The Alaska state government also announced that it would tighten regulations.

In December 2002, a construction accident resulted from ice that had restricted nitrogen flow, causing pressure to build up. A mechanical plug ejected, killing a contractor and injuring two other workers. More stringent procedures are being implemented as a result of this accident.

In August 2002, a well casing failure caused an explosion and fire, seriously injuring a BP employee. We halted production from about 150 wells until the cause of the failure was identified. We determined that there were no casing integrity issues but that start-up procedures, which had satisfactorily served us for 25 years, needed to be revised.



Another contractor was injured in April 2002 when a light vehicle and a heavy truck collided after entering a zero-visibility plume from a snow-blowing machine. Procedures prohibiting this unsafe driving behaviour have been clarified and communicated again.

We must improve our performance in Alaska and ensure that our global safety standards are always applied.

### Employee satisfaction index

We hold an annual People Assurance Survey to measure how our employees feel, how our performance rates against our stated policies and the effects of initiatives and changes. To help understand major trends in the feelings of staff about BP, we have developed an Employee Satisfaction Index (ESI). This is based on the average percentage of favourable responses to 10 key questions that we believe correlate most strongly with staff satisfaction. They cover issues relating to leadership, staff development, diversity and recognition. Despite making considerable advances with these scores, we are still below our aspiration of increasing the ESI by 10 percentage points from its 1999 level. We are using the survey data at many levels throughout BP to help managers explore underlying issues and focus efforts for improvement.

## Acknowledging our achievements *continued*

### Facilitation payments

In February 2002, we reinforced our policy to state that BP will never offer, pay, solicit or accept bribes in any form, including those transactions known as facilitation payments. Facilitation payments are small payments made to low-level officials to obtain routine levels of service. Following the policy change, we initiated a systematic review of our business transactions in countries where facilitation payments were known to exist. Action plans were implemented to eliminate these payments before the end of the year. By taking a firm stance with officials, we found that payments could be stopped without significant impact on our business. Our ethics certification exercise at the end of the year confirmed that most facilitation payments involving BP staff had been eliminated, except for a few minor items. Our aim is to eliminate these early in 2003.

### Biodiversity

Society expects companies to play a growing part in biodiversity conservation. We undertake dialogue with all our key stakeholders, to ensure our actions address areas where we can make the most difference. During 2002, we contributed to many projects to conserve endangered species, such as the black rhinoceros, mpingo tree and coral reefs in Tanzania. We initiated nine further biodiversity action plans, and published our first regional plan for Indonesia. We also developed company-wide biodiversity performance measures. One key finding is that biodiversity is a significant issue for about 30% of operations managed by BP.



### First level leaders

The First Level Leaders Programme is a global, all-inclusive development initiative open to people across BP who are leading teams or about to take up such a role. It is the single biggest leadership development initiative ever undertaken by our organization. The programme provides a clear, high-impact development structure in which team leaders can deepen their understanding of business context and develop their individual leadership skills. Hosted by members of our senior leadership, it uses face-to-face events, electronic learning opportunities and a coaching scheme to encourage team managers to develop their skills. The programme was rolled out worldwide in 2002, following successful pilots in 2001, and over 4,800 first level leaders attended training sessions in 2002.

## Meeting our challenges *continued*

### Closure of solar facilities

In a move to deliver profitable growth, BP announced a repositioning plan that includes some portfolio adjustments in our solar business. As a result we will cease to manufacture thin film solar modules. We now aim to achieve sales growth of roughly 30% a year by concentrating on crystalline production, which already represents more than 85% of our global solar manufacturing capacity. Crystalline technologies offer the best probability of technical success as well as manufacturing cost improvements.

Thin film manufacturing will be halted at the Fairfield, California, facility. We will also close our technology centre at Toano, Virginia, together with a thin film plant at the same location, if we cannot identify a buyer for the plant. The closures are expected to result in the loss of about 260 jobs, although some 145 manufacturing jobs may transfer to a new operator.

### Fines and penalties

Fines and penalties can often result from violation of HSE laws and regulations. Payments in any year do not necessarily reflect HSE performance in that year, because legal proceedings in many jurisdictions may take years to complete. Fines or penalties paid by BP in 2002 were higher than in 2001 and totalled about \$27.5 million. In the USA, BP was fined \$24.7 million, primarily for non-compliance allegations related to the upgrading of underground storage tanks in its retail operations in California and also related to similar non-compliances at retail operations in Illinois. In January 2002, BP paid a total of \$1.5 million (£1 million) for two separate contraventions of the UK's Health and Safety at Work Act at our Grangemouth manufacturing plant in Scotland. The incidents did not cause significant environmental damage or serious injuries.

### Transparency

BP believes that transparency is important to ensure that international investment in emerging market economies provides benefits to the community as a whole. We recognize that this is a challenge and are therefore supportive of transparency initiatives that develop corporate and government accountability while respecting legal and contractual positions on confidentiality.

At the 2002 World Summit on Sustainable Development in Johannesburg, UK prime minister Tony Blair proposed the Extractive Industries Transparency Initiative. Sponsored by the UK Department for International Development, the initiative has involved a wide range of stakeholders, including BP, in looking at ways to achieve greater transparency in payments and contributions made by companies and revenues received by governments for natural resource extraction.

# Policies

We believe that our activities, wherever we operate, should generate economic benefits and an improved quality of life. In this way we will also create long-term value for our shareholders. Our business performance depends on putting principles into practice for all areas of our business policies.



## **Human rights and security**

Operating in areas of conflict or where the rule of law cannot be taken for granted poses real human rights challenges for our business. Ultimately, governments have the final responsibility for maintaining law and order, security and the rights of groups and individuals. However, we recognize that, as corporate citizens, we also have a part to play. For example, in Colombia we are helping to establish a 'House of Peace and Justice' to extend access to justice to all in the Casanare region. By engaging with local communities and government authorities we aim to help resolve any tensions or disputes about our operations and also reduce risks to the security of our people and facilities.



### What we stand for

We believe that, wherever we operate:

- Our activities should generate economic benefits and opportunities for an enhanced quality of life for those affected by our business.
- Our conduct should be a positive influence.
- Our relationships should be honest and open.
- We should be held accountable for our actions.

Clarity of purpose, authority and accountability lie at the heart of how we run our business. Our governance process begins with our shareholders. Acting on their behalf, the board of directors delegates authority for the day-to-day management of the company to the group chief executive, holding him accountable for pursuing the goals it has established. The board sets certain limits on this authority. These limits shape the company's policies.

To ensure that everyone working for BP understands and observes the boundaries set by the board, the group chief executive has established policies, processes and systems that focus on five key areas: health, safety and environment; employees; ethical conduct; relationships; and finance and control. We report on four of these policies in this Review. These policies and procedures put our values into action. They set out codes of conduct that guide our behaviour everywhere we operate. Everyone in BP is expected to take responsibility

for living up to these commitments. In joint operations, we apply these policies where we are operators; where we are not, we seek to influence our partners so the joint operation adopts similar policies.

Throughout our company, we understand that respect for the environment and for the societies in which we operate makes good business sense. We also understand that, for BP, its partners, contractors and suppliers, failure to comply with international standards of conduct will weaken our ability to achieve our objectives. Understanding our current and potential impacts and assessing and managing the associated risks are integral parts of the way we do business.

We adopt the same principles of risk management for environmental and social objectives as we do for commercial and technical aspects of our business. These principles apply from the exploration and development of new energy resources, through production and supply of our products, to eventual decommissioning of our facilities. Environmental and social risks are assessed against criteria based on our business policies and performance expectations. In addition, because we work in many diverse locations across the world, these risks often need to be assessed and mitigated at different levels, whether local, national or international. Our understanding of risk is fundamentally important to shareholder value as well as to good corporate citizenship.

## Ethical conduct

### Our commitment

We will pursue our business with integrity, respecting the different cultures and the dignity and rights of individuals in all the countries where we operate.

BP supports the belief that human rights are universal. They are enshrined in the UN Universal Declaration of Human Rights (UDHR), which we support. The UDHR sets out the obligations to promote universal respect for and observance of human rights and fundamental freedoms for all, without distinction as to race, gender, language or religion. The promotion and protection of all human rights is a legitimate concern of business.

In our actions and our dealings with others, we will:

- Respect the rule of law.
- Promise only what we expect to deliver, make only commitments we intend to keep, not knowingly

mislead others and not participate in or condone corrupt or unacceptable business practices.

- Fulfil our obligations and commitments, treat people according to merit and contribution, refrain from coercion and never deliberately do harm to anyone.
- Act in good faith, use company assets only for furthering company business and not seek personal gain through abuse of position in the company.

We will expect the same commitments from third parties directly acting on BP's behalf.

### In practice

We involve our people in ethical policy considerations using individuals who bring expertise and focus. These include the director of business ethics, regional ethics committees, local ethics champions and, at board level, the

ethics and environment assurance committee (EEAC).

We deliver our performance through a combination of annual certification, training, management challenge and performance discussion. Business leaders produce an assurance report describing their main ethical issues and the actions needed to resolve them. An overall report describing the outcome of the company-wide ethical certification is provided to the group chief executive and to the EEAC.

Data on our ethical conduct is given on page 28.

## Policies continued

### Employees

#### Our commitment

Our approach to managing people and developing their skills is consistent with the principles of our brand. We respect the rights and dignity of all employees. Everyone who works for BP contributes to our success and to creating a distinctive company. Working together, drawing from our diverse talents and perspectives, we will stimulate new and creative opportunities for our business. Collectively we will generate a more exciting and rewarding environment for work in which every individual feels responsible for the performance and reputation of the company.

We commit to creating a work environment of mutual trust and respect; in which diversity and inclusion are valued; and where everyone who works for BP:

- Knows what is expected of them in their job.

- Has open and constructive conversations about their performance.
- Is helped to develop their capabilities in a culture of innovation and allowed to develop themselves within the company.
- Is recognized and competitively rewarded for their performance.
- Is listened to and involved in improving the team's performance.
- Is fairly treated, without discrimination.
- Feels supported in the management of their personal priorities.

#### In practice

An annual People Assurance Survey measures how well we are meeting the commitment. The survey is used to monitor progress within individual businesses and functions, and to calculate an Employee Satisfaction

Index, linked to targets for improvement over time.

At least once a year staff should discuss their performance and objectives for personal development with line management. Staff are encouraged to take an average of five days' training a year.

Variable pay mechanisms are in place, for example, to link an element of pay to business performance or to reward outstanding individual performance. Owning a stake in BP is strongly encouraged – over 30% of employees are now shareholders.

Data relating to employees and diversity is found on pages 28-29.

### Relationships

#### Our commitment

We believe that long-term relationships founded on trust and mutual advantage are vital to BP's business success. Our commitment is to create mutual advantage in all our relationships so that others will always prefer to do business with BP.

We will do this by:

- Understanding the needs and aspirations of individuals, customers, contractors, suppliers, partners, communities, governments and non-governmental organizations.
- Conducting our activities in ways that bring benefits to all those with whom we have relationships.
- Fulfilling our obligations as a responsible member of the societies in which we operate.
- Demonstrating respect for human dignity and the rights of individuals.

We will work to build long-term relationships founded upon:

- High performance standards.
- Delivering on our promises.
- Openness and flexibility.
- Learning from others.
- Mutual interdependence.
- Sharing success.

#### In practice

The commitment is underpinned by the way our businesses manage the relationships with the societies in which they operate. It is reinforced through initiatives focused on improving performance in specific areas, such as risk assessment and social investment. We work with all areas of civil society in an effort to ensure that the benefits from our business investments are used effectively.

Increasingly our businesses are identifying key stakeholders and

engaging with them. An example of this in practice can be seen in our approach to proposed investments in the Caspian region. Here environmental and social impact assessments and stakeholder dialogue have taken place to create positive and enduring relationships in Azerbaijan, Georgia and Turkey. More information on stakeholder dialogue in the Caspian region is given on pages 22-23.

In addition, we maintain close relationships with our partners, contractors and suppliers, and through opinion surveys and direct engagement monitor the perceptions of customers and other sectors of society. We also collect data on our social investment expenditure, employee engagement programmes and humanitarian aid for disaster relief.

Data on our community spending is found on page 29.

## Health, safety and environmental performance

### Our commitment

Everyone who works for BP, anywhere, is responsible for getting HSE right. Good HSE performance and the health, safety and security of everyone who works for us are critical to the success of our businesses.

Our goals are simply stated – no accidents, no harm to people, and no damage to the environment.

We will continue to drive down the environmental and health impact of our operations by reducing waste, emissions and discharges and by using energy efficiently. We will produce quality products that can be used safely by our customers.

We will:

- Consult with, listen to and respond openly to our customers, employees, neighbours, public interest groups and those who work with us.

- Work with others – our partners, suppliers, competitors and regulators – to raise standards in our industry.

- Openly report our performance, good and bad.

- Recognize those who contribute to improved HSE performance.

Our business plans include measurable HSE targets. We are all committed to meeting them.

### In practice

We achieve our HSE goals, commitments and strategies through the work of individuals, teams and businesses. All businesses aim to deliver on specific HSE objectives that are agreed annually as part of their performance contracts. Performance improvement is supported by a comprehensive set of specific expectations designed to meet our

HSE policy commitments. We communicate these to everyone who works for us through a management system framework called 'Getting HSE Right'. In addition, we have established several standards that set out more detailed requirements on key issues, such as road safety, process safety and major accident risk.

Across BP worldwide, we have a comprehensive HSE incident reporting system that enables all accidents, spills and other HSE events to be recorded, together with progress on all HSE actions from incident investigations and assurance audits.

Data on our HSE performance is given on pages 26-27.

## Chocolate Bayou

BP is a major player in the US oil and gas industry and a strong advocate of sustainable business solutions.

We have a solid track record of working with customers, partners, suppliers and regulators to achieve improved environmental performance. The team at our Chocolate Bayou chemicals plant in Texas, USA, has turned what could have been viewed solely as an environmental responsibility into a broader business opportunity.

Planned plant expansion and modernization based around state-of-the-art technology will reduce nitrogen oxide emissions at the plant by up to 90%. At the same time, ethylene production is expected to grow by almost 300,000 tonnes a year, transforming Chocolate Bayou into one of the largest and most advanced operations of its kind in the fiercely competitive US market.

Scheduled for commissioning and start-up during 2005, the flagship plant will be a testament to the power of teamwork and progressive thinking. As well as delivering higher volumes and better value for customers, it should generate distinctive returns for shareholders and cleaner air quality.

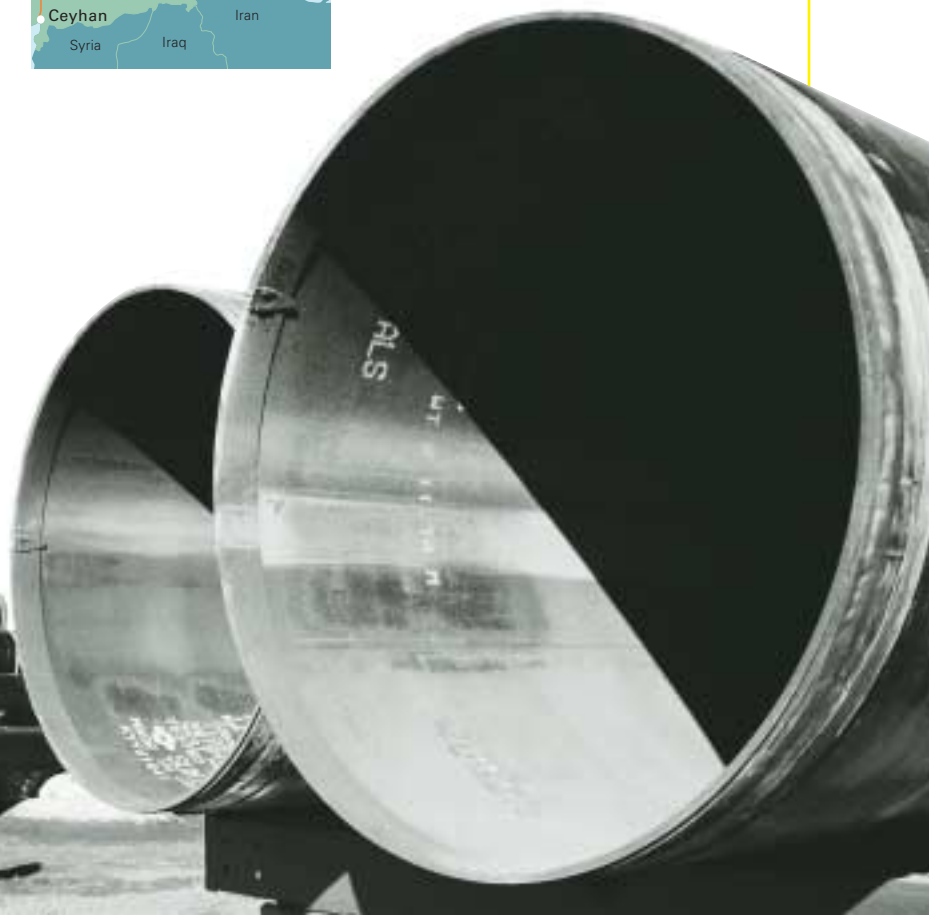


# Business benefits and impacts

Our products and services create the freedom to move, to be warm, to be cool, to see and enjoy a better quality of life. We believe this freedom is inseparable from the responsibility to produce and consume our products in ways that respect both human rights and natural environments.

## Caspian projects – revenues to governments

Poverty and vulnerability are major problems in Azerbaijan, Georgia and Turkey. Conflicts have had severe consequences for millions of people, with the standard of living damaged by the economic and social effects of many years of uncertainty. The proposed oil, gas and pipeline developments in the Caspian should generate revenues in the range of \$24 billion to \$60 billion for the government of Azerbaijan over the next 30 years. Individual project timeframes vary. Revenues to Georgia for the relevant project period are expected to be around \$1.1 billion, and for Turkey between \$1.2 billion and \$1.8 billion. These revenue flows provide the potential for positive change across the region, enabling the governments to address some of the major socio-economic issues they currently face.



### Our economic benefit to society

As BP is one of the world's largest companies, its activities have major economic impacts. Our business creates wealth for many more people than just our shareholders, as the following key facts for 2002 indicate:

- Governments received almost \$48 billion of taxes from our activities, including sales taxes and customs payments.
- Our business globally with contractors and suppliers was worth around \$30 billion.
- We did business with over 140,000 companies globally.
- We employed more than 100,000 people in over 100 countries.
- Benefits paid to our own employees, including pensions, exceeded \$7 billion.
- We paid our shareholders over \$5 billion in dividends.

### Benefits for our customers

Social progress rests on economic development. This in turn depends on energy, for which the world's demand continues to grow year by year. BP's products touch people's lives in many ways. Every day we contribute to energy demand by providing millions of customers with advanced products intrinsic to the quality of their lives.

One of the most obvious uses of oil and gas products is as fuel for cars, trucks and buses. They are also used as fuel for aviation, shipping and heating. Oil, gas and renewable forms of energy, for example solar, are used not only by consumers but by businesses too. Switching on a lamp or a computer, as well as turning an ignition key, delivers the benefit of energy to the user. Our development and marketing of cleaner fuels, including zero-sulphur fuels, are designed to reduce emissions and improve air quality, as is the replacement of oil and coal with natural gas in fuel-emerging economies.

In addition, derivatives of our chemical products find their way into almost every aspect of consumer society – into detergents and personal care products, carpets, food packaging and storage containers, cookware, pens, fabrics and food preservatives – to mention just a few.

### Benefits for governments

As well as products, our business activity brings other benefits to society. Business is principally about wealth creation, through generating value for shareholders. But this is not the only wealth created, nor are our shareholders the only beneficiaries.

Financially, the greatest beneficiaries are governments. They are the recipients of revenues paid for oil and gas extraction, excise taxes on the products we sell and other corporate taxes. In 2002, we paid almost \$48 billion to governments around the world.

By entering into partnership with governments we help them convert their country's oil and gas resources into revenues. These revenues can then help fund public services and stimulate long-term economic and social development.

For some countries, the impact of large oil and gas revenues on their economy can be disruptive. They may not have legal and financial frameworks or robust institutions in place to cope with the impact. Additionally, they may be unable to sustain sound economic policy to maximize the benefits over the long term. But governments can contain the impact by introducing fiscal and financial management and effective investment of the revenues. For example, in Azerbaijan, the government has established a state oil fund to manage the macro-economic impacts of oil revenues. In combination with other market reforms, this creates the prospect of its oil and gas revenues being used for the benefit of long-term social and economic development. Managing this efficiently will provide critical value for future generations.

### Green growth

Around the world, BP is demonstrating that it is possible to create 'green growth' – economic and social development aligned with environmental gains.

For example, we are delivering the world's largest solar project in the Philippines. In this Spanish government-funded scheme, 400,000 residents in 150 isolated villages are benefiting from irrigation, drinking water and lighting for their homes, schools and community centres – all enabled by having access to energy. Similar schemes are also in operation in remote parts of Brazil and Vietnam.

In China, we are involved in the first two supply contracts of liquefied natural gas (LNG), as well as being chosen to help build the country's first LNG import terminal. Such projects are helping China to develop a natural gas infrastructure, essential if the country is to improve air quality through reducing the share of coal in its energy mix.

## Business benefits and impacts continued

### World Summit

The UN's World Summit on Sustainable Development was held in Johannesburg in August 2002. Government officials, NGOs and company representatives, among others, attended the summit. Attention focused on five key issues: water, energy, health, agriculture and biodiversity. Resulting implementation plans contained some 30 targets, many stemming from the UN's Millennium Development Goals for reducing poverty.

A BP delegation took part, enabling us to develop a deeper understanding of the issues, to engage in dialogue with other stakeholders and to share BP's experiences. We added our support to a number of initiatives, notably to reduce flaring (burning of unused gas at oil wells), to promote clean fuels and to encourage transparency of payments made by oil companies to governments.

### Benefits for local economies

In 2002, we spent around \$30 billion with some 140,000 suppliers and contractors. Our business and our buying decisions affect not only the companies we deal with but also local economies, and we are increasingly aware of how important this economic impact can be in developing countries. Our operations in Angola and the Caspian provide examples of how we seek to enable local suppliers to benefit from our business. In this way, we develop local capacity, provide training in new skills, transfer technology and business know-how and increase their ability to access global markets.

At grassroots level, we invest substantially in our local communities, including a number of education initiatives. In 2002, BP and its employees invested \$97 million in community programmes and charitable organizations around the world. BP contributed \$85 million and employees and pensioners \$12 million. BP employees also gave over 108,000 hours of volunteer time, nearly double that of 2001. BP and its employees contributed over \$2.5 million to assist in humanitarian aid efforts in post-war Angola and to help with flood relief in Germany and Austria, the Bali bombing and other causes. Further data about our community spending is on page 29.



### Benefits for employees and shareholders

More directly of course, our business operations also benefit our employees and shareholders. In 2002, our employment costs – wages and salaries, social security and pension costs – exceeded \$7 billion. On 31 December 2002, we employed 115,250 people. Our shareholders worldwide received dividends of over \$5 billion.

### Responsible business performance

For BP, long-term performance and success depend on high standards of financial, environmental and social performance – being a positive influence and maintaining the trust of stakeholders everywhere. We use our business policies, described on pages 6-9, to set these standards and guide our actions, and encourage our partners, suppliers and contractors to adopt them too.

For example, for an upstream exploration project to succeed – whether a deep-sea oil asset or an onshore gas field – it must be economically attractive, commercially viable and undertaken with maximum efficiency. Equally, it must address social and environmental factors. All these elements are essential to the project's success. In our downstream activities, particularly on the forecourt, we recognize the business sense of offering a range of cleaner fuels and of using solar panels to generate power for our new retail stations.

We believe that by sharing our standards of business behaviour we can have a positive influence on society. For example, we strengthened our anti-corruption policy in 2002, prohibited facilitation payments, and identified and corrected areas of non-compliance. We decided to stop making corporate political contributions anywhere in the world from April 2002. Our desire to have a positive influence is also the reason we work with governments and others to help implement human rights in the countries where we operate, support efforts to combat HIV/AIDS around the world and share with others our high standards of safety at work. It is why we undertake stakeholder engagement as a part of routine business and believe in the value of a diverse workforce. By conducting our business in a responsible manner we believe we can improve standards in the places where we operate.

## Casanare

BP has operated in the Casanare region of Colombia since 1987. Following the development of the Cusiana and Cupiagua oil fields in the early 1990s, the region has experienced a population shift and changed from a predominantly rural area into one in which 62% of the population live in urban communities. This transformation has presented some challenges in a region with fledgling institutions. BP has brought together business, civil groups and local and central government to address social issues.

In 2001, BP commissioned Colombian think-tank Fedesarrollo to study the social and economic impact derived from exploration and development of crude oil in Casanare between 1985 and 2000. Although problems associated with the sudden influx of people were highlighted, the report was mostly positive. It revealed that 10 years of oil production had boosted key social indicators – with significant improvements in water and electricity supply, education and health.



# Issues

The identification and management of environmental and social issues and risks are key elements of our approach to managing performance globally and locally. Within our website, *bp.com*, we aim to provide transparent and comprehensive coverage of all major issues faced by BP. In these pages we highlight the most substantial issues we have been tackling recently and the ways we will address these in the future.



## Conservation initiatives

The BP Conservation Programme has been helping young conservationists across the world to achieve their goals since 1990. The programme and its annual awards aim to develop the skills and networks of future generations of young environmental professionals. By 2002, it had supported 178 projects in 58 countries, primarily targeting university students. The programme will expand significantly in 2003. We now have two additional partners, Conservation International and the Wildlife Conservation Society.

Conservation of biodiversity is also supported directly by our businesses. An example is the Iberian Lynx, one of the world's most endangered wildcat species. BP's consumer lubricants business in Spain is supporting projects to develop and maintain a permanent refuge for this rare and symbolic animal.



## Climate change

In 1997, BP was the first major company in our industry to accept that, while the scientific understanding of climate change and the impact of greenhouse gas emissions was still emerging, precautionary action was justified. Since then we have been actively involved in policy debate, worked with others on mitigating technologies, demonstrated global emissions trading and reduced emissions from our own facilities.

In our 2001 report, we announced that we had succeeded in reducing our operational greenhouse gas (GHG) emissions by 10% from our 1990 baseline, and were setting ourselves a new target to maintain our net emissions at this 2001 level over the next decade. We aim to achieve this by offsetting any organic growth in emissions with reductions from combinations of energy efficiency, decreased flaring and effective credits to BP from the supply of lower carbon intensity products. While in some years our GHG emissions may increase, our objective is that our average emissions will show no net increase by 2012. We have already made good progress.

During 2002, we completed projects that delivered sustainable GHG emission reductions of over 1.8 million tonnes. Because this was achieved through improved energy efficiency, together with decreases in flaring and venting, the financial performance of our operations is benefiting through the value of the fuel saved. The reductions achieved have offset 1.5 million tonnes of emissions increases due to organic growth from new facilities and increased utilization of existing facilities. On a like-for-like basis to take into account the effect of acquisitions and divestments, the net change in our 2002 emissions was a reduction of 0.3 million tonnes. This is in line with our new target. Further details are given on page 27.

We also intend to focus on the GHG emissions created by end-use of our products. We recognize that these emissions can be 10 times greater than our operational emissions and offer the most significant opportunity for progress. During 2002, we have been working towards developing new procedures for quantifying potential climate change impacts, positive and negative, of our products and recording these within a database. From now on, we will be able to quantify the benefits of our lower-carbon and energy-saving products. We are testing these systems on a selected range of our products, with the aim of extending this approach to more products in 2004. We aim to ensure that growth in our own operational GHG emissions can be more than offset by the environmental benefits created by the products associated with that growth. This will be a key part of the way BP demonstrates its contribution to the challenge of climate change facing the world.



“There is no single solution...but there are many ways forward. What we and others have done shows that there are rich and wide-ranging possibilities... Our aspiration then is to sustain the reduction in emissions we've made. And by doing that to contribute to the world's long-term goal of stabilization. That means we need to reinvent the energy business; to go beyond petroleum. Not by abandoning oil and gas – but by improving the ways in which it is used and produced so that our business is aligned with the long-term needs of the world.”

From a speech, 'Beyond Petroleum: Business and the Environment in the 21st Century', by Lord Browne, BP group chief executive, delivered at Stanford University, California, on 11 March 2002.

## Working in challenging conditions

We operate in over 100 countries around the world. Increasingly our portfolio of future business opportunities is in countries that pose challenges in terms of sensitive environments, human rights abuses, corruption or poor access to education, health and social services. Other issues include low quality of life and unstable fiscal and political regimes. In such circumstances, socio-economic development is stifled and people remain trapped in poverty. Currently more than a billion people worldwide live on less than \$1 a day.

Governments have the primary responsibility to create conditions of growth for their countries. We believe that, by unlocking the value of oil and gas resources, we can help provide the financial opportunity for countries to develop. Governments decide how the ensuing revenues are used. However, we can provide support and assistance to strengthen national capacity in legal, financial and other institutions.

Our approach to these major issues is to form partnerships, particularly with non-governmental organizations, multilateral organizations and government departments. These organizations comprise people who have knowledge and experience that complement our own. For example, we have helped Azerbaijan with the development of its Poverty Reduction Strategy Plan. We are supporting the strengthening of the rule of law in areas of conflict and helping humanitarian aid in post-conflict Angola. We support initiatives on transparency of payments to governments. These are not issues that can be remedied quickly. They require concerted effort over many years with partners who may hold different views from our own. They are, however, an integral part of BP's plan for future business success.

## Issues continued

### Water management

Water is essential for life. The uneven distribution of fresh water is becoming one of the most important global resource issues. We recognize that the availability and quality of water resources are key to alleviating poverty and to the growth of societies. Water is also integral to BP's operations everywhere. In fact, we handle more water than oil. Our concerns include the access, quality and cost of water supplies as well as the social and environmental impacts of our consumption and discharges.

In 2002, we developed a new approach to global water issues and to sustainable water management. Our aspiration is to create improvements that benefit not only our operations but also the surrounding communities and environments.

We handle millions of tonnes of all types of water in BP. It is our consumption of fresh water that is often the major concern. Our uses of fresh water are for cooling, steam generation and washing and as a raw material in some of our drilling activities and manufacturing processes. Refineries are among our largest users of fresh water and some are in



### Clean water in Algeria

Algeria is facing an acute water shortage. Through a local small business, BP has helped to install four desalination stations that use the latest water-treatment technology to provide salt-free drinking water to 27,000 people in the areas surrounding our In Salah gas project. We have also supplied households with containers for carrying fresh water and distributed leaflets on prudent use of water. The business, which now employs six local staff, draws a sustainable income from the sale of the water at modest prices, and supplies free water to the poorest households.

BP and Sonatrach, the state oil and gas company, have provided an opportunity for expansion, awarding the business a contract to supply water treatment installations to four main camps on the In Salah gas project.

#### Specific observations from Ernst & Young

"We observed that reclaimed water from the municipal effluent treatment system is being used at the BP Bulwer Island refinery in Australia for refinery process feed water, thereby reducing the use of potable water and the discharge of treated effluent from the municipal treatment system to the Brisbane River."

water-stressed areas. Many are now using reclaimed water, for example, from municipal waste water treatment plants, to avoid depleting local fresh water resources. Our US Carson and Australian Bulwer Island refineries each used over 3 million cubic metres of reclaimed water in 2002.

We are continuing to monitor and manage our discharges of chemicals and other materials to water, with the aim of reducing impact and moving towards our goal of no damage to the environment. The largest discharges of chemicals result from our exploration and production business. In 2002, the total amount of discharges increased primarily because of our offshore drilling activities, especially in the deepwater of the Gulf of Mexico. However, these increases resulted from use of water-based drilling muds, which are the least damaging to the environment, when compared with oil-based or synthetic-based alternatives. Having already phased out the discharge of oil-based drilling muds to water in 2001, we are pleased to report for 2002 that the amount of synthetic-based fluids discharged to water has been reduced by 80% over the past two years.

### Building a global workforce

At the end of December 2002, we employed 115,250 people worldwide. Reflecting the global spread of our business, 38% work in the USA, 15% in the UK, 26% in other parts of Europe and 21% in the rest of the world. BP's long-term success depends on attracting and developing talented people with a wide variety of skills and experience from all these regions. We welcomed 400 university recruits worldwide in 2002, of whom 51% were of non-UK/US nationality. Further details appear on pages 28-29.

Embracing diversity and fostering inclusion remains one of the foundations of our strategy for building a global workforce. We firmly believe that the creation of a diverse and inclusive working environment supports outstanding business performance. It is through the efforts, creativity and innovation of our employees that we will achieve superior results.

During 2002, a number of conferences and workshops were held to raise awareness further and stimulate debate on issues including women in the workforce, race and work-life balance, as well as to enhance inclusive behaviour skills.

We aim to maximize the contribution of every employee through learning and development. Following successful pilots in 2001, we launched our First Level Leaders programme in 2002 for employees who hold supervisory positions. Over 4,800 attended this programme, which comprised face-to-face events with their peers and senior leaders in 29 countries.



## Chinese environmental educators initiative

China has a population of 1.3 billion and its energy needs are currently largely met by coal. Population increases, coupled with this heavy dependency on coal, have been the cause of extensive environmental damage over the last two decades.

Working in an innovative tri-sector partnership between the Worldwide Fund for Nature and the Chinese Ministry of Education, BP has developed the Environmental Educators Initiative. It aims to raise awareness of environmental issues by creating a new curriculum subject in the formal primary and secondary school system.

Initially the project focused on training environmental educators, developing new education materials and testing new methodology. Now we are introducing this environmental education into the mainstream of the school education system.

Our target for 2005 is to reach nearly 200 million students in China with this programme. By educating the young, we hope we can contribute to a sustainable improvement in the country's approach to caring for the environment.

Our reward programmes aim to use base salary, bonuses, shares and a variety of benefits to send clear messages to our employees about what is valued in the company, encouraging actions and behaviour that contribute to sustainable results. Employee share ownership is an important factor in aligning our employees with the aims and aspirations of shareholders. We have successfully extended share ownership plans to 79 countries worldwide. In the 64 countries in which we run our ShareMatch plan, 64% of eligible employees take part.

### Biodiversity

Human society depends on biodiversity – the variety and complexity of life on earth – to provide food and medicine. We recognize the importance of biodiversity issues and have made commitments to address them as an integral part of the way in which we do business. BP's new developments are sometimes located in areas rich in biodiversity. Great care is required to minimize our impact on such areas.

We support the work undertaken by individuals and many organizations, such as the World Conservation Union (IUCN), in developing a consistent approach to the identification and designation of protected areas. We believe IUCN designations provide the best framework available and encourage the strengthening and understanding of such systems. We recognize that governments make decisions on protected areas and fully accept that some areas will not be open for development.

Following the commitment made prior to last year's AGM (shareholder resolution 14), a review of operations confirmed that no decisions were made during 2002 to explore or develop in IUCN protected area management categories I-IV. Descriptions of risk assessments supporting any future decisions will be reported in full on [bp.com](http://bp.com).

We are increasingly providing information on the risks to biodiversity that we face and how we plan to manage them, going beyond the 2002 AGM commitment. Our website provides information about our 27 Biodiversity Action Plans and a selection of case studies detailing conservation projects across the company. For the first time, it also lists all BP-operated sites that, to the best of our current knowledge, fall within any IUCN category.

### Dealing with conflict

Some of our businesses are located in areas where conflict is still active or the locality is suffering the aftermath of war. Doing business in such areas or where the rule of law has broken down presents significant human rights challenges. Armed conflict, despite the provisions of international humanitarian law, can often involve lawlessness and threaten the security of our staff and the communities close to our business locations.

For example, the violent activities of guerrilla and paramilitary groups in Colombia are well known. Angola has only recently emerged from years of civil war. West Papua has seen murders and unrest around existing operations close to BP's proposed Tangguh liquefied natural gas project. The potential for ethnic conflict was a significant consideration in deciding on the route for the Baku-Tbilisi-Ceyhan pipeline. In parts of the developed world, including the USA and South Africa, criminal attacks on service station staff have led to injuries and fatalities.

Maintaining good relationships with communities is one of the most important factors for effective security. However, in many of our operations, and particularly in places where we are developing oil and gas reserves, BP holds an agreement with the host government, whose responsibility it is to protect

## Issues continued

foreign-owned assets in their country. This may result in police or military personnel being located in the area. Where the government cannot provide security, private contractors may be used. Recognizing the issues that can arise in both situations, BP drew on its experience in Colombia and elsewhere to help in the development of the Voluntary Principles on Security and Human Rights. This international initiative, led by the US and UK governments, has developed guidelines for companies in the extractive and energy sectors to help maintain the safety and security of their operations, while ensuring respect for human rights and freedoms. The governments of the Netherlands and Norway, as well as leading human rights NGOs, have recently joined this initiative.

We continue to work with and learn from a wide range of organizations involved in conflict prevention and resolution, as well as post-conflict reconstruction. This includes governments, international governmental organizations and NGOs.

### Safety and plant operations

Safety, of employees, contractors and the public, is an absolute priority for us. Our reputation and, more importantly, people's lives depend on it. That is why we have an uncompromising goal – no accidents and no harm to people.

We record safety performance in all parts of BP's operations. Over the last 15 years, we have achieved a dramatic improvement in performance. 2002 was no exception. We met our annual target to reduce serious accidents further with a 23% reduction against 2001 for our days away from

#### Specific observations from Ernst & Young

"At all sites visited management were aware of the Voluntary Principles on Security and Human Rights (VPSHR). We expected to see progress on implementation of the VPSHR in Angola, Azerbaijan and Colombia. Of these three countries we only saw evidence of discussions with third parties regarding BP's expectations on the implementation of the VPSHR in Colombia. This suggests that the expectations and assurance mechanisms for the VPSHR implementation could be strengthened."

work case frequency performance measure. But there is no room for complacency. All deaths and injuries are unacceptable and we are continuing to set challenging targets to make BP an even safer place to work. On page 26 we provide more information on the data behind this achievement.

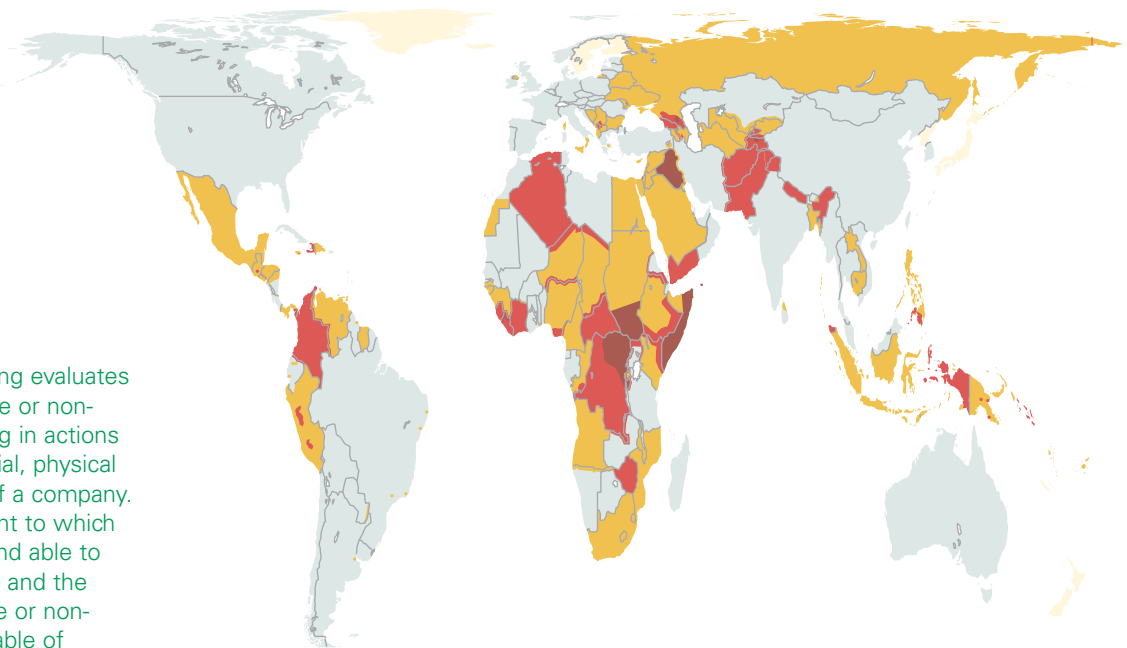
Our facilities handle hazardous and flammable materials, utilize heavy engineering equipment and are often located in harsh natural environments. During the course of business, our workforce travels approximately one billion kilometres by road each year. Managing the transport risks associated with our activities is therefore a priority. We will continue to emphasize safety as the highest priority for our entire workforce and work to manage risks that could result in serious accidents.

## Conflict and security

### Security risk forecast

- Insignificant
- Low
- Medium
- High
- Extreme

The security risk rating evaluates the likelihood of state or non-state actors engaging in actions that harm the financial, physical and human assets of a company. It assesses the extent to which the state is willing and able to protect those assets and the extent to which state or non-state actors are capable of harming those assets.



Data as at April 2003 supplied by Control Risks Group.



## Road safety in Pakistan

Before 2001, BP's safety record in Pakistan was marred by a high incidence of vehicle accidents, many where excessive speed may have been a contributory factor.

Over the past year, we have delivered a step change in driving behaviour that has resulted in 50% fewer vehicle-related incidents in Pakistan. This was achieved by installing speed-monitoring systems in all vehicles owned and operated by BP and implementing a robust programme monitoring driving performance.

We also made a defensive driving programme mandatory for all staff who are required to drive.

Finally, we challenged the business to review the number of road journeys being undertaken. This resulted in a reduction of almost 20% in journey lengths, which directly decreased the accident risk.

The lessons learned are being applied to our other operations.

As is reported on page 3, we regret that 13 people died while working for BP during 2002. Three of the accidents occurred in North America, two in Europe, three in Latin America and five in the Asia Pacific region. There were no multiple fatality accidents. All these deaths are unacceptable. Our target will always be zero fatalities and we are determined to achieve that. One key objective for 2002, to establish our new 'Golden Rules of Safety', has been completed across all our businesses. Based on detailed analysis of the causes of past workforce fatalities, these rules now underpin our efforts towards achieving zero fatalities.

### Oil spills

Oil and chemical spills can be highly damaging to the environment and to biodiversity, and cause business loss. In particular, marine crude oil spills remain a significant risk for BP. We aim to improve our preventative measures and emergency response systems continually to reduce the potential for future incidents and their consequent impacts.

In 2001, BP Shipping agreed a fleet renewal programme that saw its shipbuilding orders rise to 39 for delivery throughout 2002-05. To put this into context, at the end of 2002 the BP internationally traded fleet numbered six gas ships and 17 oil tankers, of which only one oil tanker was single-hulled and already marked for disposal. In addition to our own fleet, we will continue to use quality ships from the marketplace, vetted to our high standards to ensure they are operated and maintained to meet our stringent requirements.

Our ability to respond to oil spills is based at local, regional and international levels. At the local level, all sites are required to have their own response plans and resources wherever oil spills are a significant risk. At regional and international levels, we foster relationships with industry and government agencies to bolster our response capability.

Since 1999, we have reduced the number of spills from our operations by over 30%. This progress is charted in our performance data section on page 27.

#### Specific observations from Ernst & Young

"During our site visits we saw a number of examples of initiatives for improving road safety. For example:

- The electronic 'Drive Right' monitoring system has been installed in Angola and Azerbaijan.
- All onsite vehicles at Joliet had been upgraded to include seatbelts.

Road safety improvement targets have been set in the Asia Pacific Lubricants Business Unit. We saw evidence that efforts to improve road safety were being introduced through a combination of road safety forums, fatigue management awareness workshops and defensive driving courses for drivers, compliance with BP global vehicle standards and regular inspections of vehicles."

# Location reporting

Location reports provide in-depth reviews of individual BP business operations. They enable us to report on the many economic, social and environmental issues that our businesses face in their local context. In 2002, we increased the scope and content of the reports, standardized the structure and committed to producing three new reports per year. More recent additions include an independently conducted stakeholder feedback section written by external specialists who carry out individual consultations.



## Consultation in Turkey

Ensuring the engagement and participation of women in Turkey has been a particularly successful aspect of the public consultation process required for our Baku-Tbilisi-Ceyhan pipeline project. Project teams took specific steps to overcome barriers to women's participation, which included being too busy with domestic tasks or a male perception that interaction with outsiders might damage family honour. Female-only public meetings and individual sessions in their own homes allowed women to receive project information and ask questions freely. Over 140 women attended a meeting in Kahramanmaraş province, reflecting high levels of interest in the proposal for a construction camp in the area and the employment opportunities for themselves and their families. During the public disclosure period, there was continuing emphasis on ensuring women's access to project information and allowing equal opportunities to comment on the draft Environmental Impact Assessment.

## Colombia

### Our business

BP operations take place in Casanare, which is located 200 kilometres northeast of the capital, Bogotá. Our two main fields, Cusiana and Cupiagua, were discovered in 1991 and 1993 respectively, booking combined reserves of 1.6 billion barrels. They are Colombia's biggest oil finds to date. Peak production in 1999 resulted in an average rate of 434,000 barrels per day, representing then close to 60% of Colombia's total crude oil production. Development of these fields demanded a BP net investment of over \$2.5 billion. With partners, between 1993 and 1998 we drilled over 100 wells and constructed an 800-kilometre pipeline to transport oil to world markets. For the future, we are involved in several initiatives designed to satisfy the country's demand for natural gas, and are also growing our solar business.

### Change and development

The discovery of the world-class Cusiana and Cupiagua oil fields brought tremendous change to Casanare. Between 1985 and 1997, the population grew by 45%. Thousands migrated to the area, attracted by the prospect of employment during construction and development phases. The population spread shifted from 68% rural to 62% urban. From 1993 to 2002, the government of Casanare and its respective municipalities received nearly \$900 million from oil revenues. By constitutional mandate these revenues must be committed to projects included within official development plans, such as improvement of infrastructure, education and health.

### Security

Casanare is a difficult environment in which to work. Illegal armed groups, guerrilla and paramilitary, are present in the region, and in the past these groups have targeted multinational oil companies as military objectives. The safety of our staff and contractors is paramount. BP will always seek to ensure that any security arrangements do not infringe human rights and are consistent with international standards for law enforcement.

Over the years, our security efforts have been focused on building an increasingly open relationship with the army and



## Safety

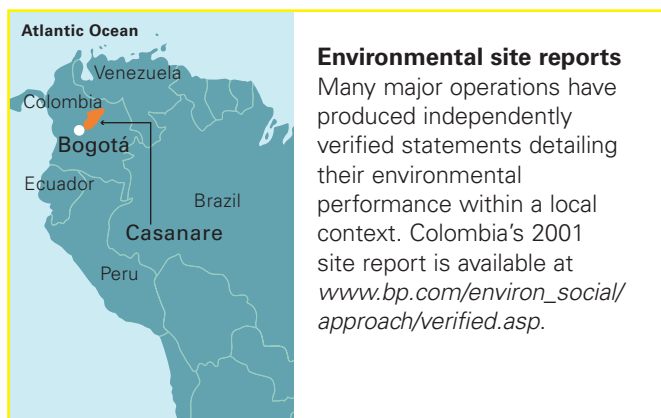
Our business in Colombia continues to improve its safety record. By the end of 2002, days away from work case frequency per 200,000 man-hours stood at 0.04, a great improvement from the 1.85 recorded in 1994. Other high points in 2002 included no workplace safety incidents that might have resulted in a fatality or severe injuries, no potential major impact on the environment or property, no uncontained spills and no major breaches to BP's Golden Rules of Safety, which have been successfully implemented by employees and contractors.

police. A key step in this process was the agreement in 1998 between our partner, state oil company Ecopetrol, and the Colombian Ministry of Defence for the protection of the oil installations. We have supported government initiatives to strengthen the judiciary and the rule of law in Casanare, and developed a range of programmes to promote understanding of human rights issues and conflict resolution.

### Social investment

Government revenues from our investment in Colombia have resulted in major contributions to the communities where we operate, improving local infrastructure and increasing economic activity, which leads to job creation. Our social investment strategy in Colombia is successfully integrated into that of the business to deliver sustainable business performance. The combination of BP's security, government and public affairs, and social investment departments has led to a structured approach in dealing with communities and management of priorities. Programmes have been set up to address some of the region's more urgent needs, including basic sanitation and related infrastructure. In 1999, BP began to develop, with government and civil society, a new partnership model centred on long-term regional economic development not dependent on oil.

Our updated Colombia location report on *bp.com* details our plans for 2003 and explains how we have been performing against our business policies.



## Location reporting continued



### Enterprise Centre

The Enterprise Centre in Azerbaijan is a new business skills centre devoted to helping local businesses develop basic business skills. These will help local companies grow and bid for contracts supplying the oil and gas industry, developing the local economy.

Opened in May 2002, the centre is already providing a range of services to many companies, including information on industry standards for health, safety and environment, contracting and procuring processes, and ethical and technical requirements. It also provides consultancy and assistance to companies on current and future business opportunities, training for local companies in business skills and technical areas and a register of local suppliers.

It is expected that a wide range of companies and other organizations will benefit from the centre.

### Caspian

The south Caspian region contains 10 billion barrels of proved oil reserves, with the possibility of further resources many times greater. While we have been active in the region for a number of years, the 1990s saw BP and its partners signing agreements leading to three major new projects. Our main interests in the Caspian region are oil and gas fields and the construction of a major oil pipeline. A gas pipeline is also planned from a gas field in the south Caspian to Turkey.

Early oil production from the first of these initiatives, the offshore Azeri, Chirag, Deepwater Gunashli (ACG) oil field, started in 1997, and BP has acted as operator since 1999. The field has proved reserves of 5.4 billion barrels. We intend to develop it in three phases, with the next tranche expected in 2005. We are also developing the Shah Deniz gas field in the south Caspian Sea, which has potential recoverable resources in excess of 400 billion cubic metres of gas.

We are beginning construction of a \$2.95-billion pipeline to transport oil produced from the ACG field. The Baku-Tbilisi-Ceyhan (BTC) pipeline will originate near Baku in Azerbaijan, run through neighbouring Georgia and finish at the port of Ceyhan in Turkey.

#### Planning the BTC pipeline

We recognize that planning for the BTC project has been controversial. We have made many efforts to understand the views of those with concerns and to minimize negative impacts. We have consulted national and local authorities, NGOs, academics, the media and, most importantly, local people, to ensure that all concerns about the project have been identified.

A key issue has been the selection of the route. We needed a commercially viable option that would deliver the oil to an appropriate location for sale to world markets while minimizing environmental risk and avoiding displacement of communities. The route also needed to take account of long-term security arrangements. The independent Environmental Risk Assessment concluded that the pipeline presented the lowest risk of an oil spill, avoiding additional tanker traffic in the already congested and narrow Turkish Straits.

The project is being implemented with support from the governments of Azerbaijan, Georgia and Turkey, and Host Government Agreements (HGAs) have been signed. These set out a detailed programme for review, public comment and approval of specified environmental and social plans. They also oblige companies to operate the BTC facilities in accordance with international petroleum industry standards on environmental, social, technical and safety issues.

Construction work on the pipeline is scheduled to take place from mid-2002 to early 2005. The pipeline will belong to the BTC Company, owned by a group of 12 national and international oil companies, and operated by BP.

We appreciate that the investments we are making have the potential to bring significant change to the lives of many of the people in these countries. We have made efforts from the outset to build a shared understanding of our objectives and ensure that the benefits of our activity can be maximized. One element of this is to begin to build the capacity of local businesses to supply goods and services to the project.

Integrated Environmental and Social Impact Assessments (ESIAs) have been, or will be, conducted for each of the projects. In Turkey, 450 copies of the draft ESIA were distributed to stakeholders along the route, and 10,000 non-technical summaries and 22,000 community pamphlets



#### Environmental site reports

The Caspian 2001 report, covering Caspian Sea, Azerbaijan and Georgia operations, is available in four languages at [www.bp.com/environ\\_social/approach/verified.asp](http://www.bp.com/environ_social/approach/verified.asp).



were also distributed. Over 100 community meetings, 10 meetings with regional NGOs and three major conferences with international NGOs and press were held. As a result, 1,652 comments were logged and incorporated into the final ESIA submitted to the Turkish government for approval. Similar disclosure and consultation meetings were held in Azerbaijan and Georgia.

Our on-going contact with stakeholders has been essential for understanding concerns about the projects and expectations of local communities. This dialogue is vital to enable us to ensure that issues are identified at an early stage, and appropriate discussions are held to propose solutions.

The Caspian location report on *bp.com* reflects our policy of transparency in the region. The report provides details of our business structure, governance systems and risk management, summarizes stakeholder engagement undertaken during the projects and explains our plans for the future. It also tackles issues and dilemmas such as the use of oil and gas revenues, human rights, conflict and greenhouse gas emissions.

#### Specific observations from Ernst & Young

"We visited the Enterprise Centre in Azerbaijan that helps local businesses to supply goods and services to the oil and gas industry. In Angola, a Petroleum Investment Fund is being developed by the oil industry to provide funds for local business development and ultimately increase the pool of local vendors."

To make information as widely available as possible, the project's website [www.caspiandevelopmentandexport.com](http://www.caspiandevelopmentandexport.com) contains documents that establish the framework in which the projects are taking place – including important documents such as Production Sharing Agreements, the Inter Governmental Agreement, Host Government Agreements and the full Environmental and Social Impact Assessments for each country.

Other publications designed to make these projects accessible to any interested person are also available on this site.

## Key facts

### Azeri, Chirag, Gunashli Deepwater oil field

- Remaining reserves approx 5.4 billion barrels.
- Full field development depends on construction of Baku-Tbilisi-Ceyhan (BTC) pipeline.

### Shah Deniz gas condensate field

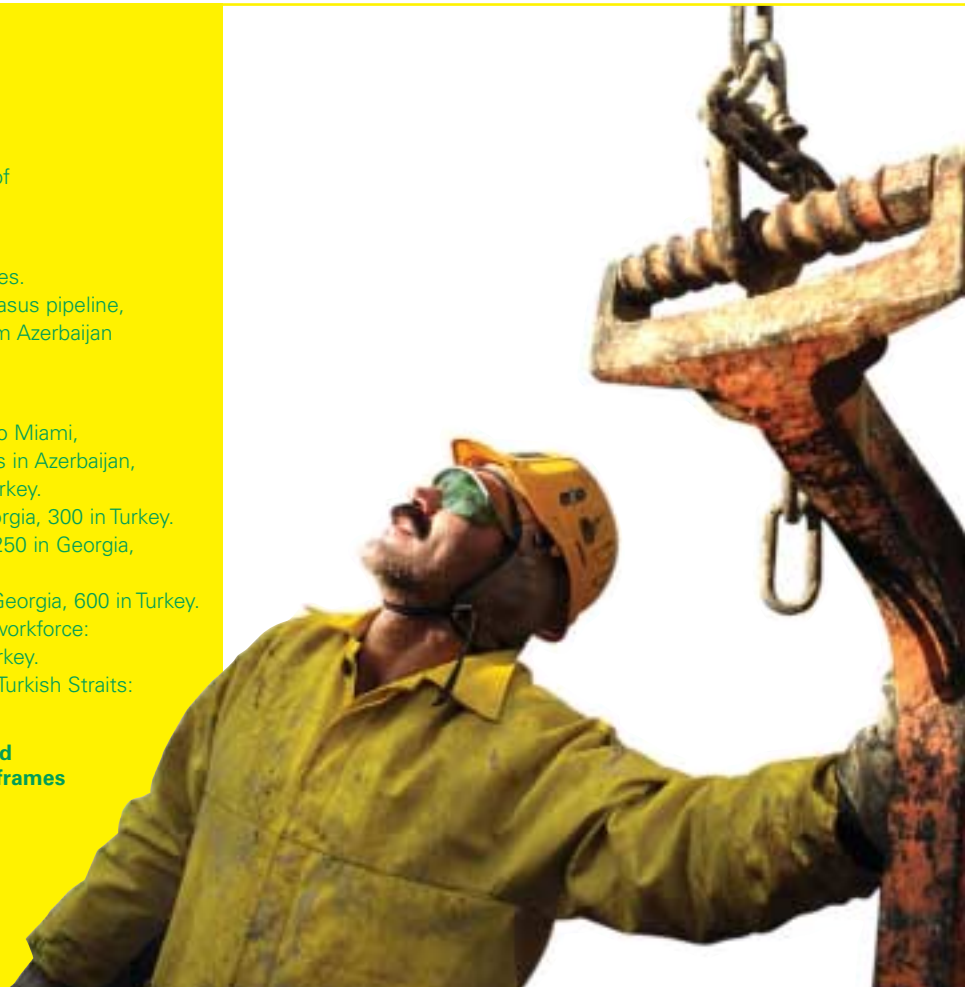
- Recoverable reserves over 400 billion cubic metres.
- Full field depends on construction of South Caucasus pipeline, 690 kilometres long, parallel to BTC pipeline, from Azerbaijan to the Georgian/Turkey border.

### BTC oil pipeline

- Length: 1,760 kilometres overall, e.g. New York to Miami, or London, UK, to southern Spain. 445 kilometres in Azerbaijan, 245 kilometres in Georgia, 1,070 kilometres in Turkey.
- Communities passed: 80 in Azerbaijan, 70 in Georgia, 300 in Turkey.
- Road and rail crossings: Over 350 in Azerbaijan, 250 in Georgia, 800 in Turkey.
- Water crossings: Over 700 in Azerbaijan, 200 in Georgia, 600 in Turkey.
- Construction: Mid-2003 to early 2005. Expected workforce: 2,300 in Azerbaijan, 2,500 in Georgia, 5,000 in Turkey.
- Estimated ship movements avoided through the Turkish Straits: 29,000 transits over 40-year lifetime of pipeline.

### Forecast total revenues to governments for period 1993-2030 for all projects. Individual project timeframes vary. (BP estimates, assuming oil price range of \$16/bbl to \$25/bbl):

- Azerbaijan: \$24-\$60 billion.
- Georgia: \$1.1-\$1.2 billion.
- Turkey: \$1.2-\$1.8 billion.



## Location reporting continued

### Angola

#### Oil in Angola

Oil has been produced in Angola since 1955, and since 1975 has been the major export. The country is currently the second largest oil producer in sub-Saharan Africa, and approximately 90% of government revenues are derived from oil. BP is one of the international oil companies investing heavily in Angola. The first field in which we have a share started producing in 2001. We currently have interests in four offshore licence blocks, in two of which we act as operator. We are also leading development of a block that we expect to come into production about three years after award of execution contracts. In September 2002, we announced our first discovery in an Angolan ultra-deepwater block.

To date, we have invested approximately \$1.4 billion in Angola, a figure set to rise to around \$7 billion by the end of the decade. This investment is already yielding oil and generating tax revenues for the country.

Developing Angola's oil reserves presents considerable technical challenges, since three of the blocks in which we have interests in are in water depths of between 1,000 and 2,000 metres. As exploration has moved into ever deeper waters, we have had to work at the frontiers of technology to develop new fields. By mid-2001, no fewer than 88% of the offshore exploration wells in which we had participated had resulted in discoveries, compared with a world average of 30% and a regional average of 70%.

#### Specific observations from Ernst & Young

"Nationalization targets were in place in Angola, Azerbaijan and Colombia as required by their Production Sharing Agreements (PSA). Both Angola and Azerbaijan had plans in place to work towards achievement of the nationalization targets and ongoing future requirements in their PSA. In Angola and Azerbaijan national employees recognized as having high potential were being developed and/or placed in leadership positions. The Colombia Business Unit had already achieved its PSA nationalization targets."

#### Post-war challenges

Angola is at peace after some 40 years of civil war that resulted in extreme poverty and deprivation. There are now opportunities to create a strong economy and society in which all the population share the benefits of Angola's huge mineral wealth.

Part of the challenge of peace is to ensure that the massive investments made by companies such as BP result in social and economic benefits for Angola as a whole. This requires good governance, a robust legal framework, healthy intergovernmental relations and dispute resolution processes. It also requires that companies, including BP, are open to partnership with government, civil society and international organizations to play their role in Angola's development.

#### Listening to you

The Angola location report contains commentary from stakeholders about how we are living up to our policies. Here is a selection.

"BP have taken a lead with working with Angolan staff." (NGO)

"Occasionally you see an Angolan in a position of senior management, but this may be just to look like they are doing something." (Civil society representative)

"If BP is a leader in corporate social responsibility, they should do something to improve the rest of the sector, because they're tarred with the same brush as other companies at the moment." (NGO)

#### Social and environmental approach

Since the first social impact assessment carried out in 1998, BP has continued to consult with a wide group of stakeholders through interviews and workshops. We will continue to develop these throughout 2003 and onwards. The ending of war means that it is now possible to contribute to urgently needed humanitarian relief and also to longer-term development projects.

The Angola location report, which appears in full on *bp.com*, gives readers an in-depth overview of our business operations and impact. It provides context to the political and civil picture in the country and gives a detailed account of our business operations. Most importantly, it also provides an opportunity for stakeholders to comment on how BP is performing against its policies. We commissioned two external consultants to undertake a number of discussions with a cross-section of stakeholders affected by our business in Angola. It was agreed at an early stage that the objective of the exercise would be to elicit viewpoints relating to the performance of BP in Angola in relation to our business policies document, 'What We Stand For'.

Interviews were held in Luanda and London with a range of BP Angola's stakeholders – groups and individuals who can be said to affect, or be affected by, BP's behaviour in Angola. To ensure that a representative sample of viewpoints was obtained, it was necessary to identify and interview a sample of stakeholders designed to cover the range of perspectives that exist. A diverse set of individuals and organizations was



#### Environmental site reports

Angola's 2001 site report is available at [www.bp.com/environ\\_social/approach/verified.asp](http://www.bp.com/environ_social/approach/verified.asp).

## Local workforces

A progressive recruitment and development programme in Angola is helping to break down traditional barriers to entry into the energy industry. Centred on the Greater Plutonio development offshore Angola, where BP has relied heavily on expatriate staff in the past, the initiative has focused on the recruitment and training of local candidates to provide a steady stream of skilled technicians. Aimed at men and women from all social backgrounds and at different educational levels, the programme is delivered in four stages, using Portuguese as a first language and including vocational training in South Africa. It is providing opportunities for local people and demonstrating BP's willingness to work with the Angolan people and government.



identified from various categories, including civil society representatives, NGOs and partners.

The views of a total of 36 individuals were collected over the course of 30 interviews. In the event, more people from the civil society and employee categories were interviewed than from the government and consortia partner categories, as many of those on our initial list were unavailable in Luanda. The predominance of NGOs and civil society representatives among those we talked to is reflected in our findings and we publish their comments, good and bad, in full in the location report on *bp.com*.

### Listening to our staff

Employees and contractors are important stakeholders. Below are some of their comments.

"Given the huge problems Angola faces, BP should be doing more to help in the development of the country."

"The health, safety and environment commitment is really working. We're developing a culture of health and safety here which is an achievement as this culture didn't exist before."

"I don't feel the company has made any deep investment in my career development, although there are plenty of minor training programmes, such as e-learning."

"BP should be wary not to make promises to employees they can't fulfil."

# Performance data

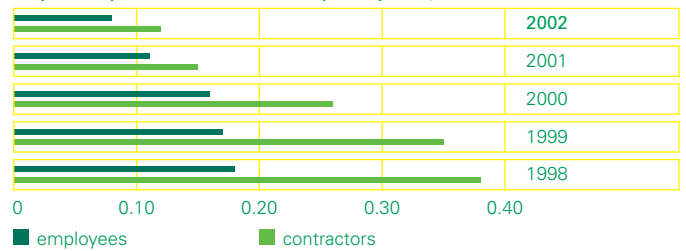
Data is fundamental to our ability to track, analyse and improve performance. In these pages we highlight some performance indicators for a range of safety, environmental, business ethics, employee and social issues faced by our business.

## Safety

The days away from work case frequency (DAFWCF) for BP in 2002 was 0.10, down 23% from 2001 (0.13), and exceeding our target of 0.11. While the employee DAFWCF has been steadily improving, we are pleased to record an even greater improvement trend for contractors. Whereas five years ago contractor performance was 100% worse than employee performance, this difference is now 50%. We hope to continue both trends and to close the gap further between contractor and employee performance.

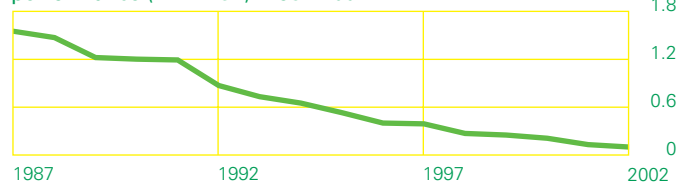
Looking back further, over the last 15 years, we have achieved a dramatic improvement in our DAFWCF – from 1.55 to 0.10.

Days away from work case frequency<sup>a, b</sup> (per 200,000 hours)



<sup>a</sup> An injury or illness that results in a person being unable to work for a day (shift) or more.  
<sup>b</sup> 2002 data excludes Castrol and Veba contractors and Veba employees.

Long-term improvement in safety performance (DAFWCF)<sup>a</sup> 1987-2002



<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. Excludes data for Veba employees and contractors and Castrol contractors. Data before 1992 excludes contractors.

**Specific observations from Ernst & Young**

“We observed that the management at all sites visited were aware of the Golden Rules of Safety. All sites visited had communicated the Golden Rules to employees, either as separate communications or by including them into existing HSE programmes. All employees interviewed were aware of the Golden Rules and when prompted were able to discuss individual rules. The extent of communications with contractors regarding the Golden Rules varied at the sites visited.

Some sites had developed further procedures to implement the Golden Rules. For example:

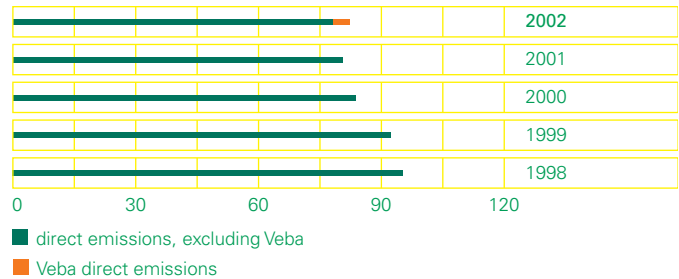
- Solar Spain had created an additional Golden Rule on hazardous material handling.
- Azerbaijan BU had developed detailed standards to further explain the practical expectations of the Golden Rules.”

**Climate change**

Compared with 80.5 million tonnes (Mt) for 2001, our direct equity greenhouse gas emissions in 2002 were 78.3Mt (excluding Veba). This difference in emissions is accounted through a combination of organic business growth (+1.5Mt), projects to achieve sustainable emission reductions (-1.8Mt) and the net change due to acquisitions and divestments (-1.9Mt).

BP’s share of direct equity emissions from its phased acquisition of Veba refining, marketing and chemicals operations was 4.1Mt during 2002. BP total emissions for 2002 including Veba were therefore 82.4Mt.

Equity share greenhouse gas emissions (million tonnes)

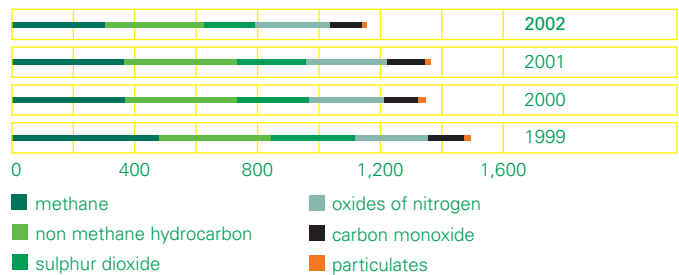


**Air emissions**

During 2002, our total emissions to air (excluding carbon dioxide) reduced from 1,365 in 2001 to 1,156 kilotonnes, showing a decrease of 15%. This 2002 emissions reduction represents an almost 23% lower value than the 1,500 kilotonnes reported in 1999.

Of the total mass of emissions to air in 2002 from our operations, 59% came from our exploration and production operations stream and 23% from refining and marketing. Our remaining activities contributed 18% of our total mass of emissions to air.

Total emissions to air (kilotonnes)



Data from Veba operations acquired in 2002 is not included. Baseline data is being collected to enable its inclusion for 2003.

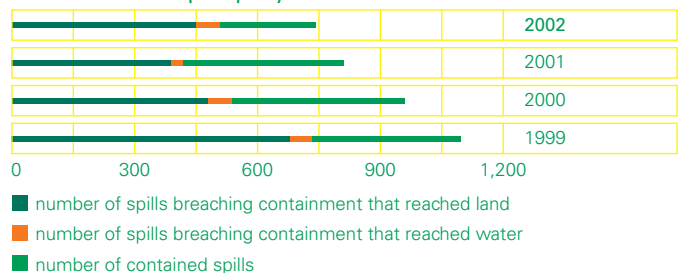
**Oil and chemical spills**

In 2002, we had 742 separate incidents resulting in an oil or chemical spill of at least one barrel (159 litres). This compares with 810 spill incidents in 2001 and is an improvement of over 30% since 1999, when we had 1,098 spills.

Of the 742 incidents in 2002, 507 breached secondary containment and therefore had an impact on the environment. This is 18% higher than 2001 (417) but overall is again an improvement of over 30% since 1999 (732).

Of these 507 spills that reached the environment in 2002, 89% reached land and 11% were released to water.

Total number of spills per year and destination



Data from Veba operations acquired in 2002 is not included. Baseline data is being collected to enable its inclusion for 2003.

**Specific observations from Ernst & Young**

“Based on our sample of testing the safety and environmental performance data reported by the sites visited have been consolidated properly at a group level.”

“We saw spill response plans in place or being drafted at all sites visited.”

# Performance data continued

## Ethics – dismissals

Where policy breaches occur, disciplinary action is sometimes necessary. In 2002, 132 staff in 20 countries were dismissed for unethical conduct.

15 fraud cases involved collusion between staff and suppliers or customers regarding invoices, tenders and equipment purchases. 22 fraud cases related to false expense claims or the misuse of company credit cards.

There were several occurrences of theft of oil products from bulk vehicles or depots in Europe and Africa, and some minor thefts of equipment or cash. The cases of dishonesty included 14 incidents of bribery, five breaches of the HSE policy and four false CVs.

Dismissals – BP employees and contract staff



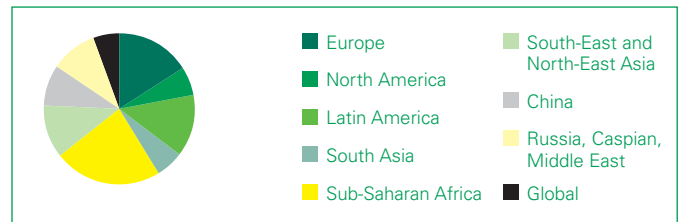
## Ethics – workshops

Workshops are an important way to raise awareness of business ethics. In 2002, 570 workshops covering some 10,000 people were completed, significantly more than in 2001.

The sessions are designed to encourage open discussion of real-life ethical dilemmas. A number of different tools or techniques, such as country-specific videos, role-play and case studies, are used to draw these out and deepen understanding.

Examples of some issues raised in recent workshops include gifts from suppliers and contractors, conflicts of interest involving friends and relatives, customer entertainment, extortion, harassment of staff by officials and payments made to process legal documents.

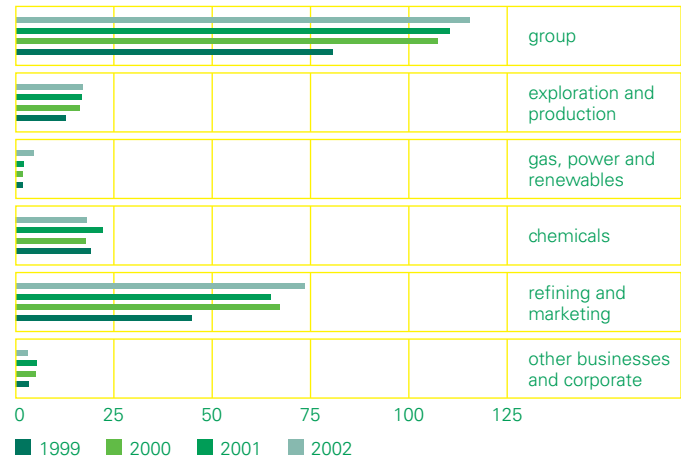
Ethics workshops 2002



## Employee data

On 31 December 2002, we employed 115,250 people globally, with almost 80% of this total in the USA or Europe. While many employees work together in very large facilities – oil and gas production, refining and chemicals plants – other staff are dispersed in smaller marketing operations, such as our company-operated retail stations, as well as national fuel and lubricants businesses. Since 2000, following BP’s acquisitions of ARCO and Burmah Castrol, total employee numbers have remained relatively stable.

Employee numbers by business (thousand)



**Specific observations from Ernst & Young**  
 “As a result of the change in the Ethical Conduct policy regarding political contributions and facilitation payments, we observed a greater awareness of ethical conduct related issues at most of the sites visited.  
 We saw evidence during our site visits that the new Regional Ethics Committees were in place and were functioning. We also observed that an Ethics Governance Board has been set up in Angola and an Ethics Committee was in place in Azerbaijan to address local ethics strategy, communication, issues and potential dilemmas.”

**Diversity**

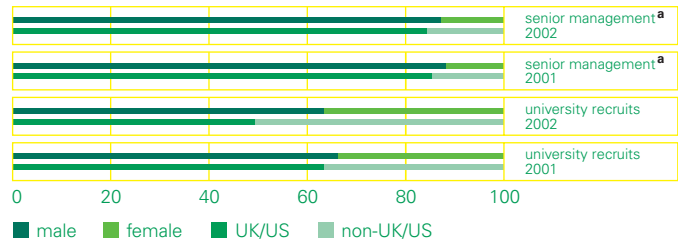
Diversity is an important factor in the development of our global workforce. Through continuous review of our development processes, we again increased the proportion of our senior leaders who are female or of non-UK or non-US nationality. During 2002, we can also report a significant shift towards non-UK/US university recruits, as well as a slight increase in the female/male ratio.

**Global community spending**

BP and its employees invested a total of \$97.3 million on community programmes around the world in 2002. BP's contribution was \$85.2 million, roughly comparable with 2001 after the effects of the terrorist attacks of 11 September and other disaster relief contributions are removed.

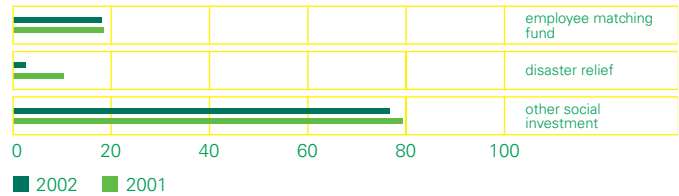
The majority of these funds went into community development, health, education and environmental projects.

Employee profile by gender and nationality (%)

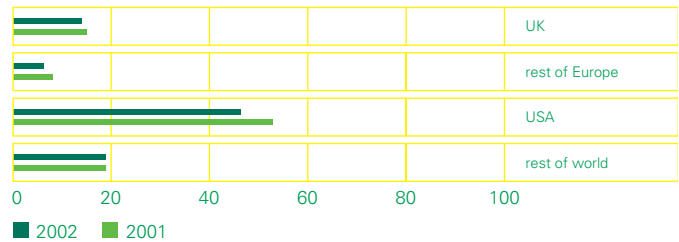


<sup>a</sup>Senior management includes the top 622 positions in BP

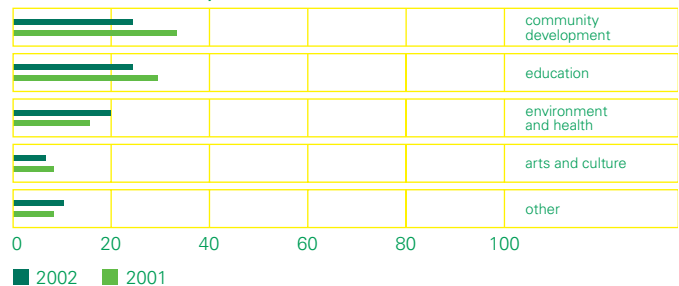
Global community spending 2001 and 2002, including employee contributions (\$ million)



Global community spending by region  
BP contribution only (\$ million)



Global community spending by theme  
BP contribution only (\$ million)



**Specific observations from Ernst & Young**  
 "We saw that the Angola Business Unit had a humanitarian aid programme. They were supporting Christian Children's Fund and CARE, two humanitarian projects in the areas of nutrition, health and farming. This has formed a significant part of the Business Unit's social investment programme."

# Assurance statement

## To BP p.l.c.

We have been asked to review BP's Environmental and Social Review for 2002 (the Review) in order to provide assurance on its contents. BP management has prepared the Review and is responsible for the collection and presentation of information within it. This assurance statement in itself should not be taken as a basis for interpreting BP's performance in relation to its non-financial policies.

## Our review

There are currently no statutory requirements in the UK relating to the preparation, publication or independent review of corporate environment and social reports. The draft AA1000 Assurance Standard that was published by AccountAbility in June 2002 sets out principles for social and environmental report assurance. We have set out our conclusions by reference to the assurance principles described in the draft AA1000 Assurance Standard.

Our review process involves the main steps outlined below.

1. **Interviews with a selection of BP Group executives** and senior managers, to discuss each of the four non-financial policies (Health, Safety and Environment, Ethical Conduct, Employees and Relationships) to understand objectives and priorities for embedding the policies during 2002, the means to accomplishing those objectives and the degree to which those objectives were met.
2. **Review of selected documents** which provide internal assurance to BP management that policy objectives and priorities are being met. Documents reviewed included Board minutes, Ethics & Environment Assurance Committee minutes, HSE Assurance Reports for each of the business streams. The purpose of this review was to assess the Review's content against those social and environmental issues considered significant by BP management.
3. **Review of a selection of international, national and local media** sources and trade press for reports relating to BP's adherence to its policies, as a check on the balance of the information reported.
4. **Visits to BP sites** to review evidence in support of the Review's data, statements and assertions presented in the Review. The 10 sites visited this year are listed below.

Exploration and Production Operations in Angola, Azerbaijan, Colombia and Central North Sea (Scotland)  
 Asia Pacific Lubricants in Singapore  
 Bulwer Island Refinery in Australia  
 Grangemouth Refinery and Chemicals in Scotland  
 Joliet Chemicals in the USA  
 Shipping in the UK  
 Solar Operations in Spain

5. **Review of HSE data** management systems and samples of data reported by sites, to assess whether data have been collected, consolidated and reported accurately.
6. **Obtain and consider evidence** in support of assertions and claims made in the Review regarding BP's non-financial performance in order to substantiate them.

## Our conclusions

Based on the work we conducted our conclusions and observations are outlined below.

### Completeness and responsiveness

- The objectives for implementation of the non-financial policies described in the Review are consistent with those that the Board and senior managers had set for 2002.
- The Review addresses several major issues highlighted in our review of international, national and local media and trade press in 2002. Decisions regarding the inclusion of such material were based on BP's judgment as to whether the Review contents address key stakeholder concerns.
- For all sites visited, BP had established a framework for gathering stakeholder opinions, receiving complaints and providing feedback on resolution.

### Materiality

- The Board had monitored the implementation of the non-financial policies in 2002. As part of such monitoring, it is the responsibility of management to identify any material issues or concerns that arise and take actions to address them. In the course of our review, we have seen evidence of these processes working in practice.
- Many significant issues raised in the HSE Assurance Reports prepared by each business stream and the minutes of the Ethics and Environment Assurance Committee have been discussed in the Review.

### Evidence and commentary

- **HSE data.** Based on the sample of data reviewed, the 2002 HSE data are reliable for assessing group-wide HSE performance in the context of the data reporting boundaries stated in the Review. They have been properly collated from information reported at site level, based on our review and testing of data processes at site, stream and group levels. From our sampling at site level we are not aware of any errors that would affect the group/stream data. Documentation of the greenhouse gas emissions data collection, assumptions and assurance activities was in place at the sites visited. However, as in previous years, documentation of other environmental parameters remains varied.
- **Other non-financial data.** We have seen documentation during our substantiation work to support other non-financial data in the Review. It was not within our scope of work this year to review these data collation systems.
- **Statements and assertions.** All assertions and claims made in the Review regarding BP's environmental and social performance have been supported by evidence obtained during our work.



- **Observations from the site visits.** The following are our main observations:
  - The policies are understood and generally responsibilities for implementing them have been made clear across relevant functions.
  - Systems to implement the non-financial policies are most established for the HSE and Employees policies. We observed an increased effort this year to embed and gain assurance on the Relationships and Ethical Conduct policies. For example, we observed that BP had: established the Regional Ethics Committees and ‘Ethics champions’ at many sites, defined the roles of the country managers in Corporate Communications and reviewed communications spend (including social investment) across BP.
  - We saw an increasing trend for the sites to develop social investment criteria in consultation with stakeholders (Angola, Azerbaijan, Central North Sea, Colombia and Grangemouth).
  - Awareness of the change in the Ethical Conduct policy concerning facilitation payments was mixed at the sites visited in Europe and USA. In Angola, Australia, Azerbaijan, Colombia and Asia Pacific Lubricants Business Unit, employees interviewed were aware of the policy changes and activities were being undertaken to implement the new requirements including: training, workshops, active investigation of potential ethical dilemmas and engagement with contractors on BP’s expectations.
  - Relevant managers at all sites visited were aware of the revised Ethical Conduct Certification and assurance process for 2002 and had initiated or were planning to initiate discussions about ethical conduct with their employees. During our interviews we found some employees had questions about possible ethical issues, which suggests that further discussions and training are still required.
  - All sites visited were conducting HSE management system self-assessments and had communicated the Safety Golden Rules to employees, either through separate communications or by including them in existing HSE programmes.
  - Nationalization targets were in place in Angola, Azerbaijan and Colombia as required by their Production Sharing Agreements (PSA). Both Angola and Azerbaijan had plans in place to work towards achievement of the nationalization targets and ongoing future requirements in their PSAs. The Colombia Business Unit had already achieved its PSA nationalization targets. Scope remains for reviewing and addressing gender and ethnic diversity.
  - During the course of our site visits, we observed that contractor management processes in terms of the business policies vary in their consistency of application. All sites had created key performance indicators for contractor health and

safety performance. The review of contractor performance on other policy areas (i.e. People, Ethical Conduct, Relationships and Environmental Performance) was less consistently embedded in the contractor management processes.

- We saw evidence of BP working to improve the local supply chain through the Enterprise Centre in Azerbaijan and the Petroleum Investment Fund that is being developed by the oil industry in Angola.
- Site management were aware of the Voluntary Principles on Security and Human Rights (VPSHR). We expected to see progress on implementation of the VPSHR in Angola, Azerbaijan and Colombia. Of these three countries we only saw evidence of discussions with third parties regarding BP’s expectations on the implementation of the VPSHR in Colombia. This suggests that the expectations and assurance mechanisms for the VPSHR implementation could be strengthened.

#### Accessibility

- The Review is available in paper form and as a download from the internet at [www.bp.com](http://www.bp.com). At present it is only available in English. Copies are available free of charge on request from BP Distribution Services on tel. +44 (0)870 241 3269, or by e-mail to [bpdistributionsservices@bp.com](mailto:bpdistributionsservices@bp.com).
- BP’s more detailed environmental and social reporting can be found on the internet at [www.bp.com](http://www.bp.com). At present this is only available in English.
- At all sites visited community fora have been established to obtain feedback from local community representatives and interested parties. These have also been used to share information on the local performance of BP facilities.

#### Our independence

As auditors to BP p.l.c., Ernst & Young are required to comply with the independence requirements set out in the Institute of Chartered Accountants in England & Wales (ICAEW; Guide to Professional Ethics), the American Institute of Certified Public Accountants (AIPCA; Code of Professional Conduct) and the rules of the U.S. Securities and Exchange Commission (SEC). Ernst & Young’s independence policies, which address and in certain places exceed the requirements of each of these bodies, apply to the firm, partners and professional staff. Each year, partners and staff are required to confirm their compliance with the firm’s policies.

Ernst & Young LLP  
  
 London  
 21 March 2003

# Further information

This document provides a selection and summary of the more extensive information available on our website, *bp.com*. Topics covered in the Environmental and Social section include those listed on this page. They are supported by a wide range of case studies illustrating current practice in health, safety and environmental performance management and social investment. Many of our sites also produce verified environmental statements that can be downloaded from *bp.com*.



<p><b>Our approach to reporting</b>                  Verified site reports                  Location reports                  Global Reporting Initiative                  Case studies                  HSE data charting tool</p>
<p><b>Achievements and challenges</b></p>
<p><b>Managing our risks</b></p>
<p><b>Stakeholder engagement</b></p>
<p><b>Sustainable development</b>                  World Summit 2002</p>
<p><b>Benefits our business brings</b>                  Economic contributions                  Case study – Casanare</p>
<p><b>Business ethics</b>                  Policy                  Human rights                  Corruption                  Political contributions                  Training and awareness                  Certification and assurance                  Handling policy breaches</p>
<p><b>Environment</b>                  Policy/management systems                  Climate change                  Products and the environment                  Biodiversity/sensitive areas                  Renewable energy                  Energy use                  Green office                  Ozone depleting substances                  Oil and chemical spills                  Water                  Waste                  Air emissions                  Land restoration                  Decommissioning                  Management systems                  Financial and compliance data                  Detailed data</p>
<p><b>Health and safety</b>                  Policy/management systems                  Safety of our workforce                  Health of our workforce                  Safety on the roads                  Integrity of our plants                  Safe use of our products                  Detailed data</p>
<p><b>Employees</b>                  Employee policies                  Global opportunity                  Global source of talent                  Expatriation/local workforces                  Diversity/inclusion                  Global development of talent                  Global reward                  Global employee relations</p>
<p><b>External relationships</b>                  Policies                  Customers and consumers                  Partners/contractors/suppliers                  Government/other institutions                  NGOs                  Communities                  Opinion research</p>
<p><b>Verification</b></p>
<p><b>Downloads</b></p>

### Contact us

If you would like to get in touch with us, please e-mail [sjslistening@bp.com](mailto:sjslistening@bp.com), write to BP p.l.c., 1 St James's Square, London SW1Y 4PD, UK, or telephone +44 (0)20 7496 4000.

### Publications and downloads

Further copies of the Environmental and Social Review 2002, together with a range of other BP publications, may be obtained free of charge in the USA and Canada from:

Toll-free: +1 800 638 5672  
Fax: +1 630 821 3456  
[shareholderus@bp.com](mailto:shareholderus@bp.com)

and in the UK and the rest of the world from:

BP Distribution Services  
International Distribution Centre  
Crabtree Road, Thorpe  
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[bpdistributionsservices@bp.com](mailto:bpdistributionsservices@bp.com)

Downloads of all our main group reports may be accessed from our website at [www.bp.com](http://www.bp.com).

### Acknowledgements

#### Cover imagery

Matt Harris, Caroline Penn, Jorge Mario Munera

#### Map on page 18

Control Risks Group is an international business risks consultancy.

### Paper

The paper used for this report meets the strictest environmental standards set by the Nordic Swan Council and is fully recyclable. It is made at a mill accredited to ISO 14001. The pulp used to produce the paper is generated locally and bleached without the use of elemental chlorine.

### Design and production

Designed and typeset by Pauffley, London  
Printed in England by The Beacon Press (certificated to ISO 14001 and EMAS) using their **pureprint** technology. No film or film processing chemicals were used and 95% of the cleaning solvent was recycled. The electricity was generated from renewable sources, and vegetable-based inks were used throughout. The water-based coating used was formulated from inert raw materials and is fully recyclable.