



Making the right choices

Sustainability Report 2004

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Further information is available at www.bp.com. Links appear in light green throughout this report.

About this report This report covers BP's business approach, environmental record and role in society. Last year we produced an integrated Sustainability Report for the first time. Our readers' response to this approach was positive.

This year we have developed our reporting to include areas where further coverage was requested. This has been part of a wider updating of the process by which we determine which issues to cover – our materiality process. One specific response to feedback has been to outline our processes for dialogue with those affected by our business.

What we mean by 'sustainability' For BP, sustainability means the capacity to endure as a group, by renewing assets, creating and delivering better products and services that meet the evolving needs of society, delivering returns to our shareholders, attracting successive generations of employees, contributing to a flourishing environment and retaining the trust and support of our customers and the communities in which we operate.

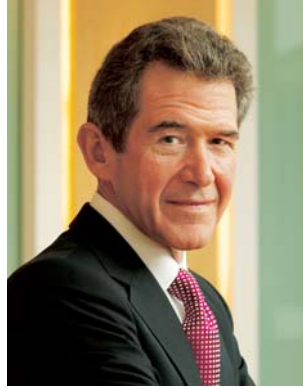
This year's theme This year's report is entitled 'Making the right choices' because it focuses on the choices we made in 2004 with long-term sustainability in mind.

On the cover Kerryn Schrank of BP Australia's 2004 'Global Choice' team. Global Choice offsets the emissions created by business customers' fuel purchases by investing in projects that help reduce greenhouse gases. The project won the 'human energy' award at the 2004 BP Helios Awards, presented to teams whose work best embodies our brand attributes.

A message from Ernst & Young

We have reviewed the contents of *BP Sustainability Report 2004* to provide assurance on the information reported. This work involved testing data management processes, examining relevant management information, interviewing BP management, reviewing external media sources and visiting a sample of locations. Our conclusions, which can be found on pages 56-58, have been prepared against the main principles of the AA1000 assurance standard: Materiality, Completeness and Responsiveness. Several of our specific observations have also been included on relevant pages of this report.

Unless otherwise stated, 'BP', 'we' and 'our' refer to BP p.l.c. or, where appropriate, its relevant subsidiaries.



Group chief executive's introduction

2004 was a great year in terms of financial and operational performance and it was also a significant year in the group's long-term evolution.

Our *Annual Report and Accounts 2004* covers financial and operating performance in detail. This report looks at the performance of 2004 in the longer-term context of BP's sustainability as a group.

The road to sustainability begins with our fundamental purpose as an organization – to provide better goods and services in the form of light, heat, power and mobility to increasing numbers of people and thereby to deliver shareholder value on a long-term basis.

To succeed, we need to do this in a way that is profitable, consistent and sustainable.

To deliver *profitable* performance, we provide high-quality products in an effective way – maximizing revenues and minimizing costs.

To deliver *consistent* performance, we fund controlled investment that supports long-term growth, balancing this with returns to shareholders and the interests of all who are affected by our work.

To deliver *sustainable* performance, we require a combination of factors. Our investments must be for the long term. We have to attract and retain the best people. We must work with others towards a sustainable environment. And we must build trust through relationships based on 'mutual advantage' – relationships that bring benefits to everyone concerned.

Along with standards such as those set out in our new code of conduct, the consideration of mutual advantage keeps our ambition within legitimate bounds and marks out the path we take towards creating value.

To achieve our purpose, we follow a strategy that is itself founded on the principles of sustainability. In exploration and production, we seek out long-term assets – the largest, low-cost, new hydrocarbon deposits. In 2004, on a UK GAAP/SORP basis, we achieved proved reserves

replacement (for subsidiaries and equity-accounted entities) of over 100% for the 12th consecutive year. In our customer-facing businesses, we look to build long-term customer loyalty through the quality of our products and services.

In enacting our strategy, we must also act responsibly if we are to build trust. 'Responsibility' is a much-used term in the business world and it is important to be clear about what we mean by it. During 2004, we discussed this in some detail in BP and we concluded that responsibility operates on several levels, all of them closely linked to our business strategy.

At a basic level, responsibility means observing the law – complying with the laws and regulations that govern our operations in each country.

At the next level, responsibility takes us beyond compliance to set our own standards in our operations – applied consistently worldwide and often going beyond what local laws require. So, for example, no one in BP is allowed to use a mobile phone when driving on company business. And our code of conduct forbids the making of facilitation payments or company-funded political contributions.

At a further level, responsibility prompts us to take action on issues that extend beyond our own operations and where we can make a difference.

For example, we knew seven years ago that we had to take a stand on climate change. The evidence for precautionary action was growing. And over those years we have not only reduced our own greenhouse gas emissions but have taken an increasing part in the global debate on climate change. More recently, we have recognized the contribution we can make towards education, a powerful force for development and awareness, not least environmental issues.

This approach to responsibility, as well as our overall strategy, has to be applied in the light of the context at any given time. In 2004, this context included our own expanded scope, scale and footprint. It also included an

energy market that experienced the fastest-growing demand for several decades at the same time as supply disruptions such as those arising from Hurricane Ivan and events in Iraq. This led to a debate about energy supplies, in which we reiterated our view that the global market provides the best guarantee of sustainable security of supply.

In an uncertain and challenging world, our key objective for the long term is simple – to be there for the long term and to be a positive influence. Such long-term considerations have a direct impact on our plans. For example, we have deliberately planned the development of our natural gas businesses because we recognize that gas – being lighter in carbon than oil and coal – is an important bridge towards the lower-carbon world of the future.

2004 was also a year of change to our community investment strategy. We identified three areas for community investment where there is an overlap between what we can offer and what communities need. We plan to spend around \$500 million on these areas over each five-year period:

- **Enterprise** – supporting local and regional economic development.
- **Education** – supporting a wide range of appropriate learning initiatives.
- **Energy** – enabling communities to gain access to energy.

This report also covers the resources and capabilities we use to turn such plans into action – from the way we develop our people to the way we work with experts in areas such as biodiversity or environmental research.

For people to fulfil their potential, they need clarity and confidence about their roles. In BP, we seek to achieve this through our management framework, which sets out clear personal accountabilities and the processes by which authority is delegated.

These plans result in a wide range of activities. Some represent incremental stages of a journey – such as the creation in 2004 of new safety standards – while others are milestones, events that mark out choices we have made about our future direction in response to the challenges we face.

For example, in 2004, transparency associated with tax and revenue payments remained a complex and difficult issue. However, an important step forward was taken when we and others signed an agreement in Azerbaijan under the Extractive Industries Transparency Initiative, providing for companies to publish details of the combined taxes which they pay to the government. It is critical that we maintain momentum on this issue.

In the effort to take further precautions against climate change, we launched a major project with our joint venture in Algeria to capture carbon dioxide that would otherwise be released and to store it underground forever. We also responded to challenges over environmentally sensitive areas by developing a new process for the early

assessment of the sensitivity of particular projects and new criteria to govern our involvement.

In our *Annual Report and Accounts 2004* you can read our financial results, while this report gives data on factors that affect long-term sustainability. We apply the same disciplines of performance management to these factors as to all areas of business, seeking in each case continuous improvement.

While there is always more to do, we were honoured by the external recognition that we received from many external agencies, for both our performance on the ground in our business operations and also our sustainability reporting. However, the following page highlights some of the difficulties and challenges we faced in 2004, as well as some of our achievements. For example, it shows that, while our overall safety record improved once again, we still had a number of fatalities, a loss of life that we deeply regret.

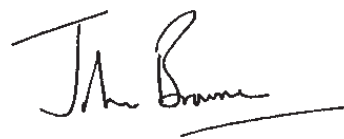
For the second year, this report has been prepared in accordance with the 2002 Global Reporting Initiative (GRI) Guidelines. We believe it represents a balanced and reasonable presentation of our group's economic, environmental and social performance. We believe the GRI is a driver for consistency and comparability in reporting and this is why we have chosen to support the development of the next generation of reporting guidelines (G3).

We also include a 'Communication on Progress', which describes how we are seeking to demonstrate the United Nations Global Compact Principles in our work.

We have made good progress in many areas in 2004 but there is no room for complacency. There will be many challenges as we continue to develop our businesses around the world.

There will be continued focus on transparency. And human rights will continue to be in the spotlight. Our challenge is to continue to apply what we have learned and to support the Voluntary Principles on Security and Human Rights, bringing stability and consensus to the security and policing of oil and gas developments. A key project that is scheduled to start construction in 2005 is the LNG project at Tangguh, in Indonesia. As we move towards production, we must generate social and economic benefits there as well as creating value for shareholders from a world-class project.

I leave you to judge whether BP is an increasingly responsible company that deserves to prosper for decades. It is a judgement that will be based not on reports or words alone, but on witnessing sustained, consistent actions by the group's 102,900 people worldwide.



The Lord Browne of Madingley
Group Chief Executive

On this page we summarize the key achievements and challenges of 2004, concentrating on those with implications for the group's long-term sustainability.

Achievements

Financial result We delivered a record pro forma result of \$16.2 billion in 2004, up 26% from 2003. Full details are given on page 2 of *BP Annual Report and Accounts 2004*. We increased our fourth-quarter dollar dividend from 6.75 cents a share in 2003 to 8.5 cents a share in 2004, the biggest single increase in our recent history (*pages 7-8*).

Transparency A Memorandum of Understanding was signed in Azerbaijan in 2004 by the government, the state oil company and foreign oil companies, including BP, under the Extractive Industries Transparency Initiative. This sets out the process under which revenues to the government from energy companies will be disclosed (*page 49*).

Oil and gas reserves We contributed to the security of global energy supply by replacing over 100% of our existing production for the 12th year running, on a UK GAAP/SORP basis (*pages 7-8*).

Natural gas We continued to develop our business in natural gas, which emits less carbon than coal or oil. We concluded new agreements to sell liquefied natural gas to the US, South Korea, Mexico and the UK (*pages 7-8 and 36*).

Carbon capture We launched a CO₂ capture and storage project at the In Salah gas field in the Algerian desert, believed to be one of the largest of its type yet undertaken (*pages 36-37*).

Solar Our solar business recorded its first-ever profit in 2004, following a restructuring in 2003 (*page 41*).

Community investment We actively participated in community programmes in Azerbaijan, Georgia and Turkey, including school repairs, improvements in agricultural techniques and business development and education (*page 45*).

Safety We continued to drive down injury rates with a reduction of over 10% in days away from work case frequency in 2004 (*page 16*).

Employee satisfaction Our annual survey of our employees, completed by 74% of those eligible, showed a significant increase in satisfaction about working for BP (*page 25*).

Challenges

Fatalities We deeply regret that 11 employees and contractors lost their lives in 2004. By introducing more stringent safety standards, we aim to work towards eliminating the root causes of these tragic events (*page 16*).

Petrochemicals Considerable efforts have been required to treat all employees fairly and openly as we implemented the decision to divest our Olefins and Derivatives business and create a standalone company (*pages 7, 27-28*).

Russia In Russia, TNK-BP is working with a legacy of environmental challenges. TNK-BP plans to spend more than \$1 billion over 10 years to improve health, safety and environmental performance and address legacy sites. More than \$100 million was spent in 2004 in these areas (*page 21*).

Sensitive areas We continue to face concerns over whether we should access sensitive or protected areas to meet the global demand for energy (*pages 14-15*).

Greenhouse gas emissions We face the ongoing challenge of managing the growth in our emissions as our production increases (*pages 33-37*).

Human rights We continue to support the principles set forth in the UN Universal Declaration of Human Rights while operating in countries which some international NGOs have challenged over their human rights records (*pages 22 and 51*).

Fines In 2004, we paid \$4.8 million to settle matters relating to alleged health, safety and environmental violations that occurred in 2004 or in previous years (*page 54*).

Oil spill Our largest spill over the past four years occurred in 2004 at the Kwinana refinery, Australia, when nearly three million litres of light gasoline component leaked from a storage tank after hydrochloric acid corroded its floor (*page 18*).

Air-quality case Lawsuits in 2003 and in January 2005 have been filed, alleging multiple air-quality violations at the Carson refinery in California. In March 2005, BP, without admitting liability, agreed to settle all outstanding claims, including \$25 million in cash penalties and approximately \$6 million in past emissions fees (*page 20*).

Contractor standards We face a continuing challenge to ensure that our suppliers and contractors operate consistently within our group values and standards (*page 13*).

The energy year in perspective

In 2004, energy captured the world's attention. Oil prices rose to record levels amid fears over the security of fuel supplies. There was renewed debate over whether oil and gas would run out and continued concern over the environment. Here we review some of the main developments in the energy world and explain how we viewed them in BP.

Oil and gas prices We estimate that global oil production increased by 3.33 million barrels a day (mmbd) in 2004 to 82.58mmbd from 79.25mmbd in 2003. Despite this increase, Brent crude oil prices hit highs of over \$50 a barrel and averaged around \$38. This followed three years in which prices averaged around \$26 a barrel. Gas prices also increased, with US gas prices being on average around 14% higher than in 2003.

The high prices in 2004 were driven by very strong demand, which coincided with geopolitical concerns about the availability of oil supplies and the very serious damage inflicted by Hurricane Ivan in the Gulf of Mexico. Oil consumption growth was the fastest since 1976, with around one-third of this growth occurring in China. Spare capacity in the global market fell at one point from the last decade's average of 3mmbd to around 1mmbd, only around 1% of total capacity.

Inevitably, this has caused concerns, but we believe these pressures should ease in the years to come. Supply is set to grow further, not least because the amount invested by the 30 largest private-sector producers rose by 15% a year between 2000 and 2003, reaching almost \$100 billion in 2003. Production by non-OPEC producers is growing by around 1mmbd each year, satisfying most of the expected growth in demand. We expect global spare capacity to increase in coming years as OPEC countries expand their production capacity.

The investment wave has been driven by technological advances and political progress as well as by prices and cash flow. Seismic imaging has

enabled us to see reservoirs more clearly and reduce exploration costs. Deepwater technologies have enabled us to produce oil from reservoirs close to 8,000 metres below sea level. Meanwhile, political change has opened up new opportunities, particularly in Russia and the Caspian region.

A series of major fields will be coming on stream in the next few years. For BP, these include fields in Azerbaijan, Angola, Algeria and the deep waters of the Gulf of Mexico.

There are now signs that demand growth will ease following 2004, which saw the fastest world economic growth in 25 years. A significant fall in prices was seen in the last two months of 2004, albeit remaining at the relatively high levels of around \$40 a barrel for Brent crude oil.

While prices continued to be high at the start of 2005, we expect that, on the basis of the supply-demand balance and OPEC's recent track record of maintaining production discipline, oil prices should have a support level of around \$30 a barrel for at least the medium term.

Energy and security of supply High oil and gas prices and fears of war, terrorism and political instability associated with some producing nations have resulted in calls for consumer nations such as the US and European countries to seek increased self-sufficiency in energy.

We do not believe that total energy self-sufficiency is a realistic option for most nations that are importers of oil and gas. Oil and gas will still account for most of the world's energy supply over the next few decades and, in

many OECD nations, reserves are limited relative to demand.

In our view, participating in a robust and diverse global market supported by free trade is the best means of providing access to sustainable energy supplies.

We also believe there is no shortage of oil and gas resources for the long term. Today, the world holds enough proved reserves for 40 years of oil supply and at least 60 years of gas supply at current consumption levels. The challenges are to invest in these resources and to produce them economically and responsibly. Fortunately, the pattern of the last few decades has been one in which technological advances have continually lowered recovery costs for oil and gas.

Prices and profits The high oil prices of 2004 also led to record profits for oil and gas companies and customers asked whether this was partly as a result of the companies overcharging for fuel products. There were suggestions that some of the increased profits should be used to reduce prices for consumers.

In response, we explained that we purchase crude oil, the basic feedstock for BP refineries, at the prevailing market price, not only from BP's own operations but also from other oil companies and producing nations. As we had to pay more for the feedstock, the resulting products increased in price.

In the retail fuels sector, the tax levied by the government of the country accounts for a percentage of the price charged to motorists – in the US tax accounts for around 23% of the price, while in the UK it accounts for around 75%. In some countries, the government may also stipulate the retail price.

The actual margin, or profit, made on each litre of fuel is relatively small. That is why, in many markets,

companies such as BP have been looking at providing other goods and services on their forecourts – for example, convenience stores and BP’s Wild Bean Café – in order to improve their profitability.

Responsibility 2004 also saw continuing debate over the concept of ‘corporate social responsibility’ and the role that companies should play in society. For BP, it was a year in which we developed our thinking in this area, played a part in the public debate and took part in initiatives that we regarded as valuable demonstrations of meaningful responsibility. These included the leaders’ summit for the UN Global Compact through which companies commit themselves to principles such as the abolition of child labour and adoption of measures to counter corruption.

Speaking in November on business ethics, Lord Browne said that the purpose of business gave it a distinct, unique and indispensable role in society that embraced creating wealth, removing barriers to human progress,

developing people and contributing to the development of countries.

Assisting development This remained a topic of debate with renewed attention on the way in which energy projects can affect local communities, particularly in the developing world, where energy industry activity has been associated with conflict, corruption and economic instability.

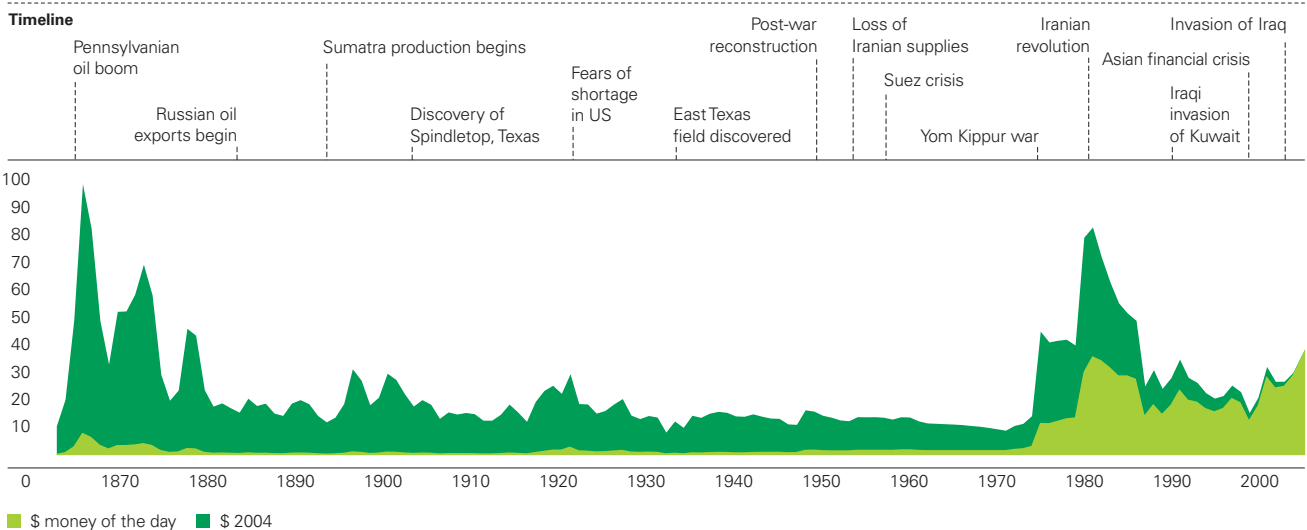
Part of our responsibility as a company is to ensure that our work is a force for social and economic progress. This involves working with host governments, NGOs and global institutions to create conditions in which resource development reduces poverty, improves living standards and creates jobs.

Environmental challenges There are many environmental challenges facing the energy industry, from improving local air quality to protecting biodiversity in the areas in which we operate. In many cases, society already has the tools to resolve them.

Climate change is different. The world has not decided which tools to use in protecting the planet. Indeed, there is still some debate over whether climate change is a real threat. Our position is clear. Greenhouse gas (GHG) levels are rising and the balance of scientific opinion links that rise to the accompanying rise in surface temperatures since the industrial revolution. We believe precautionary action has to be taken and that, as a major supplier of energy, we have a responsibility to take a lead. So at the same time as supporting research and working with others to map out solutions, we have been taking steps to minimize our own GHG emissions as well as reducing the impact of our products.

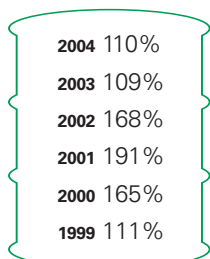
Affordability and availability of energy are serious issues but by no means insoluble. In 2005, we hope they will be seen in context and that the industry and governments will be able to focus more sharply on the major unresolved issue – how to provide energy in a sustainable way for future generations.

Crude oil prices since 1861 (\$/barrel)



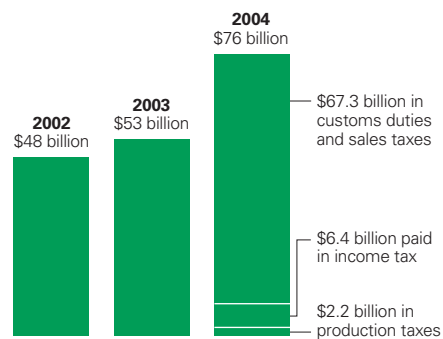
1861-1944 US average.
 1945-1983 Arabian Light posted at Ras Tanura.
 1984-2004 Brent dated.
 Source: BP Statistical Review of World Energy.

Our oil reserve replacement has been over 100% for the past 12 years^a

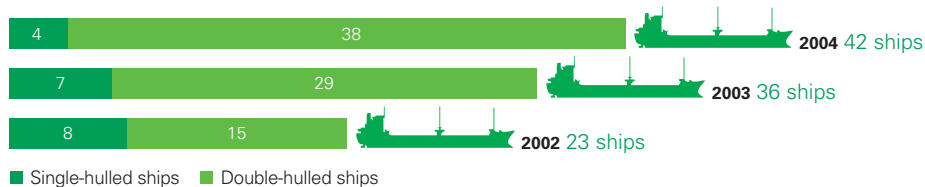


^a For subsidiaries and equity-accounted entities on a UK GAAP/SORP basis.

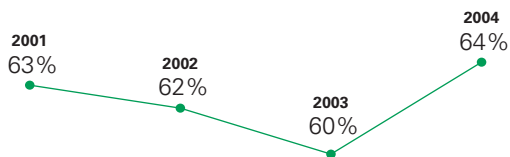
Taxes to governments



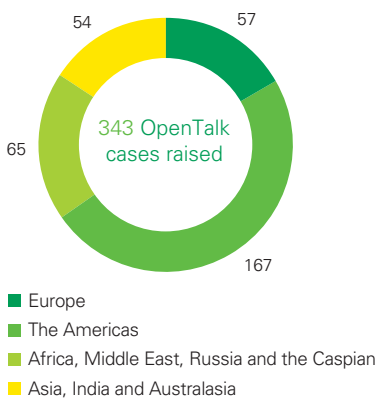
Growing BP's international tanker fleet



BP employee satisfaction rose 4% in 2004



Employee concerns



1. BP – our business

1.1 How we work 1.2 Dialogue and engagement 1.3 Responsible operations 1.4 Our people

1.1 How we work

Sustainability is fundamental to our purpose as a group. Everything we do is designed to achieve the goal that our board sets on behalf of our shareholders, to maximize shareholder value on a long-term basis. In order to maintain value in the long term, we not only have to develop a successful business strategy but pursue it in such a way that we earn the trust of shareholders, customers, local communities, governments and others whose support is critical to our long-term future. To retain that trust we have to behave responsibly and consistently.

Through our board governance policies, the board has articulated the overarching goal of our business and a series of limitations that define the means by which that goal may be pursued; in service of these we derive our group values, our group standards and our code of conduct. Our management framework brings together all of these concepts and governs our principles of accountability and delegation.

Our structure and strategy

The BP group is organized into business segments, functions and regions. In 2004, BP operated with four business segments.

Exploration and Production – or ‘upstream’ – carries out exploration and builds and operates facilities to extract oil and gas, including pipelines.

The Refining and Marketing segment – ‘downstream’ – runs BP’s refineries and retail stations as well as businesses supplying aviation fuel, marine fuel, other specialist fuels and lubricants. This segment builds the group’s customer-facing brands – including BP, ARCO, Aral, Castrol, am/pm and Connect.

Our Petrochemicals business – which reported as a separate segment until the end of 2004 – manufactures and markets a selected range of chemicals, largely from feedstock created by our upstream activities. We announced that, from 1 January 2005, the Aromatics and Acetyls (A&A) businesses would join the Refining and Marketing segment and the Olefins and Derivatives (O&D) business would operate on a standalone basis within the BP group. We plan to divest the O&D business, possibly starting with an Initial Public Offering in the second half of 2005, subject to market conditions and the receipt of necessary approvals (*pages 27-28*).

The Gas, Power and Renewables segment seeks to maximize the value of our natural gas resources by developing supply chains to markets and by marketing and trading gas, power and natural gas liquids (NGLs). It is also responsible for BP’s growing activities in renewable energy.

For BP, a ‘function’ is an organization with common professional skills, which operates across the group, for example, Group Compliance & Ethics (GC&E); Health, Safety, Security and the Environment (HSSE); and Human Resources Management. BP’s four regions are: Europe; the Americas; Africa, Middle East, Russia and the Caspian; and Asia, India and Australasia. The task of our regional organizations is to integrate BP’s activities in each region.

BP works with non-BP companies and other entities in a number of joint ventures (JVs). Most are unincorporated JVs, in which either BP or another company takes the role of operator. Other JVs, such as our largest, TNK-BP, have been established as separate companies with their own boards and governance processes, in which BP is a shareholder. Where we operate JVs and our joint venture agreement so permits, we implement our own standards and policies. Where BP is not the operator, or where BP is a shareholder in a JV company, we encourage the operator or the company to adopt or work towards comparable standards and policies with BP’s.

Our strategy is designed to create value for shareholders on a sustainable basis.

In our resources business, we invest in and operate the largest, lower-cost oil and gas fields in order to build production with potentially steadily improving cash returns.

In our customer-facing businesses – such as retail stations and natural gas marketing – our objective is to attract more customers and to increase our margins by choosing the right markets and improving the quality of our products and services.

As a group, we have three targets: to reinvest for long-term growth; to increase dividends; and to distribute to shareholders all cash in excess of investment and dividend needs, generally when the price of oil is above \$20 a barrel, all other things being appropriate.

Performance in 2004

2004 was a record year for BP in performance. The pro forma result was \$16.2 billion, up 26% from the previous year. Post-tax cash inflow for the year was \$6 billion, compared with \$1.4 billion in 2003.

We increased our fourth-quarter dollar dividend from 6.75 cents a share in 2003 to 8.5 cents a share in 2004 – a 26% rise and the biggest single increase in our recent history.

Group production of oil and gas as a whole grew by over 10% in 2004 and we expect to achieve average annual production growth of over 5% for the period 2004-2008.

An important indicator in respect of long-term sustainability is the extent to which we replace our reserves

1.1 How we work continued

in any given year – for example, through new discoveries and improved recovery. In 2004, on the basis of UK generally accepted accounting practice (GAAP/SORP), our proved reserves replacement ratio (RRR) was 110%, taking account of all subsidiaries and equity-accounted entities. This was the 12th consecutive year in which our RRR was greater than 100%. We also prepare estimates of our proved reserves on the basis of the rules and interpretation required by the US Securities and Exchange Commission (SEC). On this basis, our RRR was 89% for all subsidiaries and equity-accounted entities. The differences from our SORP-based estimates arise mainly from the use of year-end pricing, as required by the SEC. All proved RRRs are based on discoveries, extensions, revisions and improved recovery and exclude the effects of acquisitions and disposals. (Our process to manage reserve bookings has been centrally controlled for over 15 years and is described in detail on pages 87-88 of *BP Annual Report and Accounts 2004*.)

Major discoveries were made in Egypt, offshore Sakhalin in Russia, the deepwater Gulf of Mexico, Trinidad and Angola, adding more than one billion barrels of oil equivalent to BP's resource base over the year. Much of our upstream investment is focused on our new profit centres, namely Azerbaijan, Angola, Asia Pacific gas, Trinidad and Tobago, the deepwater Gulf of Mexico and Algeria.

During 2004, refinery availability averaged 95.4% and refining margins were stronger than in 2003. We launched Ultimate fuels in Australia, Austria, France, Germany, Poland and Portugal. These products deliver improved performance with lower emissions than standard fuel grades. We also announced joint ventures in China with Sinopec and PetroChina. Our global gas sales rose to 32 billion cubic feet a day in 2004. In North America, where BP is the largest gas marketer in volumes sold to end-use and wholesale markets, our gas sales were up 16% over 2003.

Capital spending for BP as a whole is expected to total some \$14 billion in 2005. *BP Annual Report and Accounts 2004* provides more detail on our financial and operational performance.

Our governance framework

BP is owned by its shareholders, who comprise many diverse investors, including pension funds, fund management companies, employees and other individuals. Collectively, our shareholders delegate authority to the board for the direction of the company and its business. The board is accountable to shareholders for every aspect of BP business, from financial results through safety performance to ethical conduct.

Our board has devised a principled model of governance to fulfil its role as the guardian of shareholder interest. Our governance framework recognizes the critical distinction between governing and managing the company's business. This shapes the respective roles of the board and its principal delegate, the group chief executive.

The board has articulated a clear goal for our business – the maximization of long-term shareholder value. It is this goal that the group chief executive must pursue in leading the executive management of our business. As a result, shareholder value lies at the heart of everything we do.

BP's values are derived from the long-term nature of this business objective as well as the limitations placed by the board on the way in which this objective is to be pursued. Legal, ethical, environmental and social considerations are considered when critical business judgements are made.

The board monitors the conduct of business and the performance of management, particularly through the work of committees composed entirely of independent non-executive directors, who are free from any conflict of interest. These committees consider the judgements applied by executive management in pursuit of BP's business goal, including the evaluation of risk. At the end of 2004, BP had 13 non-executive directors and six executive directors. Non-executive directors occupy the roles of chairman and deputy chairman of the board.

www.bp.com/annualreport

www.bp.com/aboutbp

BP's governance framework



Our management framework

A major challenge for a global company is to ensure there is a clear and common understanding of the roles, responsibilities and relationships of the different parts of the organization.

In order to build such an understanding, we have a management framework that governs the roles and relationships of the segments, functions and regions as well as their constituent units, teams and individuals, providing clarity on who does what. It is our system of internal control.

We also have clear principles on delegation, including the principle that authority and accountability in BP are delegated to individuals, not committees. This begins with the board's delegation of authority and related accountability for BP's goal to the group chief executive. These same principles are applied by the group chief executive within BP to ensure that delegated authority is driven to the most appropriate point in the organization.

In delegating authority, we set out clear expectations for tracking performance and we delegate the management of risks. We identify, assess and characterize the risks that we face so that we can evaluate them individually and take action to manage or mitigate them. We have criteria by which to assess the magnitude of any risk, including the

commissioning of independent assessments where appropriate. We carry out environmental and social impact assessments (ESIAs) for exploration operations in a new area. This helps to protect the value of our investment and the safety of employees and contractors, as well as the well-being of the communities where we operate and the environment beyond.

Our management framework embraces the processes that determine how internal targets should be set and progress monitored and measured against our plans in the year as well as over the longer term. It also provides central strategic direction for BP's many activities worldwide with clear control processes to make sure that our values are applied consistently.

The management framework also includes our group values – statements setting out goals against which we can test performance. These in turn form the basis of group standards and the code of conduct. Group standards set out expectations, processes and principles to control risks in particular situations, an example being the driving standard, which applies to all drivers and vehicles in BP. The code of conduct will translate the group values into specific, mandatory principles and expectations for every single BP employee on issues ranging from equal employment to the acceptance of gifts and entertainment.

Our code of conduct

To set and achieve consistently high standards of behaviour, we develop company-wide rules to be observed by all employees, in addition to all applicable laws and regulations.

During 2004, we developed a code of conduct, to be launched to every BP employee in 2005. This sets out these rules more clearly and in more detail than ever before, updating those included in the previous guide entitled *What We Stand For*. The code of conduct provides the cornerstone of our commitment to compliance and ethics and gives examples of how our group values need to be applied to specific situations that people encounter in their work. By adopting this more detailed and practical approach, the code of conduct signals our intent to embed our values and a culture of integrity more firmly in the group.

The group chief executive has stressed that the code of conduct's provisions apply to all BP employees and that any employee who fails to observe them may be subject to disciplinary action, which could even include dismissal. The code of conduct covers five areas.

Health, safety, security and the environment Here the code of conduct includes basic safety, health and environmental expectations, and stresses fundamental rules such as the need to report any hydrocarbon or chemical spills.

Employees The code of conduct explains what employees can expect of BP – such as development opportunities and rewards based on merit. It highlights commitments such as supporting the effective abolition of child labour. It gives detailed guidance on dealing with cases of harassment or abuse.

Business partners The code of conduct provides detailed guidance on receipt of gifts and entertainment, conflicts of interest, competition, trade restrictions, money laundering and working with suppliers. For example, it instructs BP people that any discussion with competitors on prices is strictly prohibited.

Governments and communities The code of conduct covers issues such as bribery, money laundering, dealing with governments and political activity. For example, it underlines BP's policy of making no corporate political contributions in cash or kind.

Company assets and financial integrity The code of conduct covers personal use of company property, handling proprietary information, intellectual property, insider trading, data and digital systems. For example, it explains the meaning of 'inside information', and restrictions on trading in BP and other securities.

1.1 How we work continued

Our group values

In all our activities we seek to display some unchanging, fundamental qualities – integrity, honest dealing, treating everyone with respect and dignity, striving for mutual advantage and contributing to human progress.

To translate these into guides for practical action, we build on them in what we call our group values, stating that the group aims:

- To have the best competitive corporate, operating and financial performance.
- To improve, and to be accessible, inclusive and diverse.

- To engage the creative talents of our employees, and develop and apply leading, cost-effective technology and intellectual creativity to enhance innovation and new ideas.
- To carry on business in a manner that is environmentally responsible and develop cleaner energy and renewable energy sources. The group is committed to the responsible treatment of the planet’s resources and to the development of sources of lower-carbon energy.
- To conduct our business relationships on the basis of mutual advantage. Our group values are listed below.

Performance

Compliance with law and ethics To comply with all applicable laws and regulations (including GAAP/SORP) in each jurisdiction in which the group operates. All employees will be required to comply with the code of conduct, which prohibits illegal, corrupt or unethical practices and demands high standards of probity.

Continuous improvement To improve continuously in pursuit of the group values by setting targets and through encouragement of its employees.

Internal targets To establish realistic and reasonable targets in the group plan. Progress against targets will be reported internally and analysed transparently and in a timely manner so that progress and variations can be understood readily.

Risk To ensure through the group plan that progress takes place, applying a balanced approach to risk, value and innovation. No employee will be permitted to substitute his or her own risk preferences for those contained in the group plan.

People and capability

Human capability and technology To nurture human capability and invest to ensure that the right technology, skills, behaviours and intellectual property are available for the pursuit of the board goals.

Employee treatment To treat employees fairly and with respect and dignity.

Employee expectations To make clear the expectations the group has of each employee in line with the general principles of delegation. Each employee will be given open and constructive feedback to aid his or her continuing development and performance.

Inclusion To enable employees to feel included as part of a meritocratic organization of people from diverse backgrounds.

Merit and diversity To recruit, select, develop and advance its employees on merit, irrespective of age, gender, nationality, physical challenge, race, religious belief, sexual orientation or identity.

Remuneration To reward employees in a manner that reflects their role in the group and their contribution to the achievement of targets.

Health, safety and environment

Health and safety To ensure that there are no accidents, no harm to people and that no one is subject to unnecessary risk while working for the group.

Environmentally sound operations To conduct the group’s activities in a manner that, consistent with the board goals, is environmentally responsible with the aspiration of ‘no damage to the environment’. The group will seek to drive down the environmental impact of its operations by reducing waste, emissions and discharges, and by using energy efficiently.

‘Transcending the environmental trade-off’ To contribute to human progress by applying the group’s resources in such a way that the perceived trade-off between global access to heat, light and mobility and the protection and improvement of the natural environment may be overcome.

External relationships

Mutual advantage To conduct our business on a long-term and sustainable basis, founded on relationships that are mutually advantageous and capable of enduring beyond a single transaction.

Social impact To respect the quality of life and the economic and social progress of the communities in which the group operates and, in the context of the board goals, to give support to their advancement.

Human rights To support the Voluntary Principles on Security and Human Rights. Understanding that governments have the primary responsibility to promote and protect human rights, the group shares the common goal of promoting respect for human rights, particularly those set forth in the Universal Declaration of Human Rights.

Transparency To deal openly and transparently with shareholders and third parties. The group will set appropriate external targets in line with its internal targets and report against them periodically. The group will also act in accordance with the principles of the Extractive Industries Transparency Initiative (EITI).

Government relations and influence To conduct business in a manner that does not abuse the influence that may exist (or be perceived to exist) by virtue of the scope and scale of the group. The group will engage honourably with all governments in whose jurisdictions it operates but will take no part in partisan politics.

What responsibility means for BP

In delivering our strategy, we must act responsibly if we are to build trust and achieve sustainability. Responsibility, however, has become a much-used and ill-defined term. It is therefore important to be clear about what we mean by responsibility and how we see our role in society.

Legal compliance At its most fundamental level, responsibility means obeying the law – complying with the numerous laws and regulations that govern our operations in each country. Legal compliance is far more than a box-ticking exercise. It makes complex demands and requires highly developed processes. In a large refinery, for example, there can be hundreds of thousands of compliance tasks to be tracked, executed and checked.

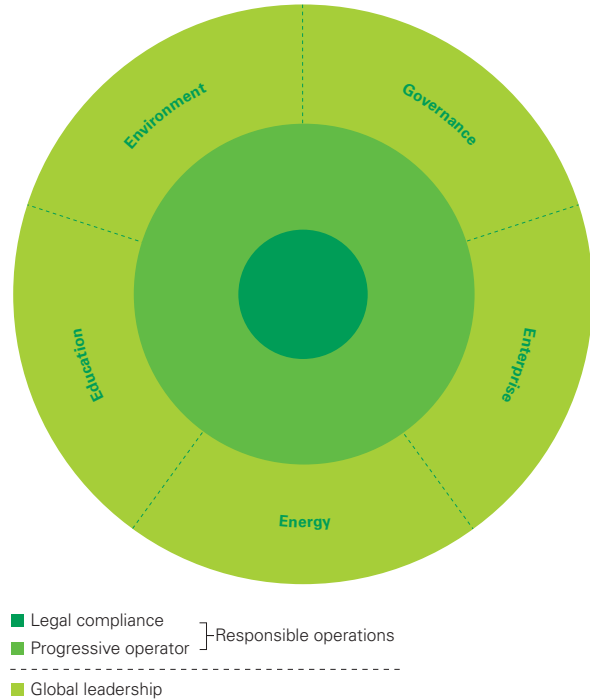
Being a progressive operator However, we believe that responsibility means more than keeping to the rules. We believe it means behaving in a consistent way around the world, being driven by the group's values as well as by the growing external expectations placed on large corporations, and using our increasing scope and scale to improve continually the way we run our business.

This is why we have developed our code of conduct, informed by our group values, as well as selecting certain areas for mandatory group standards.

We also seek to spread best practice, such as in the way we recruit and treat our people, purchase goods or manage our environmental impacts. These all directly influence the way we are viewed by society. We are also involved, with our various partners, in developing new products and technologies to serve our customers' and society's needs.

Both legal compliance and being a progressive operator are aspects of what we term 'responsible operations'. They lie within a 'sphere of control' within which we control the choices made and are accountable for the outcomes. Through responsible operations we are able to generate considerable benefits for society – taxes, salaries, dividends, capability development and a range of essential products.

Global leadership At a further level, responsibility prompts us to play a part in helping to solve global challenges that are directly relevant to our long-term business strategy. Here we work within our 'sphere of influence' where we do not control outcomes because responsibility is shared. In this sphere, we work with governments, business partners and civil society, using our skills and resources in an effort to deliver better outcomes. There are five themes on which we choose to focus (see diagram), each of which is rooted in our core business.



Our most obvious example of such action has been around the *environment*. We chose to take a lead on the issue of climate change because we believed there was a clear case for taking precautionary action. Since then we have not only reduced our own GHG emissions but have taken an active role in the global debate and resulting actions on climate change. This work has also helped us plan the growth of our natural gas businesses, recognizing that gas is an important bridge towards the lower-carbon world of the future.

More recently, again in line with our business strategy and growth, we have recognized the need to make a more focused and inclusive contribution towards social and economic development. In 2004, we reviewed our role in the communities where we operate, acknowledging that, because of the scale of our business, our impact often reaches beyond the local community to the regional and, sometimes, the national level.

Our review concluded that we should continue our existing focus on *education* and support for appropriate learning initiatives; and, in non-OECD countries where we operate, extend our involvement in *enterprise* development and seek to expand access to modern *energy* services. The fifth and final area in which we seek to use our influence, where it is legitimate, is the promotion of good *governance*. Here we aim to work with host governments to increase understanding of managing the wealth that our investment generates.

1.2 Dialogue and engagement

BP's operations affect – and are affected by – millions of people. Our aim is that all of these relationships should create mutual advantage – benefits for those with whom we do business as well as for ourselves. We believe this is a cornerstone of a sustainable business. We therefore aim to create strong and lasting relationships, engaging in dialogue with a wide variety of groups. The knowledge that we gain is fed back to relevant members of management and used to improve our business operations.

In this section we explain some of the mechanisms we use to maintain dialogue. Throughout the report we provide more detail on specific forms of engagement in 2004 that are helping to shape our business.

Customers In addition to many local research activities in specific markets, we also conduct a formal global programme of customer satisfaction and brand health measurement covering topics such as awareness of BP, preference and loyalty. This is conducted twice a year with more than 6,000 motorists in 20 countries.

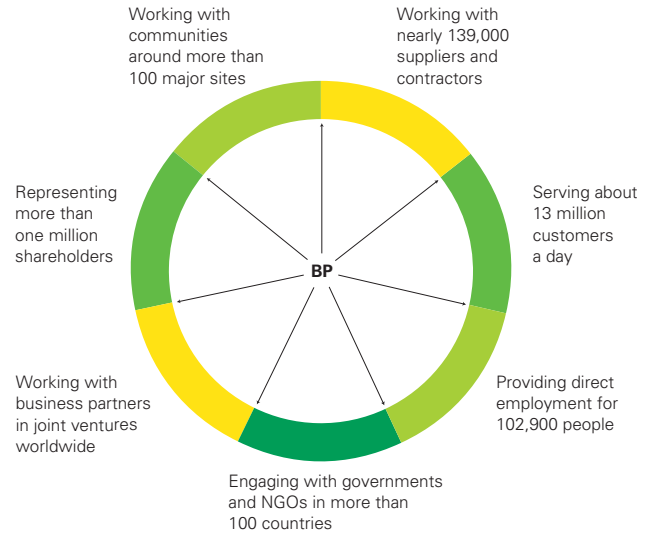
The data from this survey is analysed and results are compared across markets and over time. The results are fed back formally to individual businesses, providing insight into current trends in customer satisfaction across a number of dimensions (*page 39*).

Shareholders We have more than one million shareholders worldwide. Shareholders have the opportunity to interact with directors at our annual general meeting, to propose and vote on resolutions, and to ask questions. Presentations given at appropriate intervals to representatives of the investment community are also available to all shareholders by internet broadcast or open conference call.

In response to the growth of interest in our business activities from the socially responsible investment community, we actively communicate with this audience. In March 2004, we held workshops on both our Baku-Tbilisi-Ceyhan (BTC) and Tangguh projects, to which research analysts and NGOs were invited. This can be an effective way to update a wider interest group on higher-profile projects and to hear and consider viewpoints that may help improve the way we operate.

Employees We operate a formal survey of our 102,900 employees to understand how our commitments to employees are working in practice.

The People Assurance Survey (PAS) is voluntary and confidential, allowing employees to give their views on what is working well at BP and what could be improved. In 2004, more than 52,000 employees (74% of those eligible) responded to the survey. Business or function



leaders are responsible for assessing concerns raised and developing an action plan for their employees. In most cases, action plans are incorporated into performance contracts for the following year (*page 25*).

We also operate the OpenTalk employee concerns line, through which anyone in BP can raise concerns about possible breaches of group policy or standards. During 2004, 343 OpenTalk cases were raised from 44 countries, just over half anonymously (*page 29*).

Communities We recognize the fact that every community in which we operate is different and therefore demands varying approaches. For example, local engagement is an important element of ESIs, carried out for exploration operations in a new area (*page 14*). We also set up advisory panels to discuss issues at specific sites with local community representatives (*page 15*).

As part of the BTC project and at Tangguh in Indonesia, we have established independent expert advisory panels (CDAP and TIAP) to consult with local residents, assess our performance and provide recommendations (*pages 22 and 49*). We publish the reports of these panels, together with our responses, showing how we have taken action as a result of the panels' recommendations.

We also operate 24-hour telephone carelines around many of our sites. At our refinery in Cologne, Germany, for example, the careline can be used by local residents to gain up-to-date information on activities at the site or to raise any concerns with BP. If incidents are reported, specialists from the plant investigate. Such analyses may lead to appropriate actions being taken for improving plant units, which serves as a process of continuous improvement.

When a project requires the use of land, it is BP policy to compensate landowners for loss of land, assets or income, such as farming revenues, according to international standards, including the policies of the World Bank Group.

Opinion leaders As well as the many formal and informal contacts we have with government ministers, politicians, business leaders and others, we carry out interviews on an annual basis. In 2003 and 2004, we carried out interviews with more than 5,000 opinion leaders in eight countries, including the US, UK, Germany, Russia and China, on issues such as environmental impact, human rights, social impact and transparency. The findings of this research are formally reviewed by BP's senior management to understand BP's external reputation.

We also discuss policy issues and our business activities with many NGOs and other civil society groups, recognizing their legitimate interest in our operations. We engage with NGOs at local and global levels, ranging from consultation on specific projects or issues such as climate change to working in partnership on jointly agreed work programmes.

At group level, we have an active dialogue with global organizations so we can understand the concerns of those they represent. When planning a major new project, we seek to organize direct dialogue between BP and local, regional and international NGOs so we can understand external expectations of the project. We work in partnership with NGOs so that we can combine the skills of both organizations in tackling relevant issues, from health and biodiversity to education and human rights. Examples include working with WWF on education in China (*page 46*) and with Family Health International on HIV/AIDs in Indonesia (*pages 50-51*).

Suppliers Good relationships with our suppliers are central to enhancing performance. We have various mechanisms for managing these relationships, based around four key principles: strategy, building common ground, delivery and performance management. We analyse our suppliers through a segmentation model, which aims to help us to

communicate and collaborate with them as effectively as possible. Engagements such as Performance Review Meetings and Relationship Mapping Workshops help BP and suppliers identify areas of mutual performance improvement and value enhancement. BP has committed to adopt an enhanced approach to supplier engagement and interaction with our supply base. Our primary focus will be to generate business value in all we do with our suppliers.

Oyster Spend Analytics is an intranet-based system that consolidates details of BP purchasing around the world. It enables us to know how much BP is spending globally with a particular supplier and to identify areas of best practice and non-compliance.

We have also established a 'centre of expertise' in procurement, designed to develop best practices and define the type of engagement needed with different suppliers.

Joint initiatives We work with governments, NGOs, international agencies and companies in the EITI, which aims to contribute to sustainable development and poverty reduction by increasing transparency about revenue flows.

We are continuing to implement the Voluntary Principles on Security and Human Rights, working with both governments and security contractors to ensure compliance and understanding.

We have continued to work with industry organizations such as the International Association of Oil and Gas Producers (OGP) and the International Petroleum Industry Environmental Conservation Association (IPIECA) to share knowledge and experience of conducting, implementing and appraising ESAs.

As a member of the World Business Council for Sustainable Development (WBCSD), we have been working on a sustainable mobility project, which produced a major report in 2004.

www.bp.com/TIAP

www.bp.com/CDAP

Specific observation from Ernst & Young

Since 2002, we have commented that there is inconsistent consideration of non-financial issues in relation to contractor management processes. In 2004 sites had generally taken HSE performance into consideration for contractor management. However, other non-financial areas (employees, ethical conduct and relationships) were less consistently applied when selecting contractors or monitoring performance. We have observed increased reference to ethical conduct in contracts, although assurance gained over implementation varied.

As part of the BTC project and at Tangguh in Indonesia, we have established independent advisory panels to consult with local residents, assess our performance and provide recommendations.

1.3 Responsible operations – from access to exit

We seek to act responsibly through the whole life cycle of each site, from understanding environmental and social issues when we first investigate a location until decommissioning and remediation. This section traces our approach through the various project stages.

Accessing environmentally sensitive areas To meet the rising global demand for energy, the search for oil and natural gas is increasingly taking place in environmentally sensitive areas. Some are officially protected, but many are not.

BP believes it is for governments to decide whether sensitive or protected areas should be open to development and, if open, what measures should be taken to protect them. We will operate in sensitive areas only if we are convinced we can properly manage the risks to the environment and comply with all applicable laws and regulations. The US Arctic National Wildlife Refuge is an example of this. The decision for access rests with the US government. Any decision by BP to enter will depend on many factors, including commercial, geological, technical, environmental and social considerations.

If we reach a decision to explore or develop in World Conservation Union (IUCN) category I-IV areas where development is permitted, we will publish the results of all risk assessments carried out – assuming we have the necessary operational control, legal right and commercial ability to do so.

We also want to work within a designation system for protected areas that is transparent and consistent. In 2004, together with industry and NGO partners, we completed the Speaking a Common Language project to improve the IUCN designation categories.

Assessing a new site We carry out ESIA's for exploration operations in a new area. ESIA's appraise existing environmental and social conditions at the start of a project – the 'baseline'. They then identify the likely impacts and risks from the proposed operations and look at ways to mitigate or manage them. At Sakhalin in Russia, for example, our initial studies included a review of possible environmental impacts on Western Grey whales, which have

IUCN designated areas where BP operates

- Ia Western Route Export Pipeline passes through Ajameti Nature Reserve, Georgia.
- Ia Western Route Export Pipeline passes through Saguramo Nature Reserve, Georgia.
- Ib Exploration well pad and road operated by Chaco Joint Venture in Aguarague National Park, Bolivia.
- Ib Bergen an Zee well site within Duinen bij Bergen Nature Conservation Law, The Netherlands.
- II Bulo Bulo field operated by Chaco joint venture within designated buffer zone for Carrasco National Park, Bolivia.
- II BP West Java platform within designated buffer zone for Taman Nasional Laut Kepulauan Seribu (Thousand Islands Marine National Park), Indonesia.
- II Two marine refuelling tanks within concession areas of Fiordland National Park, which forms part of Te Wahipounamu – South West New Zealand World Heritage Site.
- IV Western Route Export Pipeline passes through Shamkir State Forbidden Area, Azerbaijan.
- IV BTC pipeline passes through proposed Ktsia-Tabatskuri Managed Reserve, Georgia.
- IV Groet II well site within Schoorlse Duinen Nature Conservation Law, The Netherlands.
- IV High Island Shorebase within McFaddin National Wildlife Refuge, US.
- V Mutiara well site operated by VICO Joint Venture within Bukit Soeharto Recreation Park, Indonesia.
- V BP Solar facility within designated development zone for Cuenca Alta del Manzanares Recreational Park, Spain.
- V Grangemouth Complex pipeline passes through Loch Lomond and Trossachs National Park, UK.
- V Wytch Farm well sites and production facilities within Dorset Area of Outstanding Natural Beauty; operations also occur within four Ramsar wetlands sites – Dorset Heathlands, Poole Harbour, New Forest, and Solent and Southampton Water, UK.
- VI Onshore US San Juan Business Unit well sites within San Juan National Forest, US.
- VI Pipelines North America operations within DeSoto National Forest, US.
- VI Gulf of Mexico/Mid Continent Business Unit operations within Black Kettle National Grassland, US.

feeding grounds nearby. Preliminary investigations indicate that the area where we subsequently drilled an exploration well is not a critical feeding habitat. Nonetheless, the

Specific observation from Ernst & Young

In Indonesia we discussed with BP the activities that are being undertaken as part of the Tangguh Project Integrated Social Programme. The programme is designed to manage the potential impacts of the project on the local area including those identified specifically in the Tangguh ESIA.

In 2004, we carried out ESIA's to meet international or national requirements for oil and gas development projects in locations including the Turkish Black Sea, Sakhalin, Trinidad and Tobago, Azerbaijan, Italy and Egypt.



Engaging with communities

To operate sustainably at a new site, we have to build a relationship with the local community, understanding and responding to their concerns. During 2004, we undertook an extensive programme of consultation with residents on our proposal to build an import terminal for liquefied natural gas (LNG) with the capacity to serve five million homes near Crown Landing on the Delaware River in the US.

Local residents raised concerns over the safety and security of the ships and terminal as well as over the ecology of the area. These concerns were increased during 2004 when there was a large spill of crude oil from a non-BP

tanker in the river. As well as discussing the project at many community events in the area, holding open-house evenings and publishing a website on the plans, we have set up a Community Advisory Panel (CAP) with representatives from the Logan and Oldmans townships, including doctors, teachers, business owners, a pastor and other residents.

At one meeting, the oil spill was examined, with BP representatives explaining the contrast between the single-hulled tanker involved and the ships used to transport LNG, which have an outer and inner hull plus two levels of insulation and membranes, creating a safety buffer of more than six feet between the LNG cargo and the outside world. We have also explained that there has never been a loss of containment in 35,000 voyages worldwide transporting LNG for four decades.

Consultations are continuing in 2005 as we seek the necessary approvals for the project from local authorities and others.

assessment recommended precautionary measures to avoid spills, minimize vessel movements and reduce noise associated with our operations.

Through consultation, ESIA's can ensure that any decisions we make are based on understanding the views and values of people affected by our business.

In many instances, an ESIA is a legal requirement before seismic testing, drilling or field development can take place. In 2004, we carried out ESIA's to meet international or national requirements for oil and gas development projects in locations including the Turkish Black Sea, Sakhalin, Trinidad and Tobago, Azerbaijan, Italy and Egypt.

When assessing potential exploration and production sites, we frequently carry out ESIA's even where there is no regulatory requirement to do so. This was the case when we completed an ESIA that met international standards in support of a planned seismic project in the Gulf of Suez.

The issues identified in the ESIA feed into a project's environmental and social impact management plan and into the operation's environmental management system.

During the ESIA for the BTC pipeline between the Caspian and Mediterranean, one of the issues studied was how the region's cultural heritage should be managed. Surveys of the proposed route identified approximately 500 sites of potential heritage interest. More detailed investigations identified appropriate measures for each site, including surface investigations, trial pits, full excavations and rerouting the pipeline where necessary. The location of archaeological sites was a key factor in refining the route, and illustrates how ESIA's can influence final project design. Archaeologists are also employed to investigate any unidentified cultural heritage sites exposed during construction.

Improving our performance In 2002 and 2004, we were challenged on our approach to protected areas at our annual general meeting. Following the AGM in 2004, the group was asked for more clarity on the process and methods used to assess risk when we choose to operate in these areas.

In response, Lord Browne commissioned work on our assessment of the sensitivity of potential development areas at the earliest stages. He said: "We are determined to demonstrate that we recognize the importance of sensitive areas and that that recognition is embedded in the day-to-day operational standards of the company."

The results of this work will be assessed and tested during 2005 to ensure that our approach is transparent and consistent across BP.

Commencing operations in sensitive areas Once we are established and operating, our businesses' environmental management systems are the primary mechanism to manage environmental performance. Our impact on biodiversity is one measure of this performance. We continually work to avoid or minimize the environmental impacts of our operations, including those on biodiversity. The environmental management systems at all our major sites are externally audited to the ISO 14001 standard.

Our first priority is to operate responsibly. However, our businesses often find opportunities to work with expert partners to support biodiversity in a number of other ways. Our research partnership in Angola is an example, where we use remotely operated vehicles to survey the ocean floor. The data contributes to an improved understanding of deepwater environments.

1.3 Responsible operations continued

Personal safety

Once construction and operation of a site begin, the focus switches from planning to practicalities. Safety and security of people and operational facilities remain paramount, along with the health of our workforce and the community.

Our safety record We literally start work with safety. Safety rules are among the first that a new employee has to learn and meetings frequently begin with a 'safety moment'. In 2004, we recorded improvements in workforce safety, achieving a reduction of more than 10% in our Days Away From Work Case Frequency (DAFWCF). A DAFWC is recorded when an injury causes a worker to miss a day or more of work. Since 1988, our DAFWCF has declined from around 1.5 cases per 200,000 man-hours to 0.09 in 2003 and to 0.08 in 2004.

Our employees and contractors building the BTC pipeline have achieved a DAFWCF that is a quarter of the pipeline industry average. This includes five million hours without a DAFWC at the pump stations in Georgia. In 2004, the BP Sharjah Oil Company marked six years and six million working hours without a single DAFWC, while BP Venezuela accomplished two years and 3.5 million working hours with no DAFWC – as well as 10 million kilometres driven without an accident.

Many other sites are also achieving long periods without any DAFWCs and the rates are becoming too small to be a clear measure of progress. We are therefore increasingly focusing on another measure, Recordable Injury Frequency (RIF), which includes all injuries requiring some form of medical treatment – other than very minor cuts and bruises – even if they do not necessitate a day away from work.

RIF is expressed as the number of recordable injuries per 200,000 hours worked. In 2004, our RIF was 0.53, an improvement of more than 10% on the 2003 outcome of 0.61. This was better than our target of 0.58 for 2004.

Despite the progress made in reducing injury rates, serious incidents continue to occur.

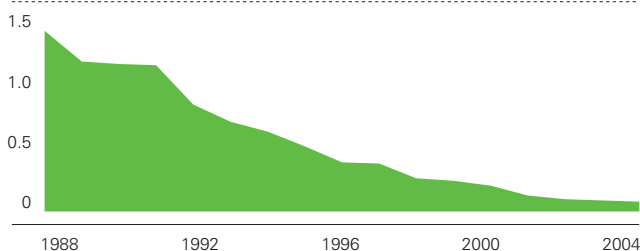


In 2004, there were 11 workforce fatalities, compared with 20 in 2003. The 11 consisted of seven contractors and four employees. Five of these deaths occurred in North America, two in the Azerbaijan business unit on the BTC pipeline project, and the remaining four in Algeria, China, South Africa and Trinidad. Additionally, 26 members of the public died in incidents related to BP activities, of which 25 were road accidents. We deeply regret this loss of life.

We investigate every incident that results in, or has the potential to cause, severe harm to our workforce or third parties. For example, in Mozambique, we have been investigating an incident that occurred in 2004, where quantities of BP illuminating paraffin (IP) were contaminated with small quantities of motor gasoline, which could make the fuel more combustible. We have not yet been able to establish whether the contaminated IP was linked to any harm to customers of any of our resellers in Mozambique.

Driving safety During 2004, we introduced a new driving standard with which all BP employees must have complied by the start of 2005. The standard sets 10 clear rules for safer driving. For example, the rules prohibit the use of mobile phones in moving vehicles and require the use of seat belts.

Long-term improvement in safety performance (DAFWCF)^a 1988-2004



Since 1988, our DAFWCF rate has declined from around 1.5 DAFWC per 200,000 man-hours to 0.09 in 2003 and to 0.08 in 2004.

^a Days away from work case frequency (DAFWCF) is the annual frequency (per 200,000 hours) of injuries that result in a person (employee or contractor) being unable to work for a day (shift) or more. For a full understanding of the underlying data on DAFWCF please refer to our website.



Focus on safety in Alaska

Safety performance at BP Alaska (BPXA) continued to improve significantly during 2004 following an unfortunate period in 2002 when two industrial accidents led to a serious injury and one fatality.

In early 2003, management urged employees to work on safety processes, to which the response was impressive, resulting in an improvement of over 60% in DAFWCF and an improvement of more than 20% in the RIF in 2004 compared with 2003. This built upon a 40% reduction in the RIF in 2003 compared with 2002.

The improved performance reflected the success of the business unit's leadership efforts to raise awareness of safety. Alaska employees completed more than 19,000 Advanced Safety Audits and 138,000 workplace safety observations in 2004, among the highest recorded for any BP location.

In December, BP and its operating partners agreed a settlement of \$1.27 million with the state of Alaska. This related to an August 2002 well-casing failure and explosion. Following an investigation, the state concluded we had not acted in bad faith. The agency recognized the company for the thoroughness of its incident investigation and for putting in place new procedures to prevent a recurrence.

At the end of January 2005, BPXA ended a federal probationary period imposed in 1999 for the belated reporting of illegal, hazardous waste disposals by a contractor at our Endicott production facilities. As part of the probation requirements, we put in place and continue to maintain a leading-edge environmental management system.

The standard was developed with external expert advice and built on the lessons from the serious driving-related incidents in BP over the past five years. New communications tools have been developed, including videos and posters in six languages with the message 'Arrive safely. Drive safely.' Driver training and vehicle replacement were increased in 2004 to prepare for the roll-out of the standard. We will focus on encouraging our contractors to adopt a similar standard in 2005 and 2006.

Our total vehicle accident rate monitors incidents affecting vehicles or their occupants. In 2004, the rate was 0.78 per million kilometres driven, compared with 0.68 in 2003. We believe this reflects improved reporting, influenced by the introduction of the standard. In addition, in 2004, vehicle-related incidents resulted in 12 DAFWCs and four fatalities among the workforce, a reduction from 23 DAFWCs and 14 fatalities in 2003.

In 2004, road safety was also a theme for engagement outside BP. As well as several organizations expressing interest in the driving standard, our businesses took part in many other initiatives to promote safe driving among the communities in which we operate. For example, BP in China launched a seatbelt campaign; in Vietnam, BP worked with Ford and the American Chamber of Commerce to promote road safety; and in the US we started to include BP-branded safe fuelling guides as part of the vehicle safety advice provided in new Ford cars.

As well as the focus on driving safety in 2004, we prepared to formalize our overall processes to ensure workplace safety through a new personal safety standard. This will include the driving safety standard and a control of work section providing a formal approach to managing work risks and clarifying accountability for safety.

www.bp.com/safety

BP's driving safety standard sets 10 clear rules designed to encourage safer driving.

Specific observation from Ernst & Young

All of the sites visited were implementing the new Driver Safety Standard. Activities included gap analysis, development of action plans and vehicle inspection programmes.

1.3 Responsible operations continued

Integrity of our operations

Integrity management Despite our improving safety record, we have still experienced several serious incidents at our sites over the past few years, such as explosions, fires and releases of gases or liquids. While many of these were contained and injured no one, some led to serious injuries and fatalities.

In an effort to eliminate these incidents, a team representing operations and maintenance leadership from across the company worked together in 2004 to develop a new Integrity Management (IM) standard. This brings together and improves all existing group-wide processes, with the aim of ensuring that our best practices are applied consistently across BP. Key elements of the standard include:

- Identifying individuals accountable for the integrity of facilities.
- Assessing whether employees have the necessary competencies and maintaining those competencies.
- Bringing together all knowledge and learning to inform site technical standards.
- Designing new projects based on long-term integrity management practices.
- Developing and maintaining protective systems to reduce incidents.
- Developing and testing emergency response plans.
- Investigating and addressing the root cause of any integrity-related incident.

We aim to implement the IM standard using a phased approach from 2006 to 2008.

Oil spills Although in 2004 the number of BP's oil spills of more than one barrel fell to 578, compared with 635 in 2003, the volume spilled to the environment was about 50% higher than in 2003. This was estimated at 5.7 million litres, of which 1.5 million litres were unrecovered, compared with 1.4 million litres unrecovered in 2003. Twelve of the spills in 2004 accounted for 80% of the total volume spilled, mostly associated with storage tanks.

Our largest spill since the end of 2000 occurred in 2004 at the Kwinana refinery, Australia. Nearly three million litres

of light gasoline component leaked from a storage tank after hydrochloric acid corroded the tank floor, creating a hole. Two million litres were recovered during 2004 and clean-up operations are scheduled to continue until 2006. The leak was not detected by the tank's automatic leak detection system because of the constant refilling and emptying of the tank. The investigation recommended improving leak detection for tanks at the Kwinana refinery and instituting routine testing of the oil for hydrogen chloride.

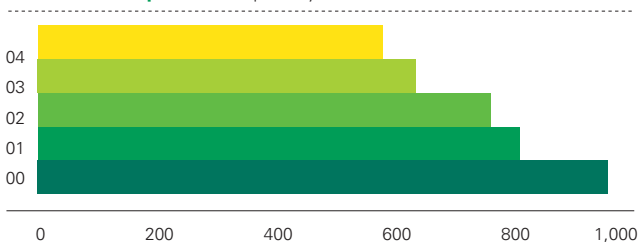
Shipping We transport our products across the world's oceans and coastlines using a combination of BP-controlled vessels, owned and operated or time-chartered, and spot chartered vessels. In 2004, we continued to implement our strategy of increasing our operated shipping fleet in order to manage more effectively the risk of a major oil spill. This fleet transformation is well ahead of the international requirements for phase-out of single-hulled vessels.

Our owned and operated fleet has grown from 36 ships in 2003 to 42 ships in December 2004, of which 38 are double-hulled. Of these 42 ships, three are LNG carriers, with a further four LNG carriers on order. Additionally, BP manages five LNG carriers on behalf of joint ventures in which it is a participant.

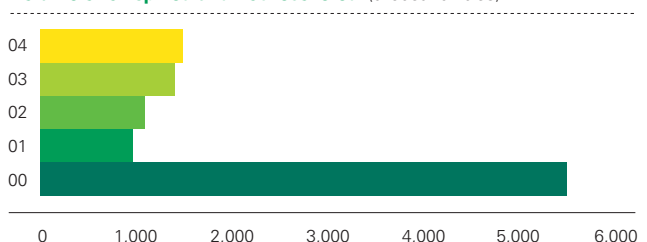
BP has 43 vessels on time charters, of which 36 are double-hulled. All of these vessels are enrolled in our Time Charter Assurance programme, which requires compliance with our HSSE requirements. This includes the majority of our coastal vessels and we are making progress to renew these. For example, in the UK, we are in the process of replacing four small, single-hulled coastal tankers with three new double-hulled coastal tankers. In Alaska, the current seven-ship fleet will be replaced by state-of-the-art double-hulled tankers, with three in service by the end of 2005. For Greek and Turkish coastal trades, BP has entered into time charters with two high-quality local operators, who are providing 10 new-build double-hulled coastal tankers, of which five are already in service.

We also spot charter additional vessels, which are vetted prior to use to ensure they meet our rigorous standards.

Number of oil spills (loss of primary containment)



Volume of oil spilled and not recovered (thousand litres)





Focus on pipeline integrity

A series of measures has been taken to protect the integrity of the BTC pipeline, which runs for 1,768 kilometres across Azerbaijan, Georgia and Turkey, transporting oil from the Caspian Sea to the Mediterranean.

For protection during its 40-year design life, the pipe is coated with a three-layer polyethylene coating system in accordance with project specifications and international standards. After the pipe's lengths are welded together on site, the weld joint areas are blast-cleaned and a liquid field joint coating material is applied.

Before the pipe is buried, the welds and field joint coating are inspected and tested. The system integrity is further validated by hydro-testing and other quality assurance tests.

After operational start-up, planned for 2005, the pipe will be subject to comprehensive monitoring and further protection measures. For example, a system known as cathodic protection is used, which diverts the oxidization that causes corrosion from the pipe to a series of sacrificial anodes placed nearby. In addition, over the life of the project, pipeline inspection gauges will be run to check on wall thickness.

During 2004, the BTC Company resolved a problem identified in November 2003 when some hairline cracks appeared in the joint coating in Azerbaijan and Georgia. These were picked up during normal quality assurance testing procedures prior to putting the pipe into the ground. There was also criticism in some UK national newspapers of the choice of field joint coating and its adhesion to the pipe.

Investigations by BTC Co., confirmed by engineers acting for the project's financial lenders, found that some cracking had occurred under cold-weather conditions when the coating had not sufficiently cured – a chemical reaction that fuses the epoxy material. Addressing the issue involved a simple remedy, with the correct application of heat before and after applying the coating to reduce the cure time, in accordance with the manufacturer's instructions. This procedure has worked well and a team of full-time coating inspectors has been ensuring that all coatings are applied correctly. The investigating engineers also noted that the coating had an extensive track record in North America and was further field-tested by BP prior to being used by BTC Co.

Focus on refinery integrity

During 2004, further steps were taken to improve environmental performance and enhance communications with the local community at the South African Petroleum Refinery (SAPREF)^a in Durban, South Africa. SAPREF is the largest crude oil refinery in South Africa, employing about 1,300 staff and contract workers.

The improvement followed a period in which there had been concerns over air quality and a number of reported oil spills, including a leak of petrol in 2001 from a pipeline near a residential area.

Following the leak, a major remediation project has been carried out over the past three years, including intensive liaison with nearby residents. Over one million litres of petrol have been recovered and there is very little petrol remaining in the groundwater. An independent study released in October 2004 found that no pipelines needed replacing, although it recommended some improvements in pipeline protection, which SAPREF is now implementing. A concentrated focus on decreasing the overall number of spills resulted in a 35% reduction in spills of more than 100 litres in 2004 compared with 2003.

Air quality remains a concern in the heavily industrialized south Durban area and there is a high level of respiratory illnesses. Although SAPREF is not the sole source of industrial emissions to air in the area, these community concerns are being addressed through improved performance by SAPREF and other industries. By the end of 2004, SAPREF's sulphur dioxide emissions had been reduced by 60% since 1997.

SAPREF is also involved in the south Durban multi-point plan, which brings together government, industry and the community in an effort to identify the sources of poor air quality and develop strategies to improve it.

SAPREF's focus in 2005 is on sustainable performance. The aim is to maintain environmental improvement programmes, deliver on commitments to ensure pipeline integrity and develop initiatives with the business's neighbours to address social issues.



^a SAPREF is a 50/50 joint venture between Shell SA Energy and BP South Africa (Pty) Limited.

1.3 Responsible operations continued

Managing impacts and emissions

Environmental management As well as working to prevent accidents and unintended releases, we aim to minimize our environmental impacts by careful management of air emissions, discharges to water and wastes.

Each major operational site, including refineries, production facilities, petrochemicals and solar panel manufacturing plants, has an environmental management system comprising tools and processes used to control activity and enable compliance with legal requirements. We measure the quality of these systems by asking external auditors to judge whether they conform to the ISO 14001 industry standard. By the end of 2004, we had achieved our goal to have 100% of our major sites certified to this standard. Our next step is to use the management systems to improve our performance further.

Because impacts and issues differ by location, we have developed an online mapping tool to report performance on a site-by-site basis. Most of our ISO-certified sites also now produce externally verified environmental statements that describe how we manage the impacts of our facilities.

Air emissions Our operations emit various substances into the air. The largest emission is carbon dioxide, a GHG. Our record in addressing GHG emissions, including methane, is discussed on pages 33-37. While GHGs are of global concern, other emissions, including sulphur dioxides, nitrogen oxides, particulate matter and non-methane hydrocarbons, are more significant for their impact on local air quality. The total of emissions of these substances has decreased by 37% since 1999.

In March 2003 and January 2005, the South Coast Air Quality Management District filed civil lawsuits against BP's Carson refinery in California, seeking penalties of about \$600 million for various alleged air-quality violations. In March 2005, BP, without admitting liability, agreed to settle all outstanding claims for \$25 million in cash penalties and approximately \$6 million in past emissions fees. BP further agreed to provide \$30 million over 10 years in community

benefit programmes and \$20 million in new refinery projects aimed at reducing emissions.

Meanwhile, at the Port of Long Beach in Los Angeles, California, BP announced that from 2006 it will use a new technique to avert air emissions from the diesel-powered pumps that oil tankers employ to transfer oil ashore. Instead of burning 10,000 gallons of diesel fuel a day, BP tankers will be plugged into onshore electricity via a technique called 'cold-ironing'.

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

For the first time this year, we are reporting ozone-depleting substances data on our website. Halocarbons are emitted from some BP sites as unintended by-products of our purified terephthalic acid manufacturing operations, from releases from fire suppression equipment and also from refrigeration equipment.

Waste management Our waste management approach begins with maximizing efficiency so as to minimize waste. We then aim to reduce, reuse and recycle as much waste as possible to avoid local impacts from landfill disposal or incineration. While waste disposal is well-regulated and controlled in many countries, in some of our new areas of production, management of the waste to meet our internal expectations can be a challenge due to lack of local infrastructure.

Hazardous waste disposals in 2004 were about 50% higher by weight than in 2000, primarily due to the acquisition of a major chemicals plant in Europe in 2001, increased refinery shutdowns, especially in 2002, and tightening of regulatory definitions. In contrast, the reported amount of general solid waste disposed during 2004 was lower than in the previous three years.

Our Olefins and Derivatives plant at Decatur, Alabama, US, which has three production areas, provided an example of reducing and reusing waste in 2004. Faced with the prospect of replacing a reactor and incinerator that were

By the end of 2004, we had achieved 100% ISO 14001 certification for all our major sites.

Specific observation from Ernst & Young

During our visits to Angola, Georgia and Indonesia we saw evidence of BP working with third parties and regulators to develop long-term waste disposal infrastructure.

both used to treat production waste, the Decatur team instead developed innovative solutions that enabled much of the waste material to be recycled. These will reduce GHG emissions and provide annual cost savings of more than \$5 million.

The Green Office Initiative is an eco-efficiency programme designed to help office-based staff reduce the environmental impact of their buildings and daily work practices. As well as recycling, it covers how resources are purchased and used. The goal is to get more value from our resources and to reduce the environmental footprint we leave behind.

Water management Use of fresh water and discharges into water are key issues for BP. Our largest fresh-water users are refineries and chemicals plants, which can extract between two million and 150 million cubic metres a year for cooling, steam generation and industrial processing. We use fresh water from many sources, including lakes, rivers, wells and municipal supplies. Given

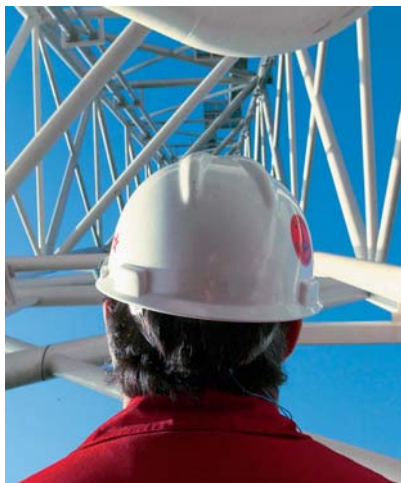
the scale of our use, we seek to protect water resources by preventing pollution and conserving fresh water.

In 2004, our fresh-water extraction decreased to 493 million cubic metres, down 5% from 2003, which was the first year in which this data was published.

Our main discharges to water include water-based drilling muds from oil and gas exploration operations and waste waters from oil platforms, refineries and petrochemicals plants that contain small amounts of oil, petrochemicals or treatment chemicals. We seek to ensure that all waste water is treated and monitored to meet any relevant legislation before discharge.

Our discharges to water in 2004 decreased slightly from the 2003 level to 57,000 tonnes. Levels over the past two years were very similar to 2000 but 23% higher than in 1999. Discharges to water can vary greatly depending on our drilling activity as we explore for new energy reserves worldwide.

www.bp.com/hsemappingtool



Towards new standards in Russia

Safety, environmental, social and governance issues are high on the agenda for TNK-BP, the joint venture operating in Russia and Ukraine of which 50% is owned by BP. TNK-BP, which had its first full year of operation in 2004, is the third largest oil company operating in Russia. It has nearly 100,000 employees, oil production of around 1.66 million barrels a day in 2004 (including 50% of Slavneft), six refineries and more than 2,000 service stations. Oil production, reserves and profits are all growing.

Yet, along with much of the industry in Russia, TNK-BP also works with a legacy of environmental challenges stretching back to the Soviet era. Historic leaks and spills of hydrocarbons and produced water have affected some 5,000 hectares of land. In tackling such issues, TNK-BP plans to spend more than \$1 billion over 10 years to improve health, safety and environmental (HSE) performance and address legacy sites. More than \$100 million was spent in these areas in 2004.

In 2004, TNK-BP adopted an HSE policy as well as 10 new safety standards, covering such topics as leadership, how to report incidents, working at heights, lifting operations and transport. The new standards, for example, require leaders to monitor safety requirements, mandate the use of safety harnesses for people working at more than 1.3 metres and ensure energy sources are isolated and drivers are trained and properly licensed.

TNK-BP also drew up a five-year strategic plan for HSE under which many categories of relevant spending are planned to nearly double compared with 2003, replacing ageing equipment and pipelines and updating safety equipment and processes.

Having focused on safety standards in 2004, TNK-BP will establish standards in 2005 for environmental protection, health and plant integrity. The 2005 plan includes enhanced or increased clean-up of contaminated areas within major mature oil fields such as the giant Samotlor field, where 400 hectares were undergoing remediation in 2004. Regulators and other interested parties were consulted on the five-year plan. TNK-BP is also addressing environmental aspects of potential developments such as the Kovytka gas field.

The HSE policy is one of five that TNK-BP has developed, the others being in the areas of ethical conduct; employees; external relationships; and control and finance.

1.3 Responsible operations continued

Security

Maintaining the security of our people in and around our sites is a key factor in operating responsibly.

Since the attacks on the US in 2001 and some subsequent attacks on non-BP energy industry assets, we have reviewed our sites and introduced new measures where appropriate, for example, hardening perimeter security through tighter access controls and extra barriers.

To make sure our own security standards are high and consistent, especially given the sensitivity of some of the areas in which we operate, we have developed an electronic business risk management tool called Getting Security Right. This identifies and ranks the risks we face and helps us to create clear action plans.

Helping our people maintain their security when they are off-site raises a different set of challenges. We signify threats by using a single, global system of security and travel alert levels – low, medium and high – to show the status of each country and restrictions on travelling to those countries.

The Voluntary Principles on Security and Human Rights

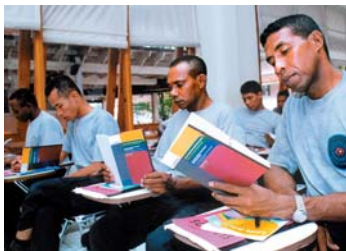
2004 saw further application of the Voluntary Principles on Security and Human Rights that BP helped to develop. They are designed to safeguard human rights by ensuring that police, security forces or private guards assigned to protect energy sites or pipelines are properly trained and closely monitored. The Voluntary Principles have been agreed by

several extractive industry companies, NGOs and governments – the US, UK, Norway and The Netherlands. Support for the Voluntary Principles is set out in our group values. We focus our primary implementation of them on particular projects, for example, in Algeria, Colombia, the Caspian region and Papua, Indonesia. In most of these places we are reliant on state security organizations for security support.

Putting principles into practice The project to build the 1,768-kilometre BTC pipeline through Azerbaijan, Georgia and Turkey was the first of its kind to adopt the Voluntary Principles as part of the prevailing legal regime.

In accordance with the Voluntary Principles, the BTC project has entered into partnership with Equity International, an international foundation, to provide human rights-based security training for state security organizations responsible for pipeline security. In 2004, this began with programmes in Azerbaijan and Georgia.

Bilateral security protocols between BP and the host governments will further elaborate and ‘operationalize’ our security and human rights principles. BP and the government of Georgia signed the first bilateral in October 2004. The agreement defines standards and procedures on the use of force and firearms, monitoring and reporting, recruitment and training of security staff and communication and consultation between the two parties. We plan to conclude similar bilaterals with the governments of Azerbaijan and Turkey in early 2005.



Security and human rights at Tangguh

Establishing security arrangements that emphasize respect for human rights continued to be a priority in 2004 as we moved towards sanctioning the construction of the Tangguh gas project in Papua, Indonesia. An Integrated Community Based Security programme has been developed that uses the Voluntary Principles as one of its key components.

The system is based on the principle that the best guarantee of security for the project is partnership between all parties involved, whether local, regional or national.

Locally recruited guards, trained in understanding human rights, form the first line of security, with back-up if needed from the Papuan police. During 2004, a group of NGOs raised a number of concerns over issues such as human rights, publication of documents – including our agreement with the Papuan police – and our role in the political situation in Papua.

We believe that we have made progress on our human rights commitments. For example, the Voluntary Principles underpin the agreement between BP and the Papuan police and the concept of community-based security has been supported by BPMIGAS, the Indonesian executive agency for upstream oil and gas activities. We support publication of relevant documents wherever possible, although this does require the consent of all parties. The agreement with the Papuan police has now been published.

As a foreign private company invited to work in a country, BP has no mandate to take on a political role, although we support improved quality of life and economic and social progress. The Tangguh Independent Advisory Panel (TIAP), set up by BP to provide advice on community issues at Tangguh, visited the area in December 2004. It noted that the community-based security initiative at Tangguh had won the support of local officials, police, military and the Ministry of Defence. All TIAP documentation and BP responses are available online (www.bp.com/tangguh).

Decommissioning and remediation

When operations have finished or are nearing the end of their life, we develop and implement plans to decommission facilities and remediate sites. Decommissioning of offshore facilities is a major task and the best environmental solutions vary for different locations.

Offshore – the decommissioning challenge In the North Sea, we are progressing with plans to decommission the North West Hutton platform, 130 kilometres east of the Shetland Islands. A detailed decommissioning programme has been submitted to the UK government for approval. We propose to remove the entire topsides and steel jacket down to its base and aim to recycle at least 97% of this material.

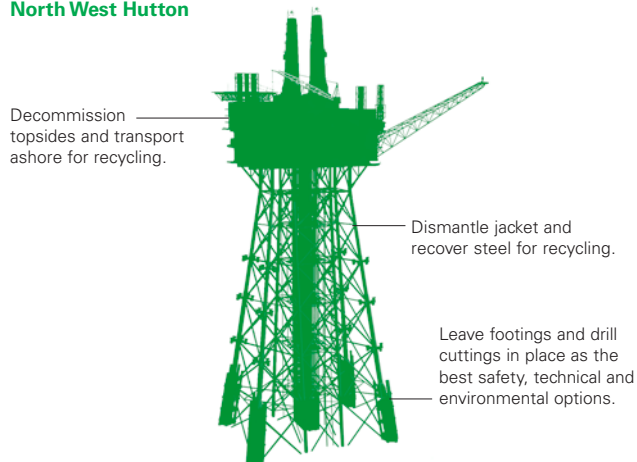
We have proposed leaving the drill cuttings pile on the seabed. Extensive studies, endorsed by an independent review group composed of six environmental and engineering experts from the UK, Norway and Germany, have shown that the best solution for the environment is to leave the pile in place and monitor its stability while allowing the seabed to recover naturally. We have also applied to leave in place the jacket base, or ‘footings’, as we believe these cannot be removed safely with current technology. We are currently consulting with European interest groups on these proposals. If our recommendations are approved by the UK government, platform removal is likely to begin in the 2006-2009 period.

In developing our proposals, we conducted more than 50 comparative studies to gain information on factors such as safety, environmental impact and technical challenges. Each study was audited by the independent review group. We also consulted a range of interested parties, such as environmental groups, fishing organizations, local authorities and government agencies, as well as maintaining a public website to keep interested parties up to date with our plans.

In the Gulf of Mexico, we spent \$60 million on removing 10 platforms and decommissioning 35 depleted wells. Over the past two years the Gulf team’s work has progressed from reacting to urgent needs, such as removing hurricane-damaged platforms, to a proactive, scheduled programme to remove assets that have no future use. These assets are removed in priority order, with those posing the highest potential risks being handled first. In 2005, the team plans to decommission a further 11 platforms and 42 wells.

Onshore – responding to a range of challenges Onshore, BP is facing the challenge of a legacy of sites that were operated to the standards of former decades but now require cleaning up to meet the expectations of today’s society and regulators. Our remediation management specialists are dealing with more than 4,000 sites, from small retail locations

North West Hutton



to huge copper mines. In 2004, the team managed a \$2.5-billion provision for future expenditures and spent around \$410 million. Among highlights of remediation work in 2004 were the progress made at BP D’Arcy Development and Baglan Energy Park, which occupy the former sites of a large refinery and chemicals plant, located on the River Neath in South Wales, UK. Baglan Energy Park includes advanced factory developments and a solar-powered visitors’ centre. Through BP D’Arcy Development, around \$10 million has been injected into the local economy in grant aid, small business loans and the development of brownfield sites.

At Casper, Wyoming, US, a former refinery site is being transformed into a 340-acre business park and a recreational area. A separate 250-acre industrial park is taking shape in the former tank farm and a 2,000-acre wildlife refuge and lake is being created, using water from the waste-water treatment system located four miles away. The sites are due to open in June 2005.

At Paulsboro, New Jersey, US, BP is working with public authorities who have approved a \$100-million programme to convert a former terminal in an economically depressed area into a marine port and commercial park.

Prevention – lessening tomorrow’s remediation challenges

Today we recognize the need to start early when planning our exit strategy, even before a plant is commissioned. We advise project managers to build units as if they were the person assigned to dismantle them. For ongoing operations, our remediation management team advises business units on the best way to prevent the creation of liabilities. We have an internal website and newsletter that enable BP employees to learn from the experiences of colleagues around the world.

www.bp.com/northwesthutton

1.4 Our people

Our efforts to become a sustainable company depend on our people. To operate successfully on a global scale, we have to attract, retain and motivate people who share our ambition to be competitive, successful and a force for progress.

These include people with the experience and expertise to extract oil from mature or newly discovered fields, to grow a retail business or secure a new market for gas, to negotiate with governments and to become leaders who inspire international teams. Safety expertise is required throughout our operations, as are the skills of engaging and working with local communities.

To attract such people, we offer rewarding careers, exciting challenges, equality of opportunity and flexible working practices. We state in our policy that every employee will be treated fairly, is entitled to feel included as part of an organization where people are recruited and promoted on merit, without discrimination, and has the right to form or join trade unions, consistent with local legislation. At the end of 2004, our global workforce stood at 102,900.

Recruitment We recruit people in the hope that they will spend a significant portion of their careers with BP. Our model is to 'grow our own' by employing highly qualified applicants and investing in their development. We recruit selectively in the external market for some senior roles where we do not currently have specialist skills in-house. In 2004, we appointed 67 people into group leadership positions – the most senior 610 people in the company – of whom 59 were internal candidates.

We continued our global MBA programme, which provided 10 outstanding MBA students from the world's leading business schools with the opportunity to work at BP. These students came from seven countries and between them spoke 13 languages. Each had substantial work experience, including international assignments, prior to taking their MBAs.

During 2004, around 1.4 million people visited the careers section of our website and 112,000 have registered an interest in working for BP.



Developing capabilities We want our employees to fulfil their individual potential, for their own benefit and for BP's.

Development opportunities include training courses, international assignments, mentoring, team development days, workshops, seminars and electronic learning. We encourage everyone to take five training days a year.

Some opportunities are tailored for employees with the ambition and ability to advance through management. Others are designed for those who prefer to develop as professional and technical specialists (*see panel opposite*).

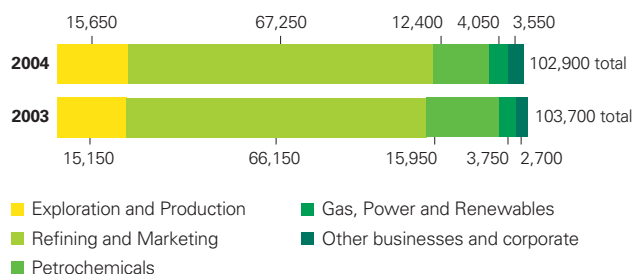
Combating stress in the workplace At Grangemouth in Scotland, we have piloted a stress prevention programme that is to be extended throughout BP. The programme was developed after psychologists from Scotland's Keil Centre worked alongside technicians, engineers and chemists who were carrying out a potentially stress-inducing project of creating a new plant and control system. The psychologists identified potential sources of stress and proposed ways to deal with them. The work done at Grangemouth has now been developed into a model for use in any team worldwide. It includes tools and processes for identifying problems, assessing risks and finding solutions, and covers training for managers and understanding when specialist health support is needed. This will be a core part of BP's psychological health management programme.

www.bp.com/careers

Specific observation from Ernst & Young

Stress had been recognized as a potential area of concern in several of the businesses visited. The North America Gas and Power business in Houston had introduced a number of initiatives, including 'wellness sessions', the 'Stress Busters' training programme for managers and team leaders and a monthly flexible working day with the aim of enhancing work/life balance.

Employment across business segments



Highlights of our management programmes in 2004

We launched a refreshed set of high-potential programmes known as Career Advancement programmes for individuals likely to be candidates for the most senior roles. Entry is based on merit and development opportunities are tailored to the individual.

Around 5,000 people took part in the First Level Leaders programme. This is targeted at the 10,000 people who are on the first tier of management and who provide direction to more than 90,000 BP employees. The programme helps employees improve their leadership skills and gives them greater understanding of the business as a whole. Line managers and direct reports of the participants who were surveyed before and after the programme reported statistically significant improvements in the attendees' leadership behaviours.

More than 1,800 of our 6,000 senior leaders took part in the first full year of our Senior Level Leaders programme, designed to grow leadership capabilities. Over 1,000 attended 'Leadership in Context', helping them understand more about the company and over 500 attended 'Leading Self', which focuses on personal leadership skills and behaviours.

More than 300 graduates who joined BP in 2002 attended BP's fourth Global Graduate Forum, networking with peers from around the world and gaining more knowledge of how the wider business works.

Around 250 people attended the new Discover BP programme that was launched this year to help senior experienced recruits integrate rapidly into BP by giving them an early overview of the basics of the organization and a broader context for their work.

Highlights of programmes for experts and professionals

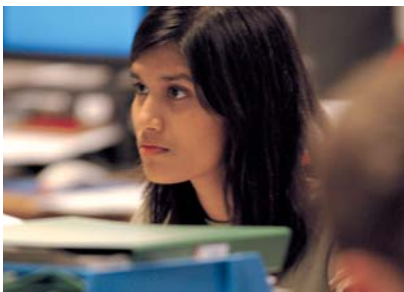
We continued our Professional Recognition programme, which provides career ladders and frameworks for assessment for individuals who prefer to develop increasing levels of expertise rather than progress through the grades of management.

106 people participated in courses with the Projects Academy, launched in 2003 to help managers achieve excellence in running large, complex, multi-million-dollar projects. The Academy gives BP leaders the chance to study with experts in leadership and project management at the Massachusetts Institute of Technology.

More than 1,000 people undertook courses with the Sales and Marketing Academy, also launched in 2003, designed to improve BP's sales and marketing skills as part of the drive to increase growth in the customer-facing businesses.

The Exploration and Production segment also runs the 21st Century Geoscience programme, in which the majority of BP geoscientists have enrolled.

During 2004, we increased the numbers of individuals working as distinguished advisers, whose role is primarily to coach the next generation of leaders and professionals. We have 136 such advisers in place.



Engaging our employees

To assess employees' views, we ask them for detailed feedback in our PAS. Survey results are aimed to be shared with workers, reviewed by management and used to address developing concerns in small work groups and across the company.

The 2004 survey, completed by 74% of employees, showed a 4% increase in overall employee satisfaction compared with 2003. This was the highest result since the survey started in its current form in 1999.

Of the 76 questions in the survey, 68 showed an increase in favourable responses. The highest increase was 11% for the question relating to how employees rate BP's financial performance.

The other large improvements this year were in the areas of positive feelings about BP and understanding the overall goals and direction of the company. Having announced that our petrochemicals business would be split into two businesses, favourable responses from that segment fell by 1% compared with 2003.

The PAS is analysed by senior management. Feedback sessions are held at a local level and action plans are formulated to respond to employees' concerns. For example, the First Level Leaders programme (*see above*) was set up after managers at this level expressed concerns over their prospects in the company.

The survey will in future be conducted at two-year intervals so that action plans can be put into practice more effectively and their results experienced by employees before the next survey is undertaken. Employee morale and opinions on particular themes will continue to be monitored through shorter 'pulse' surveys, targeted at a representative sample of employees.

1.4 Our people continued

Creating the future today In 2004, we took further steps towards building a global meritocracy founded on the belief that our success as a business depends on enabling all employees – from every background – to contribute their talents to the full.

We have become a diverse group with a diverse workforce, working in a wide range of locations, from China to Colombia and Azerbaijan to Alaska. Our aim is to make the most of this diversity of talent by enabling each employee to fulfil his or her potential as an individual.

We are working to create opportunities for nationals of the countries where we work to advance into leadership positions. We believe we need business leaders who understand the culture and history of their countries, can build excellent relationships with governments and communities and help us maintain our first-mover advantage. In customer-facing businesses, we are striving to develop leaders who represent and understand our customers, are close to cultural trends and able to make BP the fuel supplier of choice. Ultimately, we are working to develop leaders at every level who can work across regions or across the world, inspiring and guiding multinational, multicultural teams in support of our business strategy.

Value creation is driving us to move towards a global meritocracy that benefits from the full range of experiences and skills that our people offer – young, old, male, female, of all races and every nationality, physical ability, religion, sexual orientation and identity.

Our employee surveys show that an inclusive culture is spreading. When asked in 2004, 70% of employees who responded to the PAS believed the group had created an environment where people with diverse backgrounds could succeed, up from 67% in 2003 and 60% in 2000.

Diversity in our leadership One outcome of this work has been that many businesses are now led by nationals of the countries concerned, including Angola, Colombia, Egypt, France, India, Spain, Trinidad and Tobago, and Vietnam.

In 2004, we increased the proportions of our leadership represented by women, people from beyond the US and UK and people from racial minorities in the US and UK.

In 2004, there were 93 women in our group leadership (the most senior 610 people in BP), up from 89 in 2003. Also among the group leadership there were 115 people from beyond the US and UK, up from 109; and 27 people from racial minorities in the US and UK, up from 24.

One means by which we seek to change attitudes and provide people with different perspectives is our Mutual Mentoring programme, in which people from different parts of BP are paired to discuss their experiences. Typically these will be pairs comprising men and women, or people from different racial or ethnic groups.



Our aim is to benefit from the local and national talent that we have on our doorstep – in all its forms.

Traditionally, energy companies based in North America and Europe have run operations in developing countries by using expatriate leaders and local staff. Today the pattern is changing and one-third, or 1,000, of our expatriate staff are from countries beyond the US and UK. We send people on assignments outside their home country when they are needed to fill skills gaps or to support their development.

In Azerbaijan, we have set up an Organizational Capability Development (OCD) team to recruit and develop local employees. Its target is to increase the proportion of professional and non-professional Azeris in the workforce in Azerbaijan from 50% and 70% respectively to more than 90% and 95% respectively by 2010. Azeris now make up over 30% of senior BP positions in the country and the aim is to raise that proportion to more than 40% in 2005 and to 80% in a decade. In 2004, the OCD team arranged over 20,000 person-days of training and selected 200 national recruits from 11,000 applicants. Currently, on projects such as the BTC pipeline, where more than 20,000 people can be employed at one time, it is impossible to find enough workers with sufficient skills within the host countries. We therefore engage expatriates, whose remuneration tends to reflect the living costs in their home countries.

Race, a major dimension of US society, is rarely discussed openly in mixed groups of different races, especially not in the workplace. Race continued to be a particular focus for BP's Diversity and Inclusion (D&I) activities in 2004. Our approach has been to encourage discussion so that individuals gain greater understanding of each other's feelings of identity. Having staged a series of summits to launch the process, we then took action to stimulate dialogue in the workplace. To prompt discussion, we created a DVD, *Race – A Dialogue*, in which BP employees of different racial backgrounds took part in a discussion about their experiences. We also piloted 'Let's Talk', a mutual mentoring programme in which pairs of

employees – one white, one from a racial minority – hold regular structured discussions designed to deepen mutual understanding. Many reported that they had never had such a discussion before. We have established affinity groups that provide networking opportunities for diverse groups – such as the BP African American Network (BPAAN), Women’s Network, ‘Grey Matters’, Gay, Lesbian, Bisexual and Transgender (GLBT), the Latino Network and the Asian Network, all of which have executive sponsorship.

In the Asia Pacific region, we have identified a group of first level leaders with senior leadership potential and created an accelerated development programme designed to develop world-class management skills. At the end of 2004, we had run workshops for 65 current national leaders to demonstrate how inclusive behaviour can lead to business success and build up the competencies needed to lead cross-cultural teams, particularly inclusion and respect.

BP Trinidad and Tobago is led by a Trinidadian chairman and chief executive officer, Robert Riley, and over one-third of its leaders today are also Trinidadian. Among initiatives to encourage national professionals, we have responded to the country’s shortage of geo-scientists by pairing some of BP’s leading geo-scientists with talented local staff.

In Angola, the company’s executive vice-president, Jose Patricio, is a former Angolan permanent representative to the United Nations who brings a wealth of national and international relationships, expertise and insight to his role. As well as recruiting Angolans in Angola, we have developed a recruiting programme to find skilled émigrés, including organizing a careers fair in Brazil in September 2004, and we have initiated training programmes for a new generation of Angolans. Last year, 4,000 Angolans applied for 20 openings in a class that will spend four years learning English and technical process plant skills at a refinery in South Africa.

Among initiatives in 2004 to break down barriers between groups from different heritage companies and countries were workshops in Germany, designed to heighten employees’ mutual awareness of cultural differences in areas such as the use of English, body-language and meeting protocols.

Measuring progress Having gained the support of the group leadership for inclusion initiatives, in 2004 we set out to draw the company’s 6,000 senior level leaders into active involvement with these programmes. To support these leaders we introduced a new web-based survey and tool, the Progress and Assessment Framework (PAF), created by a team of engineers at the Bulwer refinery in Australia. This framework enables a business team or other operational unit to assess its current state of diversity and inclusion and identify key priorities for implementation in much the same way we would manage any other business process.

Managing organizational change A development with major implications for more than 10,000 employees was the decision in April 2004 to split our Petrochemicals segment into two businesses (*page 7*).

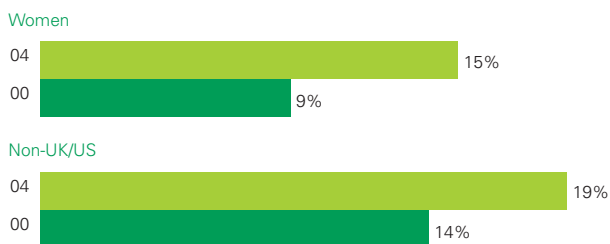
The A&A businesses are being integrated into the Refining and Marketing segment, while the O&D business is being prepared for a future outside BP, possibly starting with an Initial Public Offering in the second half of 2005, subject to market conditions and the receipt of necessary approvals. Additionally, it was announced in November that the O&D business will also include the Grangemouth and Lavéra refineries.

This decision naturally created a high level of personal concern among petrochemicals employees and we sought to address these concerns as quickly as possible.

Many of the initial queries understandably centred around future employment, closely followed by whether the business would replicate BP benefits, such as pension and share schemes, as well as whether overall pay scales would match those currently enjoyed within the BP group.

We established a set of principles and timescales for managing employee-related matters and communicating with staff. We made a commitment to follow all normal consultative and co-determination processes, to comply with union agreements and to meet all other local requirements. We have informed and consulted with works councils in parts of Europe.

Group leadership make-up



Specific observation from Ernst & Young

BP Angola, Azerbaijan and Indonesia have nationalization targets in their production sharing agreements with governments. We saw evidence of BP working towards these goals, which can be challenging. For example, although BP Angola had met their target in 2004, they have had to develop innovative approaches to recruitment plans to meet future targets. Six of the nine locations visited had completed the Progress Assessment Framework to identify Diversity and Inclusion priorities.

1.4 Our people continued

In order to stabilize the organization, movement of employees from the petrochemicals segment into other parts of BP was suspended pending the completion of staffing processes for A&A and O&D. This has allowed the organization to retain critical skills and established a level playing field as we began the reorganization.

Transparent selection processes were established, including a voluntary survey in which employees could indicate their preference to stay in their current organization, move to another BP business unit or leave.

We committed to employees that, as far as labour legislation allowed, they would know their status by 1 November 2004. This commitment was met with some exceptions, for example, in Europe, where this was extended by one week to 8 November.

Considerable effort was invested to help employees find positions, including the introduction from 1 August of an external hiring freeze on jobs that required skills available in the petrochemicals organization. At the end of December 2004, around 160 employees globally had not found jobs in the new organizations as a result of the selection process. Advisory firms have been engaged to provide employees with skills for their search for jobs inside or, if necessary, outside BP. Around 100 employees worldwide had left the organization by the end of the year through redundancy, retirement or resignation.

The leadership of both the A&A and O&D businesses held numerous town-hall and face-to-face meetings and telephone conferences with their teams. The petrochemicals website called Focus to Win was used to hold web-casts with Ralph Alexander, chief executive of the petrochemicals business. In addition, questions and answers have been posted on a website that receives thousands of hits a month.

The high-level terms and conditions for O&D have been communicated and work has begun to deliver benefit programmes to match the commitments. Other necessary work related to establishing the standalone organization has also started around the delivery of payroll, size and scope of jobs, pensions, other benefit plans and all the other necessary people-based processes.

Around 2,700 A&A employees are now part of the new businesses within Refining and Marketing, while the new O&D organization employs over 8,500 employees worldwide.

Compliance and ethics BP took a major step forward in the area of legal compliance and business ethics in March 2004 when we established a single central team – the GC&E function, led by a newly appointed GC&E officer – to oversee the group’s compliance with relevant laws, regulations and BP’s standards worldwide. Legal and ethical behaviour has become a high-profile issue in the corporate world following several scandals in which business people have behaved illegally or unethically, in some cases being convicted and imprisoned.

Energy companies need robust systems for ensuring compliance with laws, regulations and standards because of the complexity of issues we face. Complying with health and safety regulations, for example, can be literally a matter of life and death. Very clear rules on business relationships are essential when there is any scope for bribery or fraud in dealing with suppliers or governments.

The GC&E function is developing an integrated compliance management programme to help us deliver on our legal and ethical obligations. The programme is being designed to provide BP’s businesses with the processes, tools and systems to assess relevant laws and regulations, identify high-priority legal and ethical risks and ensure that clear written standards are developed, implemented and enforced.

Drawing up legal and ethical standards A key task in 2004 was developing BP’s code of conduct, scheduled for roll-out in 2005. The code of conduct provides an overarching set of rules that drive compliance with laws, regulations and internal company requirements. It also directs employees to more specific guidance where needed on particular areas. The code of conduct provides a mandatory minimum universal standard of conduct for BP employees, regardless of the role or business or where in the world they operate (*page 9*).

Specific observation from Ernst & Young

We met with personnel responsible for managing elements of the restructuring of the Petrochemicals business. We saw evidence of the application of guiding principles and supporting processes to help manage the impact on staff. These included principles for an expression of interest by staff, the employee selection process and redeployment.

In 2004, we piloted a new anti-bribery awareness programme, in which senior leaders have been provided with detailed guidance to share with relevant team members.

We have also created group policies on some specific areas. One of these is a policy on gifts and entertainment, providing much more specific rules than previous guidelines. For example, this stipulates that any gifts offered to a BP person that cost more than an estimated \$50 need to be authorized by a line manager, and any over \$250 by a group vice president.

In 2004, we also piloted a new anti-bribery awareness programme, in which senior leaders have been provided with detailed guidance to share with relevant team members. For example, the programme explains how to investigate the background of applicants to act as buying agents, including asking about sources of wealth or relationships to government officials.

Helping businesses implement standards To help businesses put the code of conduct and group standards into action, we have developed a range of resources, such as interactive question-and-answer style briefings with real-life breakout scenarios, online learning tools, workshops and seminars.

We are also appointing senior level compliance and ethics leaders for each business, region and function to ensure that the code of conduct is properly communicated and understood in the businesses and that the group compliance programme is effectively implemented.

The BTC pipeline project has been commended by the International Finance Corporation for the efforts it has made to counter corruption and promote ethical behaviour.

Monitoring and enforcing standards It is not enough simply to provide rules. We have to ensure they are understood and followed. Key measures to achieve this are our annual compliance and ethics certification process, and our employee concerns line, OpenTalk.

Under the certification process, each business or functional team produces a certificate each year – usually following a team discussion – outlining the ethical issues it has faced and any suspected cases of non-compliance. These are sent to managers at the next level who certify

the performance of all teams under their direction. The process continues up the line to the group chief executive, who signs a certificate for the entire group and reports to the board's Ethics and Environment Assurance Committee (EEAC). In 2004, we strengthened this process to put more emphasis on compliance with all applicable laws and regulations as well as with BP's own ethical conduct policy.

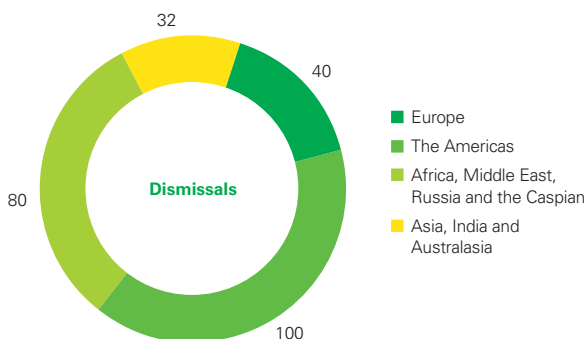
In 2004, 252 employees were dismissed for unethical behaviour (excluding retail sites), with the main reasons for dismissal being theft, fraud and harassment. This increase was partly as a result of the enhancements described above, which included improving how we capture data from the businesses in the certification questionnaire. This year, we also specifically asked businesses to report, for the first time, how many dismissals and contracts they had not renewed (including nil responses).

2004 was the second year of operation for the OpenTalk line, through which anyone in BP can raise concerns about possible breaches of group policy or standards. Individuals with concerns can contact OpenTalk using a 24-hour multilingual phone line, fax, e-mail or letter and can choose to remain anonymous.

During 2004, 343 OpenTalk cases were raised from 44 countries, just over half anonymously. The most common concerns were about treatment of employees or contractors. Other cases covered allegations of fraud, conflict of interest and violations of safety standards. All cases are carefully considered by the regional ombudsperson and, where appropriate, there is then a more detailed investigation. When allegations are proved, we take action not only to deal with the individuals concerned but to address any wider issues or trends.

For example, in one case a contractor told OpenTalk that he risked losing his job after reporting an oil spillage. Investigations led to an individual's removal from the facility and also to a programme of retraining in health and safety standards at the plant in question.

In 2005, OpenTalk will be expanded in scope to enable BP employees to ask questions or receive further guidance regarding the new code of conduct.



Specific observation from Ernst & Young

In all locations visited, most employees interviewed had been involved in discussions relating to ethics as part of the certification process. All but one site visited had included potential and actual ethical issues in their business unit leader certificates. The certificates indicated that several locations had taken specific action to address ethical incidents including dismissing a member of the workforce or terminating contracts.



BP and sustainability

This map shows the locations of our key sites and main retail markets. It also highlights selected examples of achievements and material issues in and around our operations in 2004.

- Exploration and Production
- ◆ Refining and Marketing
- ▲ Petrochemicals
- Gas, Power and Renewables

Key retail markets

Environmental mapping tool Launched in 2003, our online environmental mapping tool identifies all our major operated sites, all of which have ISO 14001 certification and most also having verified environmental statements. This tool plots these on global maps that display environmentally sensitive areas or hot spots and track how sites manage biodiversity, air quality, access to fresh water, water quality and waste.

www.bp.com/hsemappingtool



Consultation around plans to decommission the North West Hutton platform in the North Sea commenced.

Retail fuel prices prompt media concern as oil price breaks \$50 a barrel.

Ultimate fuels launched in five more European countries.

Solar business shows operating profit in 2004.

Launch of a CO₂ capture and storage project at the In Salah gas field in Algeria. This project is believed to be one of the largest of its type yet undertaken.

New discovery and new project sanctioned in Angola.
The Paranhos solar pilot project in Angola provides a reliable source of energy to a village of about 360 people.

Results of an independent study into the condition and management of SAPREF's transfer pipelines were released in October 2004.

BTC consortium selected an international partner, Equity International, to help deliver human rights training to public security agencies in Azerbaijan and Georgia.

Construction of the BTC pipeline continued. Altogether there are 10 formal layers of monitoring of the project, of which six are external.

New discovery in Egypt.

Memorandum of Understanding signed setting out the process under which revenues to the government from energy companies will be disclosed in Azerbaijan.

Six million hours worked at Sharjah plant with no reported injuries contributing to 2004 group improvement in DAFWCF.

Our joint venture TNK-BP increased production volumes by 14%.

TNK-BP plans to spend more than \$1 billion over 10 years to improve health, safety and environmental performance and address legacy issues.

The Environmental Educators Initiative was in its seventh year of operation in China and estimated to reach around 200 million people each year.

New agreements signed to supply LNG to South Korea.

Two new downstream joint ventures in China announced.

BP worked with Ford and the American Chamber of Commerce to promote road safety in Vietnam.

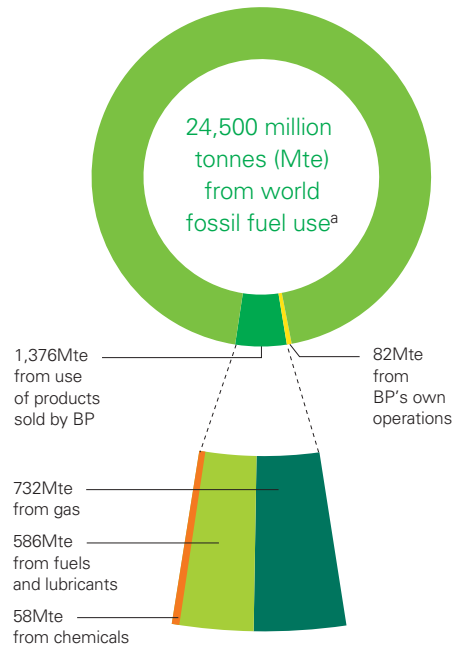
BP's response to the Asian tsunami co-ordinated in Kuala Lumpur.

Opening of the first hydrogen pump at a conventional service station in Singapore.

The Tangguh Independent Advisory Panel, set up by BP to provide advice on community issues at Tangguh, visited the area in December 2004.

Largest oil spill in four years at Kwinana refinery.

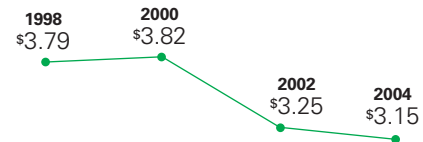
Where do greenhouse gas (GHG) emissions come from?



^a International Energy Annual 2002, US Energy Information Administration.

Reducing the average price of photovoltaic solar modules^b

(price/watt-peak)

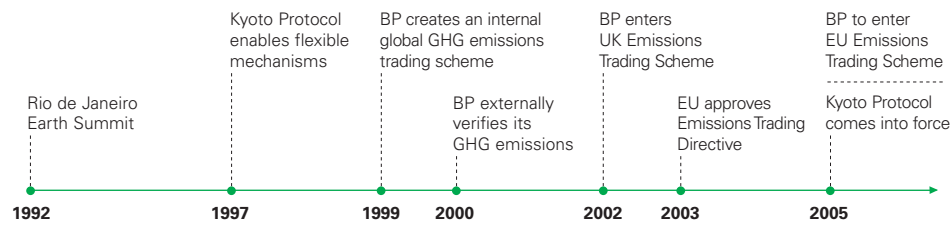


^b Global Analysis of PV Markets and Application Forecast, published by Strategies Unlimited, June 2004.

Ultimate fuels have now been launched in 12 markets



Emissions trading roadmap



2. BP and the environment

2.1 Addressing climate change 2.2 Sustainable transport 2.3 Renewable energy

2.1 Addressing climate change

One of the greatest challenges for the 21st century is the increasing temperature of the planet. This is believed to be associated with carbon-based fuels – coal, oil and gas – that increase levels of GHGs in the atmosphere, thickening the world's insulation. The world's surface warmed by about 0.6°C during the 20th century and the Intergovernmental Panel on Climate Change (IPCC) estimates that it could rise by between 1.4 and 5.8°C by the end of the 21st century.

As a major supplier of energy, BP believes it has a responsibility to take a lead in finding and implementing solutions to climate change.

In 2004, this work continued in several ways:

- We continued to promote global solutions for climate change, outlining options for stabilizing GHG levels.
- We accelerated our internal energy efficiency improvement programme, which has now mitigated around half the growth in operational emissions since 2001 (*page 35*).
- We launched a major pilot project to capture carbon dioxide (CO₂) and store it underground (*pages 36-37*).
- We continued to develop methods for measuring emissions from the products we sell and for characterizing ways in which our products can help avoid emissions (*page 36*).
- We participated in preparations for the European Union Emissions Trading System (EU ETS), launched in January 2005 (*page 37*).
- We increased our sales of natural gas – which releases less carbon per unit of energy than oil or coal when consumed (*page 36*).
- Our solar energy business continued to grow and became profitable (*page 41*).
- We continued to market cleaner fuels. We explored the potential for low-carbon bio-fuels and increased our participation in demonstration projects of hydrogen fuel cell vehicles (*pages 38-40*).

Our approach In 2004, we continued to share our ideas on how GHGs can be stabilized in the atmosphere over time. BP believes a prudent strategy would be to stabilize CO₂ concentrations at around 500-550 parts per million (ppm), consistent with limiting global temperature rise to around 2°C. One way to achieve this would be to ensure that global emissions in 2050 are no higher than today's – around 25 billion tonnes of CO₂ a year. However, energy use is projected to double by 2050 and emissions would also double if no action were taken. So, while emissions may increase in the short term, the task in the next five decades is to provide the energy that customers demand to fuel their needs, but with about half as much carbon as today for each unit of energy utilized.

Research by Princeton University, supported by BP, has illustrated what would be needed to transform energy use in this way, using existing technologies. To indicate the scale of the action required, researchers have put forward a number of options, each of which would reduce global emissions by around one billion tonnes of carbon (equivalent to around 3.5 billion tonnes of CO₂) by 2050 – or one-seventh of the total reduction required. Examples include:

- Increasing fuel economy in cars so that two billion cars run at 60 miles a gallon rather than today's average of 30.
- Replacing coal with natural gas as feedstock at 1,400 one-gigawatt power stations.
- Capturing and storing the carbon generated at 1,600 gas power stations.
- A 50-fold increase in wind power.
- A 700-fold increase in solar panels.
- Producing 34 million barrels a day of bio-fuels, requiring 250 million hectares of crops, or one-sixth of the world's cropland.
- Cutting carbon emissions from buildings by a quarter by applying known approaches to energy efficiency.

Key activities in 2004 Our activities showed how our business is already making a contribution to several means of GHG emissions reduction.

For example, we continued the growth of our liquefied natural gas (LNG) business, which is essential for bringing natural gas to many markets otherwise dependent on coal.

Our work on carbon capture embraced the start of a new project which will capture and store one million tonnes of CO₂ each year in Algeria, as well as backing for an international research effort.

Although these options for global solutions involve many players and will take years to implement, we support early action. This is why we ran a global programme that reduced our operational GHG emissions by some 10% between 1998 and 2001. Since then, we have been taking further steps to manage GHG emissions. In assessing our performance, we look at two principal kinds of emissions:

- Emissions generated from our operations such as refineries, chemicals plants and production facilities – operational emissions.
- Emissions generated by our customers when they use the fuels that we sell – product emissions.

The two forms of emissions need to be taken together to provide a meaningful picture of the nature of emissions through the life cycle of energy. For example, production of LNG is energy-intensive and results in high operational emissions – but the overall life-cycle emissions are lower than other fossil fuels, because of the lower carbon content of LNG.

2.1 Addressing climate change continued

Operational emissions performance

Significant increases in 2004

GHG emissions included:

700,000 tonnes from new power generation facilities at Texas City, US, and in Vietnam.

500,000 tonnes from new LNG and methanol processing facilities in Trinidad and Tobago.

400,000 tonnes from additional production of oil and gas in Angola and Algeria.

Significant reductions in 2004

GHG emissions included:

400,000 tonnes from reduced flaring and venting of gas and improved combustion efficiency in Canada, Abu Dhabi and Trinidad and Tobago.

250,000 tonnes from energy efficiency measures at the Whiting refinery and Texas City plant, US.

100,000 tonnes from energy efficiency measures taken across the Petrochemicals segment.

Another way we look at our performance is to review our GHG emissions per unit of production to determine operational efficiency improvement.

In 2004, compared with 2001, these showed:

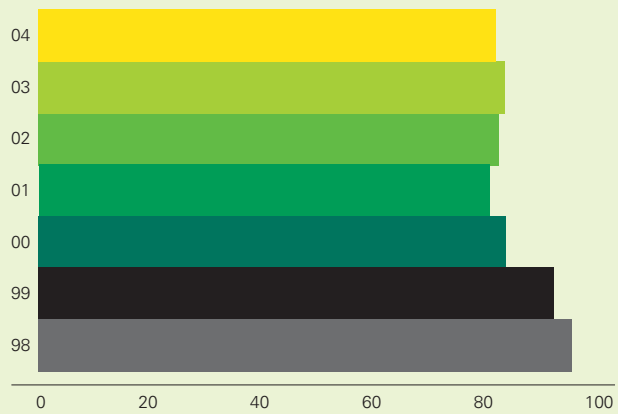
5% improvement in Exploration and Production to 23.6 teCO₂e/mboe.

8% improvement in Refining to 944 teCO₂e/kbduEDC.

8% improvement in Petrochemicals to 483 teCO₂e/kte.

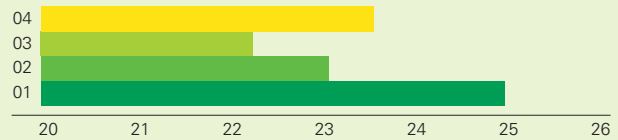
Although Exploration and Production performance shows an overall improvement since 2001, our emissions per unit of production in 2004 were higher than in either 2003 or 2002. This was because, in some mature assets, oil and gas production declined at a faster rate than emissions, an effect which will be offset by new energy efficient production planned in our new profit centres by 2006. For Refining and Petrochemicals, the improvement reflects the continuing impact of energy efficiency measures in our manufacturing operations. Our Gas, Power and Renewables business is not included because its emissions are relatively small.

Direct GHG emissions^a (million tonnes CO₂ equivalent)

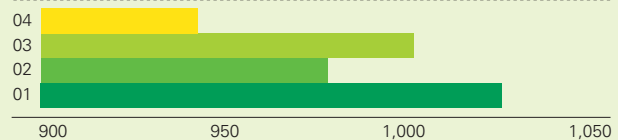


^a Direct emissions include carbon dioxide and methane that result from the generation of heat and power, and flaring and venting, on sites fully or partly owned by BP and are consolidated on an equity share basis. Our emissions are reported according to our internal guidelines, which follow international protocols and industry guidelines. BP has received an unqualified audit opinion from KPMG and DNV on its equity share direct GHG emissions in each year from 2000 to 2004. The effect of acquisitions, divestments and methodology improvements was an increase in direct emissions by 2.2Mte in 2002, a decrease of less than 0.4Mte in 2003 and a decrease of 3.4Mte in 2004. TNK-BP emissions are not yet available as systems for collecting GHG data have yet to be established. On our website we also report indirect equity share emissions from purchased heat and power.

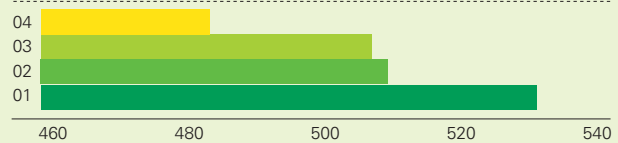
Exploration and Production GHG intensity (tonnes CO₂e/mboe)^b



Refining GHG intensity (tonnes CO₂e/kbduEDC)^{b,c,d,e}



Petrochemicals GHG intensity (tonnes CO₂e/kte)^{b,e}



^b Direct GHG emissions per unit of production are measured in tonnes of CO₂ equivalent (CO₂e) per thousand barrels of oil equivalent (mboe) for Exploration and Production, per thousand barrels a day (kbd) for Refining and per thousand tonnes (kte) for Petrochemicals.

^c uEDC – Utilized Equivalent Distillation Capacity is used globally in the refining industry as a normalized measure of production.

^d The Refining 2001 baseline reported in *BP Sustainability Report 2003* has been corrected and restated from 1,064 to 1,029 teCO₂/uEDC.

^e The emissions from our Gelsenkirchen site have now been reapportioned between our Petrochemicals and Refining businesses, thus adjusting the GHG per unit performance of both in 2003.

Operational emissions Our operational GHG emissions (on a direct equity basis) in 2004 were 81.7 million tonnes, 1.7 million tonnes lower than our 2003 emissions of 83.4 million tonnes. However, had we not made a number of divestments, acquisitions and methodology changes, then our 2004 emissions would have been 85.1 million tonnes. Compared with 2003, this like-for-like increase of 1.7 million tonnes was due to 2.8 million tonnes of emissions growth from our expanding business, offset by 1.1 million tonnes of sustainable reductions from projects to reduce flaring and venting or improve energy efficiency at our operating sites. Since 2001, on this like-for-like basis, more than half our emissions growth of about 7 million tonnes has been offset by about 4 million tonnes of sustainable reductions.

Energy efficiency When we reduced our operational emissions by 10% between 1998 and 2001, major contributions were made through efficiency measures. For example, we cut flaring of unwanted gas at oil fields by around 850,000 tonnes of GHG equivalent in one year.

We expect future progress to come from many small-scale projects. To encourage these, we launched a five-year, \$350-million programme in 2004 to develop technologies and processes that will reduce GHG emissions, with a goal of avoiding one million tonnes each year. All our businesses are invited to put forward ideas, and we fund those which have the best commercial and environmental prospects. In 2004, \$50 million was allocated to such projects, with the remaining \$300 million to be spent over the next four years.

The \$50 million spent in 2004 funded more than 100 new projects above and beyond the business-as-usual activities already under way at our sites. Many of these projects continue into 2005, and will be joined by 80 new projects, all contributing to future emission reductions.

Outstanding efficiency performance has been achieved at several sites: for example, Grangemouth in Scotland has seen a 13% improvement in its energy intensity index over the last three years, along with a saving of \$3 million in the

last 18 months. One innovative intervention allowed the refinery to reduce CO₂ emissions by switching from fuel oil to gas in large fired heaters, through the application of a ceramic coating technology.

Product emissions If the world is to have the energy it needs to fulfil the needs of developing countries and to sustain economic growth in developed regions – while also stemming the recent trend of GHG emissions growth – then it faces two challenges. First, the energy we use must contain progressively less carbon in each unit of energy consumed and, second, we must use energy more efficiently.

BP believes that contributing in both of these areas will help us build a successful business in the lower-carbon world of the future. To help us do this, we have been seeking to improve our understanding of how our products can contribute to lowering customers' emissions. This happens in two main ways:

- Providing the energy customers need through fuels that contain progressively less carbon, for example, by increasing the share of natural gas in the portfolio of energy we supply.
- Providing products that help customers use energy more efficiently. The methodology we have developed for this forms part of our Product-Enabled Emissions Reductions programme (PEERs).

A first step in developing this understanding is to calculate and analyse data on the emissions created when customers use our products. We estimate that CO₂ emissions in 2004 from use of hydrocarbon products sold by BP totalled 1,376 million tonnes (*page 32*). This has remained virtually constant since 2003, when product-related emissions are estimated to have been 1,354 million tonnes. We previously reported these 2003 emissions as 1,298 million tonnes, but during 2004 we have refined our analysis to include some additional items, resulting in this restatement. Achieving a proper representation of product-related emissions is a complex area and we continue to work on improving our methods.

We launched a five-year, \$350-million programme in 2004 to develop technologies and processes that will reduce GHG emissions, with a goal of avoiding one million tonnes each year.

Specific observation from Ernst & Young

Through our work at group and site level we have seen a continued focus on energy efficiency.

2.1 Addressing climate change continued



For 2003 and 2004, product-related emissions and energy sales (*reported below*) are estimated from BP's total reported product sales volumes as published in *BP Financial and Operating Information 2000-2004* by applying IPCC energy and CO₂ conversion factors.

Moving towards lower-carbon energy Since 2001, we have grown our energy sales by 47% in clean natural gas and 5% in oil-based products, which are mainly transport fuels. As a result, natural gas now accounts for 61% of the energy we supply, up from 52% in 2001. At the same time, our sales of solar panels have grown by 78%.

Overall, the amount of energy marketed by BP has increased since 2001 by around 26% (including oil, natural gas and coal, but excluding electricity, heat and steam).

As mentioned above, the bulk of this growth has come from increased sales of natural gas, underpinned by investments in our LNG business.

Actions taken to build our natural gas business in 2004 include:

- Increasing the amount of our equity gas production that is supplied into liquefaction plants for onward delivery to markets as LNG by 11%.
- Signing long-term agreements to supply significant

volumes of LNG to markets in South Korea, the US and Mexico that might otherwise be using a greater share of heavier fuels. This will further help to reduce the carbon content of our energy in the decade 2010-2020.

- Signing agreements to supply natural gas to – and purchase LNG from – Egypt's Damietta LNG plant, which began gas liquefaction in December 2004, enabling Egypt to join a growing list of countries exporting gas to world markets.

PEERS programme As part of our PEERs programme, we have also studied how some of our formulated products, such as transport fuels and lubricants, enable customers to use energy more efficiently. On a case-by-case basis, we have estimated the emissions avoided by the products. More importantly, we have explored what it would take to increase market share of each product, or to create other energy-saving products.

For example, in India we recently began marketing multigrade vehicle lubricants in a market dominated by monogrades, enabling vehicle engines to operate more efficiently. We are currently working to evaluate the impact this is having on CO₂ emissions. Initial estimates suggest the product is acting to reduce customer emissions by around 0.8 million tonnes a year (for 2004 and 2003). Work is ongoing with external auditors to verify this figure. In 2005, our goal is to increase the number of such case studies, exploring how we can market emissions-saving products on a wider basis.

CO₂ capture and storage During 2004, we made significant progress in our work on CO₂ capture and storage (CCS), which is emerging as a process with major potential to reduce GHG emissions. Using CCS, CO₂ is prevented from reaching the atmosphere and instead stored in geological formations thousands of metres below the earth's surface. CCS can be carried out at power stations, oil and gas production sites or hydrogen production facilities.

Before CCS can be used widely, two key issues must be resolved – costs and public acceptance. Costs have to be reduced and the public have to be assured that the technique is secure.

During 2004, the \$25-million CO₂ capture project that BP leads on behalf of a large public-private collaboration, including energy companies and governments, reported on its research into cost reduction and safety. Over the past five years, the project has sponsored research in a range of companies, universities and institutes, focusing on ways to reduce the cost of capture and maximize security of storage.

We continue to sponsor a range of research activities at leading universities worldwide

Stanford University, US We support a three-year, \$2-million research programme on public policy aspects of modern energy markets.

Princeton University, US With Ford Motor Company we support the Carbon Mitigation Initiative, a 10-year, \$20-million project that aims to find safe, effective and affordable strategies to reduce global CO₂ emissions and solve the problem of climate change.

Imperial College, London, UK We support a five-year programme investigating the use and storage of energy by buildings.

The Chinese Academy of Sciences and Tsinghua University We support 'Clean Energy: Facing the Future' – a 10-year, \$10-million programme to develop and deploy new clean energy technologies for China and the rest of the world.

The Tsinghua BP Clean Energy Research and Education Centre An energy and environmental policy studies centre established through a \$500,000 grant from BP.

During 2004, the project published data showing how some of these new technologies could reduce the costs of capture by up to 60% in a gas-fired power station and 48% in a refinery. The next phase of work will focus on further cost reductions and on developing standards that can be applied around the world.

In 2004, we also launched the CO₂ capture and storage project at the In Salah gas field in the Algerian desert. This project is believed to be one of the largest of its type yet undertaken.

In Salah is a joint venture between Sonatrach, Algeria's national energy company, BP and Statoil. Approximately 10% of the gas in the reservoir is made up of CO₂. Rather than venting the CO₂, which is the accepted practice on other projects of this type, the project is compressing it and injecting it in wells 1,800 metres deep into a lower level of the gas reservoir where the reservoir is filled with water. At present production rates, we estimate that around one million tonnes of CO₂ will be injected into the reservoir every year, which reduces GHGs by the equivalent of taking 200,000 cars off the road.

The European Union Emissions Trading System In 2004, we undertook a wide-ranging programme to prepare for the January 2005 launch of the EU ETS. The EU ETS is the world's largest cap-and-trade programme for GHG emissions and has the potential to be the foundation for a global carbon market.

We believe that trading is one of the best policies to encourage businesses to reduce emissions, harnessing both the power of innovation and the flexibility of the market. Unlike a carbon tax, a cap-and-trade approach guarantees specified emissions reductions and creates a business incentive to reduce emissions through good management, efficiency, new technologies and improved processes.

The EU ETS is the centrepiece of the EU's efforts to implement GHG reductions along the lines agreed at Kyoto in 1997. Currently it covers major plants in the EU's industrial sector, accounting for some 45% of emissions at around 12,000 sites. In BP, 29 sites will be part of the EU ETS market in 2005.

We believe the EU ETS should be extended over time to become part of the wider global drive to reduce emissions. Our view is that progress will come as different trading efforts are linked and emissions are valued and traded across various regional systems.

We have established a group to manage emissions trading in BP, bringing together environmental, technical and business professionals. Processes have been devised to ensure our sites comply with the EU ETS and the system provides added incentives for them to reduce emissions. We have also played a part in the design of the EU ETS, sharing our experience in areas such as monitoring, measurement and reporting protocols.

www.bp.com/climatechange

2.2 Sustainable transport

Transport presents society with a dilemma. Increasing numbers of people want to enjoy the benefits of transport but it has an impact on the global climate and local air quality, as well as being a source of accidents, congestion and noise.

As a major manufacturer and marketer of fuels, we have a responsibility to play our part in finding transport solutions. In 2004, we continued to create and market a range of fuels, many being new, cleaner products. We also took action ourselves and with expert partners to investigate the best ways to provide much cleaner transport in the future.

Our approach Using hydrocarbon fuels in an internal combustion engine creates two main kinds of emissions. Some, such as nitrogen and sulphur oxides, carbon monoxide and particulates, affect local air quality. Others, chiefly CO₂, are GHGs, which are associated with climate change. Transport also creates congestion and noise as well as the potential for accidents and injuries. In terms of business and research, BP focuses where it has most expertise, on emissions-related issues, although we also have a global driving safety programme in communities where we operate (*pages 16-17*). In 2004, we joined other fuel-makers and automobile manufacturers to produce a major report on these issues, *Mobility 2030*, for the World Business Council for Sustainable Development.

Local air quality The impact of transport emissions on local air quality is an issue that we believe is on its way to being resolved. Legislation by governments and technical innovation by fuel and vehicle makers have delivered lead-free fuel and are now leading to very-low-sulphur fuels that enable the introduction of new lower-emission vehicles. For example, the recent EU directive 2003/17/EC sets a maximum sulphur level of 50ppm for all gasoline and diesel fuels sold in the EU from 1 January 2005. By 2009, substantially all gasoline and diesel sold in the EU must meet a maximum sulphur limit of 10ppm. In the US, the Environmental Protection Agency Tier II regulations require substantially all gasoline to meet an average 30ppm sulphur specification by 2006.

Introducing cleaner fuels and vehicles helps to lower emissions affecting air quality. For example, nitrogen oxide emissions from transport in the developed world are forecast to fall from around 15 million tonnes a year in 2000 to around two million tonnes in 2050. Although developing countries are expected to lag the developed world by some 5-15 years, the *Mobility 2030* report predicts that low levels of local emissions will be universal by 2050.

BP strongly supports the moves to cleaner fuels, including ultra-low-sulphur fuels. In 2004, we continued the roll-out of BP Ultimate, launched in 2003, which delivers significant emissions reductions. UK tests on BP Ultimate gasoline showed cuts of 14.5% in carbon monoxide and 5.3% in nitrogen oxides compared with standard fuels.

In 2004, Ultimate was launched in Germany (as Aral Ultimate) and Australia, Austria, France, Poland and Portugal, as well as being available in the UK, US (as Amoco Ultimate), Greece and Spain.

Transport's role in climate change We believe that the most serious long-term issue related to transport is climate change. In contrast to the falling levels forecast for local emissions, emissions of CO₂ from transport are forecast to rise from around 6 billion tonnes in 2000 to 15 billion tonnes in 2050. In seeking reductions, it is important to look at all emissions generated in the life cycle of a fuel, the well-to-wheels (WTW) approach.

Meeting the challenge The research that BP and Ford have supported at Princeton University has put forward some indicative transport scenarios that would each deliver a cut in emissions of 3.5 billion tonnes of CO₂ a year by 2050. These include doubling the fuel economy of two billion cars to 60 miles a gallon or creating biological fuels from 250 million hectares worth of crops or trees – these being today's conventional bio-fuels, rather than advanced bio-fuels, which may require significantly less cropland. In practice, we believe the solution will come through a combination of actions, creating a pathway to more sustainable transport.



Every day, in locations around the world, we serve about 13 million customers through a number of well-known brands.



Engaging our customers

Earning and retaining the trust of 13 million customers a day is key to BP's long-term success. We therefore engage with them in many ways, including through market research. Twice a year we conduct our global brand health study among more than 6,000 motorists in 20 countries. This helps our business strategy by telling us what customers think of BP as an oil company, a retail station and a convenience store. But it also tells us what customers think about our record on issues that affect long-term sustainability. For example, we ask them about our record in making a real effort to protect the environment; taking social responsibility more seriously than other energy companies; being a company people would like to work for; and listening and responding to customers' needs

In countries where BP is well established, such as the UK, the eastern US, South Africa, Australia, New Zealand, Spain, Portugal and Greece, we tend to score more highly than our competitors on these issues. However, there is room for improvement in countries where our brand is relatively new, such as The Netherlands, and in markets where we often work through brands other than BP – such as the western US, Russia, China and Germany.

Improvements on current products We see three potential stages in this pathway. In the first stage, we will make incremental improvements using today's technologies and fuels – such as increasing use of diesel, improvements in engine technology, progress in fuel economy and lubricants that help reduce GHG emissions. A diesel vehicle produces around 18% less CO₂ than an equivalent vehicle powered by gasoline because it has increased fuel economy, reducing emissions per mile/kilometre. High-performance gasoline and diesel engines are now being designed, using technologies such as direct injection, and advanced fuels are being developed to achieve greater fuel economy. In the lubricants field, in 2004, BP signed a five-year deal with UK bus operator Arriva. Under this, its 6,000 buses will use advanced lubricants as part of a programme expected to cut its 160 million litre annual fuel consumption by 7%, avoiding around 30,000 tonnes of CO₂ emissions and saving over \$3 million each year.

New types of vehicles and fuels Within the next decade or so, we expect to see a new generation of transport using hybrid vehicles and bio-fuels. Hybrid engines – some of which are already available – typically generate electricity as they run and use this to power the car for periods, averting emissions and increasing fuel economy. Our estimate is that a hybrid vehicle using diesel may emit over 35% less GHGs on a WTW basis in five years' time than a gasoline-powered vehicle today.

Bio-fuels We believe the next major breakthrough for fuels will be to create advanced bio-fuels from energy

crops, trees or wastes. Today's conventional bio-fuels, such as ethanol or bio-diesel, are made from crops such as wheat or maize and oilseed rape. They can be blended with gasoline or diesel in small proportions – typically 5-10% – providing useful but limited reductions in GHGs. In 2004, BP became the first major oil company in Germany to blend a bio-component into diesel fuel, adding up to 5% of rapeseed methyl ester to diesel at four refineries. This is in line with EU policy to increase bio-components.

The advanced bio-fuels now being researched would be made from materials that do not require intensive farming – trees such as willow and residues such as straw or organic municipal solid waste. Biomass materials absorb carbon dioxide as they are grown, reducing atmospheric GHG concentrations, before being turned into fuel. Our research suggests that such fuels could be blended with conventional fuels to offer a possible reduction of GHGs of around 25%. If used in conjunction with vehicle technologies such as diesel hybrid vehicles, such fuels might at least halve GHG emissions from the level of a typical gasoline-powered car today.

In 2004, we carried out a programme of research into biomass availability on a worldwide scale, including dedicated energy crops, agricultural and forestry waste and municipal solid waste. This work told us that biomass could make a material contribution as a primary energy resource for the road transport fuel pool and that, although extensive planting would be needed, the land requirements could be accommodated without using land needed to meet projected food production.

2.2 Sustainable transport continued

Hydrogen The most radical transport options currently being tested are fuel cell vehicles (FCVs) that use hydrogen. A fuel cell creates electricity to power a motor but requires its own fuel, hydrogen, to be available on board the vehicle. Hydrogen also requires infrastructure – a network of new refuelling stations. Hydrogen offers the potential to improve local air quality dramatically as its only emission is water vapour. But, while FCV cars and buses are running today as demonstration models, there are several major challenges to overcome before they can become a mass-market product. These include a reduction in the cost and functionality of FCVs, and the means of producing hydrogen without generating GHGs. Today, the lowest-cost method of manufacture is from natural gas – which still emits some GHGs, although up to 40% less on a life-cycle basis than from current gasoline engines. It is possible to make very-low-GHG hydrogen using electrolysis from renewable sources, or by burning coal or gas and capturing the carbon, but these methods remain at the experimental stage.

Because hydrogen offers the possibility of transforming fuel, we participate in many projects worldwide to investigate its potential and to test different methods of manufacture, distribution and storage. Our aim is to test different pathways practically within a real-life environment. We are an infrastructure partner, working alongside governments and auto makers, in both the US government’s programme to road test fuel cell automobiles and the nine-city Clean Urban Transport for Europe fuel cell bus programme.

In addition to the European and US programmes, our partnerships in Asia continue to grow. In China, we signed a Memorandum of Understanding to supply refuelling facilities for a demonstration of fuel-cell-powered buses in time for the 2008 Olympic Games. The project will be established by the Ministry of Science and Technology in Beijing and Shanghai.

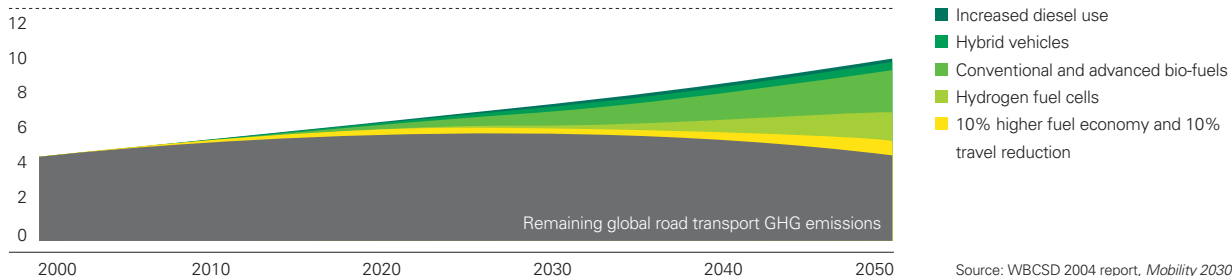
Globally, we learned more about the importance of public acceptance of hydrogen demonstration projects with the launch of two refuelling facilities sited at conventional service stations in Singapore and Germany and the successful approval of our London hydrogen facility, following a public inquiry. Our partnerships have helped us learn an enormous amount about the development of hydrogen as a fuel source – learning we are keen to share in order to promote greater understanding, awareness and use of hydrogen.

Gas-based fuels Another alternative, available now, is that of gas-based fuels, including liquefied petroleum gas (LPG) and compressed natural gas (CNG). These fuels currently offer reduced local emissions and can be very useful for fleets that operate in areas with air quality issues, where they return to base regularly and there is a local gas supply. But they do not offer significant GHG reductions. Energy is used in gas transportation and – like hydrogen – these fuels require a new infrastructure of fuelling stations.

A global partnership These products, programmes and studies are BP’s contribution to a global partnership effort involving many companies, governments, academics and researchers. We believe that, if this partnership can be maintained, sustainable transport can become a reality. The key issue today is that the most sustainable technologies and fuels are often the most expensive. The challenge for industry is to keep searching for innovations that make these fuels and technologies economical and competitive. The challenge for governments and bodies such as the EU is to provide incentives that will encourage these technologies and fuels to be developed, taken to the market and used by customers.

www.bp.com/sustainabletransport
www.bp.com/locationreports/germany

Combining technology solutions to reduce GHG emissions (Gigatonnes CO₂e)



2.3 Renewable energy

Energy produced from renewable sources – such as the sun, wind and water – emits no carbon and has a major potential role in resolving climate change. However, renewable energy is much more expensive to produce than energy from hydrocarbons. Solar cell production has grown by around 30% annually over the past five years and cumulative world production now stands at more than 3,000 megawatts (MW), but this remains a relatively small proportion of energy used. The total growth in solar capacity worldwide in 2004, estimated at around 800MW, was equal to the output of just two average gas-fired turbine power generators.

BP's solar business BP is committed to creating a sustainable solar business that is both profitable and environmentally beneficial. In 2004, BP Solar took a major step towards this goal when it made a profit for the first time after reshaping its business, increasing sales of solar capacity by over 30% globally and consolidating a leading share of the global photovoltaic (PV) market.

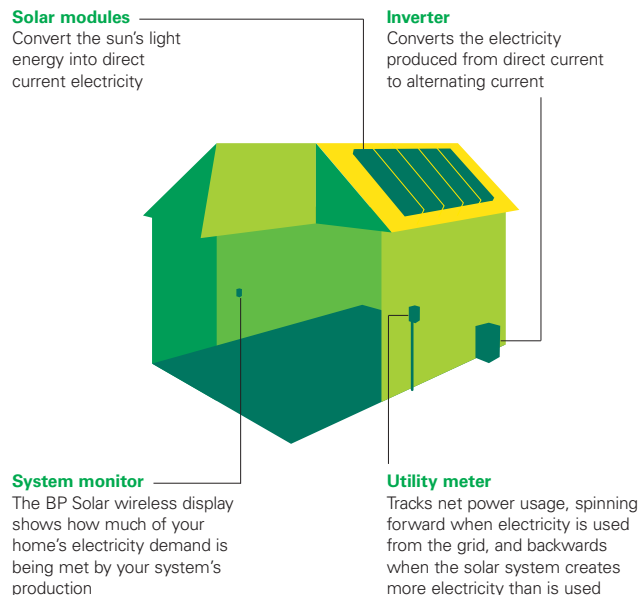
We believe our efforts should be part of a drive to create a large-scale solar industry. This requires the industry to offer affordable solar energy systems as mainstream products, while governments provide incentives for buyers. Japan, which has a long-standing system of government support, leads the world in solar energy, accounting for about one-third of the world's installed PV generation capacity.

Positioned for growth BP Solar has designed, manufactured and marketed PV solar panels and systems for more than 30 years and has products installed in over 160 countries. In the past two years, we have reshaped the business to take a leading role in the industry. We have lowered costs and focused on key growth markets, particularly the US and Germany, concentrated on our most attractive products and run high-profile marketing campaigns.

As well as more than halving the number of product lines, we have reduced the number of distributors by around 30%, enabling us to improve customer focus and brand loyalty by working more closely with a smaller number of distributors. Our global Lean Manufacturing Initiative has delivered significant improvements in our productivity. This refocusing has given us a new base from which to grow and, in 2004, we announced that we would be more than doubling our capacity from 90MW to around 200MW by 2006. This compares with capacity of 32MW in 1999.

In Germany last year, we opened a 4MW solar farm – one of the largest in the world – on the site of a former plant near Merseburg, supplying enough power for 1,000 four-person households.

We are exploring the potential of Building integrated PV (BiPV) solar systems, constructed as integral parts of



buildings. In the UK, for example, we have a partnership with Romag, a leading manufacturer of BiPV.

A marketing-led strategy During 2004, BP Solar engaged customers in a new way, focusing on key markets, building awareness through advertising, simplifying the product for homeowners and forging partnerships to make contact with customers.

A flagship market is California, where our Solar Home Solutions package provides customers with a simple way to purchase a complete home solar system. In October, we joined with a leading home improvement company, The Home Depot, to offer Solar Home Solutions at stores in California, enabling us to reach new customers.

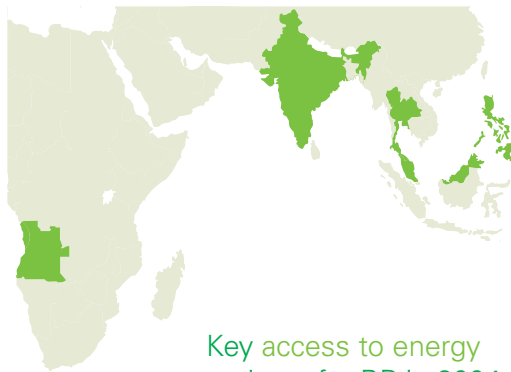
We have been running the Real Power Campaign in Europe, offering a new series of modules, called Saturn 7, at the forefront of PV technology in terms of absolute power performance. In this campaign, BP Solar guarantees that the power rating customers purchase will be the power they get. This is a big improvement on typical modules, whose power can be as much as 10% below their ratings.

The effect of the reshaping and marketing campaigns has been to increase megawatt sales by over 30% globally. Revenues rose from \$307 million in 2003 to more than \$400 million in 2004, and we are aiming for similar growth rates in 2005. The main focus of our business in future years will be on-grid installations in developed countries. But we will also continue to undertake many off-grid projects in developing countries (*page 48*).

www.bp.com/bpsolar



BP invested \$33.3 million in education programmes throughout the world in 2004



Enterprise development

BP lends money and/or supports the set-up of businesses in identified sectors with long-term opportunities.



Businesses started with appropriate and tailored support. Repaid loans used for further start-up funding.



Business expands, trust established, BP provides further training and competitive lenders provide growth capital.

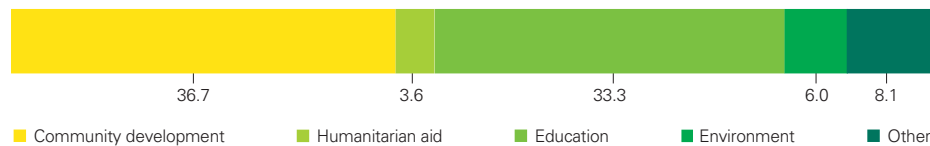


BP tries to identify local market failures, while looking for appropriate partners to tackle these blockages for business birth and growth.



Community investment in 2004

(\$ million)



3. BP in society

3.1 Our role in society 3.2 Enterprise 3.3 Education 3.4 Access to energy
3.5 Our role in revenue management 3.6 Part of the global community

3.1 Our role in society

Our business is an integral part of society, producing the energy that millions of people use for heat, light, power and mobility. Our products and operations influence communities and society in many ways, from the impact of a site on a particular locality to the impact of revenues on a country's finances. As well as managing our impacts, we seek to improve the quality of life where we operate by investing in a range of community programmes.

To earn trust and credibility and to operate our business responsibly, we must also acknowledge and address the challenges that societies face in the places such as those where we operate – some of them directly associated with the oil and gas industry. These challenges can include corruption, difficulties in managing large inflows of wealth, rising exchange rates that depress non-energy sectors, and the 'honey pot' syndrome in which large numbers of people seeking employment and economic opportunity are drawn to project sites.

We have been working to address these issues, in partnership with others, in several ways. Our business and society's expectations are constantly changing, and so in 2004 we completed a thorough review of our role in society, including greater clarity on our community investment strategy.

We have recognized the need to take a more focused and inclusive contribution to social and economic development. Most of our community investments will flow to programmes and projects that support enterprise development and education and improve access to energy. We plan to spend around \$500 million in each five-year cycle in these areas. We will be flexible in our approach to meeting local needs. Our focus in the US, for example, is increasingly on education, while our focus in the Caspian area will be on assisting the development of the Azerbaijan economy because local jobs bring wealth and stability.

Promoting enterprise ranks high in our priorities because our business can have a direct influence on thousands of livelihoods through our choice of suppliers and our contribution to the local economy.



Our focus on education provides for many types of learning, including basic and adult education. We promote the study of environmental issues so that people can have a more informed debate about them.

Providing access to energy, for example, by bringing solar power to remote villages, is an appropriate third strand of investment for us as it is an area in which we have the skills and capacity to provide a resource that can transform people's lives.

In 2004, we invested a total of \$87.7 million in community programmes and community-based organizations around the world, up 18% on 2003. \$73.6 million of this was invested in community development and education programmes, with arts and culture and environmental projects accounting for around \$11 million. Geographically, our spend shifted again during 2004, with around half occurring in Europe and the US, compared with 70% in 2003 and with a growing share in growth centres like Azerbaijan. Contained within this total is BP's \$6.6 million global Employee Matching Fund. In 2004, BP paid out \$4.3 million to match employee donations, \$0.6 million to match employee volunteer time and \$1.7 million to match employee fund-raising efforts.

We plan to invest around \$500 million in each five-year cycle to enterprise development, education and improving access to energy.

Specific observation from Ernst & Young

Social investment spend is being tracked and BP are continuing discussions with others to establish means of measuring the benefits. There is continued movement from philanthropic giving towards social investment, which aligns more to both business and community needs. In 2004, we found some examples in Europe and the US of existing community programmes that had not yet been reviewed in this light.

3.2 Enterprise

One of the most valuable contributions a company such as ours can make, especially in developing countries, is to encourage enterprise – to create jobs, use local suppliers, share business skills, support training and promote further investment. In the case of the Baku-Tbilisi-Ceyhan (BTC) pipeline, we estimate that this ‘multiplier effect’ may be worth more than \$1 billion over the life of the project.

Supporting local suppliers At the simplest level, supporting enterprise involves buying products and services from local businesses and encouraging them to become our suppliers. In many places this can be challenging and suppliers need guidance to reach the standards that we and other investing companies demand – in product quality, health and safety and administration.

In Azerbaijan, we support an Enterprise Centre which helps local companies to develop their business in support of major oil and gas developments. In 2004, the centre provided more than 130 training courses, seminars and workshops for 3,000 people from local companies on topics ranging from health and safety and ethics to audit and accounting. The centre also handles contracts with local businesses, often helping them reach the standards required of BP suppliers. Typical activities in 2004 included investing in a local company to upgrade its fabrication workshop and carrying out feasibility studies on a number of local market development initiatives.

In South Africa, we have developed a Black Economic Empowerment (BEE) strategy to promote business opportunities among the historically disadvantaged black community. By 2005, our aim is to allocate 30% of the \$300 million we spend on non-hydrocarbon goods and services with BEE companies. By the end of 2004, we had achieved a spend of 31.9% of these purchases with suppliers mainly owned and controlled by black people, compared with 12% in 2001. We aim to achieve this while maintaining our policy of buying goods and services of the best quality at the lowest cost. In December 2004, 219 companies were registered as suppliers under the empowerment strategy. We also intend to help companies that qualify under the programme to develop their business, for example, through training and assistance in negotiating their own financing.

In Trinidad and Tobago, our strategy for enterprise is to build local expertise in facility construction, fabrication and project support, and to strengthen industry training programmes. BP Trinidad and Tobago has used local companies and spent significant amounts with them in the construction of the Bombax gas pipeline. For example, local company Damus Limited fabricated the huge pipeline manifold that, at 400 tonnes, was the

largest production module BP Trinidad and Tobago had ever built in-country.

Business unit leader and CEO Robert Riley said: “This project strengthened our belief that we could raise the bar on local content and transform Trinidad and Tobago into a world-class upstream oil and gas province.”

From time to time, we are able to help our businesses learn from each other in this area. For example, members of the Angola business unit visited Azerbaijan’s Enterprise Centre for a workshop on working with local suppliers.

Supporting local economies Often it makes sense for BP to become a mentor and supporter to small and medium-sized businesses beyond the energy sector, encouraging economic diversity and development via a range of measures.

Micro-financing Business loans, or ‘micro-financing’, represent one mechanism for support. In Trinidad and Tobago, for example, we have learned that supporting enterprise can also serve to build trust between our business and local people, in this case when lending money to businesses who might not gain credit from other lenders. The loans are made by the Mayaro Initiative for Private Enterprise Development (MIPED), set up by BP with \$1.2 million in the Mayaro region, where 40% of the population are estimated to live in poverty and the literacy rate is 78%. MIPED has made around 50 loans to businesses and is now showing a surplus year by year as the loans are repaid. Handling loans successfully also gives businesses a track record of creditworthiness. MIPED general manager Christopher Power said: “Loans are big on trust. Once there is trust, we can go anywhere.”

In Azerbaijan and Georgia, we support micro-financing organizations that provide loans, typically of between \$100 and \$1,000, to help small businesses such as clothes stalls, cheese and fruit marketers, hairdressers, taxi companies and farmers to expand their activities.

Promoting balanced development An important element of promoting balanced economic and social development in areas where we work is to ensure that foundations are laid for long-term growth beyond the oil and gas sector.

For example, along the route of the South Caucasus Pipeline (SCP) and the BTC pipeline, which will export oil and gas respectively from the Caspian, we are helping rural communities gain new skills by working alongside national and international organizations in a range of projects. Community Investment programmes (CIP) are being supported by BTC Co. in Azerbaijan, Georgia and Turkey, and by SCP Co. in Azerbaijan and Georgia. These include projects such as irrigation, school repairs, providing drinking



Community investment in the Caucasus

In Azerbaijan, Georgia and Turkey, CIPs are enabling local communities to build capacity and skills. For example, agricultural training is helping hundreds of farmers improve the productivity of their small operations. They are gradually seeing better crops, larger harvests and healthier livestock, which can help their families move from subsistence farming to commercial activity. In a typical project near the village of Kvemo Kharaba in south western Georgia, two demonstration farms were established, and their owners, together with 18 others, were trained in crop and livestock

techniques by the international NGO, CARE. Training covered preparation of the soil and seeds, use of fertilizers and pesticides, livestock hygiene, welfare, feeding and breeding. In some cases, harvests of potatoes and cabbages have doubled and farmers from other villages are asking the Kvemo Kharaba farmers for advice.

In Topal Hasanli in Azerbaijan, the International Medical Corps (IMC) helped members of three adjacent communities design, develop and construct a health clinic. Through a hands-on, participative methodology, elected representatives from the three communities jointly decided where to locate the clinic and raised a \$1,500 contribution from their constituents. \$6,800 of BTC/SCP CIP funds were then released and, with the help of the villagers in all three communities, the clinic was built. The finished clinic, the IMC-trained doctors and the donated medical equipment and medicine have combined to create a sense of pride, accomplishment and an improved level of healthcare.

water, community health and improvements in agricultural techniques and business development and education. Around \$25 million is planned to be spent during construction by BTC Co. and SCP Co. and some 450 communities should benefit. The national organizations involved in these projects gain experience of working to international standards with experts from around the world. This helps them to develop the skills to obtain further funding and manage new projects themselves (*see above*).

In Algeria, we are helping to create employment in the handicrafts industry by combining traditional Algerian skills with British design and introducing the products to international markets. The project works with seven artisan businesses and about 700 artisans. It is a partnership between the UK's Department for International Development (DFID), Illizi Home Limited and BP Algeria.

Playing a role in regional development In areas where we are involved in major long-term projects, we are increasingly part of broad-based partnerships designed to ensure that oil and gas production contributes to sustainable development across the relevant region.

In Azerbaijan, Georgia and Turkey, we are playing a part in a long-term Regional Development Initiative (RDI), designed to contribute to the social and economic development of the three countries and to leave a lasting positive legacy from the oil and gas production of which we are now a part. The RDI brings together skills and resources of the energy companies with the expertise of development organizations working in the region, such as international financial

institutions and NGOs. In 2004, Memorandums of Understanding have been signed with the International Finance Corporation and the European Bank for Reconstruction and Development.

In Indonesia, a diversified growth strategy has been developed, designed to make the Tangguh gas project a catalyst for development across Bintuni Bay and beyond. Close to the site, enterprise is also an important feature of an agreed resettlement programme that in 2004 saw more than 100 households move into new homes. This programme originated when the village of Tanah Merah was identified as the only technically and environmentally viable site for the Tangguh project's LNG plant. After discussion, the villagers agreed to be resettled, with 101 households moving to a new Tanah Merah, three kilometres away, and 26 to another location.

While international standards, such as those of the World Bank, dictate that resettlement projects should restore communities' livelihoods and income, the Tangguh project has raised the bar with commitments not only to meet, but to surpass, the community's pre-resettlement standards of living in real terms. The project also aims to help the villagers develop their livelihoods. Now the physical moves have taken place, work is being done to stimulate economic activity, including small business development and support for agriculture and fishing. The new homes were built of high-quality timber with direct access to solar-powered electricity. Public facilities in the new Tanah Merah include places of worship, a public health facility and primary and secondary schools.

3.3 Education

Education is a natural priority for a community investment programme focused on sustainability. Education contributes to sustainable societies by providing people with skills and knowledge. This leads to many other opportunities – such as better business leadership, advances in state governance, more innovation, cultural achievements and improved communications. Improvements in education directly benefit business by providing potential employees with higher levels of skills.

Clearly the direct contribution we make to education is far smaller than the indirect contribution we make through the taxes we pay. However, we believe we can provide value through funding education in areas which are critical for the communities concerned, such as basic education where it is lacking in developing countries, and in areas where we can add some value through our own know-how, such as education related to energy and the environment. Today, BP's work has a particular focus in this area. We also have a number of projects oriented towards development, including basic skills education, and we are considering how to progress in this aspect of educational work. In 2005, we will be appointing a director of education to help focus our global efforts.

Education and energy Unless people understand issues such as climate change, there will not be popular support for the measures needed to deal with them and neither will individuals be motivated to play their part.

In China, which has faced severe environmental challenges as a result of its 1.3 billion population and its traditional dependence on coal, BP is part of the Environmental Educators Initiative, a partnership with WWF and the Chinese Ministry of Education that has resulted in environmental content featuring in the national curriculum. After a pilot phase in which resources were created and an estimated 1.5 million people reached, the Ministry of Education circulated National Environmental Education Guidelines, which aim to integrate environmental education into the delivery of related disciplines. The government estimates that these guidelines will affect around 200 million school-children by the end of 2005.

In California in 2004, we invested \$2 million in a programme called A+ for Energy, which awards cash grants of \$5,000 or \$10,000 to teachers who find innovative ways to educate students about energy and the environment. The programme also provides the selected teachers with a week-long training course run by the National Energy Education Development project. For example, Sue Willett in Citrus Heights, central California, taught her primary students about harnessing the power of the sun through solar cooking experiments, while in La Verne, southern California, Skip Clague put together

an energy convention in which high school students mentored elementary students.

BP is the principal sponsor of an exhibition that opened in 2004 at London's Science Museum, entitled 'Energy – fuelling the future'. The exhibition, aimed at ages seven to 14, uses displays and interactive exhibits to illustrate the history of energy use and show how the challenges associated with energy are being faced. Special emphasis is given to options for providing energy in the future, assessing ways of mitigating the impact of fossil fuels and accelerating the development of alternative energy sources. An associated website explores these questions online.

Education can also help people to use less energy. In Poland, for example, we help to fund a programme called Czysty Biznes (clean business), which has since 1998 taught small and medium-sized businesses to understand how energy efficiency and other areas of environmental management may provide environmental and economic benefit. Other backers are the Polish Environmental Partnership Foundation and Groundwork UK. By February 2005, 266 businesses were taking part through 14 Czysty Biznes clubs. The emphasis is on self-help, although environmental audits and advice are available. The project has been awarded Poland's first grant under the EU LIFE-Environment programme.

Abu Dhabi's Petroleum Institute provides graduates from the United Arab Emirates with engineering education, and will also enable practising professionals to update their skills, acting as a centre of expertise for the region. It is supported by BP along with Shell, Total, the Japan Development Company and ADNOC, the Abu Dhabi National Oil Company.

In Russia, we have pledged to invest \$10 million over the next five years in energy education projects in universities. In 2004, we announced that we would be funding research projects and stipends for top students and academics at the Gubkin Russian State University of Oil and Gas, Mendeleev Russian State University of Chemical Technology and the Moscow State Institute of International Relations. Through partnership with these universities, we are funding research and development on technologies that will enhance the Russian energy industry and increase our own understanding of its opportunities and challenges. The stipends will reward high-achieving students and academics, encouraging them to deepen their studies. We have also launched a BP Research Fellowship programme to provide Russian students who have outstanding proposals for energy-related research with the opportunity to spend up to a year conducting that research at one of our linked universities in the UK, US or China.

Education, development and progress Education has a powerful impact on human progress. A recent study by economists at the University of Ottawa showed a 'clear and significant' association between investment in education and



a country's growth and productivity. A 1% increase in literacy scores – compared with the international average – was associated with an eventual 1.5% rise in economic growth. Recognizing this link, we have a number of projects that provide basic education, including literacy and language skills.

Basic education We have focused some of our educational spending on rebuilding schools after natural disasters. In Trinidad and Tobago, BP staff raised funds to rebuild schools after Hurricane Ivan. In Gujarat, India, 2004 was the first full year of operation for a school in the village of Bandiya, built with BP funding along with 141 homes after the earthquake that struck the area in 2001.

We have also financed the building of two schools in the Badin district, near our operations in Pakistan.

In Georgia, Azerbaijan and Turkey, we are working with communities and education authorities on education projects such as renovating classrooms, installing computers, training teachers and administrators, offering better educational opportunities to girls and involving community representatives in the running of their local schools.

Adult education In Algeria, we have helped to fund three language resource centres to help Algerians learn English, with training for their teachers being provided by King's College, London.

In Egypt, our educational activities range from adult literacy classes to the funding of short courses for university presidents at Harvard's Institute for Educational Management. We have also co-funded scholarships for top graduates from Egypt to pursue post-graduate studies at the University of Cambridge in the UK. At December 2004, we had sponsored 21 scholarships for students of outstanding academic merit. Our goal is to sponsor 50 more scholars under the BP Cambridge Scholarship scheme in the coming five years. Students will be expected to return to Egypt after their course of study to share their experience and contribute in leading the way to the country's economic growth.

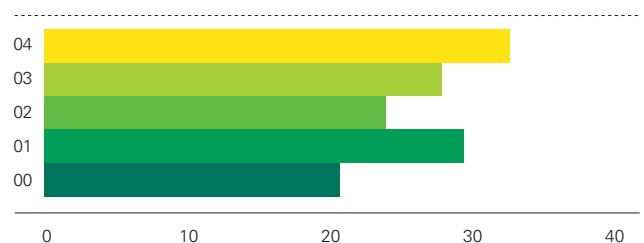
In Trinidad and Tobago, we have converted a sports club into an education and community centre to serve the community of Mayaro. This followed a BP-sponsored study that showed lack of education was a key reason why 40% of the local population lived below the poverty line and three in 10 people were unemployed. The centre also houses a BP-backed programme to support businesses for Mayaro's 17 villages (*page 44*).

Understanding development issues As well as directly supporting development, we have backed projects designed to improve understanding of it. For example, in 2004 we pledged \$3.2 million to a university centre dedicated to improving understanding of China's rapid economic growth and its increasing significance in the world. The Centre for China in the World Economy at Tsinghua University's School of Economics and Management aims to become an internationally recognized centre where governments, companies and others can deepen their understanding of the interface between China and the rest of the global economy.

www.bp.com/education

BP's investment in education has increased by more than 20% since 2003.

Education investment 2000-2004 (\$ million)



3.4 Access to energy

As an energy company, we can help communities develop by providing power. Energy is a vital element in development, providing electricity to light schools or refrigerate medicines and vaccines. For remote rural communities in the developing world that have little chance of being connected to an electricity grid, but are exposed to a lot of sunshine, solar power can offer a lifeline.

As a major solar operator, BP has become involved in several 'off-grid' projects around the world. Some are substantial programmes that bring power to thousands, while others are demonstration projects or prototypes that show communities and governments what can be achieved.

In Malaysia in 2004, we completed a \$39-million project, funded by the Ministry of Rural Development, which supplied more than 13,000 systems to remote communities situated in dense tropical rainforest, high mountain ridges and flood-prone river deltas. The systems deliver power to homes, rural clinics, community halls, schools and churches.

In Thailand, we are supplying \$20 million of solar products that will be used by Thailand's Solartron Co. to provide light to 120,000 homes in the government-funded Mega Rural Electrification Project. The project, funded by Thailand's Provincial Electricity Authority, is one of the world's largest rural electrification programmes.

In the Philippines, we continued work in 2004 on the Solar Power Technology Support (SPOTS) project, which is being undertaken jointly by the Philippines and Spanish governments. It has brought electricity to around 40 communities for everything from lighting in schools to water pumping for clean drinking water and vaccine refrigeration. A second phase will now cover 40 more communities. The SPOTS project is expected to increase farm productivity, raise household income and improve the lives of about 400,000 people in the most isolated regions of Mindanao.

In Angola, the Paranhos solar pilot project, funded jointly by BP Angola and the UK government, provides a reliable source of energy to a village of about 360 people, 55 kilometres north of Luanda. Launched in June 2004, the project is helping the area recover from the recent war by providing energy to community buildings. This includes the school and medical centre, a vaccine refrigerator, lighting for houses, a water-pumping system and street lighting. BP also provided a training course to the Paranhos Farmers Association to teach them how the systems operate. Before the project, the only electricity supply came from a small, unreliable generator that villagers could usually not afford to run or repair. The project also acts as a showcase to demonstrate the potential of solar energy in



rural communities in Angola. BP Solar and the Angolan Ministry of Energy and Water have been co-operating on a study to identify the potential for a nationwide rural electrification programme using solar photovoltaics as the enabling technology.

In India, our joint venture, Tata BP Solar, has set up more than 100 solar power plants in villages deep in forests, benefiting about 30,000 villagers. Residential lighting has been provided for around 5,000 households and street lighting for the community. At the island village of Indrapur, a 110 kilowatt-peak (kWp) solar power plant in the fragile ecosystem of Sunderbans enables 10,000 people in a fishing community to have access to electricity and clean water. One 20kWp and nine 10kWp solar power plants in the desert state of Rajasthan have brought power to 243 village households. More than 200 solar water pumping systems have enabled farmers in Uttar Pradesh to irrigate their fields. A joint project with Hewlett-Packard uses mobile vans fitted with an aerodynamic 640-watt solar power plant on their roofs to provide energy to provide doorstep services to farmers in Kuppam including soil testing, internet and e-mail facilities.

www.bp.com/locationreports/angola
www.bp.com/solar

3.5 Our role in revenue management

In addition to the way BP manages its business operations and our involvement in community investment programmes, we aim to work with host governments to increase understanding of managing the wealth that our investment generates.

In our upstream business, our investments significantly increase government revenue in some countries, creating opportunities for faster development. However, historically such windfalls have often been associated with macro-economic instability, exchange rate over-valuation and corruption. Sometimes these issues have arisen from governments investing too fast, lowering value for money from public spending, or finding that the ongoing costs of operations and maintenance are too high.

To help realize the opportunities for development and mitigate such risks, we aim to work with host governments to address the challenges of resource revenue management.

An important factor is increasing the transparency surrounding the volume and flows of oil revenues. We are committed to the principle of revenue transparency, in the belief that improving accountability in the societies where we operate strengthens good governance and helps to reduce corruption, conflict and poverty. This is good for society and good for business. We support and participate in the Extractive Industries Transparency Initiative (EITI), which provides guidelines for publishing the amount of revenue that governments receive from energy companies. Towards the end of 2004, a Memorandum of Understanding (MOU) setting out the process for implementing the EITI in Azerbaijan was signed by the government, the state oil company SOCAR, foreign oil companies and NGOs. BP is committed to ensuring this process moves forward and is supporting it with the publication of relevant data and information on our activities.

In its December 2004 report, the Caspian Development Advisory Panel applauded the EITI MOU, but also urged BP to disclose its individual data as well as participating in 'aggregated' disclosure in which a number of companies collectively disclose data. It said: "A bolder step is, however, both possible and desirable."

In our response, we stated that we shared the panel's view that disclosure of disaggregated data from each of the oil and gas companies would provide a greater degree of transparency than an aggregated form of reporting. However, we believe that use of the aggregated form will ensure that the aims of the EITI are fulfilled in the near future. BP will continue to work within the bounds of the EITI to ensure that this historic opportunity is developed to the full. It is our intention to report our disaggregated data in the *BP Azerbaijan Sustainability Report 2004*, and we will continue to encourage others to report similarly.

We can draw upon the knowledge and experience of others to provide opportunities for governments to examine the challenges of revenue management. In Azerbaijan, we facilitated two workshops. The first brought in people with experience in managing natural resource windfalls in Trinidad and Tobago, Botswana, Colombia, Norway, Nigeria and Indonesia. The second explored the role of a macro-econometric model in supporting a sound medium-term fiscal strategy.

We are also working with the Department of Economics at Oxford University to establish the Oxford Centre for Resource Revenue Management. This research centre will be led by a BP-endowed chair in economics. The objectives of the centre are to be a global centre of excellence to study the issue of resource revenue management; to undertake original and objective research; to act as the core of a global network; and to endeavour to share best practice, including in countries that host large natural resource investments.

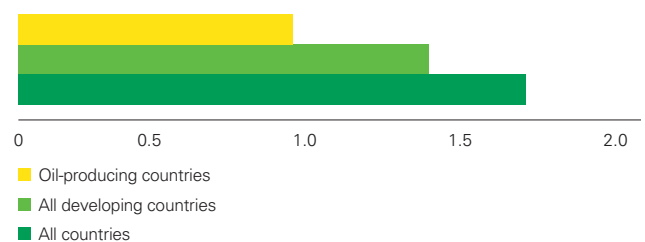
The centre will pursue this goal by undertaking rigorous research for publication in first-rank academic journals and developing a broad network of expertise including academic researchers, the oil and gas industry, the international financial institutions, consultants and public policy-makers from both developing and developed countries. The centre is expected to begin operations during the 2006-2007 academic year.

www.bp.com/locationreports/caspian
www.bp.com/revenuemanagement

In some countries, oil wealth has not translated into broad-based economic development.

Source: World Bank Development Indicators, cited in: Xavier Sala-i-Martin and Arvind Subramanian, *Addressing the Natural Resource Curse: an illustration from Nigeria*. IMFWP/03/139, Washington, D.C.

Growth of GDP per capita 1960-1998 (%)



3.6 Part of the global community

As well as developing our own proactive, long-term programmes of community investment and designing our business activities to have a positive social impact, we also respond to particular events and issues where they relate to our work or we can make a positive difference. This type of responsive action ranges from relief, provided in the immediate aftermath of a disaster such as the Asian tsunami, to programmes that are developed to respond to major global issues such as the upholding of human rights. Here we set out our work on humanitarian aid efforts in 2004 and our longer-term policy and programme to address HIV/AIDS in our workforce and beyond.

Humanitarian aid In 2004, \$3.6 million of our community funding was given as humanitarian aid and funding for disaster relief in various locations around the world.

Following the earthquake and tsunami in which more than 200,000 lost their lives in South East Asia in December 2004, we contributed \$3 million in immediate aid, divided equally between the International Red Cross, Oxfam and UNICEF. Following these corporate donations, BP also pledged to match donations made by employees and send them to the International Red Cross. By February 2005, employees had donated over \$1.6 million. Practical contributions by BP businesses included refuelling services for emergency flights, \$250,000 to charter a Hercules aircraft from Singapore and make it available to the International Red Cross, and a further \$250,000 to purchase fuel for relief flights.

BP and employees also donated \$360,000 towards relief after the hurricanes that hit Florida and Trinidad and Tobago.

BP donated \$30,000 via the British Red Cross to provide care for those affected by the terrorist attack at Beslan, Russia, in September 2004. We subsequently donated \$250,000 to the Charities Aid Foundation in Russia to create a fund to support organizations providing psychological help for victims and families and working to eradicate poverty in the region.

BP has also provided \$1 million to fund a Hepatitis B inoculation programme for 80,000 adolescents in the

Irkutsk, Kaluga and Yaroslavl regions, to be carried out by the Vishnevskaya-Rostropovich Foundation in Russia.

HIV/AIDS With more than 40 million people around the world living with HIV and over three million dying from AIDS-related illnesses in 2004, HIV/AIDS has become an important aspect of our work among employees and local communities. As well as being a humanitarian disaster, the disease has costs for BP in terms of absences, lost production, depleted skills, insurance and care. It also has an impact on our markets and growth. It affects the workplace, which we believe can be the focus for vital work in limiting the spread and effects of the epidemic.

To protect both employees and the company from the effects of the HIV/AIDS pandemic, our goals have been to raise awareness of HIV and AIDS, to limit their impact and to ensure that employees with HIV/AIDS are treated with confidentiality, respect and tolerance. We aim for all BP employees to be informed of the effect on their health, lives and business. Wherever possible, we build alliances to raise awareness in the wider communities where we operate.

When increased levels of awareness prompt demand for prevention and treatment, we are willing to offer free condoms and adequate treatments, as we have done in South Africa and Indonesia. BP was an early mover company to offer anti-retroviral treatment to families as well as to staff members.

BP's southern Africa downstream business (including BP South Africa and units in other countries such as Zambia, Botswana and Namibia) led in developing our position. It provides care to affected employees and their families and also implements awareness and education programmes. This has led to a set of BP guidelines on HIV/AIDS, based on the principle that employment, development and promotion will be based solely on merit and ability to perform the job effectively. We encourage voluntary counselling and testing in order that people can know their HIV status and deal with it, but this is not a requirement for employment. Confidentiality is assured for

BP donated \$250,000 to provide psychological help for victims and their families in Beslan, Russia.

Specific observation from Ernst & Young

BP Indonesia, BP Angola and the BTC project in Azerbaijan and Georgia provided evidence of BP applying the Voluntary Principles on Security and Human Rights. In Azerbaijan, Georgia and Indonesia this included formal agreements with relevant government agencies. Human rights training had been provided to national security forces in Azerbaijan and Georgia but not yet extended to private security providers. In Angola and Indonesia human rights was included in training for private security personnel.



UN Millennium Development Goal	UN targets BP could help meet	Steps we have taken
Achieve universal primary education	Ensure that all boys and girls complete a full course of primary schooling.	In several countries, BP provided school supplies. In some instances we helped build primary schools (<i>pages 46-47</i>).
Promote gender equality and empower women	Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015.	For four years, we have set targets to promote more women in senior management positions and have offered 'Gender Speak' programmes to all employees, especially in Europe (<i>pages 26-27</i>). 'Bring your daughter to work' day has been held in several countries.
Combat HIV/AIDS, malaria and other diseases	Halt and begin to reverse the spread of HIV/AIDS, the incidence of malaria and other major diseases.	Intensive wellness programmes have been established in several locations worldwide. BP has sponsored inoculation programmes for other illnesses (<i>pages 50-51</i>).
Develop a global partnership for development	In co-operation with developing countries, develop decent and productive work for youth.	BP's micro-financing and efforts to support diversification of economies (<i>pages 44-45</i>).

all medical information. Our major projects in Azerbaijan, Indonesia, Angola and other countries have adapted the BP guidelines on HIV/AIDS to their local needs and laws as part of an overall programme of well-being.

To support communities beyond our own workforce, we establish partnerships with NGOs, local government and community-based organizations in order to build a programme for all needs.

For example, our Tangguh project in Indonesia is based in Papua, which has about 1% of Indonesia's population but around 15% of its total known HIV/AIDS infections. BP has therefore worked with organizations such as the local Department of Health, DFID and the international NGO Family Health International to initiate a five-year programme of care and prevention developed after a health impact risk assessment. This has included facilitating workshops at which the local district authorities developed strategic and annual work plans to provide information for the community and support for those affected. A full-time HIV co-ordinator on-site arranges activities such as photographic exhibitions and video viewings. These have had high attendance levels.

An additional step BP took in Indonesia was to require contractors to comply with our policies and carry out spot checks on sub-contractors' medical screening to ensure this did not include an HIV test, as this would conflict with BP's policy. The World Economic Forum used this five-year programme as a case study in July 2004.

Human rights Human rights represent an important concern in many aspects of our work, from employment conditions to security arrangements. We support the UN Universal Declaration of Human Rights with its principle of fundamental freedoms for all and seek to enshrine this in our work. We believe the promotion and protection of human rights is a legitimate concern of business, although enforcement lies with governments. We also want to help reduce and contribute to the elimination of all forms of forced, compulsory and child labour.

More specific to our industry, we support the Voluntary Principles on Security and Human Rights, developed by governments, NGOs and extractive industry companies, which guide security arrangements around energy projects (*page 22*).

The Millennium Development Goals The Millennium Development Goals (MDGs) are a set of ambitious targets that strive to focus the attention of governments and NGOs on poverty reduction and development. BP is fully aware of the MDGs and shares the belief that business is a key to unlocking poverty. We are exploring how we could support some of the MDGs through our business activities and community investments. Above, we outline some initial areas of overlap between select MDGs and examples of related BP initiatives. During 2005 and beyond, we will investigate further how we can more explicitly link our business to some of these targets where we operate.

Our approach to reporting

In the past 10 years, there has been a marked growth in the publication of corporate non-financial performance reports. This has been, in part, a response to calls for corporations to be more transparent in explaining the principles and management processes they apply to non-financial performance in their businesses.

BP began publicly reporting its non-financial performance in 1991, when we produced our first group Health, Safety and Environment Report. In 1997, we produced our first global Community Report and the following year we combined these reports into an Environmental and Social Review. In 2004, we published our first integrated Sustainability Report, the third stage in the evolution of our reporting.

Engagement on our reporting Our reporting is informed by an annual process of engagement with key groups of readers to assess their reaction to the content and presentation of our report. This feedback, conducted in the three months after publication in April, forms an important stage in the planning of the following year's report.

The decision to advance our reporting by creating a more integrated Sustainability Report was the result of a number of 'blue sky' workshops conducted with Corporate Social Responsibility (CSR) professionals, NGOs and socially responsible investors (SRIs) in 2003. The insight gained from these sessions prompted the development of a 10-point improvement plan that covered content, process and communication. In 2004, stakeholder engagement on our sustainability reporting was conducted via survey, interview, benchmark studies and workshops across the UK, US and Germany. Participants included private shareholders, SRIs, CSR professionals, NGOs and employees. This feedback was then formally reviewed and an action plan agreed for the next report.

In summary, there was a positive response to the steps we had taken with our 2003 report: in particular, reporting

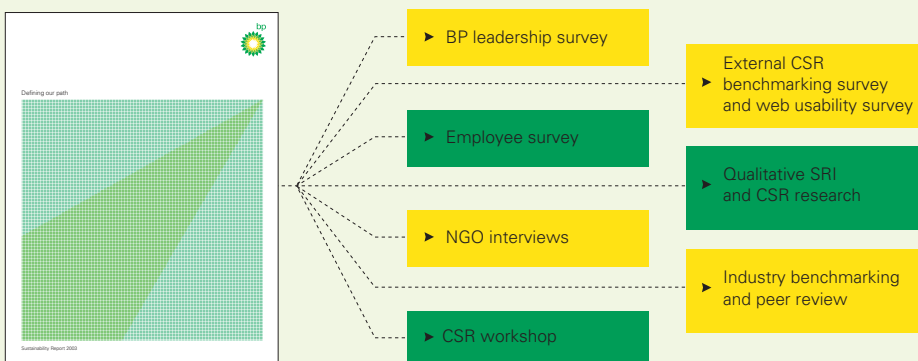
in accordance with the Global Reporting Initiative (GRI) Guidelines and aligning our assurance process to the AA1000 Assurance Standard. The feedback indicated that priorities for *BP Sustainability Report 2004* should be: demonstrating that the material issues were being covered; describing our engagement processes; and improving the accessibility of our report to wider audiences.

Material issues Within an organization operating in a complex industry in more than 100 countries, it is important that we can identify the most important issues that could affect our business. As our reporting has evolved, we have begun to develop more robust processes for identifying the most material issues for inclusion in our group reports. Our current approach aims to combine an inside-out view of key issues and risks, as defined by our strategic priorities and internal risk management processes at group (enterprise) and regional levels, with the outside-in perspective of external observers.

Looking from the inside out, we identify material issues as those having a potentially major impact on the delivery of our strategy as well as those identified through risk management, a standard part of our operating processes. Risks are monitored and formally reviewed on an annual basis, including those that can affect operations and those that can affect our licence to operate, which in turn depends on the support and trust of many parties. We have also developed processes to become more responsive to external concerns, including a process of capturing all concerns that are represented in international media coverage, dialogue and engagement processes and peer review.

During 2004, the sustainability reporting working group convened two formal materiality workshops to assess the most material issues. The output of these sessions was a reporting materiality matrix. This was reviewed at senior management level before review by the Ethics and Environment Assurance Committee (EEAC) in January 2005.

Sustainability reporting research



Specific observation from Ernst & Young

In our feedback to BP management last year we highlighted that the process for determining which issues should be included within the Sustainability Report could be improved. In 2004 the process has been improved and documented.

Accessibility Feedback from our audience research dialogue on *BP Sustainability Report 2003* highlighted the need for further work on accessibility. This included the need to make the report more widely available and to make the content of the report itself more relevant to a wider audience. In response to this feedback, we have decided to produce two versions of the 2004 report: a full version for specialist audiences interested in corporate social responsibility and a shorter version, *BP Sustainability Review 2004*, for wider circulation. The 2003 report was also translated into German for the first time. Response to this initiative was favourable and has led to a decision to extend our coverage and publish *BP Sustainability Review 2004* in German, Russian and Spanish.

Reporting standards In 2004, we reported in accordance with the GRI Guidelines for the first time. During the year, we also became an 'organizational stakeholder' in the GRI and have made a further commitment to supporting the development of the 2006 reporting guidelines. As a global company, we are clear that there is a need for consensus on a global framework for non-financial reporting to encourage best practice and relevance. At this time we believe the GRI offers the best route to building this consensus (pages 60-63).

Additionally, BP is chairing work within the International Petroleum Industry Environmental Conservation Association (IPIECA), the oil and gas industry group, to develop guidelines for sector sustainability reporting.

Reporting and relevance Given the scope and scale of BP's operations and the breadth of our relationships, we are clear that reporting information must be relevant to different audiences. We currently report our sustainability performance on three levels: group, selected countries and selected local sites.

We produce printed and online country reports for a number of locations, including Alaska, Angola, Azerbaijan, Germany,

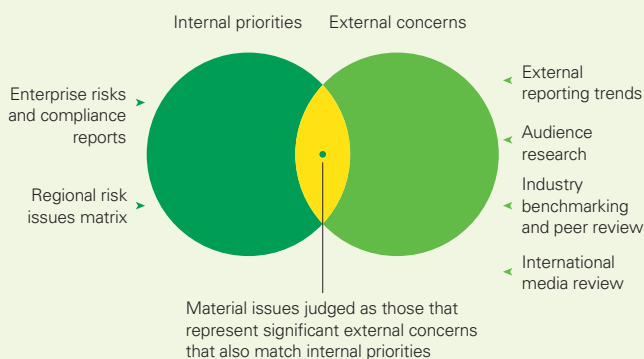
Indonesia and Scotland. These aim to give further insight into how we do business at an operational level within a local context. During 2005, it is our intention to implement consistent guidelines for the preparation of these reports. Local site reports detailing our environmental performance at 60 operating sites are also published on our website (page 64). These are currently prepared in accordance with the ISO 14001 terminology. In 2005, we intend to review the format of these reports, with the aim of broadening their coverage in line with our new code of conduct (page 9).

Managing the reporting process For the past seven years, we have managed our corporate reporting as a single integrated programme covering both financial and non-financial aspects. At BP, we place considerable emphasis on accountability of individuals and clarity of process, in line with our management framework (page 9). The single point of accountability for corporate reporting is the group vice president for communications and external affairs, who reports to a main board director.

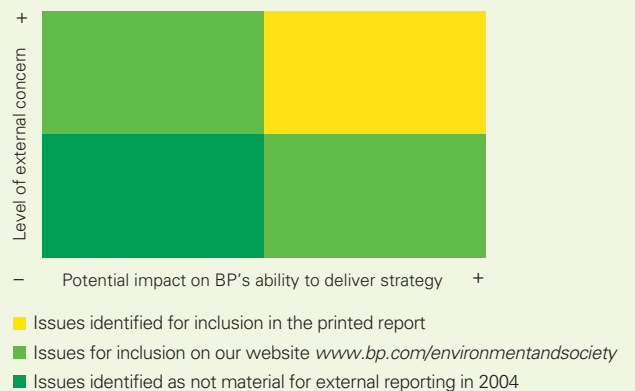
The preparation of the report is managed by a reporting working group drawn from a number of functions, including Health, Safety, Security and the Environment (HSSE), Human Resources Management, Group Compliance & Ethics, Communications and External Affairs, Diversity and Inclusion (D&I) and Finance. This working group reports on a monthly basis to a Corporate Reporting Advisory Group (CRAG), which comprises senior individuals at vice president and group vice president level. CRAG's remit is to review and approve proposals for content and direction of the programme.

Proposals and content are reviewed by group executives and the report's approach and content are reviewed by the board committee responsible for management of non-financial risk, the EEAC.

A systematic approach to materiality



Identifying material issues




Five-year performance data

	2000	2001	2002	2003	2004
Financial and operating					
Total hydrocarbons produced (thousand barrels of oil equivalent a day)	3,240	3,419	3,519	3,606	3,997
Total refinery throughputs (thousand barrels a day)	2,928	2,943	3,117	3,097	2,976
Total gas sales to third parties (million cubic feet a day)	15,190	20,708	24,852	30,439	31,690
Total petrochemicals production (thousand tonnes)	22,065	22,716	26,988	27,943	28,927
Shop sales (\$ million)	2,624	3,234	5,171	5,708	6,061
Pro forma result ^{a,b} (\$ million)	11,083	11,041	8,265	12,858	16,208
Taxes to governments (\$ million)	28,987	40,265	47,765	52,902	75,842
Distributions to shareholders (\$ million)	4,625	4,935	5,375	5,753	6,371
Benefits to employees – including wages, salaries, benefits and pensions ^b (\$ million)	6,668	7,641	7,524	8,346	9,640
Spending on suppliers and contractors ^c (\$ million)	n/a	30,100	30,200	33,800	37,600
Contracts terminated or not renewed due to non-compliance or unethical behaviour	n/a	n/a	n/a	29	41
Safety^d					
Fatalities – employees	10	5	3	5	4
Fatalities – contractors	13	11	10	15	7
Days away from work cases (DAFWC) – workforce	450	327	272	239 ^e	230 ^e
Days away from work case frequency (DAFWCF) – workforce	0.21	0.13	0.10	0.09 ^e	0.08 ^e
Recordable incidents – workforce	2,726	2,392	2,012	1,604 ^e	1,513 ^e
Recordable incident frequency (RIF) – workforce	1.26	0.95	0.77	0.61 ^e	0.53 ^e
Hours worked – employees (million hours)	245	244	250	247 ^e	241 ^e
Hours worked – contractors (million hours)	219	259	276	280	330
Environment^d					
Direct carbon dioxide (CO ₂) ^f (million tonnes)	76.6	73.4	76.6 ^h	76.7	76.8
Indirect carbon dioxide (CO ₂) ^f (million tonnes)	9.7	10.1	11.4 ^h	10.4	9.9
Direct methane (CH ₄) ^f (million tonnes)	0.33	0.34	0.27 ^h	0.24	0.23
Direct greenhouse gas (GHG) ^f (million tonnes CO ₂ equivalent)	83.7	80.5	82.4 ^h	83.4	81.7
Flaring (exploration and production) (thousand tonnes of hydrocarbons)	1,981	2,017	1,735	1,342	1,343
Sulphur dioxide (SO ₂) (thousand tonnes)	234.7	224.5	169.2	150.9	126.4
Nitrogen oxides (NO _x) (thousand tonnes)	241.9	266.1	242.1	220.3	215.5
Non-methane hydrocarbons (NMHC) (thousand tonnes)	368.0	365.0	322.1	268.8	245.1
Number of spills – loss of primary containment ^g	958	810	761 ^h	635	578
Volume of product spilled ^g (thousand litres)	9,685	3,471	3,524	3,837	5,718
Volume of product unrecovered ^g (thousand litres)	5,490	965	1,084	1,407	1,482
Discharges to water (thousand tonnes)	58.4	80.9	125.9	57.1	57.0
Fresh-water use (million cubic metres)	n/a	n/a	n/a	516.9	492.9
Hazardous waste (thousand tonnes)	161.0	241.9	302.0	238.6	245.5
Environmental and safety fines (\$ million)	6.6	12.0	27.5	7.0	4.8
Employees^d					
Number of employees – group	107,200	110,150	115,250	103,700	102,900
Number of employees in group leadership	545	603	622	609	610
Women in group leadership (%)	9	12	13	15	15
People from racial minorities in the US and UK in group leadership (%)	4	3	3	4	4
People from beyond the US and UK in group leadership (%)	14	15	16	18	19
OpenTalk cases	n/a	n/a	n/a	258	343
Dismissals for non-compliance and unethical behaviour ⁱ	n/a	n/a	132	165	252
Community investment^d (\$ million)					
UK	15.4	14.9	13.9	12.7	11.7
Rest of Europe	5.3	8.0	6.2	8.2	6.5
US	46.0	52.9	46.3	31.5	25.7
Rest of World	14.9	18.9	18.8	22.0	43.8

^a Replacement cost profit for the period, adjusted for acquisition amortization. Acquisition amortization is depreciation and amortization relating to the fixed asset revaluation adjustments and goodwill consequent upon the ARCO and Burmah Castrol acquisitions.

^b The financial information for 2002 and 2003 has been restated to reflect the adoption by the group of Financial Reporting Standard No. 17 'Retirement Benefits' (FRS 17) with effect from 1 January 2004. The financial information for 2000 and 2001 has not been restated for FRS 17.

^c Data as at the end of each reporting year.

^d Quantitative performance indicators have been chosen, with external input, to reflect the most important sustainability issues for BP. Data is collected only from operations under BP management control, except as in footnote^f. We use common processes that seek to provide acceptable estimates to enable year-to-year comparisons.

^e Prior to 2003, data included both illnesses and injuries. From 2003, only injuries are reported.

^f Data is collected from all operations in which BP has an equity share.

^g Spills are defined as any oil or chemical release of more than one barrel (159 litres, equivalent to 42 US gallons).

^h 2002 data includes Vebara operations.

ⁱ Excluding retail sites.

Performance management approach

Financial and operating In executing our business strategy, we make plans to achieve three main targets:

- To underpin growth by a focus on profitable, consistent and sustainable performance, particularly on cash returns, investing at a rate appropriate for long-term growth.
- To increase dividends to shareholders.
- To return to shareholders, by way of share buybacks, 100% of free cash flow generated above what is needed for investment and dividends: this generally occurs, all other things being appropriate, when the price of oil exceeds \$20 a barrel.

We also monitor other aggregated financial outflows from BP's activities, which are indicators of sustainable benefits, for example, taxes to governments, distributions to shareholders and spending on suppliers and contractors. We aim to engage suppliers who act responsibly, and so we have started to assess the extent of serious non-compliance with our expectations by monitoring the number of contract terminations.

Safety We monitor safety performance through input measures such as audits and actions, and output measures such as injuries using Tr@ction, BP's global web-based safety management system. This system, with more than 33,000 registered users, was used extensively in 2004. More than 210,000 Advanced Safety Audit reports were documented and more than 88,000 incidents or near misses reported.

We set targets for 2004 and 2005 for DAFWCF of 0.09 and RIF of 0.58, measured per 200,000 hours worked by employees and contractors. We met both targets in 2004. But we feel we have more to do, especially to reduce and eliminate fatalities, so during 2005 we plan to introduce a new control of work element to our personal safety standard, while continuing our focus on road accidents through the driving safety element.

Environment We track performance on GHG emissions for facilities we operate and facilities operated by others where we have an equity share. We plan to achieve reductions in emissions through capital investments in energy efficiency projects, amounting to \$350 million over five years from 2004. Our direct equity-share emissions in 2004 were lower than 2003 due to acquisitions, divestments, methodology improvements and also achievement of an internal target to achieve 1Mte of sustainable reductions. We also aim to achieve a further 1Mte of reductions in 2005, in line with our long-term commitment for 2012 to manage at least half of our underlying emissions growth through energy efficiency measures.

Our main business segments each planned to reduce the number of spills by 10% in 2004, an objective that was met overall, primarily through a 21% reduction by our exploration and production operations, but our refining and marketing operations showed no improvement on

the year. Consistent with 2004, our businesses aim to reduce oil spills by a further 10% in 2005. While we do not target the volume of oil spilled, we monitor this indicator of environmental impact closely, including our effectiveness in recovering as much of the spilled product as we can. In 2004, our spill volume increased owing to one very large tank leak in Australia, while the unrecovered volume left in the environment was similar to the previous year. Every spill represents a breakdown of integrity, and therefore we are seeking to improve our performance by introducing a new integrity management standard (*page 18*).

Our other emissions and discharges, reported opposite, are managed by our major sites on a local basis. All these sites are now certified to ISO 14001, a target for BP during 2004. In 2005, we will maintain this certification and focus on the performance benefits of the environmental management systems.

Employees Within BP, we manage D&I performance in a similar way to other aspects of our business. Having focused initially on the composition of our group leadership to make it better reflect the talent pool available worldwide, we are now extending our processes and systems to the next level of management of around 6,000 senior leaders. Our plans focus on succession and recruitment planning and are supported by processes such as diverse selection panels.

Across the group, we widely communicate our D&I approach and differentiate our plans regionally by emphasizing specific issues, such as race in the US, gender in Europe and cross-cultural awareness in Asia.

We are also aiming for all BP employees to have received communication of BP's new code of conduct. To support this, we plan to enhance our OpenTalk programme, allowing staff to request guidance on the code of conduct or raise concerns for investigation.

Community investment Trends in 2004 followed our intent to focus in other areas such as Asia Pacific, Africa, Caspian and Russia. During 2004, we made a commitment to increase our expenditure to around \$500 million over a five-year cycle. It is our intention to focus on three areas – enterprise development, education and access to energy (*pages 43-48*).

To identify future investment needs, we consider risks in the different regions of the world and, using our five-year planning process, allocate

the expenditure accordingly. In 2005, we will create and launch new guidelines on how to plan, select and report CIPs, to help people understand the strategy and achieve more consistent implementation. In 2004, we reassigned health spending from the environment to the education category as most of these investments mainly rely on raising awareness of local populations. In 2005, we are planning further change to this categorization, consistent with our three new focus areas.

Assurance statement to BP management

BP Sustainability Report 2004 has been prepared by the management of BP p.l.c., who are responsible for the collection and presentation of information within it. In accordance with BP management's instructions we have reviewed pages of *BP Sustainability Report 2004* (the Report), as outlined below, in order to provide conclusions in relation to Materiality, Completeness and Responsiveness.

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

What did we do to form our conclusions?

We have reviewed the Report against AccountAbility's AA1000 Assurance Standard and whether in our opinion the Report is in accordance with the *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 2002*. In order to form our conclusions we undertook the steps outlined below.

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

7. Reviewed selected group level documents to assess management awareness of performance against non-financial policy commitments and test the coverage of the Report.
8. Reviewed BP's processes for determining material issues to be included in the Report and tested whether the processes had been applied in preparing the Report.
9. Reviewed whether BP's reporting (which includes both the Report and the environmental and social web content) is in accordance with GRI through reviewing whether the reporting:
 - a. Contains all information required in Sections 1-3 of Part C of the Guidelines (Vision and Strategy, Profile and Governance Structure and Management Systems).
 - b. Contains a GRI Content Index.
 - c. Contains data regarding performance against each of the GRI core indicators or explanations for omissions.
 - d. Is consistent with the 11 principles by reviewing BP's own assessment against GRI and interviewing a selection of BP staff.
 - e. Contains a statement signed by the board or the CEO confirming that the reporting has been prepared in accordance with GRI.

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

Limitations of our review Only pages 1-58 and 60-63 of the Report formed part of our review. A review of BP's performance against the UN Global Compact Principles (*page 59*) was not included in our scope of work.

The scope of our work was limited to a sample of nine visits from approximately 120 locations. We did not attend any stakeholder engagement activities. Our review of data processes only included the following data sets: health, safety and environmental (HSE), community investment, ethics dismissals and group leadership diversity data. Our review of these data processes at operations level was limited to the nine locations visited.

Our conclusions

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

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

Based on our review, we consider that:

- With the exception of the subject areas listed below, the Report provides a balanced representation of material aspects concerning BP's sustainability performance as defined in the scope of the Report (*inside front cover*).
- However, we consider that BP could have covered the following subject areas in more depth in the Report:
 - Influencing performance of suppliers and contractors to be consistent with the BP policies.
 - Legal challenges and fines incurred in 2004 for issues other than HSE.
 - Community protests that have arisen regarding the BTC project in Georgia. However, community unrest is an issue raised on www.caspiandevlopmentandexport.com/ASP/SecurityHumanRiskAssesment.asp and we understand that BP plans to cover this issue in the forthcoming *BP Azerbaijan Sustainability Report 2004*.
 - Medical benefits of retirees in America, as raised in the Annual General Meeting 2004.
- BP has applied its processes for determining material issues to be included in the Report, as described in the 'Our approach to reporting' section (*pages 52-53*).
- BP's reporting covers the core GRI indicators or explains the reasons for any omissions.

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

Based on our review:

- We are not aware of any material issues excluded or misstatements made in relation to the information on which BP has made judgements in respect of the content of the Report.
- We are not aware of any material reporting units that have been excluded in BP management's review of social and environmental performance.
- BP does not have a standardized method at group level for documenting and collating the outputs of stakeholder engagement. However, significant stakeholder issues are included in the materiality process for the Report.

- We have received information or explanation supporting all the assertions and claims regarding BP's performance.

HSE data

- We consider that the material reporting units have been included in the group HSE data and that it has been properly collated from information reported at operations level.
- We consider that the 2004 HSE data is reliable for assessing group-wide HSE performance in the context of the data reporting boundaries stated in the Report.
- We are not aware of any errors that would materially affect the group HSE data. Documentation of the greenhouse gas emissions data collection, assumptions and assurance activities was in place at the locations visited. However, as in previous years, the completeness of documentation to support other environmental parameters is varied.

Community investment data

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

Ethics dismissals data

- We consider that the material reporting units have been included in the group ethics dismissals data and that it has been properly collated from the reporting units through the group's annual Compliance and Ethics reporting system.
- We are not aware of any material omissions in relation to the ethics dismissals data.

Leadership diversity data

- We consider that the leadership diversity and inclusion data has been collated appropriately from group-wide systems.

Other non-financial data

- We have reviewed information or explanations to substantiate the other non-financial data on BP's sustainability performance presented in the Report.
- BP has reviewed other company reports and is in discussions with peers about appropriate economic and social impact indicators to include in future reporting. BP has included limited data on the economic and social impacts of their activities in the Report.

Responsiveness How has BP responded to stakeholder concerns?

Based on our review:

- We consider that the Report addresses the material stakeholder issues expressed in our interviews with stakeholder relationship holders and also those issues highlighted in the stakeholder engagement documents reviewed.
- We have observed policies, programmes and discrete activities aimed at addressing issues raised through stakeholder engagement. Observations on progress in these activities are provided in several sections of the Report. It is recognized that the response taken is BP's judgement and may not always be consistent with the expectations of all stakeholders.
- This year BP has addressed a number of issues that were raised by stakeholders during feedback on *BP Sustainability Report 2003*. These included: demonstrating in the Report that material issues were being covered; reporting on stakeholder engagement processes; and making the Report more accessible to wider audiences.
- The Report is updated annually. This year we understand that BP will also be creating a shorter version of the Report for wider circulation, which will also be translated into German, Russian and Spanish.

Has the Report been prepared in accordance with the GRI?

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

Areas of progress since 2003 and areas for improvement

Within the 'Our conclusions' section of this statement we have highlighted several areas for improvement. Our observations and areas for improvement will be raised in a report to BP management. A selection of specific observations regarding progress made and areas for improvement can also be found embedded in appropriate sections of the Report. A summary page of our specific observations can be found on www.bp.com/environmentandsociety.

Our independence

Our assurance team has been drawn from our global environment and sustainability network, which undertakes similar engagements to this with a number of significant UK and international businesses. As auditors to BP p.l.c., Ernst & Young are required to comply with the independence requirements set out in the Institute of Chartered Accountants in England & Wales (ICAEW) Guide to Professional Ethics. Ernst & Young's independence policies, which address and in certain places exceed the requirements of the ICAEW, apply to the firm, partners and professional staff. These policies prohibit any financial interests in our clients that would or might be seen to impair independence. Each year, partners and staff are required to confirm their compliance with the firm's policies. We confirm annually to BP whether there have been any events including the provision of prohibited services that could impair our independence or objectivity. There were no such events or services in 2004.

 **ERNST & YOUNG**

Ernst & Young LLP
London
22 March 2005

UN Global Compact



The UN Global Compact (UNGC) is an international initiative that brings together companies, UN agencies, labour organizations and civil society in support of 10 principles covering human rights, labour, the environment and corruption.

The 10 principles are based on the Universal Declaration of Human Rights; the International Labour Organisation's Declaration of the Fundamental Principles and Rights at Work; and the Rio Declaration on Environment and Development.

As a founding member of the Global Compact, we believe that our business policies are in accordance with the 10 principles. We participate in Global Compact meetings in a number of countries and our group chief executive attended the New York summit in June 2004. We agreed with the

decision to add a 10th principle relating to corruption as we regard the prevention of corruption as an important priority for our industry, one which we have implemented by banning facilitation payments and supporting efforts to increase transparency over revenue flows.

Here we provide an index to our performance in demonstrating the Global Compact's 10 principles in our work. Further information, as well as metrics and data, is available throughout this report and on our website. This index cross-refers to relevant GRI indicators. Further information on our approach to the GRI principles and our GRI index are available on pages 60-63 of this report. We report on progress to the UNGC because we recognize that GRI is mainly used by large corporations and we support the efforts of the UNGC to find a more widely accessible way to report, especially for smaller companies.



Global Compact principles		Corresponding GRI indicators	Where will I find reference to this principle?	Page
1	Businesses should support and respect the protection of international proclaimed human rights within their sphere of influence.	HR1, HR2, HR3, HR4	Responsible operations (security) Our people Part of the global community	22 24-29 50-51
2	Businesses should make sure that they are not complicit in human rights abuses.	HR2, HR3	Responsible operations (safety) Our role in society Part of the global community	16-17 43 50-51
3	Businesses should uphold the freedom of association and the effective recognition to the right to collective bargaining.	HR5, LA3, LA4	Our people	24
4	Businesses should uphold the elimination of all forms of forced and compulsory labour.	HR7	Part of the global community	50-51
5	Businesses should uphold the effective abolition of child labour.	HR6	Part of the global community	50-51
6	Businesses should eliminate discrimination in respect of employment and occupation.	HR4, LA10, LA11	Our people Part of the global community	24-29 50-51
7	Businesses should support a precautionary approach to environmental challenges.	3.13	Responsible operations BP and the environment	14-23 32-41
8	Businesses should undertake initiatives to promote greater environmental responsibility.	EN1, EN2, EN3, EN4, EN5, EN6, EN7, EN8, EN9, EN10, EN11, EN12, EN13, EN14, EN15, EN16, 1.1	Responsible operations BP and the environment Five-year performance data Performance management approach	14-23 32-41 54 55
9	Businesses should encourage the development and diffusion of environmentally friendly technologies.	EN17	Responsible operations BP and the environment	14-23 32-41
10	Businesses should work against all forms of corruption, including extortion and bribery.	SO2	How we work Our people (compliance and ethics)	7-11 28-29

GRI principles

This report has been prepared in accordance with the GRI Guidelines published in 2002. This section outlines the 11 principles, reports on our progress since 2003 and highlights some of the challenges we face.

Transparency The GRI advises that a report's credibility depends on full disclosure of the process, procedures and assumptions used in its preparation. We follow this principle by openly reporting our performance based on clearly defined indicators and making this data accessible using a variety of tools which are available online. This year we have fully described our approach to sustainability reporting and the processes we use (pages 52-53).

Inclusiveness This principle states that the reporting organization should systematically engage its 'stakeholders' to enhance the quality of its reports, conduct audience research through surveys and workshops and respond to their feedback. This year we have published *BP Sustainability Review 2004*, which has been translated into German, Russian and Spanish. We also have a commitment to country and location level reporting. In 2004, we launched reports on Alaska, Germany and Indonesia (page 64).

Clarity To provide clarity, reports should be written and laid out in a way that enables them to be understood by a range of readers. We have identified our audiences and aim to improve the clarity of our reports. For 2004, we seek to meet the needs of our audience by providing a Sustainability Review and comply with the W3C accessibility standard online.

Completeness According to GRI, all information that is material to users for assessing performance should appear in a manner consistent with the declared boundaries, scope and time period. We aim to report on all aspects of our business that have significant sustainability impacts and fall within the boundary of our operational control. We also seek to report on areas that are beyond our direct control, but where we have influence. In 2004, we completed an initial study based on safety and environmental issues to define BP's reporting boundaries better, covering, for example, joint ventures and contractors.

Relevance Relevance relates to the threshold at which information becomes significant enough to be reported. We aim to report on the risks and issues relevant to our activities. This year, we have undertaken an extensive materiality exercise to determine which issues are most significant to our audiences. We believe that this process should also include an internal perspective that reflects our company strategy (page 52). Our external auditors independently conduct a media review to judge the salience of different issues for our audiences.

Sustainability context We believe our report should demonstrate sustainability in an integrated manner. We aim to achieve this by defining what sustainability and responsibility mean for BP and discussing the issues facing the energy industry (pages 4-5). Also in the context of sustainability, we describe our new code of conduct and our framework for corporate responsibility (pages 9 and 11).

Accuracy It is important that this report is sufficiently accurate to enable readers to make judgements based upon its findings. Our internal and external audit processes provide this assurance. However, ensuring the reliability of data within margins we deem acceptable in a global organization with many sites is a challenge. In 2004, we reviewed our non-financial data processes and identified areas of improvement that will, within a new management information standard, help define requirements for data reliability.

Neutrality The principle of neutrality states that reports should avoid bias in selection and presentation of information and strive to provide a balanced account of performance. We aim to present a balanced picture of our activities by reporting our performance openly, whether good or bad (page 3). In 2004, our materiality exercise provided greater objectivity in identifying the most relevant issues. A challenge for BP is to create performance indicators that enable balanced reporting of our impact on society.

Comparability According to this principle, organizations should maintain consistency in the boundary and scope of their reports, disclosing changes and restating previously reported information. The rapid expansion of BP over recent years complicates like-for-like comparisons. However, we publish data over five years to enable comparability and we provide additional information where relevant to the interpretation of the data (page 54). We have a consistent structure for reporting and conduct benchmarking exercises with peer companies to ascertain relative performance. Through IPIECA, we are working together to produce common definitions for key performance indicators.

Auditability The GRI says that data and information should be recorded and disclosed to enable internal or external assurance providers to attest to its reliability. We ensure that records are maintained so that any information can be evidenced on request. We give our auditors open access to our management and operations.

Timeliness The GRI says that reports should provide information on a regular schedule that meets user needs. BP has reported on health, safety and environmental performance every year since 1991 and social performance since 1998. *BP Sustainability Report 2004* follows this pattern. Our online reporting is revised annually and updated appropriately throughout the year.

GRI index

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

A more detailed index, including additional GRI performance indicators, is available on our website. This incorporates all our external communications, including *BP Annual Report and Accounts 2004*.

www.bp.com/gri

Key

- Fully reported
- ◐ Partially reported
- Not reported

Corresponding with United Nations Global Compact principles

- a Locally managed issue with locally defined indicators; therefore not aggregated.
 - b Assessed not to be relevant to BP.
 - c Not applicable to most oil products except lubricants and polymers.
 - d Detailed data not yet collected or sufficiently reliable, but could be reported in future.
- SR *BP Sustainability Report 2004*
 p Page
 IFC Inside front cover
 IBC Inside back cover



	Location	SR	Web
1. Vision and strategy			
1.1 Statement of the organization's vision and strategy regarding its contribution to sustainable development	IFC, p1-2, 7-8, 12-13	●	●
1.2 Statement from the CEO describing key elements of the report	p1-2	●	●
2. Profile			
2.1 Name of reporting organization	Title	●	●
2.2 Major products and/or services, including brands, if appropriate	p7, 38	●	●
2.3 Operational structure of the organization	p7-11	●	●
2.4 Description of major divisions, operating companies, subsidiaries and joint ventures	p7	◐	●
2.5 Countries in which the organization's operations are located	p7, 30-31	●	●
2.6 Nature of ownership; legal form		○	●
2.7 Nature of markets served	p7	◐	●
2.8 Scale of the reporting organization (including employees, assets, sales and products)	p7, 24, 30-31, 54	●	●
2.9 List of stakeholders, key attributes of each and relationship to the reporting organization	p12-13	●	●
2.10 Contact person(s) for the report, including e-mail and web addresses	IBC	●	●
2.11 Reporting period for the information provided	Title	●	●
2.12 Date of most recent previous report	IBC	●	●
2.13 Boundaries of report and any specific limitations on the scope	p1-2, 34, 52-54, 60	●	●
2.14 Significant changes in size, structure, ownership or products/services that have occurred since the previous report	p1-2, 7, 21, 23, 27-28	●	●
2.15 Basis for reporting on joint ventures, partially owned subsidiaries, leased facilities, outsourced operations and other situations that can significantly affect comparability from period to period and/or between reporting organizations	p7, 60	●	●
2.16 Explanation of the nature and effect of any restatements of information provided in earlier reports, and the reasons for such restatements	p54	●	●
2.17 Decisions not to apply GRI principles or protocols in the preparation of the report	p60	●	●
2.18 Criteria/definitions used in any accounting for economic, environmental and social costs and benefits	p54	◐	●
2.19 Significant changes from previous years in the measurement methods applied to key economic, environmental and social information	p54	●	●
2.20 Policies and internal practices to enhance and provide assurances about the accuracy, completeness and reliability that can be placed on the sustainability report	p8-9, 52-53, 56-58, 60	●	●
2.21 Policy and current practice with regard to providing independent assurance for the full report	p56-58	●	●
2.22 Means by which report users can obtain additional information and reports about economic, environmental and social aspects of the organization's activities, including facility-specific information	64, IBC	●	●
3. Governance structure and management systems			
3.1 Governance structure of the organization, including major committees under the board of directors that are responsible for setting strategy and for oversight of the organization	p7-9	●	●
3.2 Percentage of the board of directors that are independent, non-executive directors	p9	●	●

Making the right choices

	Location	SR	Web
3.3 Process for determining the expertise board members need to guide the strategic direction of the organization, including issues related to environmental and social risks and opportunities		○	●
3.4 Board-level processes for overseeing the organization's identification and management of economic, environmental and social risks and opportunities	p8-9	●	●
3.5 Linkage between executive compensation and achievement of the organization's financial and non-financial goals		○	●
3.6 Organizational structures and key individuals responsible for oversight, implementation and audit of economic, environmental, social and related policies	p7-9	◐	●
3.7 Mission and values statements, internally developed codes of conduct or principles, and policies relevant to economic, environmental and social performance and the status of implementation	p1-2, 9-11	●	●
3.8 Mechanisms for shareholders to provide recommendations or direction to the board of directors	p12	●	●
3.9 Basis for identification and selection of major stakeholders	p12	●	●
3.10 Approaches to stakeholder consultation reported in terms of frequency of consultations by type and by stakeholder group	p12-13	●	●
3.11 Type of information generated by stakeholder consultations	p1-53	●	●
3.12 Use of information resulting from stakeholder engagements	p1-53	●	●
3.13 Explanation of whether and how the precautionary approach or principle is addressed by the organization	p32-37	◐	●
3.14 Externally developed, voluntary economic, environmental and social charters, sets of principles or other initiatives to which the organization subscribes or which it endorses	p13-14, 49, 51, 53, 59	●	●
3.15 Principal memberships on industry and business associations and/or national/international advocacy organizations	p12-13, 49, 52-53, 59, 60-63	●	●
3.16 Policies and/or systems for managing upstream and downstream impacts	p2-3, 12-13	◐	◐
3.17 Reporting organization's approach to managing indirect economic, environmental and social impacts resulting from its activities	p11, 35-36, 42-51	●	●
3.18 Major decisions during the reporting period regarding the location of, or changes in, operations	p3, 7-8, 23, 27-28	●	●
3.19 Programmes and procedures pertaining to economic, environmental and social performance. Include discussion of priorities, targets, internal communication and training, performance monitoring, auditing and senior management review	p1-55	●	●
3.20 Status of certification pertaining to economic, environmental and social management systems	p20-21	●	●
4. GRI content index			
4.1 A table indicating location of each element of the GRI report content by section and indicator	p61-63	●	●
5a. Economic performance indicators			
EC1 Net sales – as listed in the profile section under 2.8	p54	●	●
EC2 Geographic breakdown of markets	a	○	○
EC3 Cost of all goods, materials and services purchased	p54	●	●
EC4 Percentage of contracts that were paid in accordance with agreed terms, excluding agreed penalty arrangements	a	○	○
EC5 Total payroll and benefits including wages, pension, other benefits and redundancy payments broken down by country or region	p54	●	●
EC6 Distributions to providers of capital broken down by interest on debt and borrowings and dividends on all classes of shares, with any arrears of preferred dividends to be disclosed	p8, 54	◐	●
EC7 Increase/decrease in retained earnings at end of period		○	●
EC8 Total sum of taxes of all types paid broken down by country	p6, 54	◐	◐
EC9 Subsidies received broken down by country or region	d	○	○
EC10 Donations to community, civil society and other groups broken down in terms of cash and in-kind donations per type of group	p42-43, 54	●	●
5b. Environmental performance indicators			
EN1 Total materials use other than water, by type	a	○	○
EN2 Percentage of materials used that are wastes from sources external to the reporting organization	d	○	○
EN3 Direct energy use segmented by primary source		○	◐
EN4 Indirect energy use		○	◐
EN5 Total water use	p21, 54	●	●
EN6 Location and size of land owned, leased or managed in biodiversity-rich habitats	p14	◐	●
EN7 Description of the major impacts on biodiversity associated with activities and/or products and services in terrestrial, fresh-water and marine environments		○	●
EN8 Greenhouse gas emissions	p34-35, 54	●	●
EN9 Use and emissions of ozone-depleting substances		○	●
EN10 NO _x , SO _x and other significant air emissions by type	p54	◐	●

	Location	SR	Web
EN11 Total amount of waste by type and destination	p20, 54	●	●
EN12 Significant discharges to water by type	p21, 54	●	●
EN13 Significant spills of chemicals, oils and fuels in terms of total number and total volume	p18, 54	●	●
EN14 Significant environmental impacts of principal products and services	p21, 32-33, 35	●	●
EN15 Percentage of the weight of products sold that is reclaimable at the end of the products' useful life and percentage that is actually reclaimed	c	○	○
EN16 Incidents of and fines for non-compliance with all applicable international declarations/ conventions/treaties, and national, sub-national, regional and local regulations associated with environmental issues	p17, 54	●	●
5c. Social performance indicators – labour practices and decent work			
LA1 Breakdown of workforce, by region/country, status, employment type and employment contract	p24, 54	●	●
LA2 Net employment creation and average turnover segmented by region/country	d	○	○
LA3 Percentage of employees represented by independent trade union organizations or other bona fide employee representatives broken down geographically or percentage of employees covered by collective bargaining agreements broken down by region/country	a	○	○
LA4 Policy and procedures involving information, consultation and negotiation with employees over changes in the reporting organization's operations (e.g. restructuring)	p27-28	●	●
LA5 Practices on recording and notification of occupational accidents and diseases, and how they relate to the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases	p16	●	●
LA6 Description of formal joint health and safety committees comprising management and worker representatives and proportion of workforce covered by any such committees	a	○	○
LA7 Standard injury, lost day and absentee rates and number of work-related fatalities	p16, 54	●	●
LA8 Description of policies or programmes (for the workplace and beyond) on HIV/AIDS	p50-51	●	●
LA9 Average hours of training per year per employee by category of employee	p24	●	●
LA10 Description of equal opportunity policies or programmes as well as monitoring systems to ensure compliance and results of monitoring	p9, 10, 24-26	●	●
LA11 Composition of senior management and corporate governance bodies including female/male ratio and other indicators of diversity as culturally appropriate	p26-27, 54	●	●
5d. Social performance indicators – human rights			
HR1 Description of policies, guidelines, corporate structure and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results	p22, 51	●	●
HR2 Evidence of consideration of human rights impacts as part of investment and procurement decisions, including selection of suppliers/contractors	p22, 26-27, 50-51	●	●
HR3 Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors, including monitoring systems and results of monitoring		○	●
HR4 Description of global policy and procedures/programmes preventing all forms of discrimination in operations, including monitoring systems and results of monitoring	p9, 10, 26-27, 29, 55	●	●
HR5 Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures/programmes to address this issue	p24	●	●
HR6 Description of policy excluding child labour as defined by the ILO Convention 138 and extent to which this policy is visibly stated and applied, as well as description of procedures/ programmes to address this issue, including monitoring systems and results of monitoring	p9, 51	●	●
HR7 Description of policy to prevent forced and compulsory labour and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring		○	●
5e. Social performance indicators – society			
SO1 Description of policies to manage impact on communities in areas affected by activities, procedures/programmes to address this issue, monitoring systems and results of monitoring	p12-13, 14-15, 42-51	●	●
SO2 Description of the policy, procedures/management systems and compliance mechanisms for organizations and employees addressing bribery and corruption	p9-10, 29	●	●
SO3 Description of policy, procedures/management systems and compliance mechanisms for managing political lobbying and contributions	p1, 9, 59	●	●
5f. Social performance indicators – product responsibility			
PR1 Description of policy for preserving customer health and safety during use of products and services, and extent to which this policy is visibly stated and applied, as well as description of procedures/ programmes to address this issue, including monitoring systems and results of monitoring		○	●
PR2 Description of policy, procedures/management systems and compliance mechanisms related to product information and labelling		○	●
PR3 Consumer privacy policy, procedures/management systems and compliance mechanisms		○	●

Further information

This report forms part of our reporting on our non-financial performance. Further information can be found on our website.

Online information at bp.com Our website aims to provide a full information resource for people interested in finding out more about BP's approach to sustainability and responsibility. The site includes further detailed information and data on the issues covered in this report.

A range of case studies is available online. These provide specific examples of how we put our environmental, social and ethical commitments into practice around the world and have been substantiated by Ernst & Young, our external auditors.

The website also includes detailed charting tools that allow you to view BP's performance data on issues such as health, safety and the environment through an intuitive and easy-to-use charting function with an accessible formatting option. Charts can be created as images and raw data downloaded.

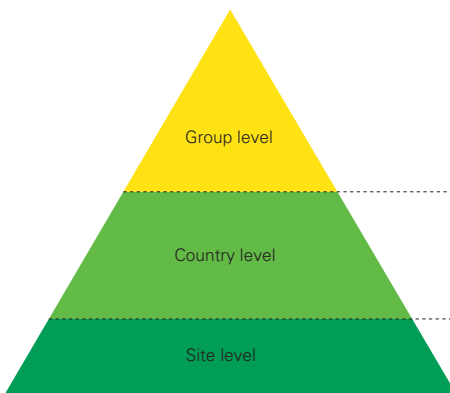
Our environmental mapping tool aims to provide greater transparency on the issues we face at a local level by allowing you to access environmental management information about individual BP sites. This shows where all BP's major operated facilities with ISO 14001 certification are located and identifies which issues are significant for management by each site. Using the tool, you can review details for biodiversity, air quality (non-greenhouse gas), fresh-water use, water quality and waste by region. Plotting these sites on background maps

that illustrate regional environmental conditions helps to put site information into local context, especially in relation to environmentally sensitive areas.

Country and location reports We also publish a number of country and location reports. These aim to provide a detailed view of our operations and an insight into the diversity of our activities. They enable you to review our environmental, social and ethical performance in the context of a particular location or market.

Environmental site reports Our website also contains more than 60 verified site reports, covering major exploration and production operations, refineries, petrochemicals plants, natural gas liquids facilities and solar panel manufacturing sites. We believe independently verified site reports provide greater transparency on our progress towards our stated aspirations. Data contained in site reports has advantages over globally aggregated performance data because environmental aspects of our activities can be described in their local context reflecting the most significant issues and impacts.

Speeches on corporate responsibility We publish a wide range of speeches on our website. Many of these cover issues of responsibility and sustainability. In 2004, these included subjects such as leadership, energy security, ethics, human capital, UN Global Compact, solar energy and climate change.



Web

www.bp.com/environmentandsociety

www.bp.com/locationreports

www.bp.com/sitereports
www.bp.com/hsemappingtool

Print

BP Sustainability Report 2004
BP Sustainability Review 2004
 Language versions
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 and Spanish)

Alaska	Germany
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Other useful web addresses

www.bp.com	BP group website
www.bp.com/sustainabilityreporting	Sustainability reporting
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www.bp.com/annualreport

BP Annual Report and Accounts 2004 gives details of our financial and operating performance.

www.bp.com/financialandoperating

BP Financial and Operating Information 2000-2004 includes five-year financial and operating data.



www.bp.com/statisticalreview

BP Statistical Review of World Energy, published in June each year, reports on key global energy trends.

www.bp.com/speeches

Published speeches include topics such as business ethics, human capital, leadership and climate change.



Contact details and acknowledgements

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