



performance for all our futures



Front cover: Mount Bromo, Indonesia.



Bill Schrader, BP's Country President for Indonesia and Business Unit Leader

"Indonesia, an abundant source of natural gas resources, is also a country in transition. With significant economic and social change already under way, BP's biggest challenge is to win the trust and support of local communities in the Tangguh area of Papua, in preparation for a major liquefied natural gas project."

The Annual Report and Accounts for the year ending 31 December 2001 comprises two volumes.

This volume, Annual Report 2001, contains the full Directors' Report on pages 1-21 and 28-37 and a summary of the information in the annual accounts on pages 22-26. This complies with the information required under the Companies (Summary Financial Statement) Regulations 1995.

The full accounts for the year ending 31 December 2001 are contained in a separate volume, Annual Accounts 2001.

This volume on its own does not contain sufficient information to allow as full an understanding of the results and state of affairs of BP as when read in conjunction with Annual Accounts 2001.

Shareholders requiring more detailed information may obtain a copy of Annual Accounts 2001 on request, free of charge (see page 36).

As part of its normal reporting obligations for the USA, BP will file a Form 20-F in respect of 2001 with the US Securities and Exchange Commission. This will comprise detailed information required to be filed in accordance with the US Securities Exchange Act 1934. The BP 2001 Form 20-F is expected to be filed around the end of March 2002. Copies may be obtained, free of charge (see page 36).

BP p.l.c. is the parent company of the BP group of companies. Unless otherwise stated, the text does not distinguish between the activities and operations of the parent company and those of its subsidiary undertakings.

The term 'shareholders' in this report means, unless the context otherwise requires, investors in the equity capital of BP p.l.c., both direct and/or indirect.

The registered office of BP p.l.c. is:
Britannic House, 1 Finsbury Circus, London EC2M 7BA, UK
Telephone: +44 (0)20 7496 4000
Registered in England and Wales No. 102498
Stock exchange symbol 'BP'

BP's Annual Report and Accounts 2001 may be downloaded from the BP website using the following URLs:

www.bp.com/annualreport2001
www.bp.com/annualaccounts2001

No other material on the BP website, except that found at the cited URLs, forms any part of the Annual Report and Accounts 2001.

Your attention is drawn to the cautionary statement on page 14 concerning forward-looking statements.

| | |
|---|----|
| performance for all our futures | 1 |
| chairman's letter | 10 |
| group chief executive's review | 12 |
| financial and business performance review | 14 |
| environmental and social performance review | 20 |
| summary accounts | 22 |
| corporate governance | 28 |
| executive directors' remuneration | 31 |
| shareholdings and annual general meeting | 36 |
| further information | 36 |
| board of directors | 37 |

Stability and prosperity in many parts of the world gave way to conflict and a global economic slowdown in 2001. In particular, the horror of the 11 September attacks reminded us forcefully that, against a backdrop of increasing global prosperity, we will sometimes face distressing and difficult events. For BP the challenge is to manage what is within our control in order to deliver outstanding performance consistently.

The test of success is the ability to give shareholders strongly competitive returns in a sustainable manner, in both the short and long term. We believe that, despite the volatile conditions, we achieved this during 2001. This achievement reflects not only the quality of our employees and our assets but also our commitment to investment for the future.

At the same time, good business depends on making a positive impact on the lives of the people we touch by striving to operate in a way that does no harm to the environment.

This report describes BP's performance during 2001, and assesses how it measured up to our targets for that period. It also explains our plans for the challenging year ahead.

Peter Sutherland
Chairman

The Lord Browne of Madingley
Group Chief Executive

performance for all our futures

2001 proved to be a year of transition for energy markets as they reacted to the sharp deceleration in world economic growth. The generally tight markets of 2000 and early 2001 gave way to a more balanced oil market and a relatively weak US natural gas market.

BP serves millions of customers every day, providing fuel for mobility, energy for light and heat, and petrochemicals. We have some 110,000 employees working in over 100 countries to create choices and satisfy the energy needs of a growing world population. By the end of 2001:

- our production had increased by 5.5% over 2000. On average, each day in 2001 we produced 1.93 million barrels of crude oil and 8.6 billion cubic feet of natural gas
- our hydrocarbon reserves stood at 16.3 billion barrels of oil equivalent
- we were selling natural gas in 24 countries, with average sales volumes of 18.8 billion cubic feet a day in 2001 compared with 14.5 billion cubic feet a day in 2000
- we had increased annual sales of solar power capacity to 55MW, 30% more than in 2000
- we had interests in 21 refineries with a throughput of 2.9 million barrels of crude oil a day
- we were selling an average of 160 million gallons of fuel a day through 26,800 service stations and other commercial channels
- our convenience sales revenues exceeded \$3.2 billion a year
- we had 55 petrochemicals sites worldwide

We continue to build a set of assets and brands that will allow us to deliver strong and reliable performance in tomorrow's world.

Enduring success depends on a robust financial framework for our company. The high quality of our assets and improvements in operational performance are helping us to save costs. Overall in 2001 we invested around \$13 billion of new capital in our operations, much of it to provide for future growth. Of that, about \$8.6 billion was invested in our upstream business.

We improve the quality of our portfolio by regularly reviewing our assets. We then dispose of those assets that have more value to others, and acquire new ones with the right strategic fit for us. For example, the purchase of a majority stake in Veba Oil of Germany in early 2002 makes us the biggest fuel and convenience retailer in the world's third largest economy. In 2001, with the sale of two refineries in the USA, we completed the \$10 billion of planned disposals resulting from the merger of BP and Amoco. We are making significant investments to maintain and grow our natural gas production in the USA. We are expanding our supply of gas to the US market from operations in Canada, Trinidad and the USA. We are also focusing our chemicals businesses on core products.

The development of leading-edge technology is essential to our growth and important in achieving cost reductions. Recent innovations range from new exploration and drilling techniques in the deep water of the Gulf of Mexico, USA, to an award-winning process for producing low-sulphur fuel.

We continue to develop key resources. For example, engineering and design work on the Thunder Horse project and Mardi Gras pipeline is well under way in the Gulf of Mexico. We have also begun detailed engineering and planning work for the Baku-Tbilisi-Ceyhan pipeline to transport oil from the Caspian Sea to global markets. Agreement has also been reached with the governments of Azerbaijan, Georgia and Turkey for the development of a parallel gas pipeline. We are making major new investments in China in petrochemicals and retail fuel operations, with more than 200 service stations now open.

We have improved the efficiency and reliability of our refineries, and increased our capacity to provide cleaner fuels, which we now sell in 113 cities worldwide. Retail sales of fuel are growing, while non-fuel sales at our retail outlets are increasing at an even faster rate. Our programme of upgrading service stations to BP Connect sites should boost the share of revenue we gain from non-fuel sales.



Tim Holt, Business Unit Leader, Onshore US Gas
"BP is now the leading producer of natural gas from onshore resources in the USA. Our business objective is simple – to sustain our leadership position. We are doing this through the use of smart technologies that enable us to increase steadily the recovery rate from the mature basins in which we operate."

delivering sustainable growth



working to make a better world



**Robert Riley, Chief Executive,
BP Trinidad and Tobago**

"As a global leader in natural gas production BP has a clear responsibility to deliver and set new standards for our industry. With our partners we have raised the bar internationally for the construction of liquefied natural gas plants. Our Kapok gas field will not only be our greenest offshore facility but also have the capacity to deliver more than one billion cubic feet of gas every day."

We intend to be a force for progress as well as competitively successful. This commitment is illustrated by the reduction in our own greenhouse gas emissions, where we have met our challenging target early. We have biodiversity action plans and have started to introduce water conservation programmes at key sites such as our Kwinana refinery in Australia.

In all areas of our business we are working to ensure we make a positive impact on society and the environment. For example, in Trinidad, where we produce natural gas for the domestic market and liquefied natural gas (LNG) for export, we are working closely with the local community of Mayaro Guayaguayare, 14 villages in total, to establish enduring social development projects. A fund has been set up to provide

support for education and small businesses. We help the community to set its own priorities and decide which other projects should be taken forward. Our experience in Trinidad confirms that the strengthening of relationships with local communities is a fundamental part of doing good business.

In Colombia, where we are a major oil producer, we have been closely involved with local people and local authorities in Casanare to ensure that the wealth generated by our production furthers the area's economic and social development. These efforts include promoting a more open relationship with the security forces in this area of violent conflict. Our own security and success are inextricably linked with those of the community. Experience over more than a decade

in Casanare has taught us that improving the well-being of local communities must go hand in hand with the development of any project.

We will set high standards for social responsibility in the LNG project at Tangguh in Indonesia, in which we plan to be a substantial investor. This location demands the utmost in cultural sensitivity, social responsibility and environmental stewardship, owing to the potential impact the project will have on the diverse local environment and the surrounding community. We aspire to make this a model project for the future. From the outset we have undertaken extensive consultation and assessments of its likely impact, and are in active dialogue with local people.



Makoko Beach, Trinidad.



**Graham Sims, Business Unit Leader,
Western Europe Retail**

"In the UK, where we are the leading fuel retailer, our ambition is to become the number one convenience retailer as well. The BP Connect concept, which now numbers 72 stores in the UK, will help us achieve this ambition. Connect represents a totally new approach for the industry, and our new store at Hornchurch, near London, is arguably the world's most environmentally friendly service station – utilizing 100% green energy sources and offering customers a range of organic and fair trade products."

The success of our business depends on the quality of our relationships – with customers, partners, employees and the communities in which we operate. They must be founded on trust and mutual advantage.

Working with the City of London, we are helping to introduce hydrogen fuel cell buses to the UK capital by 2003. BP will build and manage the supply network for the hydrogen fuel. Vehicles that use this fuel will make little noise and produce no emissions other than water vapour.

We continue to play a leading role in improving the standards of the shipping industry. Our international oil tanker fleet has an average age of seven years and

operates to the ISO 14001 environmental standard. During 2001, we carried hundreds of millions of barrels of oil in our fleet without a single cargo spill.

We are creating new capacity for future needs in many countries, which we must deliver securely and safely. For instance, we were selected in 2001 as the sole foreign partner in a joint venture to develop China's first LNG import terminal and associated pipeline in Guandong. This development is crucial to meeting China's growing needs for cleaner energy. In 2001 we also formed a joint venture to construct a \$2.7 billion chemicals complex near Shanghai.

Around the world we are continuing to build the BP brand, reinforcing our values

of being performance-driven, innovative, progressive and green, across a leading portfolio of powerful and distinctive brands. Whether it is the launch of more than 300 new BP Connect sites with the latest technology and convenience offer; the reimagining of more than 4,600 retail outlets to the new BP brand; the BP cleaner fuels we offer in a growing number of cities; convenient, clean and low-cost ARCO fuels in California; Amoco's premium fuels elsewhere in the USA; our decision to construct one of Europe's largest solar cell manufacturing plants in Madrid; or the worldwide strength of the renowned Castrol brand in lubricants – the aim is to build long-term trust and preference for BP among all our stakeholders worldwide.

inspiring trust and security

Westminster Bridge, London, UK.



**Fiona MacLeod, Business Unit Leader,
UK Gas and Power**

"These are very exciting times for BP. In many ways we are delivering for today while we create for tomorrow – looking for innovative sources of energy. Our real edge comes from our people's ability to be the best – in building customer relationships, in trading or in getting renewable energy to market. Solar and wind power both have enormous potential. Our challenge is to find the right balance between traditional and renewable sources as we move forward."



finding energy for the future

Energy is a growth industry with a quarter of a million potential new customers around the globe every day. We are committed to meeting their needs with cleaner, safe and efficient supplies of energy and chemicals that add value and create new choices and opportunities for consumers.

For many years to come energy needs will be met mainly by hydrocarbons, but the mix is rapidly shifting towards natural gas. The share of gas in our production has risen significantly.

We continue to search for, discover and develop new sources of oil and natural gas to meet the world's energy needs. Natural gas is an important bridge between oil and – looking into the future – fuel cells and renewable sources. Natural gas is a lower-carbon source of energy, producing greenhouse gas emissions that are 40% lower than those of coal. Discovered gas resources are almost equivalent in energy content to all the world's current oil reserves.

The application of technology to our first LNG plant in Trinidad set new cost standards

for us. We are developing processes that will cut costs further and also reduce emissions from future LNG plants.

We are also investing in renewable energy technologies. BP is a global leader in solar power, accounting for nearly one-fifth of the world solar market. In 2001 we launched a project that will provide power to 150 isolated villages in the Philippines.

In addition we are making selective investments in wind power generation on BP's operational sites, such as the Nerefco refinery in the Netherlands.

our fundamental objective is to protect and enhance shareholder value, in both the short and long term

Dear Shareholder

I am glad to report that in 2001 BP had another successful year, despite the increasingly troubled economic and political climate.

As you will see from the rest of this report, we made great progress in developing our strategic resources and in establishing leading positions in key markets. We have also been able to deliver a further increase in the dividend.

The acquisitions in 2000 that made Atlantic Richfield Company (ARCO), Vastar and Burmah Castrol part of BP have been showing every sign of living up to their promise. We are now a leading global energy company.

Our fundamental objective is to protect and enhance shareholder value, in both the short and the long term. Achieving this is a major responsibility for a global company with truly international shareholders.

In a world that is complex and uncertain, one of the prime duties of non-executive directors is to ensure that the management of the company is taking full account of the wide range of risks and opportunities facing it. We have processes in place so this can be done effectively. The independent non-executive directors form a majority on the board and its committees, representing the interests of shareholders in a dynamic way.

In particular, we monitor BP's performance with great care and test, on your behalf, the way the company manages its approach to the operational, financial, environmental and ethical risks it faces. Our processes are designed to make sure we have a clear picture of the business as a whole, while at the same time allowing the chief executive and his team the freedom to exercise the detailed and day-to-day judgements involved in running the company.

These processes must allow a rapid and effective response to change. We must deal with the reality that no company is perfect. Human beings can make mistakes. What is important is that systems are in place to manage and control issues if they occur and to ensure that lessons are learned from them.

As a major company we regularly come under intense scrutiny from a wide range of people in every society in which we operate. Our shareholders, employees and customers, as well as others affected by our operations, expect us to stay alert to the impact of our business. The leadership team and all our staff are individually accountable for their judgements and for upholding our business policies. Their commitment and enthusiasm, in this large and diverse company, are consistently outstanding.

We believe the investment, trade, skills and opportunities we bring to countries around the world, often in difficult circumstances, can be tremendously beneficial.

Our successful performance, in all its aspects, results from the work of the 110,000 people in BP and the leadership provided by John Browne and his team. Their experience, commitment and creativity have shaped the successes described in this report.

At all levels we need to attract and retain exceptional people and create an environment in which their talents will flourish. As a board we are confident that the current level and structure of executive reward provide the appropriate incentives to do so. That reward is tied firmly to performance and, at senior levels, to the long-term development and success of the company. Our standards of performance in a highly competitive sector are clear and demanding; the success of the approach is confirmed by the shareholder value we have already delivered.



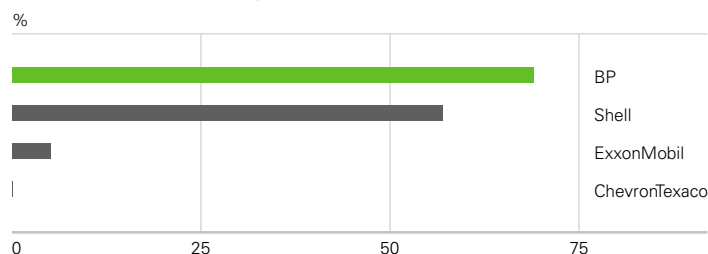
In my last letter to you I mentioned that the Lord Wright of Richmond, Ruth Block and Dr Chris Gibson-Smith would leave the board during 2001. Since then, Richard Ferris, who joined Amoco's board in 1981, retired as a non-executive director. We thank him for his part in shaping the company we have today.

We are also very sorry that two of our directors will not be continuing beyond April of this year. Doug Ford will return to the USA for personal reasons at the end of March and will retire from the board at that time. We thank Doug very much for his contribution to the development of the refining and marketing business during his time as a director. Sir Robert Wilson, who joined the board in 1998, has indicated that he will not be seeking re-election at the annual general meeting in April. The board has valued greatly Sir Robert's contribution and regrets his retirement.

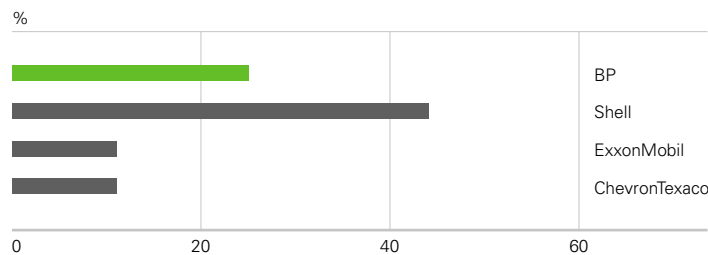
We welcome Dr DeAnne Julius to the board as a non-executive director. She is also a non-executive director of the Court of the Bank of England, having been a member of the Bank's Monetary Policy Committee from its formation in 1997 until June 2001.

Peter Sutherland
Chairman
12 February 2002

shareholder return against the market 1991-2001



shareholder return against the market 1999-2001



Shareholder returns comprise annual share price movements, with dividends reinvested, for investments held over the period shown.

Shareholder return against the market reflects the returns generated above or below returns from equivalent investments in the overall market.

This methodology is used in the Long Term Performance Plan described on page 33.

the great strength of the company was demonstrated by the fact that we delivered on the targets we had set

2001 was a year that reminded us, in the most dramatic and tragic way, that events shape the lives of individuals and of companies. No one could have predicted the events of 11 September and very few expected the economic recession that ended a long period of growth in the USA.

In the oil sector, prices were 15% down against the levels seen in the year 2000; refinery margins were weak; retailing was fiercely competitive; and in the chemicals sector margins were at levels below those seen at the bottom of the previous business cycle.

In our own activities too there were unforeseen events and setbacks. A small number of development projects faced delays and some maintenance work took longer than expected. Markets did not always follow predicted patterns of behaviour.

The great strength of the company was demonstrated by the fact that, despite everything, we delivered on the targets we had set for ourselves. Hydrocarbon production grew by 5.5% and we achieved \$2 billion of pre-tax underlying performance improvement; our downstream business expanded into new markets; our chemicals business was restructured in the face of a sharp sectoral downturn; and throughout the year we maintained our financial discipline.

We were able to deliver on our targets despite some setbacks because, across the span of activity, the negatives were offset by better than expected out-turns in a number of areas. The diversity that comes from our new size and reach is a source of significant competitive strength.

That spread of activity, coupled with a comparable diversity of people and ideas, also gives us great strength and potential for the future. We can make choices about the pattern of our

activity on the basis of merit and quality to a degree never previously possible. That should allow us to grow without jeopardizing our rate of return.

Diversity of activity allows us to spread risk, while a diversity of people allows us to understand a complex and rapidly changing world in which relationships within and between different countries have been disrupted, and perhaps permanently changed. To succeed we must adapt to such changes. We have to understand what the world expects from large companies and respond accordingly.

In our sector those expectations are focused on the environment. Can we demonstrate that our business is not caught in a desperate trade-off between the desire for economic growth and improved living standards and the imperative to protect our natural environment and the world's climate?

We believe we can transcend that trade-off. During 2001 we made decisive progress by delivering, years ahead of schedule, on our targets to reduce our own emissions of greenhouse gases.

The environment is not the only area in which the world expects great companies to lead by example. We have to show too that our activities are conducted in line with high ethical standards, and that we are contributing to human progress in all the communities in which we work. To deliver the continuous improvement in performance and profitability that is our fundamental goal we have to show we are part of a process of sustainable development, beneficial to all.

Our strategy remains in place. Business is growing in line with future demand, and the balance of our activity is reflecting the shift in the world's energy mix in favour of



natural gas and cleaner fuels. We are focusing on products that carry our brands. Our business remains predominantly within the OECD world and in high-growth areas beyond that, including China.

Access to a wider choice of great opportunities is matched by a continuing focus on capital efficiency and operational performance. Our goal is to ensure that increased investment and productivity improvements go hand in hand to deliver growth in underlying earnings, and therefore in dividends, within a disciplined financial framework that keeps our debt at a prudent level. That is our basic business model.

Our achievements in 2001, and our potential for the future, are founded on the quality and commitment of our people – 110,000 individuals worldwide whose combined effort has produced the story of success reflected in these pages. Just as we are committed to developing and extending our portfolio of business activities, so we are committed to developing and enhancing the capability of those individuals through programmes of education and training, enabling them to fulfil their personal potential to the maximum. They represent our human capital.

For them, and for the company as a whole, 2001 was a good year. But, as I have said before, the best is still to come.

The Lord Browne of Madingley
Group Chief Executive
12 February 2002

group chief executive's committee in 2001

The Lord Browne of Madingley, group chief executive
R F Chase, deputy group chief executive
Dr J G S Buchanan, chief financial officer
W D Ford, chief executive, refining and marketing
Dr B E Grote, chief executive, chemicals
R L Olver, chief executive, exploration and production
Dr D C Allen, group chief of staff and executive vice president
P B P Bevan, group general counsel and executive vice president
Dr A B Hayward, group treasurer
J A Manzoni, chief executive, gas and power, and executive vice president

bp performed strongly in 2001; production for the year grew by 5.5%, in line with our stated growth target

These tables and charts show the highlights of BP's achievements in 2001. They reflect more than our financial performance. Our strong underlying profitability has allowed us to increase the dividend compared with 2000, and we are continuing to invest in our future performance. We also met demanding targets for our environmental performance and recorded improvements in our safety record. We continue to make major financial commitments in all the communities in which we operate.

Owing to the significant acquisitions that took place in 2000, BP is presenting pro forma results, adjusted for special items, in addition to its reported results. This enables shareholders to assess current performance in the context of our past performance and against that of our competitors. The pro forma result is replacement cost profit before exceptional items excluding acquisition amortization as defined in footnote ^a to the reconciliation table (*right*). The pro forma result, adjusted for special items, has been derived from our UK GAAP accounting information but is not in itself a recognized UK or US GAAP measure. References within *Annual Report 2001* to 'operating result' and 'result' are to pro forma results, adjusted for special items. References to 'fixed assets', 'capital employed', 'operating capital employed' and 'net debt plus equity' are to these measures on a pro forma basis which excludes the fixed asset revaluation adjustment and goodwill consequent upon the Atlantic Richfield Company (ARCO) and Burmah Castrol acquisitions. 'Return', 'return on average capital employed' and the 'net debt ratio' (net debt/net debt plus equity) refer to ratios calculated using these measures. References to 'capital expenditure and acquisitions' and 'acquisitions' exclude the cost of the ARCO acquisition.

The results of ARCO and Burmah Castrol have been included with effect from 14 April and 7 July 2000 respectively. The European fuels business has been consolidated with effect from 1 August 2000.

key financials

| \$ million | 2001 | 2000 |
|--|---------------|--------|
| Pro forma result adjusted for special items | 13,178 | 14,203 |
| Replacement cost profit before exceptional items | 9,880 | 11,214 |
| Historical cost profit after exceptional items | 8,010 | 11,870 |
| Per ordinary share – cents | | |
| Pro forma result adjusted for special items | 58.73 | 65.63 |
| Replacement cost profit before exceptional items | 44.03 | 51.82 |
| Historical cost profit after exceptional items | 35.70 | 54.85 |
| Dividends per ordinary share – cents | 22.00 | 20.50 |
| – pence | 15.436 | 13.791 |
| Dividends per ADS – dollars | 1.32 | 1.23 |

reconciliation of reported profit/loss to pro forma result adjusted for special items

| \$ million | Reported | Acquisition amortization ^a | Special items ^b | Pro forma result adjusted for special items | 2000 |
|---|---------------|---------------------------------------|----------------------------|---|---------|
| Exploration and Production | 12,417 | 1,759 | 322 | 14,498 | 15,710 |
| Gas and Power ^c | 521 | – | – | 521 | 571 |
| Refining and Marketing ^c | 3,625 | 718 | 487 | 4,830 | 4,558 |
| Chemicals | 128 | – | 114 | 242 | 1,036 |
| Other businesses and corporate | (556) | – | 73 | (483) | (622) |
| Replacement cost operating profit | 16,135 | 2,477 | 996 | 19,608 | 21,253 |
| Interest expense | (1,670) | – | 62 | (1,608) | (1,659) |
| Taxation | (4,512) | – | (237) | (4,749) | (5,220) |
| Minority shareholders' interest | (73) | – | – | (73) | (171) |
| RC profit before exceptional items | 9,880 | 2,477 | 821 | 13,178 | 14,203 |

^a Acquisition amortization refers to depreciation relating to the fixed asset revaluation adjustment and amortization of goodwill consequent upon the ARCO and Burmah Castrol acquisitions.

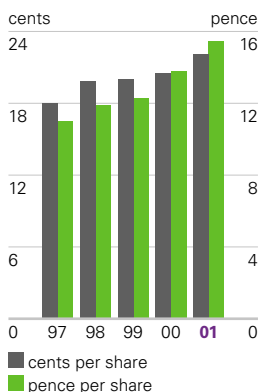
^b The special items refer to non-recurring charges and credits.

^c 2000 has been restated to reflect the transfer of the North American natural gas liquids business from Refining and Marketing to Gas and Power.

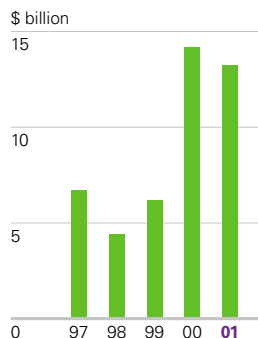
Cautionary statement

The Financial and Business Performance Review and other sections of this report contain statements, particularly those regarding possible or assumed future performance, costs, dividends, returns, recovery rate, revenues, debt equity ratio, reserves and growth of BP, industry growth and other trend projections, that are forward-looking statements and involve risks and uncertainties. It is believed that the expectations reflected in these statements are reasonable, but actual results may differ from those expressed in such statements, depending on a variety of factors, including: the specific factors identified in the discussions accompanying such forward-looking statements; industry product supply; demand and pricing; political stability and economic growth in relevant areas of the world; development and use of new technology and successful partnering; the actions of competitors; natural disasters and other changes in business conditions; and wars and acts of terrorism or sabotage.

dividends per share



result

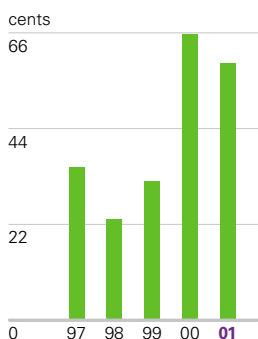


environmental performance

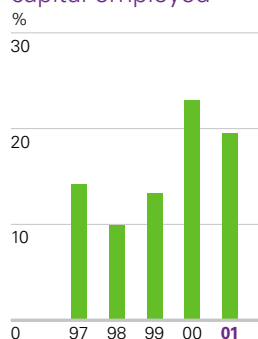
| | 2001 | 2000 |
|--|------|-------------------|
| Greenhouse gas emissions (million tonnes) ^a | 80.5 | 80.7 ^b |
| Hydrocarbon emissions to air (thousand tonnes) | 732 | 688 ^b |
| Number of spills reaching land or water (>1 barrel) ^c | 417 | 503 |
| Percentage of major sites with ISO 14001 ^d | 73 | 43 |

- ^a BP share of emissions of carbon dioxide and methane, expressed as an equivalent mass of carbon dioxide.
- ^b Includes ARCO data from date of acquisition (14 April 2000). 2000 data including a full year for ARCO: 83.7 million tonnes of greenhouse gas and 735,000 tonnes of hydrocarbons.
- ^c 1 barrel = 159 litres = 42 US gallons.
- ^d ISO 14001 is an international environmental management standard.

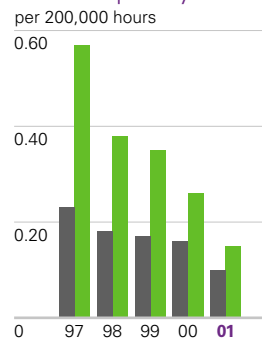
result per share



return on average capital employed

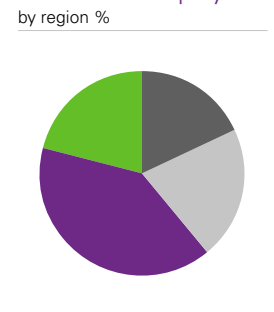


days away from work case frequency^a



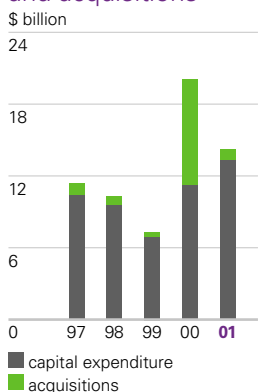
- employees ■ contractors
- ^a An injury or illness that results in a person being unable to work for a day (shift) or more.

geographical data for location of employees^a



- UK 18% ■ Rest of Europe 21%
- USA 40% ■ Rest of World 21%
- ^a Average number of employees in 2001.

capital expenditure and acquisitions



community investment by region

| \$ million | 2001 | 2000 | 1999 | 1998 |
|-------------------------|-------------|------|------|------|
| UK | 14.9 | 15.4 | 10.4 | 12.2 |
| (including UK charities | 4.7 | 4.1 | 5.3 | 5.1) |
| Rest of Europe | 8.0 | 5.3 | 3.5 | 2.6 |
| USA | 52.9 | 46.0 | 36.4 | 37.0 |
| Rest of World | 18.9 | 14.9 | 17.1 | 13.1 |
| Total | 94.7 | 81.6 | 67.4 | 64.9 |

community investment by theme

| \$ million | including UK charities | | including UK charities | | 1999 | 1998 |
|------------------------|------------------------|------------|------------------------|------|------|------|
| | 2001 | 2001 | 2000 | 2000 | | |
| Community development | 33.3 | 0.9 | 28.2 | 0.9 | 29.5 | 15.8 |
| Education | 29.5 | 2.2 | 21.3 | 0.9 | 14.8 | 14.6 |
| Environment and health | 15.5 | 1.2 | 8.3 | 1.6 | 4.7 | 6.1 |
| Arts and culture | 8.2 | - | 15.0 | - | 11.0 | 13.6 |
| Other | 8.2 | 0.4 | 8.8 | 0.7 | 7.4 | 14.8 |
| Total | 94.7 | 4.7 | 81.6 | 4.1 | 67.4 | 64.9 |

external environment

| | 2001 | 2000 |
|--|--------------|-------|
| BP average oil realizations (\$/barrel) | 22.50 | 26.63 |
| Brent oil price (\$/barrel) | 24.44 | 28.44 |
| BP average natural gas realizations (\$/thousand cubic feet) | 3.30 | 2.91 |
| Henry Hub gas price (\$/thousand cubic feet) | 4.26 | 3.90 |
| Global indicator refining margin (\$/barrel) | 4.06 | 4.22 |
| Chemicals indicator margin (\$/tonne) | 108 | 126 |

operating statistics

| | 2001 | 2000 |
|--|---------------|--------|
| Oil production (thousand b/d) | 1,931 | 1,928 |
| Gas production (million cf/d) | 8,632 | 7,609 |
| Total production (thousand boe/d) | 3,419 | 3,240 |
| Gas sales (million cf/d) | 18,794 | 14,471 |
| Refinery throughputs (thousand b/d) | 2,929 | 2,916 |
| Marketing sales (thousand b/d) | 3,797 | 3,420 |
| Chemicals production (thousand tonnes) | 22,716 | 22,065 |

Business environment

The trading environment was generally favourable in the first half of 2001. Natural gas and oil prices remained high until clear evidence of the global economic slowdown emerged after the first few months. Business conditions deteriorated in the second half and have been weak since 11 September.

The outlook for oil and gas prices is weaker than last year because of the state of the global economy, a mild US winter and reduced jet fuel demand following the events of 11 September. The crude oil market looks broadly balanced for the first half of 2002, if OPEC's latest round of quota reductions offsets current demand weakness. Additional OPEC oil may be required in the second half of the year to balance the market if demand improves in line with an economic recovery. In the US gas market, a combination of recovery and lower gas prices may boost demand during 2002, while lower drilling activity could curtail growth in domestic production. Refining margins have been poor so far in 2002 and may remain under pressure in the near term because of weak oil product demand growth and relatively high inventories, especially in the key US market. Retail margins are currently weaker owing to intense competitive pressure. In chemicals, the near-term pattern of demand is likely to be unchanged.

Results

Despite market conditions, BP performed strongly in 2001. Production for the year grew by 5.5%, in line with our stated growth target, reaching a record level of over 3.5 million barrels of oil equivalent a day in the fourth quarter. BP's result for the year was \$13,178 million, compared with \$14,203 million in 2000. The result per share was 58.73 cents, compared with 65.63 cents a year ago, a decrease of 10.5%. The replacement cost operating result was \$19,608 million (2000 \$21,253 million). Replacement cost profit before exceptional items was \$9,880 million (2000 \$11,214 million).

The special items in 2001 primarily comprise Castrol, Erdölchemie and Solvay integration costs, additional severance costs, mainly related to former ARCO employees, and an impairment charge for our Venezuelan Lake Maracaibo operations. Also included are costs related to rationalization of the European downstream commercial business and of our site at Grangemouth, Scotland.

The return on average capital employed (ROACE) was 19%, compared with 23% for 2000. Owing to the significant acquisitions that took place in 2000, the annual ROACE for 2000 has been calculated as the average of the four discrete quarterly ROACEs. The return in 2001 on a replacement cost before exceptional items basis was 12% (2000 16%).

During 2001, we achieved the \$5.8 billion cumulative pre-tax savings target on the combined cost structure of the enlarged group. We also achieved our 2001 \$2 billion pre-tax underlying performance improvement target through volume growth and cost reductions. This improvement was measured under mid-cycle operating conditions, that is, after adjusting prices, margins, costs and capacity utilization to levels that we would expect on average over the long term.

Net exceptional gains of \$535 million before tax (2000 \$220 million) include profits from the sale of the US Mandan and Salt Lake City refineries and the group's interests in Vysis, the Alliance and certain other US pipelines, and the Kashagan discovery in Kazakhstan, partly offset by losses mainly related to the sale or closure of certain chemicals activities.

Interest expense was \$1,608 million, compared with \$1,659 million in 2000, after adjusting for special charges of \$62 million and \$111 million respectively, arising from the early redemption of bonds. The decrease mainly reflects lower interest rates, partly offset by the impact of revaluing environmental and other provisions at a lower interest rate.

| special items | | |
|--|-------|-------|
| \$ million | 2001 | 2000 |
| Restructuring, integration and rationalization costs | | |
| BP | 219 | 624 |
| ARCO (including Vastar) | 208 | 633 |
| Castrol | 334 | 151 |
| | 761 | 1,408 |
| Provision against investments | – | 181 |
| Asset write-downs | 175 | 61 |
| Litigation | 60 | 63 |
| Environmental charges | – | 170 |
| | 996 | 1,883 |
| Interest – bond redemption charges | 62 | 111 |
| Total special items before tax | 1,058 | 1,994 |

Corporate tax expense was \$5,017 million (2000 \$4,972 million), representing an effective tax rate on replacement cost profit before exceptional items of 31%. The effective tax rate on the pro forma result, adjusted for special items, was 26%, compared with 27% a year ago.

Historical cost profit was \$8,010 million, including exceptional net gains after tax of \$30 million and after charging stock holding losses of \$1,900 million. The corresponding figures for 2000 were \$11,870 million profit, \$72 million loss and \$728 million gains respectively.

Capital expenditure and acquisitions amounted to \$14,124 million. Excluding acquisitions, capital expenditure was \$13,200 million compared with \$11,171 million in 2000, reflecting our growth programme.

Net cash inflow for the year was \$1,002 million, compared with \$3,743 million in 2000. Net cash outflow for capital expenditure and acquisitions, net of disposals, was \$11,604 million (2000 \$6,207 million).

The group's net debt, that is debt less cash and liquid resources, was \$19,609 million at the end of 2001, compared with \$19,359 million at the end of the previous year. The ratio of net debt to net debt plus equity was 26%, compared with 27% a year ago. We expect to keep this ratio in the range of 20-30%. On a reported basis, the percentage was 21% for both years. In addition to reported debt, BP uses conventional off balance sheet sources of finance such as operating leases and borrowings in associates and joint ventures. The group has access to significant sources of liquidity in the form of committed facilities and other arrangements.

BP's financial risk management process addresses the various risk exposures we encounter in the financial markets. Further details are in Note 28 in *Annual Accounts 2001*.

| capital investment | | |
|--------------------------------|---------|----------------------|
| \$ million | 2001 | 2000 |
| Exploration and Production | 8,627 | 6,383 |
| Gas and Power | 352 | 336 |
| Refining and Marketing | 2,386 | 2,369 |
| Chemicals | 1,446 | 1,585 |
| Other businesses and corporate | 389 | 498 |
| Capital expenditure | 13,200 | 11,171 |
| Acquisitions for cash | 924 | 8,936 ^a |
| | 14,124 | 20,107 |
| Disposals | (2,903) | (4,559) ^b |
| Net investment | 11,221 | 15,548 |

^a Excludes \$27,506 million for the ARCO acquisition.

^b Excludes \$6,803 million proceeds for the sale of ARCO assets.

Creditor payment policy and practice

The group has a policy commitment to long-term relationships founded on trust and mutual advantage. Within this overall policy, individual operating companies are responsible for agreeing terms and conditions for their business transactions and ensuring that suppliers are aware of the terms of payment. These terms are adhered to when payments are made, subject to terms and conditions being met by the supplier. BP p.l.c. is a holding company with no business activity other than the holding of investments in the group and therefore had no trade creditors at 31 December 2001.

Dividends

The total dividends announced for 2001 were \$4,935 million, against \$4,625 million in 2000. Dividends per share for 2001 were 22 cents, an increase of 7% compared with 2000. The company intends to continue to pay dividends in the future of around 50% of our result adjusted to our estimate of mid-cycle operating conditions. BP also intends to continue the operation of the Dividend Reinvestment Plan (DRIP) for shareholders who wish to receive their dividend in the form of shares rather than cash. The BP Direct Access Plan for US and Canadian investors also includes a dividend reinvestment feature.

Share repurchases

Consistent with our pledge to return surplus funds to shareholders, a total of 154 million shares were repurchased and cancelled during 2001 at a cost of \$1.3 billion. The repurchased shares had a nominal value of \$38.5 million and represented 0.7% of ordinary shares in issue at the end of 2000. Since the inception of the share repurchase programme in 2000, 376 million shares have been repurchased and cancelled at a cost of \$3.3 billion. Further repurchases may be made during the first quarter of 2002. BP will seek approval at the April 2002 annual general meeting to continue repurchasing shares as and when the group's funding position permits.

business operating results

| \$ million | 2001 | 2000 |
|----------------------------|---------------|--------|
| Exploration and Production | 14,498 | 15,710 |
| Gas and Power | 521 | 571 |
| Refining and Marketing | 4,830 | 4,558 |
| Chemicals | 242 | 1,036 |

Performance by our businesses
Exploration and production

In exploration and production we made good progress on important projects and are on track to deliver strong production growth supported by increasing hydrocarbon reserves. The result for the year was \$14,498 million, \$1,212 million below that of 2000. The effect of the oil price decline of more than \$4 per barrel was partly offset by operational improvements.

Our increased capital investment programme is beginning to bear fruit. Oil began to flow from the Northstar field offshore Alaska, 250 miles north of the Arctic Circle. Other significant projects went into production during the year, including the Crosby and Mica fields, both in 4,400 feet of water in the Gulf of Mexico, USA, and the Girassol field, in 4,200 feet of water in Angola. To continue the development of our gas reserves in Trinidad, a new liquefied natural gas (LNG) processing plant is planned to start up in 2002, and the engineering and design work on an additional, larger plant has begun. The Horn Mountain, King's Peak and King fields in the Gulf of Mexico are also scheduled for start-up in 2002.

We focused too on appraising and progressing our previous discoveries. In 2001, we sanctioned the Thunder Horse (previously known as Crazy Horse) and Holstein fields and the Mardi Gras pipeline in the Gulf of Mexico, as well as developments in Angola, Egypt, Alaska, Norway, Azerbaijan, Trinidad, Argentina and West of Shetland, UK. Exploration successes during the year included discoveries in Trinidad, Egypt and offshore Angola.

We entered the detailed engineering phase of the Baku-Tbilisi-Ceyhan oil pipeline, scheduled to come on stream by 2005. This will link our growing oil reserves in the Caspian to markets all over the world.

Gas and power

Gas and power's 2001 result was \$521 million, down \$50 million on 2000, reflecting a lower contribution from natural gas liquids, partly offset by better results from marketing and trading and from Ruhrgas. Gas sales volumes were well ahead of our 2001 target, especially in North America where we are one of the largest natural gas marketers. In Spain, as part of our expansion into European gas, we consolidated our position as the leading new entrant to the deregulated gas market.

In December, Pertamina, our partner in the Tangguh, Indonesia, gas project, signed a letter of intent with the project's first potential customer in the Philippines.

Refining and marketing

The refining and marketing result for the year was \$4,830 million, an increase of \$272 million over a year ago. The result reflects the full-year benefit of the ARCO and Burmah Castrol acquisitions, consolidation of the fuels business in Europe and improved marketing volumes, partly offset by the effects of the larger refinery maintenance programme in 2001.

We delivered another strong performance, led in particular by US refining in the first half of the year, where margins were very good. In both the USA and in Europe refining margins declined in the latter part of 2001. In September, in line with our strategy, we completed the sale of refineries at Mandan and Salt Lake City, USA.

We took an important step in Europe with the acquisition of 51% of Veba Oil from the German utility E.ON. The deal was completed early in 2002, finalizing one part of the arrangements originally announced in mid-2001. It adds about 1.5 million new customers a day, making us the largest fuels

retailer in Germany and enhancing our capacity to supply clean fuels in central Europe.

Marketing experienced significant competitive pressures throughout the year. We delivered growth of 23% in convenience store sales and 8% in retail fuel volumes, reflecting the full-year benefit of portfolio changes in 2000 and the rollout of the new BP Connect convenience sites. The introduction of the BP Connect retail convenience store brand continued throughout 2001, bringing the total number of new-format sites to 339. Good progress was made on the rebranding and reimagining of former BP and Amoco retail sites with the new colours and logo, with more than 4,600 sites being completed.

We also grew our market share in the Castrol lubricants business despite the difficult trading conditions.

Chemicals

The business environment for chemicals was very difficult throughout the year. The year's result of \$242 million was a decrease of \$794 million on a year ago. After early plant operating problems, we recorded lower unit costs through restructuring and improved plant performance in the second half of the year.

The strengthening of the chemicals business focused on building a limited set of leading global positions. We took full ownership of Erdölchemie through acquisition of Bayer's 50% stake. A deal was completed with Solvay to combine both companies' high-density polyethylene businesses. In addition, Solvay's polypropylene business was transferred to BP and our non-core engineering polymers business was transferred to Solvay. We also announced the closure of a number of disadvantaged or non-core plants in the UK and USA.

our targets remain

- to grow our hydrocarbon production by 5.5% a year
 - to grow marketing volumes
 - to invest \$12-\$13 billion in high-quality opportunities in 2002
 - to divest non-core assets
 - to maintain a strong balance sheet
 - to increase our underlying pre-tax result by \$1.4 billion in 2002
 - to increase the dividend in line with underlying results
-

Other businesses

During 2001, we increased production of solar capacity by 30% and raised our share of the world solar market to 18%.

Investing in future growth

Our total capital expenditure, excluding acquisitions, in 2001 was \$13,200 million (2000 \$11,171 million). About \$8,627 million represented investment in upstream projects, particularly developing future production from the Gulf of Mexico, Angola and US natural gas, as well as our core operations in the North Sea and Alaska.

The effective application of the very best technology leads to higher productivity and improved performance. Once new technologies have been proved operationally, we apply them quickly and systematically across the group to take advantage of our global scale. For example, in 2001 we used 4-D seismic imaging in 19 North Sea fields to add new production and reserves, and successfully tested a lightweight mooring buoy system that should reduce drilling costs in deep water locations. We have also developed technologies to reduce the cost of producing and transporting LNG.

The rationalization of the operations at our Grangemouth operating site and a three-year \$300-million investment programme will improve the site's safety and reliability.

During 2001, we significantly extended our business position in China. We became the sole foreign partner in the country's first LNG import terminal and pipeline, due on stream in 2006. By the end of 2001, our joint venture with PetroChina had successfully opened more than 200 retail sites.

our commitment to high standards of environmental and social performance is set out in our business policies

Our business policies apply to all BP employees as well as to our businesses worldwide. Successes in 2001 included early achievement of our target for reducing greenhouse gas emissions and a major improvement in safety performance. Our key goals remain no accidents, no harm to people and no damage to the environment.

Dealing with risks

Risk management demands effective processes throughout the company. All business opportunities and operations are tested to ensure decisions meet our objectives and our environmental and social commitments. Such commitments are also subjected to external scrutiny and verification.

Operating in environmentally or socially sensitive areas presents special challenges. Risk management processes analyse a range of impacts, whether local, national or global, including effects our operations may have on specific communities. These assessments are carried out within our businesses and examples of outcomes are referred to throughout this report. Where material risk is assessed, accountability for our social and environmental impact is written into line managers' individual performance contracts.

The Tangguh liquefied natural gas project in Indonesia featured among the social and environmental impact studies undertaken in 2001. Sited in an area of great biodiversity with distinctive indigenous cultures, Tangguh presents significant social, political and environmental challenges. We aspire to make it a model project, setting high standards of responsible development.

Our crisis management procedures were tested by the terrorist attacks on 11 September. Measures taken included evacuation of personnel, increased computer and site security and temporary restrictions on business travel.

Ethical conduct

Significant effort goes into ensuring that all employees understand our ethical conduct policy. In October, to bring increased focus to our ethical agenda, we appointed a director of business ethics.

We expect the highest ethical standards in areas such as respect for the rule of law, business relationships and human rights. All employees in positions of responsibility personally attest each year that they have complied with our ethical conduct policy. Increasingly we see more openness in raising ethical dilemmas and willingness to debate issues with stakeholders. Unethical behaviour is not tolerated. Ethics training has been developed for supervisors.

In 2001 we did not make donations to or incur expense to benefit any UK or other EU political parties or organizations. Group companies made contributions totalling \$902,000 to North American political parties and candidates; these contributions were individually of modest size in local terms and approved in advance by senior management.

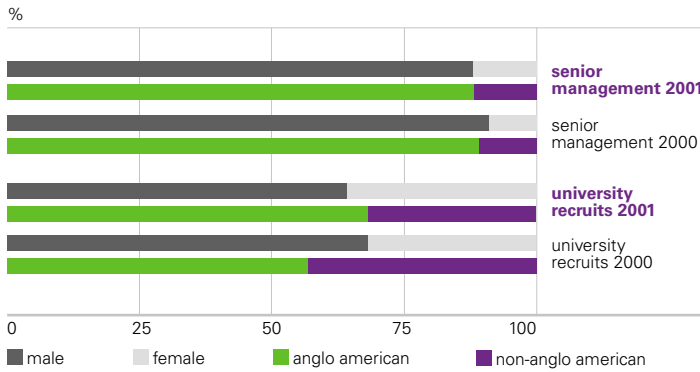
Engagement

Socially responsible investment is of active concern to many major investment and pension funds. During 2001 we held discussions with investors in the UK and USA on issues such as climate change and our involvement in China and Indonesia.

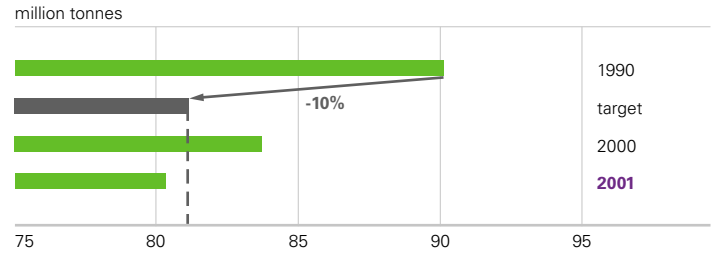
Mutually advantageous relationships with others help secure the future for our businesses. For example, in Azerbaijan, our broad-based social investments range from programmes to help Azeri businesses benefit from oil and gas investment to support for local non-governmental organizations.

During 2001 we brought black empowerment groups into BP Southern Africa. The Mineworkers Investment Company

employee profile by gender and nationality



greenhouse gas emissions



All data reported in this chart incorporates BP, Amoco and ARCO operations. The figure of 83.7 million tonnes for the year 2000 includes 3 million tonnes of ARCO operation emissions prior to the date of acquisition (14 April 2000).

and the Women’s Development Bank will use the financial returns generated from their shareholdings to fund social programmes.

Employees

Our annual staff survey in 2001 showed an improvement in staff satisfaction, outstripping our target. Female representation and representation by people from outside the UK/USA in BP’s senior leadership increased.

In all areas, our strategy and business plans are widely shared with employees. Staff are involved in employee communications forums in our European operations. Staff are encouraged to become shareholders through our employee share ownership schemes, and a significant number participate in these programmes.

We launched the Helios Awards to recognize outstanding new ideas from employees, covering projects relevant to the core values of the BP brand. More than 10% of our workforce were involved, and the overall winner was the Magnus enhanced oil recovery project in the North Sea.

Employees donated nearly \$1.2 million to emergency relief funds in response to floods in Houston and Algeria, the Gujarat earthquake and the events of 11 September. In all around \$11 million will have been donated to emergency relief on behalf of BP and its employees during 2001.

It is BP’s policy to ensure equal opportunity in recruitment, selection, promotion, employee development, training and reward policies and procedures in compliance with legal requirements. We aim to establish and maintain a safe working environment in which all employees, including those with disabilities, are assessed against clear criteria related to job requirements, enabling individuals to attain their full potential.

Health, safety and environmental performance

We greatly reduced our injury rate, by 38%, giving us one of the best safety records in the industry. Advanced safety audits, leadership training and formal incident investigations contributed to this improvement. The number of major incidents declined, although we regret to report 16 workforce fatalities in 2001, compared with 23 during 2000. Any fatal accident is unacceptable to us. In a determined drive towards zero fatalities, we are introducing an explicit safety improvement objective in the performance contracts of all our executives.

We constantly learn from health and safety incidents. Our accident investigations have revealed that in many cases simple procedures were either not in place or not being followed. As a result we have updated our safety practices, issued as ‘BP’s Golden Rules of Safety’.

In the past three years the cumulative reductions in our greenhouse gases have been substantial. Our emissions are now more than 10% lower than the 1990 base, well ahead of our 2010 target, with sustainable reductions of 1.3 million tonnes achieved during 2001. Greenhouse gas allowances of 4.55 million tonnes were traded between our sites. This progress demonstrates that precautionary measures against climate change are possible through realistic step-by-step efforts.

By the end of 2001, 73% of our major sites had gained certification to ISO 14001, the international environmental management standard. Action plans to protect biodiversity have been prepared for many locations, covering about 30% of our key facilities. We are working with external organizations to implement additional plans to protect and enhance biodiversity. Programmes to manage fresh water and conserve potable water have started at various sites.

summary group income statement

For the year ended 31 December

| | Note | 2001 | 2000 |
|--|------|----------------|---------|
| Group turnover | | | |
| | | 174,218 | 148,062 |
| Group replacement cost operating profit | | | |
| | 3 | 14,932 | 16,156 |
| Share of profits of joint ventures | | 443 | 808 |
| Share of profits of associated undertakings | | 760 | 792 |
| Total replacement cost operating profit | | | |
| | 4 | 16,135 | 17,756 |
| Profit (loss) on sale of businesses or termination of operations | 5 | (68) | 132 |
| Profit (loss) on sale of fixed assets | 5 | 603 | 88 |
| Replacement cost profit before interest and tax | | | |
| | | 16,670 | 17,976 |
| Stock holding gains (losses) | | (1,900) | 728 |
| Historical cost profit before interest and tax | | | |
| | | 14,770 | 18,704 |
| Interest expense | | 1,670 | 1,770 |
| Profit before taxation | | | |
| | | 13,100 | 16,934 |
| Taxation | | 5,017 | 4,972 |
| Profit after taxation | | | |
| | | 8,083 | 11,962 |
| Minority shareholders' interest | | 73 | 92 |
| Profit for the year | | | |
| | | 8,010 | 11,870 |
| Distribution to shareholders | 6 | 4,935 | 4,625 |
| Retained profit for the year | | | |
| | | 3,075 | 7,245 |
| Earnings per ordinary share – cents | | | |
| Basic | 7 | 35.70 | 54.85 |
| Diluted | 7 | 35.48 | 54.48 |

Replacement cost results

| | | | |
|---|---|--------------|--------|
| Historical cost profit for the year | | | |
| | | 8,010 | 11,870 |
| Stock holding (gains) losses | | 1,900 | (728) |
| Replacement cost profit for the year | | | |
| | 2 | 9,910 | 11,142 |
| Exceptional items, net of tax | 5 | (30) | 72 |
| Replacement cost profit before exceptional items | | | |
| | | 9,880 | 11,214 |
| Earnings per ordinary share – cents | | | |
| On replacement cost profit before exceptional items | 7 | 44.03 | 51.82 |

Directors' emoluments

Total emoluments received by BP directors were \$34,470,000 (\$33,076,000).

The summary financial statement on pages 1 to 26 and 28 to 37 was approved by a duly appointed and authorized committee of the board of directors on 12 February 2002 and signed on its behalf by:

Peter Sutherland, Chairman

The Lord Browne of Madingley, Group Chief Executive

summary group balance sheet

At 31 December

| | \$ million | |
|---|----------------|---------------|
| | 2001 | 2000 |
| Fixed assets | | |
| Intangible assets | 15,593 | 16,893 |
| Tangible assets | 77,410 | 75,173 |
| Investments | 12,047 | 11,753 |
| | 105,050 | 103,819 |
| Current assets | | |
| Business held for resale | – | 636 |
| Stocks | 7,631 | 9,234 |
| Debtors | 26,669 | 28,418 |
| Investments | 450 | 661 |
| Cash at bank and in hand | 1,358 | 1,170 |
| | 36,108 | 40,119 |
| Creditors – amounts falling due within one year | | |
| Finance debt | 9,090 | 6,418 |
| Other creditors | 28,524 | 32,110 |
| Net current assets (liabilities) | (1,506) | 1,591 |
| Total assets less current liabilities | 103,544 | 105,410 |
| Creditors – amounts falling due after more than one year | | |
| Finance debt | 12,327 | 14,772 |
| Other creditors | 3,086 | 3,842 |
| Provisions for liabilities and charges | 13,137 | 12,795 |
| Net assets | 74,994 | 74,001 |
| Minority shareholders' interest – equity | 627 | 585 |
| BP shareholders' interest | 74,367 | 73,416 |
| Represented by | | |
| Capital and reserves | | |
| Called up share capital | 5,629 | 5,653 |
| Reserves | 68,738 | 67,763 |
| | 74,367 | 73,416 |
| Movement in BP shareholders' interest | | |
| At 31 December 2000 | | 73,416 |
| Profit for the period | | 8,010 |
| Distribution to shareholders | | (4,935) |
| Currency translation differences | | (908) |
| Issue of share capital | | 181 |
| Share buyback | | (1,281) |
| Redemption of ARCO preference shares | | (116) |
| At 31 December 2001 | | 74,367 |

summary group cash flow statement

For the year ended 31 December

| | \$ million | |
|---|--------------|--------------|
| | 2001 | 2000 |
| Net cash inflow from operating activities ^a | 22,409 | 20,416 |
| Dividends from joint ventures | 104 | 645 |
| Dividends from associated undertakings | 528 | 394 |
| Net cash outflow from servicing of finance and returns on investments | (948) | (892) |
| Tax paid | (4,660) | (6,198) |
| Net cash outflow for capital expenditure and financial investment | (9,849) | (7,072) |
| Net cash (outflow) inflow for acquisitions and disposals | (1,755) | 865 |
| Equity dividends paid | (4,827) | (4,415) |
| Net cash inflow | 1,002 | 3,743 |
| Financing | 972 | 3,413 |
| Management of liquid resources | (211) | 452 |
| Increase (decrease) in cash | 241 | (122) |
| | 1,002 | 3,743 |

^a Reconciliation of historical cost profit before interest and tax to net cash inflow from operating activities

| | \$ million | |
|--|---------------|---------------|
| | 2001 | 2000 |
| Historical cost profit before interest and tax | 14,770 | 18,704 |
| Depreciation and amounts provided | 8,750 | 7,449 |
| Exploration expenditure written off | 238 | 264 |
| Share of profits of joint ventures and associated undertakings | (1,194) | (1,853) |
| Interest and other income | (478) | (360) |
| (Profit) loss on sale of businesses and fixed assets | (537) | (196) |
| Decrease (increase) in working capital and other items | 860 | (3,592) |
| Net cash inflow from operating activities | 22,409 | 20,416 |

notes

1 Presentation of the accounts

These summarized financial statements represent an abridged version of the financial statements in *Annual Accounts 2001*.

2 Replacement cost profit

Replacement cost profits reflect the current cost of supplies. The replacement cost profit is arrived at by excluding stock holding gains and losses from the historical cost profit.

3 Other income

| | \$ million | |
|--|-------------------|------|
| | 2001 | 2000 |
| Group replacement cost operating profit includes: | | |
| Income from other fixed asset investments | 208 | 202 |
| Other interest and miscellaneous income | 486 | 603 |

4 Analysis of total replacement cost operating profit

| | \$ million | | | \$ million | |
|--------------------------------|-------------------|---------|-----------------------------|-------------------|--------|
| | 2001 | 2000 | | 2001 | 2000 |
| By business | | | By geographical area | | |
| Exploration and Production | 12,417 | 14,012 | UK | 2,668 | 3,773 |
| Gas and Power | 521 | 571 | Rest of Europe | 1,814 | 2,013 |
| Refining and Marketing | 3,625 | 3,523 | USA | 7,049 | 7,296 |
| Chemicals | 128 | 760 | Rest of World | 4,604 | 4,674 |
| Other businesses and corporate | (556) | (1,110) | | | |
| | 16,135 | 17,756 | | 16,135 | 17,756 |

5 Exceptional items

| | \$ million | |
|--|-------------------|-------|
| | 2001 | 2000 |
| Exceptional items comprise profit (loss) on sale of fixed assets and businesses or termination of operations as follows: | | |
| Profit on sale of businesses or termination of operations – Group | 182 | 341 |
| Loss on sale of businesses or termination of operations – Group | (250) | (209) |
| | (68) | 132 |
| Profit on sale of fixed assets – Group | 948 | 535 |
| – Joint ventures | – | 24 |
| Loss on sale of fixed assets – Group | (343) | (471) |
| – Associated undertakings | (2) | – |
| Exceptional items | 535 | 220 |
| Taxation charge: | | |
| Sale of businesses | (50) | (181) |
| Sale of fixed assets | (455) | (111) |
| Exceptional items, net of tax | 30 | (72) |

Sale of businesses or termination of operations The profit on the sale of businesses during 2001 relates to the sale of the group's interest in Vysis. For 2000 the profit is attributable primarily to the divestment by the group of its common interest in Altura Energy.

For 2001 the loss on sale of businesses or termination of operations relates principally to the sale of the group's Carbon Fibers business and the write-off of assets following the closure or exiting of certain chemicals activities. The loss during 2000 arose from the subvention of bank loans to the group's paraxylene joint venture in Singapore.

Sale of fixed assets The profit on the sale of fixed assets in 2001 includes the profit from the divestment of the refineries at Mandan, North Dakota, and Salt Lake City, Utah; the group's interest in the Alliance and certain other pipeline systems in the USA; and BP's interest in the Kashagan discovery in Kazakhstan. For 2000, profit on the sale of fixed assets included the disposal of the Alliance refinery, located in Belle Chasse, Louisiana; the profit from the divestment of a 10% interest in certain exploration and production interests in Trinidad; and the profit from the sale of other exploration and production interests, mainly in the UK and USA.

The loss on sale of fixed assets in 2001 arises from a number of transactions. For 2000 the loss relates principally to the divestment by the group of its interests in the Quiriquire and Guarapiche fields in Venezuela.

6 Distribution to shareholders

| | pence per share | | cents per share | | \$ million | |
|---|-----------------|--------|-----------------|-------|------------|-------|
| | 2001 | 2000 | 2001 | 2000 | 2001 | 2000 |
| Preference dividends (non-equity) | | | | | 2 | 2 |
| Dividends per ordinary share: First quarterly | 3.665 | 3.220 | 5.25 | 5.00 | 1,178 | 1,133 |
| Second quarterly | 3.911 | 3.352 | 5.50 | 5.00 | 1,235 | 1,128 |
| Third quarterly | 3.805 | 3.602 | 5.50 | 5.25 | 1,232 | 1,185 |
| Fourth quarterly | 4.055 | 3.617 | 5.75 | 5.25 | 1,288 | 1,177 |
| | 15.436 | 13.791 | 22.00 | 20.50 | 4,935 | 4,625 |

7 Earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit attributable to ordinary shareholders, i.e. profit for the year less preference dividends, related to the weighted average number of ordinary shares in issue during the year. The profit attributable to ordinary shareholders is \$8,008 million (\$11,868 million). The average number of shares outstanding excludes the shares held by the Employee Share Ownership Plans.

The calculation of diluted earnings per share is based on profit attributable to ordinary shareholders as for basic earnings per share. However, the number of shares outstanding is adjusted to show the potential dilution if employee share options are converted into ordinary shares.

In addition to earnings per share based on the historical cost profit for the year, a further measure, based on replacement cost profit before exceptional items, is provided as it is considered that this measure gives an indication of underlying performance.

8 Capital expenditure and acquisitions

| | \$ million | | | \$ million | |
|---|------------|--------|-----------------------------|------------|--------|
| | 2001 | 2000 | | 2001 | 2000 |
| By business | | | By geographical area | | |
| Exploration and Production | 8,861 | 6,383 | UK | 2,128 | 7,438 |
| Gas and Power | 359 | 336 | Rest of Europe | 1,787 | 2,041 |
| Refining and Marketing | 2,415 | 8,693 | USA ^a | 6,160 | 34,037 |
| Chemicals | 1,926 | 1,585 | Rest of World | 4,049 | 4,097 |
| Other businesses and corporate ^a | 563 | 30,616 | | | |
| | 14,124 | 47,613 | | 14,124 | 47,613 |

^a 2000 includes \$27,506 million for the acquisition of ARCO.

independent auditors' statement**To the Members of BP p.l.c.**

We have examined the group's summary financial statement.

Respective responsibilities of directors and auditors

The directors are responsible for preparing *Annual Report 2001* in accordance with applicable law. Our responsibility is to report to you our opinion on the consistency of the summary financial statement, which contains the full Directors' Report, with the full annual accounts, and its compliance with the relevant requirements of section 251 of the Companies Act 1985 and the regulations made thereunder. We also read the other information contained in *Annual Report 2001* and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Basis of opinion

We conducted our work in accordance with Bulletin 1999/6 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board for use in the United Kingdom.

Opinion

In our opinion the summary financial statement, which contains the full Directors' Report, is consistent with the full annual accounts of BP p.l.c. for the year ended 31 December 2001 and complies with the applicable requirements of section 251 of the Companies Act 1985, and the regulations made thereunder.

Ernst & Young LLP

Registered Auditor
London
12 February 2002

The auditors have issued an unqualified audit report on the annual accounts containing no statement under section 237 (2) or section 237 (3) of the Companies Act 1985.

United States accounting principles

The following is a summary of adjustments to profit for the year and to BP shareholders' interest which would be required if generally accepted accounting principles in the USA (US GAAP) had been applied instead of those generally accepted in the United Kingdom (UK GAAP). The results are stated using the first-in first-out method of stock valuation.

| | \$ million | |
|--|----------------|--------|
| | 2001 | 2000 |
| Profit for the year | 8,010 | 11,870 |
| Adjustments: | | |
| Depreciation charge ^a | (2,239) | (766) |
| Decommissioning and environmental expense | (603) | (338) |
| Onerous property leases | (45) | (42) |
| Derivative financial instruments | (481) | – |
| Gain arising on asset exchange | 242 | – |
| Interest expense | 238 | 189 |
| Deferred taxation ^a | (615) | (790) |
| Other | 19 | 60 |
| Profit for the year before cumulative effect of accounting change as adjusted | 4,526 | 10,183 |
| Cumulative effect of accounting change: | | |
| Derivative financial instruments | (362) | – |
| Profit for the year as adjusted | 4,164 | 10,183 |
| Per ordinary share – cents | | |
| Basic – before cumulative effect of accounting change | 20.16 | 47.05 |
| Cumulative effect of accounting change | (1.61) | – |
| | 18.55 | 47.05 |
| Diluted – before cumulative effect of accounting change | 20.04 | 46.74 |
| Cumulative effect of accounting change | (1.60) | – |
| | 18.44 | 46.74 |
| Per American depositary share^b – cents | | |
| Basic – before cumulative effect of accounting change | 120.96 | 282.30 |
| Cumulative effect of accounting change | (9.66) | – |
| | 111.30 | 282.30 |
| Diluted – before cumulative effect of accounting change | 120.24 | 280.44 |
| Cumulative effect of accounting change | (9.60) | – |
| | 110.64 | 280.44 |

| | \$ million | |
|---|-----------------|----------|
| | 2001 | 2000 |
| BP shareholders' interest | 74,367 | 73,416 |
| Adjustments: | | |
| Fixed assets ^a | 6,069 | 8,777 |
| Ordinary shares held for future awards to employees | (266) | (360) |
| Sale and leaseback of Chicago office building | (413) | (413) |
| Decommissioning and environmental provisions | (780) | (921) |
| Onerous property leases | 65 | 105 |
| Derivative financial instruments | (1,038) | – |
| Gain arising on asset exchange | 242 | – |
| Deferred taxation ^a | (16,164) | (15,843) |
| Fourth quarterly dividend | 1,288 | 1,178 |
| Net unrealized loss on investments | (2) | – |
| Pension liability adjustment | (942) | (145) |
| Other | (104) | (128) |
| BP shareholders' interest as adjusted | 62,322 | 65,666 |

^a Under UK GAAP, provision for deferred taxation is made where timing differences are expected to reverse in the foreseeable future. Under US GAAP, deferred taxation is provided on a full liability basis on all temporary differences as defined in US Statement of Financial Accounting Standard No. 109. As required by this standard, assets and liabilities of acquired businesses have been adjusted from a net-of-tax to a pre-tax basis.

^b One American depositary share is equivalent to six 25 cent ordinary shares.

corporate governance

The board's governance policies (adopted in 1997) regulate its relationship with shareholders, the conduct of board affairs and its relationship with the group chief executive. The policies recognize that the board has a separate and unique role as the link in the chain of authority between the shareholders and the group chief executive. In addition, they acknowledge the dual role played by the group chief executive and executive directors as both members of the board and leaders of the executive management. The policies therefore require a majority of the board to be composed of non-executive directors and to delegate all aspects of the relationship between the board and the group chief executive to the non-executive directors. The policies also require the chairman and deputy chairman to be non-executive directors; throughout 2001 the posts were held by Mr P D Sutherland and Sir Ian Prosser respectively. Sir Ian Prosser acts as the senior independent non-executive director as required by the Combined Code on Corporate Governance. Finally, the company secretary reports to the non-executive chairman and is not part of the executive management.

Relationship with shareholders

The policies emphasize the importance of the relationship between the board and the shareholders. In them the board acknowledges that its role is to represent and promote the interests of shareholders and that it is accountable to shareholders for the performance and activities of the group (including, for example, the system of internal control and the review of its effectiveness). The board is required to be proactive in obtaining an understanding of shareholder preferences and to evaluate systematically the economic, social, environmental and ethical matters that may influence or affect the interests of its shareholders. These interests are represented and promoted by the board through exercising its policy-making and monitoring functions. As a result, shareholder interests lie at the heart of the goals established by the board for the company.

The board is accountable to shareholders in a variety of ways. Directors are required to stand for re-election every three years to ensure that shareholders have a regular opportunity to reassess the composition of the board. New directors are subject to election at the first opportunity following their appointment. Names submitted to shareholders for election in 2001 were accompanied by biographical details.

The board makes use of a number of formal channels of communication to account to shareholders for the performance of the company. These include the Annual Report and Accounts, Form 20-F filed with the US Securities and Exchange Commission, quarterly announcements made through stock exchanges on which the shares are listed and the annual general meeting of shareholders. Given the size and geographical diversity of BP's shareholder base, the opportunities for shareholder interaction at the annual general meeting are limited. However, the chairmen of the Audit Committee, Remuneration Committee and all other committee chairmen were present at the 2001 annual general meeting to answer questions. Shareholder-requisitioned resolutions have been moved before the last two annual general meetings. All proxy votes at shareholder meetings are counted since votes on all matters except procedural issues are taken by way of a poll. BP has also pioneered the use of electronic communications to facilitate the exercise

of shareholder voting rights. In addition to the e-voting facility available to shareholders for the first time in 2001, presentations given at appropriate intervals to representatives of the investment community are available simultaneously to all shareholders by live internet broadcast or open conference call.

Board process

The board has laid down rules for its own activities in a board process policy that covers the conduct of members at meetings; the cycle of board activities and the setting of agendas; the provision of information to the board; board officers and their roles; board committees, their tasks and composition; qualifications for board membership and the process of the Nomination Committee; the remuneration of non-executive directors; the appointment and role of the company secretary; the process for directors to obtain independent advice and the assessment of the board's performance. The board process policy places responsibility for implementation of this policy, including training of directors, on the chairman.

The policy recognizes that the board's capacity, as a group, is limited. The board therefore reserves to itself the making of broad policy decisions, delegating more detailed considerations involved in meeting its stated requirements either to board committees and officers (in the case of its own processes) or to the group chief executive (in the case of the management of the company's business activity). The policy allocates the tasks of monitoring executive actions and assessing reward to the following committees:

- *Chairman's Committee (all non-executive directors)* – organization and succession planning and overall performance assessment
- *Audit Committee (4-6 non-executive directors)* – monitoring all reporting, accounting, control and the financial aspects of the executive management's activities
- *Ethics and Environment Assurance Committee (4-6 non-executive directors)* – monitoring the non-financial aspects of the executive management's activities
- *Remuneration Committee (4-6 non-executive directors)* – determining performance contracts and targets and the structure of rewards for the group chief executive and executive directors.

In addition, there is a *Nomination Committee*, which comprises the non-executive chairman, the group chief executive and three non-executive directors selected from time to time as required.

The qualification for membership of the board includes a requirement that non-executive directors be free from any relationship with the executive management of the company that could materially interfere with the exercise of their independent judgement. In the board's view, all non-executive directors fulfil this requirement.

In carrying out its work, the board has to exercise judgement about how best to further the interests of shareholders. Given the uncertainties inherent in the future of business activity, the board seeks to maximize the expected value of shareholders' interest in the group, not to eliminate the possibility of any adverse outcomes for shareholders.

Board/Executive relationship

The board/executive relationship policy sets out how the board delegates authority to the group chief executive and the extent of that authority. In its goals policy, the board states the long-term outcome it expects the group chief executive to deliver. The restrictions on the manner in which the group chief executive may achieve the required results are set out in the executive limitations policy, which addresses ethics, health, safety, the environment, financial distress, internal control, risk preferences, treatment of employees and political considerations. On all these matters, the board's role is to set general policy and to monitor the implementation of that policy by the group chief executive.

The group chief executive explains how he intends to deliver the required outcome in annual and medium-term plans, the former of which include a comprehensive assessment of the risks to delivery. Progress towards the expected outcome is set out in a monthly report that covers actual results and a forecast of results for the current year. The board reviews this report at each meeting.

The board/executive relationship policy also sets out how the group chief executive's performance will be monitored and recognizes that, in the multitude of changing circumstances, judgement is always involved. The group chief executive is obliged through dialogue and systematic review to discuss with the board all material matters currently or prospectively affecting the company and its performance and all strategic projects or developments. This specifically includes any materially under-performing business activities and actions that breach the executive limitations policy. It also includes social, environmental and ethical considerations. This dialogue is a key feature of the board/executive relationship. Between board meetings the chairman has responsibility for ensuring the integrity and effectiveness of the board/executive relationship. The systems set out in the board/executive relationship policy are designed to manage rather than eliminate the risk of failure to achieve the board goals policy or observe the executive limitations policy. They provide reasonable, not absolute, assurance against material misstatement or loss.

Remuneration of executive directors

The board, through its Remuneration Committee, sets the rewards for the group chief executive and executive directors. The committee's policy and details of remuneration in 2001 are set out on pages 31 to 35 of this report.

Remuneration of non-executive directors

The articles of association provide that the remuneration paid to non-executive directors is to be determined by the board within the limits set by the shareholders. Non-executive directors do not have service contracts with the company. Their fees are fixed and paid in pounds sterling. For conformity, these are also reported in US dollars.

During 2001, the non-executive chairman received a fee of £280,000 (\$403,000) and the non-executive deputy chairman a fee of £85,000 (\$122,000). The non-executive directors received an annual fee of £45,000 (\$65,000), plus an allowance of £3,000 (\$4,000) for each occasion on which a director travels across the Atlantic for a board meeting or committee meeting. During 2001, the board met nine times, six times in the UK and three times in the USA. Committee meetings are held in conjunction with board meetings whenever feasible. Details of individual fees and allowances are set out in the table below.

remuneration of non-executive directors

| £/\$ thousand | 2001 ^a | | 2000 ^b | |
|--|-------------------|-----|-------------------|------------------|
| | £ | \$ | £ | \$ |
| Current directors | | | | |
| J H Bryan | 57 | 82 | 58 | 88 |
| E B Davis, Jr | 57 | 82 | 58 | 88 |
| Dr D S Julius | 4 | 6 | – | – |
| C F Knight | 54 | 78 | 55 | 83 |
| F A Maljers | 54 | 78 | 43 | 65 |
| Dr W E Massey | 65 | 94 | 55 | 83 |
| H M P Miles ^c | 54 | 78 | 46 | 69 |
| Sir Robin Nicholson ^d | 57 | 83 | 46 | 69 |
| Sir Ian Prosser | 85 | 122 | 80 | 121 |
| P D Sutherland | 280 | 403 | 160 | 242 ^e |
| M H Wilson | 60 | 86 | 58 | 88 |
| Sir Robert Wilson | 51 | 73 | 46 | 69 |
| Directors leaving the board in 2001^f | | | | |
| R S Block | 17 | 24 | 49 | 74 |
| R J Ferris | 32 | 45 | 52 | 79 |
| The Lord Wright of Richmond ^g | 20 | 28 | 46 | 69 |

^a Sterling payments converted at the average 2001 exchange rate of £1 = \$1.44.

^b Sterling payments converted at the average 2000 exchange rate of £1 = \$1.51.

^c Also received £300 (\$432) for serving as a director of BP Pension Trustees Limited in 2001.

^d Also received £20,000 per year (\$30,200 at 2000 rate; \$28,800 at 2001 rate) for serving on the Technology Advisory Council.

^e Also received other benefits of £1,518 (\$2,292 at 2000 rate).

^f In addition to their remuneration, certain payments in lieu of pension were made or released to non-executive directors leaving the board during 2001, totalling £487,853 (\$702,508). These included meeting obligations entered into by Amoco Corporation with respect to former Amoco non-executive directors. Details of these are given in Note 35 in *Annual Accounts 2001*.

^g Also received £1,200 (\$1,812) for serving as a director of BP Pension Trustees Limited in 2000 and £300 (\$432) in 2001.

directors' interests

in BP ordinary shares or calculated equivalents

| | At 31 Dec 01 | At 1 Jan 01 or on appointment | Change in directors' interests from 31 Dec 01- 12 Feb 02 |
|--|-------------------------|-------------------------------------|--|
| Current directors | | | |
| The Lord Browne of Madingley | 1,392,184 ^a | 1,069,445 ^a | – |
| J H Bryan | 98,760 ^b | 98,760 ^b | – |
| Dr J G S Buchanan | 723,149 | 721,312 | 141 |
| R F Chase | 794,745 | 709,325 | 141 |
| E B Davis, Jr | 62,695 ^b | 61,762 ^b | – |
| W D Ford | 333,139 ^b | 311,358 ^b | – |
| Dr B E Grote | 595,845 ^b | 431,598 ^b | – |
| Dr D S Julius | 2,000 | – ^c | – |
| C F Knight | 30,247 ^b | 29,458 ^b | – |
| F A Maljers | 33,492 ^b | 33,492 ^b | – |
| Dr W E Massey | 47,378 ^b | 46,665 ^b | – |
| H M P Miles | 9,445 | 9,445 | – |
| Sir Robin Nicholson | 3,643 | 3,548 | – |
| R L Olver | 585,852 | 421,910 | 141 |
| Sir Ian Prosser | 2,826 | 826 | – |
| P D Sutherland | 7,079 | 6,853 | – |
| M H Wilson | 43,200 ^b | 43,200 ^b | – |
| Sir Robert Wilson | 5,478 | 5,478 | – |
| | At retirement | At 1 Jan 01 | |
| Directors leaving the board in 2001 | | | |
| R S Block | 83,858 ^{b, d} | 83,536 ^b | |
| R J Ferris | 260,808 ^{b, e} | 260,808 ^b | |
| Dr C S Gibson-Smith | 671,812 ^d | 491,395 | |
| The Lord Wright of Richmond | 3,996 ^f | 3,996 | |

^a Includes 50,368 shares held as ADSs throughout 2001. One ADS is equivalent to six ordinary shares.

^b Held as ADSs.

^c On appointment on 29 November 2001.

^d At retirement on 19 April 2001.

^e At retirement on 8 June 2001.

^f At retirement on 30 April 2001.

In disclosing the above interests to the company under the Companies Act 1985, directors did not distinguish their beneficial and non-beneficial interests.

No director has any interest in the preference shares or debentures of the company, or in the shares or loan stock of any subsidiary company.

By operation of law, the executive directors who participate in certain all-employee SAYE option schemes are regarded as having an interest in such shares of the company held from time to time by BP QUEST Company Limited, which facilitates the operation of such schemes. The individual interests of executive directors in share-based remuneration are set out on pages 32 to 34 of this report.

Compliance with Code Provisions of Section 1 of the Combined Code

BP complied throughout 2001 with the Code provisions of Section 1 of the Combined Code on Corporate Governance of the London Stock Exchange except in the following two aspects. First, not all the members of the Nomination Committee are identified in this report since three of its members are selected from among the non-executive directors when a meeting is arranged. Leaving part of the committee membership unspecified allows the board to manage the potential for conflicts of interest in the committee's work. Secondly, BP was unable to comply with Code provision C.2.4 (circulation of Notice of Meeting and AGM papers at least 20 working days before the meeting) in order to facilitate the receipt of two shareholder-requisitioned resolutions for inclusion in the Notice of Meeting. The Notice of Meeting was, however, sent to shareholders in advance of the AGM in conformity with the requirements of the Companies Act 1985 and the Articles of Association in as timely a manner as practicable after receipt of those resolutions.

The board's governance policies include a process for the board to review regularly the effectiveness of the system of internal control as required by Code provision D.2.1. As part of this process, the board, the Audit Committee and the Ethics and Environment Assurance Committee requested, received and reviewed reports from executive management and the management of the principal businesses at their regular meetings. That enabled them to assess the effectiveness of the system of internal control in operation for managing significant risks throughout the year. These risks included those areas identified in the Disclosure Guidelines on Socially Responsible Investment issued by the Association of British Insurers. An explanation of how a number of such risks are identified and managed in the course of the company's business is included in the 'Dealing with risks' section on page 20 of this report and in Note 28 in *Annual Accounts 2001*.

The executive management presented a report to the November meetings of both the Audit Committee and the Ethics and Environment Assurance Committee to support the board in its annual assessment of internal control. The report identified and evaluated significant risks and described the executive management's assurance process. It also described the changes since the last annual assessment in the nature and potential impact of significant risks and the continuing development of the internal control systems in place to manage them. Significant incidents that occurred during the year and management's response to them were also described. The report also included an assessment of future potentially significant risks.

In the board's view, the information it received was sufficient to enable it to review the effectiveness of the group's system of internal control in accordance with the Guidance for Directors on Internal Control (Turnbull).

executive directors' remuneration

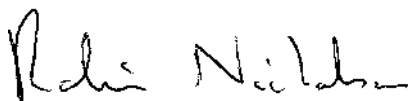
Dear Shareholder

As chairman of the Remuneration Committee, I would like to highlight the matters the committee considers to be important for all shareholders. We believe that BP's continuing success depends on its ability to attract, motivate and retain world-class executive talent and it is our responsibility to achieve this.

Rewards for our group chief executive and for the other executive directors must be competitive with the rewards in similar global companies. Having said that, the majority of any reward must be linked to the key goal of long-term performance. We set demanding performance targets to ensure that outstanding rewards can only be achieved by delivering world-class performance. In 2001 we decided to increase the reward of our executive directors to ensure competitiveness with other global companies based in both the USA and UK.

In our work we are committed to the fundamental corporate governance principles of independence, accountability, transparency of information and linkage of pay with performance. Our committee operates on an independent basis and seeks external, independent advice. Full details of the committee are given on page 35. Our reward policy and the figures for 2001 are set out on the following pages.

In 2002 we will continue our assessment of the reward structure to ensure it is still appropriate for BP and consistent with shareholders' interests.



Sir Robin Nicholson
Chairman, Remuneration Committee
12 February 2002

Reward policy

The Remuneration Committee's reward policy reflects its belief in the need to attract, motivate and retain world-class executive talent. The main principles of the policy are:

- Total reward levels should reflect the competitive global market and the committee actively seeks independent advice on this.
- The majority of the total reward is linked to achievement of demanding performance targets as shown in the descriptions of the elements of remuneration and the chart opposite. By way of illustration, in 2001 over three-quarters of the executive directors' remuneration was performance-based.
- Executive directors should share the interests of shareholders in making BP successful to the benefit of all shareholders. This is achieved through setting robust performance targets based on measures of shareholders' interests and through the committee's policy for executive directors to hold a significant shareholding in the company, currently equivalent to 5 x their base salary.
- The performance targets in the Executive Directors' Long Term Incentive Plan must encompass demanding comparisons of BP's shareholder returns and earnings with those of other companies in its own industry and in other sectors as well.
- The committee continually assesses whether the reward structure is achieving its objectives. In late 2001, it reviewed the existing remuneration of all executive directors relative to a comparator group of global companies. After taking independent external advice the committee agreed that there should be no major changes in the framework for total reward. In 2002 it will be reviewing long-term incentive awards.

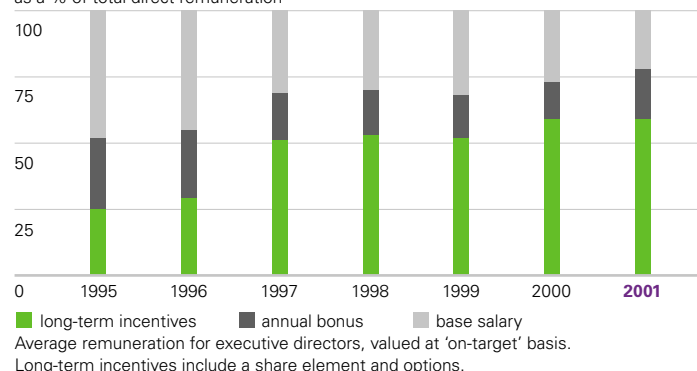
- In 2002 base salaries for the executive directors will be increased by less than 10%, in line with similar global companies.
- All UK executive directors appointed after 1996 should hold a contract of service with a maximum of a one-year period of notice.

Elements of remuneration

An increasing share of executive directors' pay is performance-related with the majority now based on long-term performance (*see chart below*). The more senior the executive, the greater the proportion of 'at risk' remuneration.

performance-based remuneration

as a % of total direct remuneration



The executive directors' total remuneration consists of performance-related and fixed components.

Performance-based components

There are long-term and short-term performance-related components.

The Executive Directors' Long Term Incentive Plan (EDLTIP), which was approved by shareholders in April 2000, includes a share element, a share option element and a cash element.

The share element compares BP's performance against oil majors over three years, on a rolling basis. This has been assessed in terms of a three-year shareholder return against the market (SHRAM), return on average capital employed (ROACE) and earnings per share (EPS) growth.

The committee reviews and approves annually the performance measures and the comparator companies. The comparator group of companies used for the SHRAM performance condition in the share element has been reduced so much by industry consolidation that the committee has decided for the 2002-2004 Plan to change to the FTSE All World Oil and Gas Index weighted by market capitalization. The committee is satisfied that this change does not make the performance targets of the Plan less demanding.

Performance units are granted at the beginning of the period and converted into an award of shares at the end of the three-year period, depending on performance. It is a condition for any such award that the individual holds shares equivalent to at least 5 x base salary.

Shares awarded are then held in trust for three years before they are released to the individual. This gives the executive directors a six-year incentive structure, and ensures their interests are aligned with those of shareholders.

The share option element reflects BP's performance relative to a wider selection of global companies. The committee will take into account BP's total shareholder return (TSR) compared with the TSR for the FTSE Global 100 group of companies over the three years preceding the grant.

The cash element allows the Remuneration Committee to grant cash rather than share-based incentives in exceptional circumstances. This element was not used in 2001.

The short-term performance-related component of executive directors' remuneration consists of an annual bonus. The Remuneration Committee reviews and sets bonus targets and level of eligibility annually. The target level is 100% of base salary (except for Lord Browne who has a 110% target). There is a stretch level of 150% of base salary for substantially exceeding targets.

Targets consist of a mix of demanding financial targets and other leadership objectives covering areas such as people, safety, environment and organization.

Fixed components

The fixed components of remuneration are:

- **Salary** Fixed sum payable monthly in cash. The committee reviews salaries periodically in line with global markets. The appropriate survey groups are defined and analysed by a leading remuneration consultancy.
- **Pension** Executive directors are eligible to participate in the appropriate pension schemes applying in their home countries.
- **Benefits and other share schemes** Executive directors are eligible to participate in regular employee benefit plans, including health and life insurance, and in all-employee share schemes and savings plans, as applicable in their home countries.
- **Resettlement allowance** Expatriates may receive a resettlement allowance for a limited period.

Results for 2001

The company achieved a strong result in 2001, leading the industry on ROACE and EPS growth. SHRAM results placed BP second in the group of comparable oil companies. Cumulative savings on the combined

cost structure of the enlarged group reached their target of \$5.8 billion pre-tax, compared with a 1998 base. There was excellent progress on leadership targets such as people, safety, environment and organization.

summary of 2001 remuneration

| | Long-term remuneration | | | Annual remuneration | | | | |
|---|--|---|----------------------------------|---|--------------------|---|------------------------|------------------------|
| | Performance units granted under 2001-2003 share element ^a | Expected award 1999-2001 share element ^b | Share option grants ^c | 2001 annual performance bonus \$ thousand | Salary \$ thousand | Benefits and other emoluments \$ thousand | 2001 total \$ thousand | 2000 total \$ thousand |
| The Lord Browne of Madingley | 415,000 | 472,500 | 1,269,843 | 2,566 | 1,728 | 79 | 4,373 | 2,762 |
| Dr J G S Buchanan | 165,000 | 280,000 | 253,971 | 933 | 691 | 32 | 1,656 | 1,527 |
| R F Chase | 205,000 | 315,000 | 312,171 | 1,147 | 850 | 45 | 2,042 | 1,723 |
| W D Ford | 170,000 | 175,000 | 261,036 | 972 | 720 | 496 ^d | 2,188 | 1,869 |
| Dr B E Grote | 155,000 | 175,000 | 241,092 | 898 | 665 | 301 ^d | 1,864 | 651 |
| R L Oliver | 170,000 | 252,000 | 260,319 | 956 | 708 | 53 | 1,717 | 1,451 |
| Director leaving the board in 2001 | | | | | | | | |
| Dr C S Gibson-Smith | – | 252,000 | – | 773 | 497 | 444 ^e | 1,714 | 1,429 |

The table above represents remuneration received by executive directors in the 2001 financial year, with the exception of the 2001 annual bonus which was earned in 2001 but paid in 2002. A conversion rate of £1 = \$1.44 has been used for 2001, £1 = \$1.51 for 2000.

^a Performance units granted under the 2001-2003 LTTP are converted to shares at the end of the performance period. Maximum of two shares per performance unit.

^b Gross award of shares. Sufficient shares are sold to pay for tax applicable. Remaining shares are held in trust until 2005 when they are released to the individual.

^c Options granted in February 2001 have a grant price of £5.67 per share. Mr Ford and Dr Grote hold ADSs; the above numbers and prices reflect calculated equivalents.

^d Includes resettlement allowances for Mr Ford and Dr Grote of \$440,000 and \$300,000 respectively.

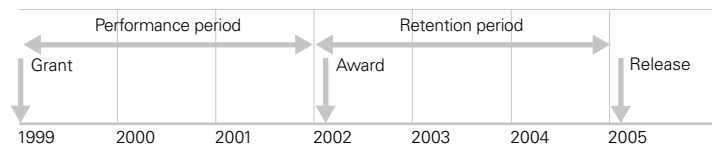
^e Includes pay in lieu of notice for Dr Gibson-Smith of \$386,000.

Long-term performance-based components

Long Term Performance Plan (LTTP) and share element

The LTTP award for the 1999-2001 performance period is made in February 2002 based on results achieved. The shares then have a minimum three years' retention in trust and no shares will be released until the director has a personal holding of BP shares equivalent to 5 x base salary.

timeline for 1999-2001 LTTP



Long Term Performance Plans (LTTP)

| Performance period of Plan | 1998-2000 | | 1999-2001 | | 2000-2002 | | 2001-2003 | |
|------------------------------------|-----------------------------|--------------------------------|----------------------|--------------------------------|----------------------|----------|----------------------|----------|
| | 2001 | | 2002 | | 2003 | | 2004 | |
| Performance measures ^a | SHRAM | | SHRAM, EPS and ROACE | | SHRAM, EPS and ROACE | | SHRAM, EPS and ROACE | |
| Actual award | Expected award ^c | | Maximum award | | Maximum award | | Maximum award | |
| | (shares) | (value) ^b \$'000 | (shares) | (value) ^d \$'000 | (shares) | (shares) | (shares) | (shares) |
| Current executive directors | | | | | | | | |
| The Lord Browne of Madingley | 532,600 | 4,357 | 472,500 | 3,708 | 560,000 | | 830,000 | |
| Dr J G S Buchanan | - ^e | - | 280,000 | 2,197 | 308,000 | | 330,000 | |
| R F Chase | 339,000 | 2,773 | 315,000 | 2,472 | 348,000 | | 410,000 | |
| W D Ford | - | - | 175,000 | 1,373 | 264,000 | | 340,000 | |
| Dr B E Grote | 247,000 | 2,020 | 175,000 | 1,373 | 170,000 | | 310,000 | |
| R L Olver | 297,400 | 2,433 | 252,000 | 1,978 | 294,000 | | 340,000 | |
| Former executive directors | | | | | | | | |
| Dr C S Gibson-Smith | 297,400 | 2,433 | 252,000 | 1,978 | 280,000 | | - | |
| B K Sanderson | 339,000 | 2,773 | 280,000 | 2,197 | - | | - | |
| H L Fuller | - | - | 472,500 | 3,708 | - | | - | |

^a Shareholder return against the market (SHRAM), earnings per share (EPS), return on average capital employed (ROACE).

^b Based on average market price on date of award (£5.68/\$8.18 at £1 = \$1.44).

^c The Remuneration Committee's current expectation based on assessed performance and other terms of the Plan. The calculations for the 1999-2001 Plan include the share split.

^d Based on mid-market price of BP shares on 12 February 2002 (£5.45/\$7.85 at £1 = \$1.44).

^e Dr Buchanan elected to defer until 2004 the determination of whether an award should be made for this period.

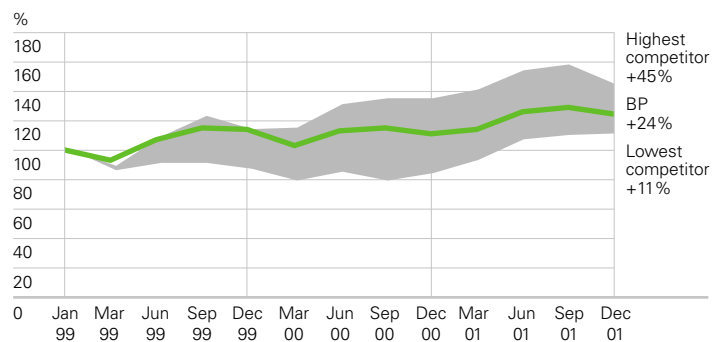
For the 1998-2000 LTTP BP's performance was assessed in terms of three-year shareholder return against the market (SHRAM) in relation to the following companies: Chevron, ExxonMobil, Shell and Texaco. BP came first in the 1998-2000 Plan, and the Remuneration Committee made the maximum award of shares to executive directors in 2001.

For the 1999-2001 Plan BP's SHRAM again exceeded ChevronTexaco, ExxonMobil and TotalFinaElf, but came second to Shell.

The Remuneration Committee has also considered profitability and growth targets for the 1999-2001 Plan, i.e. return on average capital employed (ROACE) and earnings per share (EPS) growth. On both measures BP came first in assessing performance against the same oil companies.

Based on an initial performance assessment of 175 points out of 200, the committee expects to make an award of shares to executive directors as set out in the 1999-2001 column of the above LTTP table.

shareholder return against the market (SHRAM) 1999-2001



Share option element and other option schemes

Option grants in 2001 were made taking into consideration the ranking of the company's total shareholder return (TSR) against the TSR of the FTSE Global 100 group of companies over the three-year period from

1 January 1998. Options granted vest over three years (one-third each after one, two and three years respectively) and have a life of seven years after grant. Executive directors who retire after 1 January 2002 may retain vested options for this period.

directors' share options

| | Option type | At 1 Jan 01 | Granted | Exercised | At 31 Dec 01 | Option price | Market price at date of exercise | Date from which first exercisable | Expiry date |
|---|-------------|-------------|-----------|-----------|---------------------|--------------|----------------------------------|-----------------------------------|-------------|
| The Lord Browne of Madingley | SAYE | 5,968 | – | – | 5,968 | £2.89 | – | 1 Sept 02 | 28 Feb 03 |
| | EDLTIP | 408,522 | – | – | 408,522 | £5.99 | – | 15 May 01 | 15 May 07 |
| | EDLTIP | – | 1,269,843 | – | 1,269,843 | £5.67 | – | 19 Feb 02 | 19 Feb 08 |
| Dr J G S Buchanan | SAYE | 2,980 | – | 2,980 | – | £2.32 | £5.60 | 1 Sept 01 | 28 Feb 02 |
| | SAYE | 1,856 | – | – | 1,856 | £3.72 | – | 1 Sept 03 | 28 Feb 04 |
| | SAYE | 750 | – | – | 750 | £4.50 | – | 1 Sept 04 | 28 Feb 05 |
| | SAYE | – | 1,320 | – | 1,320 | £5.11 | – | 1 Sept 06 | 28 Feb 07 |
| | EDLTIP | 75,189 | – | – | 75,189 | £5.99 | – | 15 May 01 | 15 May 07 |
| | EDLTIP | – | 253,971 | – | 253,971 | £5.67 | – | 19 Feb 02 | 19 Feb 08 |
| R F Chase | SAYE | 3,388 | – | – | 3,388 | £4.98 | – | 1 Sept 05 | 28 Feb 06 |
| | EDLTIP | 85,215 | – | – | 85,215 | £5.99 | – | 15 May 01 | 15 May 07 |
| | EDLTIP | – | 312,171 | – | 312,171 | £5.67 | – | 19 Feb 02 | 19 Feb 08 |
| W D Ford ^a | NRSO | 105,866 | – | – | 105,866 | \$20.80 | – | 22 Mar 95 | 22 Mar 04 |
| | NRSO | 119,100 | – | – | 109,100 | \$23.69 | – | 28 Mar 96 | 28 Mar 05 |
| | NRSO | 132,332 | – | – | 132,332 | \$27.68 | – | 26 Mar 97 | 26 Mar 06 |
| | NRSO | 132,332 | – | – | 132,332 | \$34.08 | – | 25 Mar 98 | 25 Mar 07 |
| | NRSO | 132,332 | – | – | 132,332 | \$32.92 | – | 24 Mar 99 | 24 Mar 08 |
| | BPA | 54,712 | – | – | 54,712 | \$53.90 | – | 15 Mar 00 | 14 Mar 09 |
| | BPA | 38,750 | – | – | 38,750 | \$48.94 | – | 28 Mar 01 | 27 Mar 10 |
| | EDLTIP | – | 43,506 | – | 43,506 | \$49.65 | – | 19 Feb 02 | 19 Feb 08 |
| Dr B E Grote ^a | SAR | 40,000 | – | – | 40,000 | \$13.63 | – | 23 Mar 93 | 23 Mar 03 |
| | SAR | 40,800 | – | – | 40,800 | \$16.63 | – | 25 Mar 94 | 25 Mar 04 |
| | SAR | 35,600 | – | – | 35,600 | \$19.16 | – | 28 Feb 95 | 28 Feb 05 |
| | SAR | 35,200 | – | – | 35,200 | \$25.27 | – | 6 Mar 96 | 6 Mar 06 |
| | SAR | 40,000 | – | – | 40,000 | \$33.34 | – | 28 Feb 97 | 28 Feb 07 |
| | BPA | 10,404 | – | – | 10,404 | \$53.90 | – | 15 Mar 00 | 14 Mar 09 |
| | BPA | 12,600 | – | – | 12,600 | \$48.94 | – | 28 Mar 01 | 27 Mar 10 |
| | EDLTIP | – | 40,182 | – | 40,182 | \$49.65 | – | 19 Feb 02 | 19 Feb 08 |
| R L Oliver | SAYE | 4,470 | – | 4,470 | – | £2.32 | £5.29 | 1 Sept 01 | 28 Feb 02 |
| | SAYE | 2,386 | – | – | 2,386 | £2.89 | – | 1 Sept 02 | 28 Feb 03 |
| | SAYE | – | 1,137 | – | 1,137 | £5.11 | – | 1 Sept 03 | 28 Feb 04 |
| | EDLTIP | 71,847 | – | – | 71,847 | £5.99 | – | 15 May 01 | 15 May 07 |
| | EDLTIP | – | 260,319 | – | 260,319 | £5.67 | – | 19 Feb 02 | 19 Feb 08 |
| Director leaving the board in 2001 | | | | | | | | | |
| Dr C S Gibson-Smith | SAYE | 2,154 | – | – | 2,154 ^b | £4.50 | – | – | – |
| | EDLTIP | 68,505 | – | – | 68,505 ^b | £5.99 | – | – | – |

EDLTIP = Executive Directors' Long Term Incentive Plan adopted by shareholders in April 2000 as described on page 32.

BPA = BP Amoco share option plan which applied to US executive directors prior to the adoption of the EDLTIP.

NRSO = Amoco Non-Restricted Stock Option which applied to Mr Ford as an employee of Amoco.

SAR = Stock Appreciation Rights under BP America Inc Share Appreciation Plan.

SAYE = Save As You Earn employee share option scheme.

^a Numbers shown are ADSs under option. One ADS is equivalent to six ordinary shares.

^b At retirement on 19 April 2001.

Short-term performance-based component

Executive directors' annual bonus awards for 2001 were based on a mix of financial targets and leadership objectives established at the beginning of the year. Assessment of all the targets showed that, compared with a target performance of 100 points, 135 points were achieved, resulting in bonus awards as shown in the summary of remuneration on page 32.

Salaries

Each year the committee receives independent advice on competitive global salary markets for the group chief executive and for the other executive directors. Taking into account this advice and the fact that base salaries had not previously been increased since October 1999, the committee decided to increase Lord Browne's salary by 47% and the other executive directors' salaries by an average of 15% for 2001.

Service contracts

All executive directors appointed since 1996 hold a contract of service which includes a period of notice of one year or less, except Mr Ford. Lord Browne and Mr Chase were appointed prior to 1996 and have contracts with a two-year notice period. The board does not consider it in shareholders' interests to renegotiate these contracts.

Mr Ford has resigned from the board of BP p.l.c. with effect from 31 March 2002, at which time his secondment will end. His underlying US employment agreement with BP Corporation North America has a two-month notice period. If his contract is terminated by BP Corporation North America without cause, it is required to pay him \$1 million per annum (pro rated for part years) for each year between the date of severance and 21 January 2004.

pensions – UK directors

| \$ thousand ^a | Service at 31 Dec 01 | Accrued benefit at 31 Dec 01 | Additional pension earned during the year ended 31 Dec 01 ^b | Additional pension earned during the year ended 31 Dec 00 ^b |
|----------------------------------|-------------------------|------------------------------------|---|---|
| The Lord Browne of Madingley | 35 yrs | 1,152 | 346 | (15) |
| Dr J G S Buchanan | 32 yrs | 461 | 29 | 15 |
| R F Chase | 37 yrs | 566 | 62 | (9) |
| Dr C S Gibson-Smith ^c | 30 yrs | 420 | 48 | 14 |
| R L Olver | 28 yrs | 470 | 68 | 14 |

^a An exchange rate of £1 = \$1.44 has been used for 2001 (£1 = \$1.51 for 2000).

^b Excludes the impact of inflation.

^c Figures shown at date ceased being a director (19 April 2001).

UK directors are members of the BP Pension Scheme. The Scheme offers Inland Revenue-approved retirement benefits based on final salary. It is the principal section of the BP Pension Fund, the latter being set up under trust deed. Company contributions to the Fund are made on the advice of the actuary appointed by the Trustee. No company contributions were made during 2001.

Scheme members' core benefits are non-contributory. They include a pension accrual of 1/60th of basic salary for each year of service, subject to a maximum of two-thirds of final basic salary; a lump-sum death-in-service benefit of three times salary; and a dependant's benefit of two-thirds of the member's pension. The Scheme pension is not integrated with state pension benefits.

Normal retirement age is 60, but Scheme members who have 30 or more years' pensionable service at age 55 can elect to retire early without an actuarial reduction being applied to their pension.

Pensions payable from the Fund are guaranteed to be increased annually in line with changes to the Retail Prices Index, up to a maximum of 5% a year.

Directors accrue pension on a non-contributory basis at the enhanced rate of 2/60ths of their final salary for each year of service as executive directors (up to the same two-thirds limit). None of the directors is affected by the pensionable earnings cap.

The Remuneration Committee

The Remuneration Committee decides the remuneration policy and sets the terms of engagement and total rewards of the executive directors. The committee agrees each executive director's service contract, salary, targets and bonus scheme, and the grants of options and performance units under the Executive Directors' Long Term Incentive Plan.

Its members are all independent non-executive directors. The current membership is Sir Robin Nicholson (chairman), Mr Knight, Sir Ian Prosser, Mr Davis and Dr Julius. During the year Mrs Block, Mr Ferris and the Lord Wright of Richmond retired. Like other directors, each member of the committee is subject to periodic re-election every three years.

They have no personal financial interest, other than as shareholders, in the committee's decisions. They have no conflicts of interest arising from cross-directorships with the executive directors nor from being involved in the day-to-day business of the company.

pensions – US directors

| \$ thousand | Service at 31 Dec 01 | Accrued benefit at 31 Dec 01 | Additional pension earned during the year ended 31 Dec 01 | Additional pension earned during the year ended 31 Dec 00 |
|--------------|-------------------------|------------------------------------|--|--|
| W D Ford | 31 yrs | 504 ^a | 128 ^a | 67 |
| Dr B E Grote | 22 yrs | 83 | 14 | 10 |

^a Includes a temporary annuity of \$7,123 which is payable until age 62.

US directors participate in the BP Retirement Accumulation Plan. Under this Plan, the amount of the annuity they are eligible to receive on a single-life basis is determined using a cash balance formula. The Plan was established in 2000; it superseded earlier group pension and cash balance plans. However, those employees who satisfied certain age and service conditions at the date of transition to the Plan were provided with minimum benefits equal to those they would have earned under their previous pension arrangements. In line with US tax regulations, benefits are provided through a combination of tax qualified and restoration/non-qualified plans, as appropriate.

Under these 'grandfathering' arrangements, the annuity benefit formula (which includes a percentage of US Social Security benefits) is calculated at 1.67% x years of participation x average annual earnings. These earnings are determined by taking separately the three highest consecutive calendar years' earnings from salary and the three highest consecutive calendar years' bonus awards during the 10 years preceding retirement. The maximum annuity is 60% of such average earnings.

Normal pensionable age is 65. No actuarial reduction is applied to the pension if it is paid from age 60; however, a reduction of 5% a year is applied if paid between ages 50 and 59.

Mr Ford is subject to the 'grandfathering' arrangements and his figures have been disclosed on this basis.

Dr Grote is not subject to the 'grandfathering' arrangements. His benefit is determined by the cash balance formula, under which each year of service accrues a monetary credit in a current account. The credit is based on a sliding scale, referencing age and service, and is subject to a minimum of 4% and a maximum of 11% of eligible pay. The account balance earns interest on a monthly basis.

The committee met five times in the period under review. The committee consults the group chief executive on matters relating to other executive directors who report to him. He is not present when matters affecting his own remuneration are considered. The chairman of the board also attends meetings when appropriate.

The committee is serviced independently of the executive management and actively seeks advice from external professional consultants. In its constitution and operation it complies with the 'Principles of Good Governance and Code of Best Practice' set out by the Listing Rules of the Financial Services Authority (FSA). Ernst & Young LLP have confirmed that the scope of their report on the accounts covers the disclosures contained in this report that are specified for audit by the Listing Rules.

shareholdings and annual general meeting

Substantial shareholdings

At the date of this report, the company has been notified that JPMorgan Chase Bank (formerly Morgan Guaranty Trust Company of New York), as the approved depository for BP American Depositary Shares (ADSs), holds interests through its nominee, Guaranty Nominees Limited, in 6,897,609,706 ordinary shares (30.74% of the company's ordinary share capital). Included in this total is part of the holding of the Kuwait Investment Office (KIO). Either directly or through nominees, the KIO holds interests in 715,040,000 ordinary shares (3.19% of the company's ordinary share capital).

At the date of this report, the company has been notified of the following interests in preference shares: Co-operative Insurance Society Limited holds interests in 1,550,538 8% 1st preference shares (21.44% of that class) and 1,689,796 9% 2nd preference shares (30.87% of that class). Prudential plc holds interests in 528,150 8% 1st preference shares (7.30% of that class) and 644,450 9% 2nd preference shares (11.77% of that class). It should be noted that the total preference shares in issue comprise only 0.33% of the company's total issued nominal share capital, the rest being ordinary shares.

Annual General Meeting

The 2002 annual general meeting will be held on Thursday 18 April 2002 at 11.00 a.m. at the Royal Festival Hall, Belvedere Road, London SE1 8XX, UK. The notice convening the meeting is sent to shareholders separately with this report, together with an explanation of the items of special business to be considered at the meeting.

All substantive resolutions will be decided on a poll. Voting on a show of hands is reserved solely for procedural matters to assist the efficient running of the meeting.

Ernst & Young LLP have expressed their willingness to continue in office as auditors and their reappointment will be proposed at the annual general meeting.

By order of the board
Judith C Hanratty
Secretary
12 February 2002

further information

Administration

If you have any queries about the administration of shareholdings such as change of address, change of ownership, dividend payments, the dividend reinvestment plan or the ADS direct access plan, please contact the Registrar or ADS Depository:

UK – Registrar's Office

The BP Registrar
Lloyds TSB Registrars
The Causeway, Worthing, West Sussex BN99 6DA
Telephone: +44 (0)121 415 7005
Freephone in UK: 0800 701107
Fax: +44 (0)1903 833371

USA – ADS Administration

JPMorgan Chase Bank
PO Box 43013, Providence, RI 02940-3013
Telephone: +1 781 575 3346
Toll-free in USA and Canada: +1 877 638 5672

Canada – ADS Administration

CIBC Mellon Trust Company, 199 Bay Street
Commerce Court West, Securities Level, Toronto, Ontario M5L 1G9
Telephone: +1 416 643 5500
Toll-free in Canada and the USA: +1 800 387 0825

Japan

The Mitsubishi Trust and Banking Corporation
7-7 Nishi-Ikebukuro 1-chome, Toshima-ku, Tokyo 171
Telephone: +81 3 5391 7029
Fax: +81 3 5391 1911

General enquiries

Any other enquiries can be addressed to offices in the following countries:

UK

Telephone: +44 (0)20 7496 5200
Fax: +44 (0)20 7496 4678
E-mail: shareholderuk@bp.com

USA

Toll-free in USA and Canada: +1 800 638 5672
Fax: +1 312 856 4883
E-mail: shareholderus@bp.com

Publications

Copies of *Annual Accounts 2001*, *Form 20-F*, *BP Environmental and Social Review*, *BP Financial and Operating Information 1997-2001*, *BP Statistical Review of World Energy* and other BP publications can be obtained free of charge.

In the USA and Canada, contact the general enquiries number listed opposite.
In the UK and the rest of the world contact:

BP Distribution Services

Suite 2, Lansdowne Place
17 Holdenhurst Road, Bournemouth, Dorset BH8 8EW, UK
Telephone: +44 (0)870 241 3269
Fax: +44 (0)1202 299893
E-mail: bp-bpds@educationconnections.co.uk

To elect to receive the full Directors' Report and Annual Accounts in place of summary financial statements for all future financial years, please write to the UK Registrar at the address listed opposite.

Internet

The BP website is at www.bp.com

Cassettes for visually impaired shareholders

Highlights from *Annual Report 2001* are available on audio cassette. Copies can be obtained, free of charge, in the USA and Canada from the general enquiries number listed opposite, and in the rest of the world from BP Distribution Services, UK (see above).

Acknowledgements

Imagery

Photographers: Mike Ellis, Stuart Franklin, Philip Lee Harvey, Haria Hindarwin, Morrison Wulffraat

Paper

The paper used for this report meets the strictest environmental standards set by the Nordic Swan Council and is fully recyclable. The pulp used to produce the paper is generated locally, fully sustainable and bleached without the use of elemental chlorine.

Design and production

Designed and typeset by Pauffley, London
Printed in England by St Ives Burrus Limited
Printed in the USA by Sandy Alexander

board of directors



The Lord Browne of Madingley, FREng
Group Chief Executive
Lord Browne (53) was appointed an executive director of BP in 1991 and group chief executive in 1995. He is a non-executive director of Goldman Sachs Group and Intel Corporation, and a trustee of the British Museum.

Member of the Nomination Committee



J H Bryan
Non-Executive Director
John Bryan (65) joined Amoco's board in 1982. He serves on the boards of Bank One Corporation, General Motors Corporation and Goldman Sachs. He retired as chairman of Sara Lee Corporation in 2001.

Member of the Chairman's and Audit Committees



Dr J G S Buchanan
Chief Financial Officer
John Buchanan (58) was appointed an executive director of BP in 1996. He is a non-executive director of Boots.



R F Chase
Deputy Group Chief Executive
Rodney Chase (58) was appointed an executive director of BP in 1992. He is a non-executive director of Computer Sciences Corporation and Diageo.



E B Davis, Jr
Non-Executive Director
Erroll B Davis, Jr (57) joined Amoco's board in 1991. He is chairman, president and chief executive officer of Alliant Energy. He is a non-executive director of PPG Industries and chairman of the Board of Trustees of Carnegie Mellon University.

Member of the Chairman's, Audit and Remuneration Committees



W D Ford
Chief Executive, Refining and Marketing
Doug Ford (58) was appointed an executive director of BP in January 2000. Before the merger of BP and Amoco he had been an executive vice president of Amoco since 1993. He is a non-executive director of USG Corporation and a trustee of the University of Notre Dame.



Dr B E Grote
Chief Executive, Chemicals
Byron Grote (53) was appointed an executive director of BP in 2000.



Dr D S Julius, CBE
Non-Executive Director
DeAnne Julius (52) joined BP's board in November 2001. A non-executive director of the Court of the Bank of England, Lloyds TSB and Serco, from 1997 to June 2001 she was a full-time member of the Monetary Policy Committee of the Bank of England.

Member of the Chairman's and Remuneration Committees



C F Knight
Non-Executive Director
Charles Knight (66) joined BP's board in 1987. He is chairman of Emerson Electric and is a non-executive director of Anheuser-Busch, Morgan Stanley Dean Witter, SBC Communications and IBM.

Member of the Chairman's and Remuneration Committees



FA Maljers
Non-Executive Director
Floris Maljers (68) joined Amoco's board in 1994. A member of the supervisory boards of SHV Holding and Vendex NV, he is chairman of the supervisory board of KLM Royal Dutch Airlines.

Member of the Chairman's Committee and Ethics and Environment Assurance Committee



Dr W E Massey
Non-Executive Director
Walter Massey (63) rejoined Amoco's board in 1993. He is president of Morehouse College and a non-executive director of Motorola, Bank of America and McDonald's Corporation.

Member of the Chairman's Committee and chairman of the Ethics and Environment Assurance Committee



H M P Miles, OBE
Non-Executive Director
Michael Miles (65) joined BP's board in 1994. He is chairman of Johnson Matthey and a non-executive director of ING Baring Holdings and Balfour Beatty.

Member of the Chairman's, Audit and Ethics and Environment Assurance Committees



Sir Robin Nicholson, FREng, FRS
Non-Executive Director
Sir Robin (67) joined BP's board in 1987. He is a non-executive director of Rolls-Royce.

Member of the Chairman's Committee and chairman of the Remuneration Committee



R L Olver
Chief Executive, Exploration and Production
Dick Olver (55) was appointed an executive director of BP in 1998. He is a non-executive director of Reuters Group.



Sir Ian Prosser
Non-Executive Deputy Chairman
Sir Ian (58) joined BP's board in 1997 and was appointed non-executive deputy chairman in 1999. He is chairman of Six Continents and a non-executive director of GlaxoSmithKline.

Member of the Chairman's and Remuneration Committees and chairman of the Audit Committee



P D Sutherland, SC
Non-Executive Chairman
Peter Sutherland (55) rejoined BP's board in 1995, and was appointed chairman in 1997. He is chairman of Goldman Sachs International and a non-executive director of Telefonaktiebolaget LM Ericsson, Investor AB and The Royal Bank of Scotland Group.

Chairman of the Chairman's and Nomination Committees



M H Wilson
Non-Executive Director
Michael Wilson (64) joined Amoco's board in 1993. He is president and chief executive officer of Brinson Canada and a non-executive director of Manufacturers Life Insurance Company and UBS Asset Management.

Member of the Chairman's and Audit Committees



Sir Robert Wilson, KCMG
Non-Executive Director
Sir Robert (58) joined BP's board in 1998. He is chairman of Rio Tinto and a non-executive director of Diageo.

Member of the Chairman's, Audit and Ethics and Environment Assurance Committees

Changes to the board in 2001

Mrs R S Block retired as a non-executive director on 19 April 2001.

Dr C S Gibson-Smith retired as an executive director on 19 April 2001.

The Lord Wright of Richmond retired as a non-executive director on 30 April 2001.

Mr R J Ferris retired as a non-executive director on 8 June 2001.

Dr D S Julius was appointed as a non-executive director on 29 November 2001.

Company secretary

Judith Hanratty (58) has been company secretary since 1994. She is a nominated member of the Council of Lloyd's of London and of the Lloyd's Market Board.

A non-executive director of Partnerships UK and Charles Taylor Consulting, she is also a member of the Competition Commission and the Takeover Panel.

