Sustainability Report 2014

bp.com/sustainability

Building a stronger, safer BP

Who we are

BP is one of the world's leading integrated oil and gas companies.[a] We aim to create long-term value for shareholders by helping to meet growing demand for energy in a safe and responsible way. We strive to be a world-class operator, a responsible corporate citizen and a good employer.

Through our work we provide customers with fuel for transportation, energy for heat and light, lubricants to keep engines moving and the petrochemicals products used to make everyday items as diverse as paints, clothes and packaging. Our projects and operations help to generate employment, investment and tax revenues in countries and communities across the world. We employ around 85,000 people.

As a global group, our interests and activities are held or operated through subsidiaries, branches, joint ventures or associates established in – and subject to the laws and regulations of – many different jurisdictions. We have well-established operations in Europe, North and South America, Australasia, Asia and Africa.

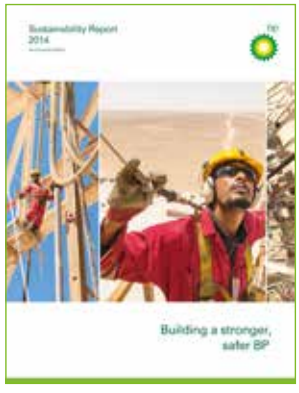
[a] On the basis of market capitalization, proved reserves and production.

Cautionary statement

BP Sustainability Report 2014 and *bp.com/sustainability* contain certain forward-looking statements with respect to the financial condition, results of operations and businesses of BP and certain of the plans and objectives of BP with respect to these items. In particular, among other statements, BP's outlook on global energy trends to 2035 and its plans in connection therewith, plans presented under the heading 'What we plan to do next' throughout this document, expectations regarding BP's advanced and proprietary technologies and techniques, expectations regarding the emissions, water use and commercial viability of BP's oil sands projects, expectations regarding the commercialization and sustainable production of biofuels, the timing and composition of planned and future projects, plans regarding opportunities in the Arctic and expectations regarding future regulatory developments, are forward looking in nature.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will or may occur in the future and are outside the control of BP. Actual results may differ materially 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; the receipt of relevant approvals; the timing and level of maintenance and/or turnaround activity; the timing of bringing new fields onstream; the timing, quantum and nature of certain divestments; future levels of industry product supply, demand and pricing; OPEC quota restrictions; PSA effects; operational problems; economic and financial market conditions generally or in various countries and regions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; regulatory or legal actions; the impact on our reputation following the Gulf of Mexico oil spill; development and use of new technology; the success or otherwise of partnering; the actions of competitors, trading partners, creditors, rating agencies and others; the actions of contractors; natural disasters and adverse weather conditions; changes in public expectations and other changes to business conditions; wars and acts of terrorism, cyber-attacks or sabotage; and other factors discussed elsewhere in this document and under 'Risk factors' in our *Annual Report and Form 20-F 2014* as filed with the US Securities and Exchange Commission.

Material is used within this document to describe issues for voluntary sustainability reporting that are considered to have the potential to significantly affect sustainability performance in the view of the company and/or are expected to be important in the eyes of internal or external stakeholders. Material for the purposes of this document should not, therefore, be read as equating to any use of the word in other BP p.l.c. reporting or filings. *BP Annual Report and Form 20-F 2014* and *BP Strategic Report 2014* may be downloaded from *bp.com/annualreport*. No material in this Sustainability Report forms any part of those documents. No part of this Sustainability Report or *bp.com/sustainability* constitutes, or shall be taken to constitute, an invitation or inducement to invest in BP p.l.c. or any other entity and must not be relied upon in any way in connection with any investment decisions. 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 subsidiaries.



Front cover imagery
A driller works on a derrick tower over the Khazzan field in Oman. In this remote desert location, we are applying innovative technology to access gas locked in hot sandstone almost three miles below the earth's surface. Several hundred wells will be drilled in the field with a combination of horizontal wells and hydraulic fracturing technologies to stimulate production.

Contents

Introduction from our group chief executive

> “I am always conscious that it is by delivering real benefits to the countries where we work that we earn our licence to operate.”
>
> **Bob Dudley**

At BP we regularly pass milestones that, for me, are important reminders of the sustainability of our business. In 2014, for example, we celebrated 50 years in the UK North Sea, 50 years in Egypt and the 20th anniversary of our oil business in Azerbaijan.

In other countries our history goes back much further. In the United States, for example, our business can be traced back to the 19th century.

The value we bring to society can take many forms. We produce and deliver energy for heat, power and transportation. In doing so, we employ around 85,000 people across the world, create thousands more jobs in supply chains, build useful infrastructure and pay taxes that fund public services – around $8 billion in 2014.

When I meet people in my job – from heads of government to community leaders – I am always conscious that it is by delivering real benefits to the countries where we work that we earn our licence to operate.

We align our interests with those of local economies by using local suppliers, building local capacity and supporting local communities. In Trinidad & Tobago, as one example, we have helped to build up the islands' gas platform construction industry, established globally respected programmes in petroleum geosciences and other disciplines at the University of the West Indies, and invested in a micro-finance programme that has distributed more than 3,000 loans and created thousands of jobs.

In Iraq, we have worked with local partners and PetroChina to renew the super giant Rumaila oil field, in the process raising skill levels among Iraqi workers – with half a million training hours completed last year alone.

Of course, as a business working in many countries we face challenges and choices. We are always learning but I believe that we can act as a positive force, aiming to set high standards in safety, employment practices, transparency and human rights. When challenged over our operations in a particular country, my acid test is to ask whether the community or country is likely to be better for our involvement. If the answer is yes, then I believe we are right to be there.

In 2014, we delivered the plan we set out in 2011 to make BP a safer, stronger and better performing business – recognizing that we need to remain focused in this pursuit. Compared with 2011, we had fewer safety-related incidents and 50% more operating cash flow in 2014.

However, we tragically suffered three fatalities in the workforce and, after a year of very strong progress in safety in 2013, we saw a somewhat higher number of incidents in 2014.

We know we can never be complacent and are continuing our efforts to learn lessons from incidents, ensure conformance with our operating management system and emphasise the right personal behaviours, taking great care in everything we do.

Our relationship with Rosneft continues to attract attention, given the tensions in Ukraine. We remain committed to our long-term investment – contributing to Rosneft's strategy through the sharing of environmental and safety best practice. And, of course, we will comply with all relevant sanctions.

In the US, we continue to support the environmental restoration of areas affected by the Gulf of Mexico oil spill – along with research into understanding any potential longer-term impacts. And, through our operations, investments and our 18,000 employees, we estimate our positive economic impact at $143 billion a year. As regards to the US legal proceedings, we are seeking fair and just outcomes while protecting the best interests of our shareholders.

Meanwhile we are playing our part in addressing climate change – by investing in natural gas and renewables as lower-carbon sources of fuel and power, factoring a cost of carbon into our evaluation of proposed projects and advocating for a global carbon price.

Across all of these issues and more, our aim is to maintain a business that is resilient in challenging times and continues to benefit our stakeholders, including society at large.

Thank you for reading this report.

Bob Dudley
Group chief executive
18 March 2015

Our strategy and sustainability

We believe that the best way for BP to achieve sustainable success is by acting in the long-term interests of our shareholders, our partners and society.

We aim to create long-term value for our investors and benefits for the communities and societies in which we operate.

We are working to become a simpler business, focusing on where we can generate the most value, and not necessarily the most volume, through our production. We are strengthening our portfolio of high-return and longer-life upstream assets, while building high-quality downstream businesses. All of this is underpinned by our expertise, technology and relationships. We strive to be a world-class operator, a responsible corporate citizen and a good employer.

Keeping a relentless focus on safety is naturally a top priority for us. Rigorous management of risk helps to protect the people at the front line, the places in which we operate and the value we create. We continue to enhance our systems, processes and standards, including how we manage the risks that can be created by the actions of our contractors and the operators of joint ventures in which we participate. We understand that operating in politically complex regions and technically demanding geographies, such as deep water and oil sands, requires particular sensitivity to local environments.

We can only operate if we maintain the trust of people inside and outside BP. We must earn people's trust by being fair and responsible in everything we do. We monitor our performance closely and aim to report in a transparent way. We believe good communication and open dialogue are vital if we are to meet the expectations of our employees, customers, shareholders and the local communities in which we operate.

Strong financial performance is vital, because it enables us to make the investments necessary to produce the energy that society requires, while rewarding and maintaining the support of our shareholders.

By supplying energy, we support economic development and help to improve quality of life for millions of people. Our activities also generate jobs, investment, infrastructure and revenues for governments and local communities.

Read more about our strategy at *bp.com/strategy*

Our Valhall facility in the Norwegian North Sea reduces emissions by using power from shore, rather than on-site gas turbines.

Our values

We have five values that express our shared understanding of what we believe, how we aim to behave and what we aspire to be as an organization.

Safety

Safety is good business. Everything we do relies upon the safety of our workforce and the communities around us. We care about the safe management of the environment. We are committed to safely delivering energy to the world.

Respect

We respect the world in which we operate. It begins with compliance with laws and regulations. We hold ourselves to the highest ethical standards and behave in ways that earn the trust of others. We depend on the relationships we have and respect each other and those we work with. We value diversity of people and thought. We care about the consequences of our decisions, large and small, on those around us.

Excellence

We are in a hazardous business, and are committed to excellence through the systematic and disciplined management of our operations. We follow and uphold the rules and standards we set for our business. We commit to quality outcomes, have a thirst to learn, and to improve. If something is not right, we correct it.

Courage

What we do is rarely easy. Achieving the best outcomes often requires the courage to face difficulty, to speak up and stand by what we believe. We always strive to do the right thing. We explore new ways of thinking and are unafraid to ask for help. We are honest with ourselves and actively seek feedback from others. We aim for an enduring legacy, despite the short-term priorities of our world.

One Team

Whatever the strength of the individual, we will accomplish more together. We put the team ahead of our personal success and commit to building its capability. We trust each other to deliver on our respective obligations.

See *bp.com/values*

BP at a glance

BP delivers energy products and services to people around the world.

Through our two main operating segments, Upstream and Downstream, we find, develop and produce essential sources of energy, turning them into products that people need. We also buy and sell at each stage of the hydrocarbon value chain. In renewable energy, our activities are focused on biofuels and wind.

We also have a 19.75% shareholding in Rosneft.

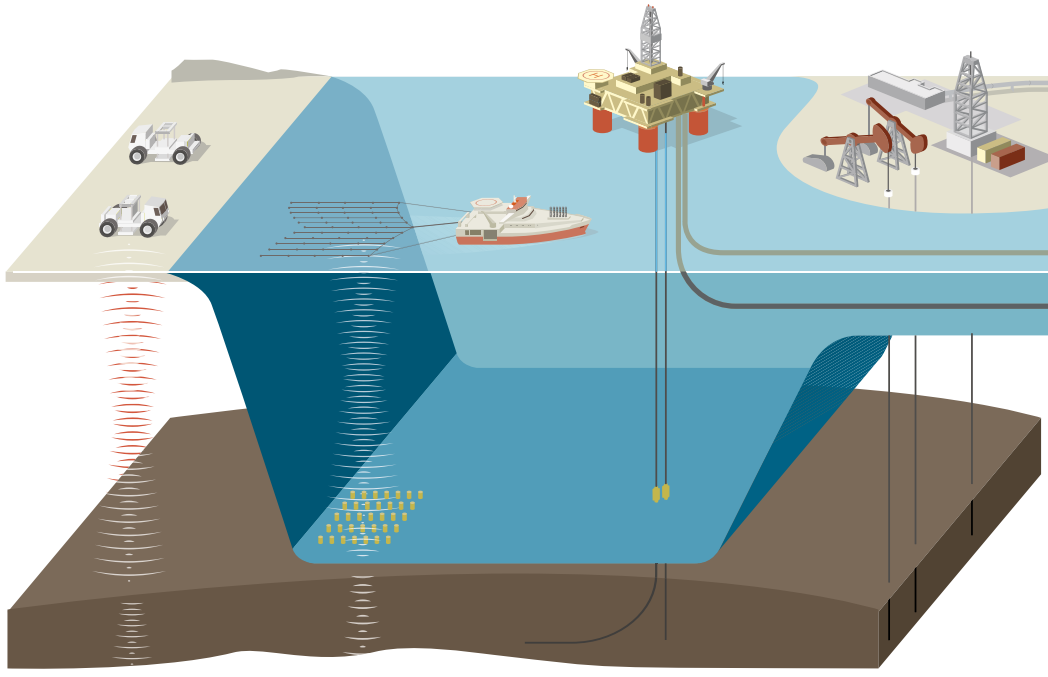
Business model
For more information on our business model see *bp.com/businessmodel*

Finding
oil and gas

First, we acquire exploration rights, then we search for hydrocarbons beneath the earth's surface.

Developing and extracting
oil and gas

Once we have found hydrocarbons, we work to bring them to the surface.



Upstream

Our Upstream segment manages exploration, development and production activities.

The value we deliver to society

We believe that societies and communities where we work should benefit from our presence.

Our projects and operations create jobs, opportunities for local suppliers and tax revenues for governments.

When we move into a new area we look for opportunities to create a positive impact. This includes supporting communities' efforts to increase income and improve standards of living.

Economic value generated by BP

$359.8bn

This includes revenue plus interest and dividend receipts, and proceeds from divestments.

See *bp.com/annualreport*

Economic value distributed to others

Suppliers

This includes our purchases from suppliers, contractor costs, and production, manufacturing and other expenses.

$311.6bn

See page 48.

Governments

We contribute to economies around the world through the taxes we pay. We also pay taxes that we collect on our products and services.

$8.0bn

See page 49.

Transporting and trading
oil and gas

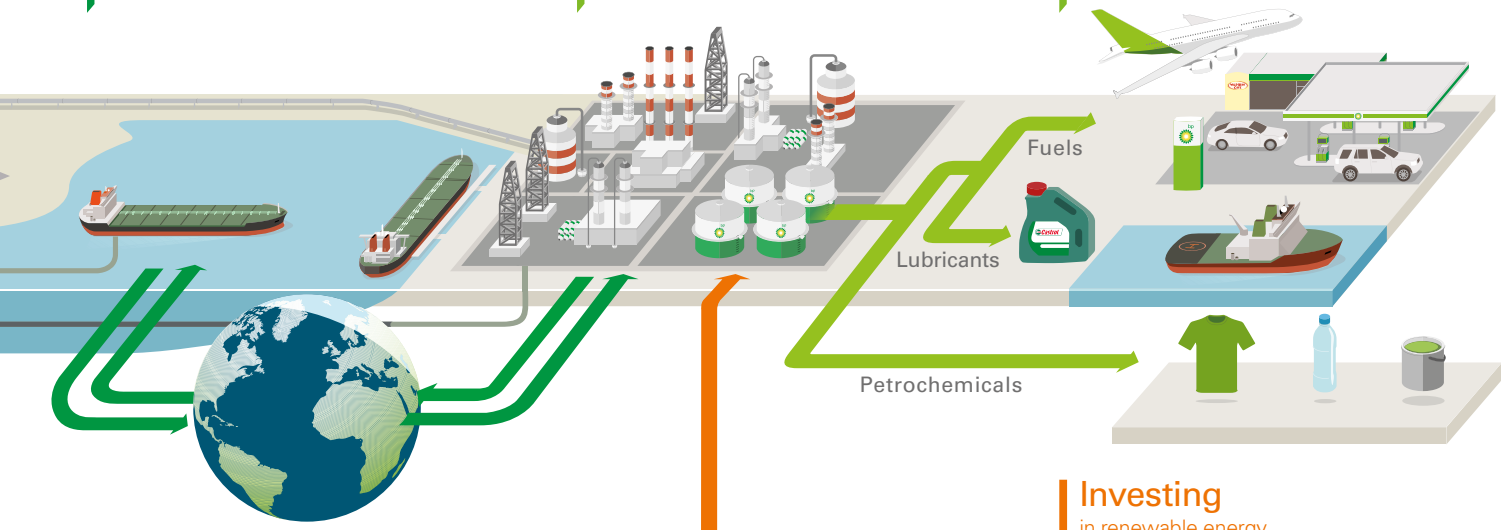
We move hydrocarbons using pipelines, ships, trucks and trains and we capture value across the supply chain.

Manufacturing
fuels and products

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

Marketing
fuels and products

We supply our customers with fuel for transportation, energy for heat and light, lubricants to keep engines moving and the petrochemicals required to make a variety of everyday items.

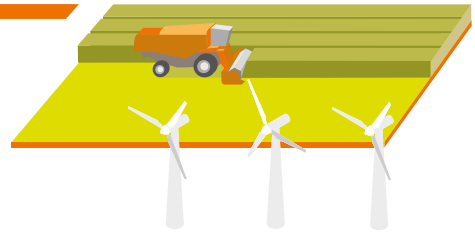


International oil and gas markets

Investing
in renewable energy

We develop and invest in biofuels and operate a wind business.

Biofuels



Downstream

Our Downstream segment operates hydrocarbon value chains covering three main businesses – fuels, lubricants and petrochemicals.

Economic value retained by BP

Employees
We provide direct employment to around 85,000 people across the world. Employee costs include salaries and benefits.

$13.9bn

See page 28.

Capital providers
This includes $5.9 billion in dividends paid to shareholders and $4.8 billion distributed via our share repurchase programme, as well as finance costs.

$12.0bn

See *bp.com/investors*

Communities
Our social investment includes education, enterprise development and infrastructure programmes. This figure is in addition to social bonuses paid to governments as part of licence agreements.

$0.1bn

See page 48.

$14.2bn

The majority of this is invested in capital expenditure and acquisitions.

See *bp.com/annualreport*

Our progress in 2014

We aim to meet the world's energy needs by creating long-term value for our shareholders and the societies and economies in which we operate. Here we report on where we are today and some of our plans for the future.

The energy future

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

What we said we would do

- Help meet the growing energy demand through a diverse mix of fuels and technologies.
- Continue to engage with our stakeholders on climate change.
- Further improve fuel efficiency through the use of our branded fuels and engine oils.

Where we are today

Completed the expansion of our ethanol production capacity at our Tropical facility, making it one of the largest mills in Brazil.

World Bank carbon pricing statement endorsed.

15% reduction in friction through the use of new *Castrol EDGE* engine oil means improved fuel economy.

What we plan to do next

- Increase the proportion of natural gas in our production portfolio over the next decade.
- Work with our partners to enhance how emissions are managed at our oil sands facilities.
- Expand the use of technology to monitor conditions in our deepwater wells to more of our rigs worldwide.

For more information

Read our view on meeting the energy challenge on page 15.

Read about our approach to unconventional gas and hydraulic fracturing on page 20.

How we operate

We strive to be a world-class operator, a responsible corporate citizen and a good employer.

What we said we would do

- Further increase the number of women in leadership positions and build on our work to encourage other forms of diversity.
- Evaluate our current screening process to help projects identify and assess socio-economic sensitivities and impacts.
- Look for opportunities to continue to support a local supply chain.

Where we are today

$259m+ in contracts awarded to local Omani companies since 2013.

Created additional guidance for projects on socio-economic sensitivities and standard impact mitigations.

18% of group leaders are female.

What we plan to do next

- Build capability and promote from within our existing workforce.
- Engage employees and board members in code of conduct certification.
- Continue to pursue deeper, collaborative relationships with our strategic contractors.

For more information

Read about BP's approach to risk management on page 27.

Find out more about our people on page 28.

Safety

Everything we do depends on the safety of our operations, our workforce, and the communities around us.

- Continue to use the performance improvement cycle to align business practices with our operating management system (OMS).
- Further develop the self-verification capability of operations to carry out health, safety, security and environment checks.
- Maintain our progress towards completing the remaining recommendations from BP's investigation into the Deepwater Horizon accident, the Bly Report.

18
sites were part of our 'exemplar' continuous improvement programme in 2014.

Handbook issued to site managers in our upstream operations to assist them in carrying out self verification.

25
of the 26 recommendations from the Bly Report completed.

- Enhance our 'OMS academy' programmes, which support operating leaders in their safety leadership.
- Execute a planned programme of safety and operational risk-based assurance.
- Complete the final Bly Report recommendation on testing revised standards for well control and monitoring.

Read about our approach to preventing incidents through process safety on page 34.
See BP's approach to transportation safety on page 39.

Environment

BP is working to avoid, minimize and mitigate environmental impacts wherever we do business.

- Investigate water management approaches taking into account our operations' life cycle water demand and local water resources.
- Continue to develop modelling tools to better predict the consequences of an oil spill to land.
- Share lessons learned on energy efficiency at Toledo in the US with our other refineries around the world.

Supporting businesses to apply an onshore oil spill modelling tool.

6
of our refineries have developed energy efficiency plans using lessons learned at Toledo.

Invested in a specialist water treatment company to help manage our operations in water scarce areas.

- Assess different technology approaches for optimizing water consumption and wastewater treatment performance.
- Test the use of remote sensing systems for oil spill planning and response.
- Continue to implement actions identified in the energy efficiency plans at our refineries.

Understand how we are developing our oil spill preparedness and response on page 44.
Find out more about BP's greenhouse gas intensity on page 42.

Society

To BP, working responsibly includes seeking to have positive impacts on the communities in which we operate.

- Test the new socio-economic risk criteria for assessing the impacts of incidents on communities and workforces with our businesses.
- Update our framework for managing social investment.
- Deliver human rights workshops to priority businesses and functions.

Our businesses in Australia, Brazil, the US and other locations tested the socio-economic risk criteria.

Enhanced our revised framework to include guidance on evaluating potential risks when making social investments.

270+
employees received human rights training.

- Incorporate the new socio-economic risk criteria into our standard risk methodology for assessing the impacts of incidents.
- Prepare for reporting taxes paid to governments on a country and project basis, in line with new UK regulations.
- Continue to embed human rights due diligence into our supply chain processes.

Read about how we are supporting societies around the world on page 48.
See how we are implementing the UN Guiding Principles on Business and Human Rights on page 50.

BP in figures

Data on our safety, environment, people, financial and operational performance from 2010 to 2014.

For the year ended 31 December

Safety[a]	2010	2011	2012	2013	2014
Fatalities – employees	0	1	1	4	**0**
Fatalities – contractors	14	1	3	2	**3**
Day away from work cases – workforce	408	168	152	130	**145**
Day away from work case frequency[b] (DAFWCF) – workforce	0.193	0.090	0.076	0.070	**0.081**
Recordable injuries – workforce	1,284	677	710	578	**547**
Recordable injury frequency[b] (RIF) – workforce	0.61	0.36	0.35	0.31	**0.31**
Hours worked – employees (million hours)	168	165	182	170	**173**
Hours worked – contractors (million hours)	255	209	220	203	**184**
Losses of primary containment (number)	418	361	292	261	**286**
Tier 1 process safety events[c] (number)	74	74	43	20	**28**
Tier 2 process safety events[c] (number)	213	241	154	110	**95**
Oil spills[d] (≥one barrel)	261	228	204	185	**156**
Volume of oil spilled (million litres)	1.7[e]	0.6	0.8	0.7	**0.4**
Environment					
Oil spills – to land and water[d] (number)	142	102	102	74	**63**
Volume of oil unrecovered (million litres)	0.8[e]	0.3	0.3	0.3	**0.2**
Direct carbon dioxide (CO_2)[f] (million tonnes (Mte))	60.2[k]	57.7	56.4	47.0[h]	**45.5**
Direct methane[f] (Mte)	0.22[k]	0.20	0.17	0.16[i]	**0.15**
Direct greenhouse gas (GHG)[g] ($MteCO_2$ equivalent (CO_2e))	64.9[k]	61.8	59.8	50.3[j]	**48.6**
Indirect carbon dioxide (CO_2)[fl] (Mte)	10.0[k]	9.0	8.4	6.6	**6.6**
Customer emissions[m] ($MteCO_2$)	573	539	517	422	**406**
Flaring (Upstream) (thousand tonnes (kte) of hydrocarbons)	1,671[k]	1,835	1,548	2,028	**2,167**
Environmental expenditure ($ million)	18,400	8,521	7,230	4,288	**4,024**
Environmental and safety fines ($ million)	52.5	77.4	22.4	2.5	**1**
People					
Number of employees – group	79,700	84,100	86,400	83,900	**84,500**
Number of employees – group leadership	482	516	546	530	**501**
Women in group leadership (%)	14	15	17	18	**18**
Women at management level[n] (%)	24	25	25	27	**27**
People from UK and US racial minorities in group leadership[o] (%)	7	6	6	6	**8**
People from beyond the UK and US in group leadership[o] (%)	19	19	20	22	**22**
Employee turnover[p] (%)	15	14	13	15	**12**
OpenTalk cases[q]	742	796	1,295	1,121	**1,114**
Dismissals for non-compliance and unethical behaviour[r]	552	529	424	113[s]	**157[s]**
Benefits to employees – including wages, salaries, share-based payments, benefits and pensions ($ million)	12,256	12,501	13,448	13,654	**13,936**
Performance					
Total hydrocarbons produced (thousand barrels of oil equivalent (mboe) per day)	3,822	3,454	3,331	3,230	**3,151**
Reserves replacement ratio[t] (%)	106	103	77	129	**63**
Total refinery throughputs (thousand barrels per day (mb/d))	2,426	2,352	2,354	1,791	**1,721**
Total petrochemicals production[u] (thousand tonnes (kte))	15,594	14,866	14,727	13,943	**14,014**
Replacement cost profit (loss)[v] ($ million)	(5,259)	23,412	11,428	23,681	**8,073**
Taxes to governments – comprising income taxes and production taxes paid[w] ($ million)	12,071	16,367	15,064	13,904	**7,980**
Dividends paid to shareholders ($ million)	2,627	4,072	5,294	5,441	**5,850**
Contribution to communities ($ million)	115.2	103.7	90.6	103.8[x]	**85.0**

Notes to figures

[a] This represents reported incidents occurring with BP's operational HSSE reporting boundary. That boundary includes BP's own operated facilities and certain other locations or situations.

[b] DAFWCF and RIF are the annual frequency per 200,000 hours worked.

[c] For tier 1 process safety events see page nine notes to graph three for more details. Tier 2 process safety events are those of lesser consequence.

[d] Oil spills are defined as any liquid hydrocarbon release of more than, or equal to, one barrel (159 litres, equivalent to 42 US gallons).

[e] This data does not include the oil spill volume from the Deepwater Horizon incident. See *BP Annual Report and Form 20-F 2014* page 114 for information about the district court ruling on the volume of oil spilled.

[f] Encompasses all BP's consolidated entities as well as our share of equity-accounted entities other than BP's share of TNK-BP and Rosneft for the relevant periods.

[g] See page nine notes to graph four for more details.

[h] The reported 2013 figure of 46.0Mte has been amended to 47.0Mte.

[i] The reported 2013 figure of 0.15Mte has been amended to 0.16Mte.

[j] The reported 2013 figure of 49.2Mte has been amended to 50.3Mte.

[k] In 2010, we did not report on GHG emissions or flaring associated with the Deepwater Horizon incident or response. We have since estimated the gross CO_2e emissions from response activities to be approximately 481,000 tonnes. We have estimated the gas flared during the response to be approximately 56,000 tonnes. We have not restated our 2010 numbers since our practice is only to restate historical emissions for material inaccuracies.

[l] Indirect emissions are associated with the purchase of electricity, heat, steam or cooling into our operations.

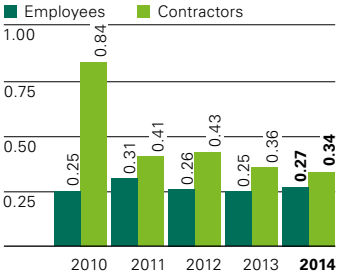
[m] Based on BP's total reported production of natural gas, natural gas liquids and refinery throughputs.

Our key performance indicators

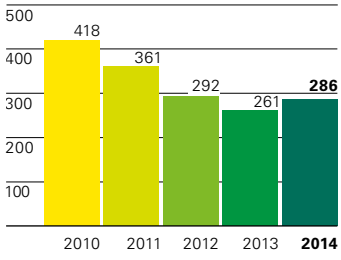
These charts represent data on our non-financial key performance indicators. See *bp.com/kpis* for more information.

The symbol indicates those measures that are reflected in the annual bonus element of executive directors' remuneration.

1. Recordable injury frequency

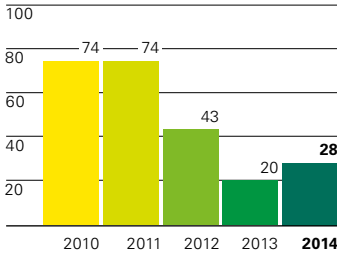


2. Loss of primary containment



3. Tier 1 process safety events

(number)



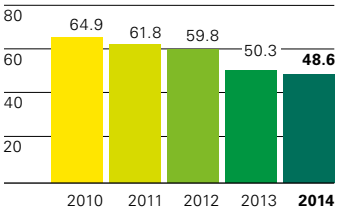
[1] Reported recordable injury frequency (RIF) measures the number of reported work-related employee and contractor incidents that result in a fatality or injury (apart from minor first aid cases) per 200,000 hours worked.

[2] Loss of primary containment (LOPC) is the number of unplanned or uncontrolled releases of oil, gas or other hazardous materials, from a tank, vessel, pipe, railcar or equipment used for containment or transfer.

[3] We report tier 1 process safety events (PSE), which are losses of primary containment of greatest consequence – causing harm to a member of the workforce, costly damage to equipment or exceeding defined quantities.

4. Greenhouse gas emissions

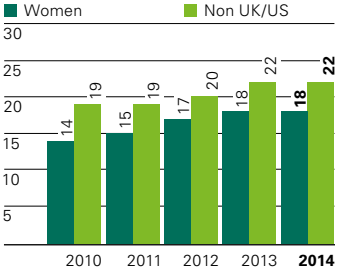
(million tonnes of CO_2 equivalent)



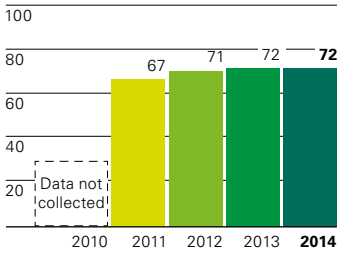
[4] We provide data on greenhouse gas (GHG) emissions material to our businesses on a carbon dioxide-equivalent basis. This includes CO_2 and methane for direct emissions. Our GHG KPI encompasses all BP's consolidated entities as well as our share of equity-accounted entities other than BP's share of TNK-BP and Rosneft for the relevant periods. Emissions data for Rosneft can be found on its website.

The reported 2013 figure of 49.2MteCO_2e has been amended to 50.3MteCO_2e.

5. Diversity and inclusion (%)



6. Group priorities index (%)



[5] Each year we report the percentage of women and individuals from countries other than the UK and the US among BP's group leaders. This helps us track progress in building a diverse and well-balanced leadership team.

[6] We track how engaged our employees are with our strategic priorities for building long-term value. This is derived from survey questions about perceptions of BP as a company and how it is managed in terms of leadership and standards. See page 29 for more information.

63%

reserves replacement ratio, showing our progress in accessing, exploring and extracting resources.

$32.8bn

in net cash from operating activities.

[n] Includes employees who are group leaders, senior level leaders or in other management positions.

[o] This excludes our share of those employed by joint operations in legal entities.

[p] These figures relate to non-retail employees only. In 2014 voluntary turnover (resignations and retirements) was 5%.

[q] Any employee, contractor or other third party can contact our confidential helpline OpenTalk.

[r] This excludes dismissals of staff employed at our retail service stations for incidents such as thefts of small amounts of money.

[s] These figures include employee dismissals and are not directly comparable to data from previous years which grouped employee and contractor dismissals together.

[t] Combined basis of subsidiaries and equity-accounted entities, excluding acquisitions and disposals.

[u] Petrochemicals production reported within our Downstream segment.

[v] Replacement cost profit or loss reflects the replacement cost of supplies. The replacement cost profit or loss for the year is arrived at by excluding from profit inventory holding gains and losses and their associated tax effect. Inventory holding gains and losses represent the difference between the cost of sales calculated using the average cost to BP of supplies acquired during the year and the cost of sales calculated on the first-in, first-out method, after adjusting for any changes in provisions where the net realizable value of the inventory is lower than its cost. Inventory holding gains and losses, for this purpose, are calculated for all inventories of hydrocarbons except for those that are held as part of a trading position and certain other temporary inventory positions. Replacement cost profit for the group is a non-GAAP measure.

[w] Minor amendments have been made to 2011 and 2012.

[x] The reported 2013 figure of 78.8 has been restated to 103.8.

Our stakeholders

We engage with a wide range of stakeholders to understand society's expectations of us.

Stakeholders discuss their views on BP's sustainability reporting in Baku, Azerbaijan.

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

Employees

We keep our employees informed about the context within which they work. For example, executive team members hold regular meetings and webcasts with employees around the world. We have established channels for our employees to raise concerns and we maintain regular communication with unions at many BP sites. Around 38,000 people in 70 countries participated in our employee engagement survey in 2014. See page 29 for information on survey results.

Shareholders and analysts

We are focused on generating the most value, not necessarily the most volume, through our production. We engage with shareholders and analysts through our roadshows, annual general meeting, webcasts and one-to-one meetings. We have presented the *BP Energy Outlook* and held briefings on contractor management and our progress against safety enhancements recommended in BP's internal investigation into the Deepwater Horizon accident, the Bly Report.

Governments and regulators

We engage with governments on many fronts and aim to maintain dialogue with all relevant government agencies, ministries and regulatory departments at every stage of our presence in a country. In many countries where we operate, lobbying activity is strictly regulated. We engage in policy debates that are of concern to us and the communities in which we operate, such as financial transparency, security and human rights, and carbon.

Our industry

We work through industry groups to help establish standards and address complex energy challenges. For example, as a member of the global oil and gas association for environmental and social issues, IPIECA, we are working with our peers on topics such as managing human rights risks in the supply chain. We are also members of other industry bodies such as the International Association of Oil & Gas Producers and the American Petroleum Institute.

Contractors and partners

Like our industry peers, BP rarely works in isolation. Safe and responsible operations depend on the capability and performance of our suppliers, contractors and partners. To this end, we set operational standards through legally binding agreements. Training and dialogue also help build the capability of our contractors. In Azerbaijan, for example, we are supporting the efforts of companies to achieve international standards and to improve their competitiveness. See pages 30-31 and 48 for more information.

Local communities

Our relationships with communities are important for all our activities, but particularly for major new projects where our presence may bring about changes in the local areas, such as jobs and support for community development, as well as increased road traffic, changes in the landscape and increased demands for fresh water. We engage with local communities through public consultations and meetings with local representatives. For example, in planning the expansion of our LNG plant in Indonesia, we conducted public consultations involving communities from 62 villages. See page 47 for more information.

Non-governmental organizations

For our new projects, we often consult with relevant local and international NGOs, who may provide specialized expertise on managing impacts. We also engage with NGOs on specific issues. In 2014, we discussed climate change, financial transparency, human rights and operating in sensitive areas, in these meetings.

Academic institutions

We collaborate with research institutions and universities on specific issues such as climate change, water stewardship and biodiversity. We also invest in the development of education and teaching programmes around the world, particularly in the areas of science, technology, engineering and mathematics.

Customers

We serve about 8 million customers each day. We seek to understand consumer expectations and to deliver quality products to our customers throughout our retail network. About 55,000 consumers in more than 16 countries participated in our global tracking research programmes in 2014, answering questions ranging from how they rate BP on customer satisfaction in relation to its competitors to the degree to which they recognize our brand and use our products.

Key issues

The scale of BP's operations means that we manage a large number of sustainability issues.

Our approach to materiality

We develop our reporting around the issues that we believe have the highest level of importance for our stakeholders and the greatest potential impact on BP's ability to deliver its strategy. The input and feedback we receive from stakeholders throughout the year helps inform our approach to reporting. Before our reporting is published, BP's senior leaders review the content to check there are no significant omissions.

In 2014, the issues assessed as being of high concern to stakeholders and of high significance for BP included:

The Gulf of Mexico
- Environmental and economic restoration.
- Legal proceedings.

The energy future
- Climate change, including the energy challenge and managing carbon risk.
- Operating at the frontiers: deepwater oil and gas, oil sands and hydraulic fracturing.

How we operate
- Board/executive governance and oversight.
- Risk management, including for non-operated joint ventures.
- Financial sustainability of BP.

Safety
- Employee and contractor safety.
- Process safety.
- Security.

Environment
- Greenhouse gas emissions.
- Spills and other environmental performance.

Society
- Our contribution to society.
- Geopolitical context.

We have attempted to cover these topics in our *Sustainability Report 2014* as well as on our website, and to address them within our *Annual Report and Form 20-F 2014*.

See *bp.com/sustainability* and *bp.com/annualreport* for more information.

What we heard from stakeholders

In preparing our 2014 sustainability reporting, we talked with stakeholders representing industry associations, government, investors, non-governmental organizations, trade unions and other types of organizations. These conversations took place in one-to-one meetings and roundtable discussions in Azerbaijan, the UK and the US.

Issues often vary depending on who we are speaking to. For example, in 2014, many stakeholders continued to express an interest in the environmental and social impacts of specific technologies, such as hydraulic fracturing and deepwater drilling, while others were more concerned with global issues such as climate change.

Stakeholders also provided specific feedback on how they would like us to improve our reporting.

What we heard	How we've responded
Explain how you assess carbon risk.	Information on how we assess and seek to manage carbon and climate change risk. See pages 16 and 17.
Describe how BP is managing issues at a local level.	Case studies from around the world to show how our policies are working on the ground. See *bp.com/casestudies*
Include information on how you manage environmental and social impacts.	Explanation of the environmental and social aspects we consider in our screening process for projects and how we assess impacts throughout the life cycle of our operations. See pages 25 and 41.
Provide information on how BP is embedding safer drilling processes.	Progress update on implementing the recommendations from the Bly Report, BP's investigation into the Deepwater Horizon accident. We also report findings from the independent expert appointed to provide an objective assessment of this progress. See page 35.
Report back on what you said you would do last year and where you see BP going.	Summary of our 2014 actions for our key sustainability issues and direction for 2015 and beyond. See pages 6 and 7.

Update on the Gulf of Mexico

We are continuing to see progress in the economic and environmental recovery of areas affected by the 2010 Deepwater Horizon accident.

Bird population monitoring in the Gulf is part of the natural resource damage assessment process.

Completing the response

The US Coast Guard ended the remaining active clean-up operations in the Deepwater Horizon area of response in April 2014. If residual oil from the Deepwater Horizon incident is later identified and requires removal, BP will take action at the direction of the Coast Guard.

Restoring the environment

Scientists from BP, government agencies, academia and other organizations are studying a range of species and habitats to understand how wildlife populations and the environment may have been affected by the accident and oil spill.

Since May 2010, more than 240 initial and amended work plans have been developed by state and federal trustees and BP to study resources and habitat. The study data will inform an assessment of injury to natural resources in the Gulf of Mexico and the development of a restoration plan.

Environmental data collected by federal and state agencies and BP is being made available at *gulfsciencedata.bp.com*. The website includes data on fish, birds, shoreline, air monitoring samples, and oil, sediment and water chemistry, and BP plans to add more data in 2015.

More than four years of environmental assessment data suggests that most of the impact on the environment was relatively short in duration and limited in geography. A number of physical, biological and chemical processes acted upon the oil after it was released from the wellhead, causing the volume and concentration of oil to decrease as it travelled away from the well.

Early restoration work has already begun. As at December 2014, BP and the trustees had agreed on 54 early restoration projects that are expected to cost approximately $700 million, of which BP has funded $629 million to date. This work includes efforts to restore and enhance wildlife, habitats and the services provided by those habitats, as well as to provide additional access for fishing, boating and other related recreational uses.

Restoring the economy

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

BP has supported regional and national tourism campaigns for the Gulf states. Although opinions differ on the stage of Gulf recovery, many areas continue to experience strong numbers in tourism spend and revenue per available room – measures used by the tourism industry to assess success. For example, there were increases in revenue per available room in January to November 2014 compared to the same period in 2009 for the Gulf coastal counties in Alabama, Louisiana and Florida panhandle (increases of 26%, 64% and 41% respectively).

Gulf of Mexico Research Institute

BP has committed to pay $500 million over 10 years to support independent research through the Gulf of Mexico Research Initiative. As at the end of 2014, the initiative had awarded approximately $315 million in grants for research in areas including the ecological and human health aspects of spills, and the development of new technology for future spill response, mitigation and restoration.

View the research projects at *research.gulfresearchinitiative.org*

Payments related to the Gulf Coast recovery
(as at 31 December 2014)

Response and clean-up	$14 billion+
Claims, advances and settlements	$13.1 billion
Funding for the natural resource damage	$1 billion+
Early restoration projects	$698 million[a]
State-led tourism campaigns	$179 million
State-led seafood marketing programmes	$48.5 million
State-led seafood testing	$25.3 million

[a] Approximate cost of approved projects.

2,000+
employees in the Gulf of Mexico.

10
offshore rigs in operation.

According to government data, Gulf seafood is safe to eat and available in numbers comparable to pre-accident levels. Since May 2010, levels of residues of oil contamination in seafood have consistently tested 100 to 1,000 times lower than the safety thresholds established by the US Food and Drug Administration.

BP has supported the seafood industry by funding seafood testing and marketing programmes in Alabama, Florida, Louisiana and Mississippi.

Independent monitors

Two independent monitors – a process safety monitor and an ethics monitor – were appointed under the terms of the criminal plea agreement BP reached with the US government in 2012 to resolve all federal criminal claims arising out of the Deepwater Horizon incident. Under the terms of the agreement, BP is taking additional actions, enforceable by the court, to further enhance the safety of drilling operations in the Gulf of Mexico.

The process safety monitor is reviewing and providing recommendations concerning BP Exploration & Production Inc's (BPXP) process safety and risk management procedures for deepwater drilling in the Gulf of Mexico. BPXP is the BP group company that conducts exploration and production operations in the Gulf of Mexico.

The ethics monitor is reviewing and providing recommendations concerning BP's ethics and compliance programme.

The monitors have interviewed BP employees, reviewed policies and procedures, and made site visits in preparation for their initial reports, which will be delivered in 2015.

Claims

BP began paying compensation for legitimate claims for damages within weeks of the Deepwater Horizon accident. From May 2010 to the end of 2014, BP had paid a total of approximately $11.6 billion to individuals and businesses through various claims processes, with $600 million being paid in 2014. BP had paid almost $1.5 billion for claims, advances and settlements with government entities.

BP reached settlements in 2012 with the Plaintiffs' Steering Committee (PSC) to resolve the substantial majority of legitimate individual and business claims, and medical claims stemming from the accident and oil spill. The PSC was established to act on behalf of individual and business plaintiffs in the multi-district litigation proceedings in New Orleans.

As part of its monitoring of settlement payments, BP identified and disputed multiple awards that appeared to result from an incorrect interpretation of the economic and property damages settlement agreement by the claims administrator. BP has also raised issues about misconduct and inefficiency in the facility administering the settlement. This is an ongoing situation.

Multi-district litigation proceedings

The multi-district litigation trial relating to liability, limitation, exoneration and fault allocation began in the federal district court in New Orleans in February 2013.

The first phase of the trial focused on the causes of the accident and the allocation of fault among the defendants. In September 2014, the court found that BPXP was grossly negligent in connection with the Deepwater Horizon accident and is therefore subject to enhanced civil penalties. BP does not believe that the evidence at trial supports a finding of gross negligence and has appealed this ruling.

The second phase of the trial focused on efforts to stop the flow of oil and the volume of oil spilled. In January 2015, the district court found that 3.19 million barrels of oil were discharged into the Gulf of Mexico and therefore subject to a Clean Water Act penalty. We have appealed this ruling. In addition, the court found that BP was not grossly negligent in its source control efforts.

The penalty phase trial finished in February 2015, with the ruling to come at a later date. In this phase, the district court will determine the amount of civil penalties owed to the US under the Clean Water Act.

See quarterly updates on legal proceedings at *bp.com/legalproceedings*

Agreement with EPA

Following the Deepwater Horizon incident, the US Environmental Protection Agency (EPA) suspended various BP companies from entering into new contracts with the US government or renewing existing ones.

BP entered into an agreement with the EPA in March 2014, resolving all suspension and debarment matters. Under this agreement, which applies for five years, BP has agreed to safety and operations, ethics and compliance, and corporate governance requirements.

Find more information online at *bp.com/gulfofmexico*

The energy future

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

What we said we would do	Where we are today	What we plan to do next
Help meet the growing energy demand through a diverse mix of fuels and technologies.	Completed the expansion of our ethanol production capacity at our Tropical facility, making it one of the largest mills in Brazil.	Increase the proportion of natural gas in our production portfolio over the next decade.
Continue to engage with our stakeholders on climate change.	World Bank carbon pricing statement endorsed.	Work with our partners to enhance how we manage emissions at our oil sands facilities.
Further improve fuel efficiency through the use of our branded fuels and engine oils.	15% reduction in friction through the use of new *Castrol EDGE* engine oil means improved fuel economy.	Expand the use of technology to monitor conditions in our deepwater wells to more of our rigs worldwide.

Meeting the energy challenge

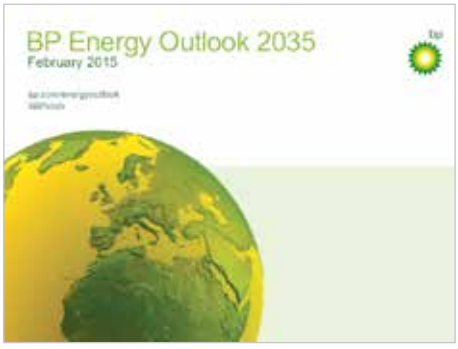
With population and income projected to rise, the global energy challenge is to manage and meet demand affordably, sustainably and securely.

37%

projected increase in demand for energy between 2013 and 2035.

54%

total energy consumption from oil and gas in 2035.



Our projections of future energy trends are taken from the *BP Energy Outlook 2035*.

For further details see *bp.com/energyoutlook*

Sunrise, an oil sands project in Canada, started up at the end of 2014 with first oil expected to be recovered in the first quarter of 2015.

Population and economic growth are the main drivers of global energy demand. The world's population is projected to increase by 1.6 billion from 2013 to 2035, and the world economy is likely to more than double over the same period. Improvements to energy efficiency, further stimulated by new climate policies and a shift towards less energy-intensive activities in fast-growing economies, will restrain the growth of energy consumption. But we still expect world demand for energy to increase by as much as 37% between 2013 and 2035, with 96% of the growth from non-OECD countries.

Energy resources are available to meet this growing demand, but developing these resources presents a number of challenges:

Affordability – fossil fuels can become more difficult to access, as the easiest and highest-quality resources are depleted first, and many non-fossil fuel resources will remain costly to produce at scale.

Supply security – more than 60% of the world's known reserves of natural gas are in just five countries, and more than 80% of global oil reserves are located in nine countries, often distant from the hubs of energy consumption.

Sustainability – action is needed to limit carbon dioxide (CO_2) and other greenhouse gases (GHG) emitted through fossil fuel use.

Continued advances in technology and energy-industry productivity are required to deliver affordable, sustainable and secure energy. The shale gas revolution demonstrates the potential impact of such developments.

Effective policy

We believe governments must set a stable framework to encourage private sector investment and to help consumers to choose wisely. This includes secure access for the exploration and development of energy resources; mutual benefits for resource owners and development partners; and an appropriate legal and regulatory environment with an economy-wide price on carbon.

Energy efficiency

Greater efficiency helps with affordability – because less energy is needed; with security – because it reduces dependence on imports; and with sustainability – because it reduces emissions. Innovation can play a key role in improving technology, bringing down cost and increasing efficiency. For example, we believe that energy efficient technologies and biofuels could offer the most cost-effective pathway to a secure, lower-carbon future for transport.

A diverse mix

We believe a diverse mix of fuels and technologies can enhance national and global energy security while supporting the transition to a lower-carbon economy.

Oil and natural gas

Oil and natural gas are likely to play a significant part in meeting demand for several decades. We believe these energy sources will represent about 54% of total energy consumption in 2035. Even under the International Energy Agency's most ambitious climate policy scenario (the 450 scenario[a]), oil and gas would still make up 49% of the energy mix in 2030 and 43% in 2040.

We expect oil to remain the dominant source for transport fuels, accounting for almost 90% of demand in 2035.

Natural gas, in particular, is likely to play an increasing role in meeting global energy demand. By 2035 gas is expected to provide 26% of global energy, matching the share of coal. Natural gas produces about half as much CO_2 as coal per unit of power generated, so increasing the share of gas versus coal helps to restrain GHG emissions. Shale gas has already had a significant impact on US gas prices and demand as well as CO_2 emissions, which have fallen below what they were 20 years ago. Shale gas is expected to contribute 47% of the growth in global natural gas supplies between 2013 and 2035.

New sources of hydrocarbons may be more difficult to reach, extract and process. BP, along with others in our industry, is working to improve techniques for maximizing recovery from existing and currently inaccessible or undeveloped fields. In many cases, the extraction of these resources might be more energy-intensive, which means operating costs and GHG emissions from operations may also increase.

Renewables

Renewables will play an increasingly important role in addressing the long-term challenges of energy security and climate change. They are already the fastest-growing energy source, but are starting from a low base. By 2035, we estimate renewable energy, excluding large-scale hydroelectricity, is likely to meet around 8% of total global energy demand.[a]

For more information on our biofuels business see page 22.

[a] From *World Energy Outlook 2014*. © OECD/International Energy Agency 2014, page 607. The IEA's 450 policy scenario assumes governments adopt commitments to limit the long-term concentration of greenhouse gases in the atmosphere to 450 parts-per-million of CO_2 equivalent.

Climate change

BP believes that climate change is an important long-term issue that justifies global action.

The science

The Intergovernmental Panel on Climate Change (IPCC) states that warming of the climate system is unequivocal, and is in large part due to an increase in greenhouse gas (GHG) emissions from human activities. The IPCC believes that warming of the climate will probably lead to extreme weather events becoming more frequent and unpredictable. It makes clear that limiting climate change will require substantial and sustained reductions of GHG emissions.

The climate challenge

BP's *Energy Outlook* projects that global carbon dioxide (CO_2) emissions from fossil fuels may be 25% higher in 2035 than they were in 2013, partly as a consequence of coal use in rapidly growing economies. This is a projection of what looks likely to happen, not what we would like to see.

More ambitious energy policies could lead to slower growth in CO_2 emissions but this would probably still not be enough to keep warming to 2°C, the threshold recognized by governments as limiting the worst impacts of climate change.

There are several reasons, in addition to growing energy demand, why achieving substantial and rapid GHG emissions reductions will be challenging. Some potentially important lower-carbon technologies – including nuclear, carbon capture and storage, and electric vehicles – still face significant technology, logistical, political, infrastructure or cost challenges. And the cost of renewable technologies has led some governments to reduce their levels of support. In the meantime, the GHG intensity of oil and gas extraction and production looks set to increase, with the move towards harder-to-access resources.

Carbon policy

BP believes that the scale of the climate challenge is such that governments must act by setting a clear, stable and effective carbon policy framework if energy companies are to limit GHGs while providing energy competitively.

In particular, we believe that putting a price on carbon – one that treats all carbon equally, whether it comes out of a smokestack or a car exhaust – will make energy efficiency more attractive and lower-carbon energy sources more competitive.

Within a clear policy framework energy companies have a key role to deploy innovative technological and commercial solutions at scale and BP wants to play its part. As such we have endorsed the World Bank carbon pricing statement and the Carbon Price Communiqué. BP is also a member of the Oil and Gas Climate Initiative, an industry-driven platform for sharing best practice and technical solutions to address climate change and sustainable energy.

International climate agreements

BP believes it is for governments to set goals, targets and timetables for limiting GHG emissions and to identify how best to achieve them. We encourage governments to base their discussions on sound science and consideration of all relevant factors, including energy security, affordability and international competitiveness.

Unburnable carbon

We believe action on climate is needed. But it's a complex issue – one needs to consider all aspects of this debate in their totality.

Access to affordable and secure energy is essential for economic prosperity. We project global demand to grow by 37% between 2013 and 2035, driven by the developing world. A diverse mix of energy sources, including fossils fuels, will be required.

There are multiple actors and actions. Agriculture and land use emit about a quarter of global GHGs. Slowing deforestation could dramatically reduce CO_2 and help protect the world's biodiversity.

All fossil fuels are not equal. Coal accounts for about 60% of potential CO_2 emissions from known fossil reserves and is the most carbon intensive fossil fuel. Natural gas is an affordable replacement in coal-fired power, cutting CO_2 emissions in half. The transition from coal to natural gas needs to be effected in the evolving energy mix.

There is a variety of resource holders and users. National oil companies control about 90% of known oil reserves. Consumers account for about 90% of CO_2 emissions from oil products.

BP will continue to play its part. We invest in lower-carbon energy, and our current portfolio is about half gas and half oil, with a growing proportion of gas. We focus on energy efficiency in our operations and our products. We support an economy-wide carbon price.

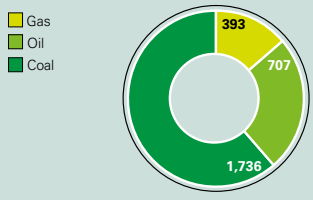
Valuations are based on proved reserves, which are not 'stranded assets'. The value of the upstream part of BP's business is mainly based on proved reserves, and less so estimates of probable or possible reserves. BP's proved reserves are produced, and historically replaced, over a 13-year timeframe on average. On this wavelength we can adapt our investment strategy to changes in policy, market or technology conditions.

To do this, we take a dynamic approach:

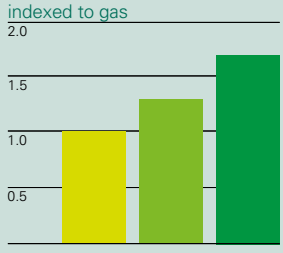
- **GHG regulation:** We assess how potential carbon policy could affect our businesses now and in the future. We apply a carbon price to our investment decisions, where relevant.
- **Supply and demand:** We make regional and global assessments of energy supply and demand in our *Energy Outlook 2035* and we undertake detailed analysis of the transport sector.
- **Fluctuating oil prices:** We test our investments against a range of oil and gas prices to check they are profitable over the long term. We take into account current price levels and our long-term outlook.
- **Evolving technology:** We undertake periodic and thorough reviews of potential innovation out to 2050 and collaborate with external technology-focused bodies.

Comparing fossil fuels

Potential CO_2 emissions (Gt)
from known resources

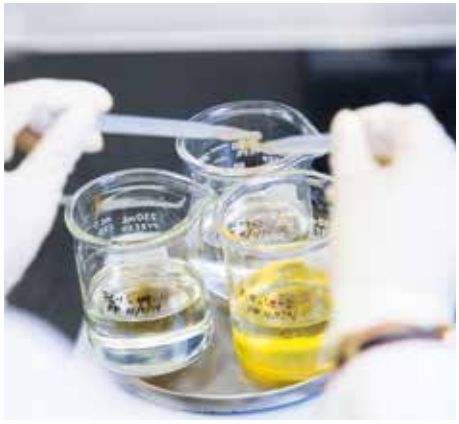


Carbon intensity
indexed to gas



Our programme of action to manage climate change risk

We take steps to address carbon risk and collaborate with others on climate change issues.



Our specially formulated advanced *Castrol* engine oils can improve fuel efficiency and reduce carbon emissions.

Lower-carbon energy

Natural gas is a plentiful resource that releases less CO_2 than other fossil fuels when burned. Most importantly, the technologies needed to produce and use it are widely available today. Around half of our current Upstream portfolio is natural gas. We are developing important supply chains to Europe, as well as to China and India, two countries that are likely to account for more than half of the growth in global energy demand between 2013 and 2035.

We also invest in low-cost, low-carbon biofuels that are either financially self-sustaining now or could be in the future. We doubled the capacity of our largest sugar cane ethanol facility in Brazil in 2014. We have interests in 16 wind farms, which have a total generating capacity of 2,600 megawatts of electricity.

Energy efficient operations and products

We require our operations to incorporate energy use considerations in their business plans and to assess, prioritize and implement technologies and systems that could improve energy usage. We measure the energy performance of our refining business using the Solomon Energy Intensity Index (EII), an industry measure that benchmarks energy efficiencies. All of our refineries set and track progress against an EII target.

We provide increasingly energy-efficient and high-performance products to our customers. Our *Castrol EDGE* with *Titanium Fluid Strength Technology* changes the way engine oil behaves under extreme pressure, reducing friction by up to 15%. We work in partnership with vehicle and equipment manufacturers to achieve more efficient use of our fuels and engine oils. For example, Ford's ECOnetic cars – including the Fiesta, Focus and Mondeo models – are engineered with specially formulated advanced *Castrol* engine oils, which improve fuel efficiency and reduce emissions.

Internal carbon price

We factor a carbon cost into our own investments and engineering designs for large new projects and those for which emissions costs would be a material part of the project. In industrialized countries this is $40 per tonne of CO_2 equivalent. We use this cost as a basis for assessing the economic value of the investment and as one consideration in optimizing the way the project is engineered with respect to GHG emissions. This helps us to anticipate a future with a potentially higher carbon price and greater regulatory GHG requirements.

Climate change adaptation

We use specialized climate models developed with Imperial College and Princeton to help us predict possible climate impacts relevant to our operations, as well as to better understand how extreme weather events might impact our business in the future.

We seek to address potential climate change impacts on our new projects from the start – in the design phase. We have guidance for existing operations and projects on how to assess potential climate risks and impacts – to enable mitigation steps to be incorporated into project planning, design and operations.

Technology and innovation

Technological innovation can lead to more efficient production and use of fossil fuels, as well as alternatives to fossil fuels. We deepen our understanding of future energy, technology and climate change trends through in-house research and in partnership with leading academics.

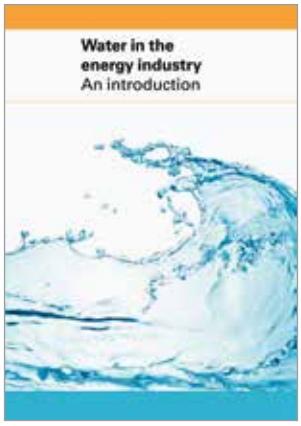
Additionally, we invest in start-up companies to better understand evolving alternative and advanced technologies such as electric vehicles, battery storage and biolubricants.

56%

of our current Upstream portfolio was natural gas at the end of 2014.

Energy and natural resources

A BP-funded consortium of experts from leading universities is examining the complex relationships between natural resources and the supply and use of energy.



The ESC has published a series of handbooks on biomass, water, and materials critical to the energy industry. The books are available to download from our website.

See bp.com/energysustainabilitychallenge

Our Energy Sustainability Challenge (ESC) programme looks at the potential effects of natural resource scarcities, including land, water, and minerals, on patterns of energy supply and demand. The programme recognises the increasing socio-economic risks and potential business impacts from competing pressures on the natural resources used in the energy sector.

To date, 15 universities from around the world have partnered with the ESC. In 2014, participating universities included Cambridge in the UK; Harvard, MIT, Princeton and Yale in the US; and Augsburg in Germany.

The research is underpinned by peer-reviewed scientific data and analysis. Key projects are focused on developing modelling tools that help policy makers and practitioners better understand the complexities around natural resources and energy.

Key findings

The ESC research has found that:

- Globally, there is enough fresh water, land, and minerals to support expected increases in energy demand from a growing population. However, natural resource constraints vary widely by region.
- Energy-related water, land and minerals constraints can be managed more sustainably but will require continuing technical advances and careful governance decisions.

Key ESC technologies

Visualising natural resources

The *Foreseer™* tool, developed at the University of Cambridge and funded by BP, uses detailed data to create a visualization of natural resource life cycles and their interconnectivity in the context of future demand scenarios, technology improvements and policy choices in a region of interest.

The tool, which helps to inform decisions about managing natural resources by identifying and quantifying the connections among water, land and energy, from source to end use, was applied to Abu Dhabi and China in 2014.

See *foreseer.org* for more information.

Understanding bioenergy

The Integrated Global System Model is a well-respected and widely used suite of global models that bring together the earth's environmental and economic systems.

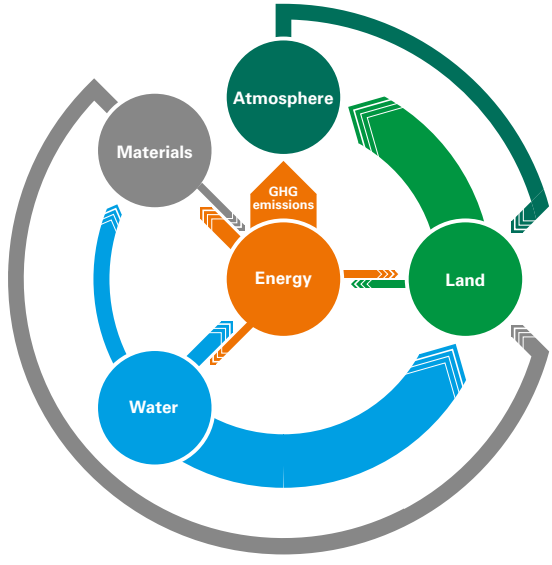
Developed by MIT, BP is co-funding its upgrade to improve the representation of biomass in the model. This will help researchers test the future of biomass use under different carbon regimes and technology scenarios and will give policy makers a more strategic understanding of bioenergy and its potential impacts.

See *mitei.mit.edu* for more information.

The relationship between natural resources and energy

The ESC research highlights the relationship between natural resources and energy production and use.[a]

- Around 57% of greenhouse gas emissions are from fossil fuel use. 28% is from agriculture and land use change.
- Approximately 10% of global primary energy use is for the mining and processing of materials.
- Biofuels use 2% of global cropland.
- Around 1% of global water withdrawals is for fossil fuel extraction and refining, compared to about 70% for agriculture.
- About 5% of steel is used in the oil and gas industry.



[a] Based on world averages in 2010.

15

universities from around the world have partnered with the ESC.

Deepwater oil and gas

BP's expertise and technology are helping to extract deepwater oil and gas safely and efficiently.

Q: Do you apply the same deepwater drilling standards to your operations globally?

A: We have a set of engineering and operating requirements designed to mitigate risks in our drilling, completion and well intervention operations. They contain a mixture of industry and additional BP-specific requirements. Many of these are applicable across our worldwide operations, such as requirements on cementing in the design, construction and decommissioning of a well.

Others are specific to the type of well we are drilling, the type of rig we are using or the subsurface conditions that we are likely to encounter. For example, some wells need to be designed to withstand high pressures and temperatures – these can be found in deepwater, shallow water or onshore environments. In these cases, we have specific requirements that aim to improve how we manage the risks of that particular situation.

Scott Sigurdson
Vice president, area wells – deepwater, BP

6,800ft

We produce oil and gas from wells in water depths that can be more than six times the height of the Eiffel Tower.

We have deepwater drilling interests in Angola, Brazil, Egypt, India, the UK and the US, and we are pursuing further deepwater growth opportunities in Australia, Canada, Morocco, Trinidad & Tobago and Uruguay.

Producing oil and gas from deepwater reservoirs creates engineering and technical challenges: reservoirs can be 35,000 feet (10,660 metres) below sea level under hard rock, thick salt and tightly packed sands.

Enhanced techniques can allow safe access to new sources of oil and gas. We are working with experts across our industry to develop technology to extract oil and gas from high-pressure undersea reservoirs – a resource that is beyond the reach of current deepwater drilling equipment.

Deepwater capability

Our global wells institute offers courses in areas such as drilling engineering and well site leadership. Our applied deepwater well control course uses simulator facilities to train key members of rig teams, including contractors. We have conducted more than 35 classes for rig crews from around the world since courses began in October 2012.

Advanced technology

We have monitoring centres in Aberdeen, Baku, Houston, Luanda and Stavanger that enable us to oversee conditions in our offshore wells. Teams at our facility in Houston, for example, can monitor data from our operated rigs in the Gulf of Mexico 24 hours a day through real-time information feeds and video.

BP Well Advisor
We use technology to monitor conditions in our wells, enhance operational safety and improve drilling efficiency. For example, BP Well Advisor consists of a series of consoles that display real-time data from our wells. This technology, used on more than 25 rigs worldwide, acts as an early warning system and helps people working both offshore and onshore to view and respond to changes in well conditions and safety equipment.

Environmental impacts

We conduct monitoring of specific deepwater environments so we can better manage the potential impacts from our operations. This helps us in planning drilling activities, laying pipelines and building offshore platforms, as well as in responding to oil spills.

See page 44 for information on oil spill preparedness and response.

In Angola, for example, we began observing environmental conditions when we started seismic and drilling activities at our Greater Plutonio project in 2002. As a result, we developed actions intended to manage environmental impacts, including adjusting the use of drilling chemicals to minimize effects on seabed fauna.

Our monitoring stations in Angolan waters gather data on ocean currents, temperature, sound and water chemistry, and take photographs of marine life. They are designed to be in place for 25 years. This helps us to understand long-term patterns in the deepwater environment and manage any changes that may be due to our operations.

Results from these monitoring activities are published as scientific papers at *onepetro.org*

See page 34 for information on how we are sharing lessons learned with our industry.

Dr Daniel Jones
Senior researcher, National Oceanography Centre, UK

"The characterization of deepwater environments prior to exploration and drilling is very important, particularly as there is often very little existing information in these remote areas. BP has carried out major environmental surveys in its deepwater areas to better understand these ecosystems and manage the impact of development."

Unconventional gas and hydraulic fracturing

Natural gas has an increasingly important role in supplying lower-carbon fuel to meet the world's growing energy needs.

By our estimates, natural gas is likely to meet around 26% of total global energy demand by 2035. Shale gas is expected to contribute 47% of the growth in global natural gas supplies between 2013 and 2035.

BP is working to responsibly develop and produce natural gas from unconventional resources including shale gas, tight-gas and coal bed methane at our operations in Algeria, Indonesia, Oman and the US. Approximately 80% of our onshore natural gas production is from unconventional resources.

Some stakeholders have raised concerns about the potential environmental and community impacts of hydraulic fracturing. BP seeks to apply responsible well design and construction, surface operation and fluid handling practices to mitigate these risks.

Chemicals

Water and sand constitute on average 99.5% of the injection material used in hydraulic fracturing. Some of the chemicals that are added to this, when used in certain concentrations, are classified as hazardous by the relevant regulatory authorities. BP works with service providers to minimize their use where possible. We list the chemicals we use in the fracturing process in material safety data sheets at each site. We also submit data on chemicals used at our hydraulically fractured wells in the US, to the extent allowed by our suppliers who own the chemical formulas, at *fracfocus.org* or other state-designated websites.

Water and other fluids

BP wells and facilities are designed, constructed, operated and decommissioned to mitigate the risk of natural gas and hydraulic fracturing fluids entering underground aquifers, including drinking water sources. We test the integrity of our wells before beginning the fracturing process and again when work at the well reaches completion.

We are trialling a number of water-saving innovations to reduce the amount of fresh water used in our hydraulic fracturing operations, including new technologies that could make it possible to treat water used in fracturing for reuse in our operations. We sponsored research by Texas A&M University in 2014 to develop guidelines for water treatment companies that supply water for fracturing fluid reuse.

Greenhouse gas emissions

Natural gas has the lowest greenhouse gas (GHG) emissions of any fossil fuel when burnt. The UN Intergovernmental Panel on Climate Change says that when used in place of coal for power, natural gas can reduce CO_2 emissions by half.

We have inventoried and managed methane and hydrocarbon emissions from our US onshore natural gas operations for more than a decade.

We aim to minimize air pollutant and GHG emissions, such as methane, at our operating sites. For example, we use a process called green completions at the majority of our gas operations in the US. This process, which we have been using since 2001, captures natural gas that would otherwise be flared or vented during the completion and commissioning of wells.

Seismic activity

Hydraulic fracturing creates very small earth tremors that are almost always too weak to be detected at the surface. Before conducting work, BP assesses the potential risks of induced seismicity, including minor earthquakes and tremors caused by human activity, resulting from our operations. This analysis informs our development plans for drilling and hydraulic fracturing activity.

We evaluate industry-recommended guidance for avoiding induced seismicity and we apply these practices to our operations as appropriate. We are working with others in the oil and gas industry to share our knowledge and practices.

Community impacts

The development of unconventional resources has moved energy companies into new and often more populated areas. This may result in increased traffic, noise, dust, air pollution, visual impacts, disruption of wildlife, and increased pressures on the local infrastructure. We assess the potential impacts of our operations on the local communities in the early stages of development and seek to manage them throughout the life of the operation. See page 47 for more information.

Land use

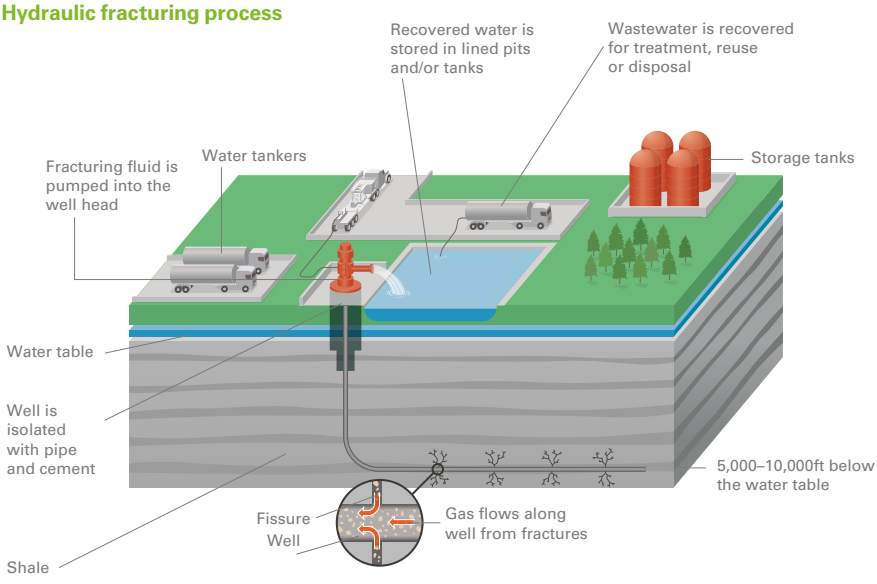
To minimize land use and reduce the visibility of our production facilities, we use techniques such as drilling multiple wells from a single well site. We also use construction practices that minimize the surface footprint of the operations and work to restore the land after construction.

View our issue briefing on unconventional gas and hydraulic fracturing at *bp.com/unconventionalgas*

US Lower 48 onshore business

In 2015, our US Lower 48 onshore business began operating as a separate business, with its own governance, processes and systems. This is designed to promote nimble decision making and innovation so that BP can be more competitive in the US onshore market, while maintaining BP's commitment to safe, reliable and compliant operations. The business's approach is to operate in line with industry standards developed within the context of the highly regulated US environment.

Hydraulic fracturing process



Oil sands

BP is working with our partners to develop Canada's oil sands responsibly.

Sunrise, operated by Husky Energy, utilizes steam assisted gravity drainage technology to minimize land disturbance.

Canada's oil sands are the third-largest proven crude oil reserve in the world, after Saudi Arabia and Venezuela. About half of the world's total oil reserves that are open to private sector investment are contained in Canada's oil sands.

Our projects

BP is involved in three oil sands lease areas – Sunrise, Pike and Terre de Grace – all of which are located in Alberta. Sunrise Phase 1, operated by Husky Energy, started up at the end of 2014 and we expect first oil to be recovered in the first quarter of 2015. Pike Phase 1, operated by Devon Energy, was granted regulatory approval in November 2014 and is at the design and planning stage. Terre de Grace, which is BP-operated, is currently under appraisal for development.

Impact on the landscape

BP and our partners use, or plan to use, a production technology called steam assisted gravity drainage (SAGD) rather than open-cast mining.

SAGD is a production technique that involves pumping steam into the oil sand reservoir through a horizontal well to heat and extract the oil. This reduces land disturbance as the operations have a smaller physical footprint and, unlike mining, do not require tailings ponds.

Throughout our exploratory work at the Terre de Grace lease area we have promoted the regeneration of habitat at sites where we have completed our activity. This included planting around 53,000 trees in 2014.

Greenhouse gas emissions

Well-to-wheels' studies measure greenhouse gas (GHG) emissions from producing the oil (well) through to combustion (wheels). A 2014 study by the independent energy consultant, IHS Cambridge Energy Research Associates® Inc., found that crude produced from Canada's oil sands applying the SAGD technology used in BP's projects, is around 8% more GHG intensive than the average crude refined in the US.

Regulatory agencies in the province of Alberta and the federal government of Canada have set out comprehensive and rigorous requirements for the full life cycle of oil sands developments.

We are working with our partners to reduce emissions. For example, we plan to develop further improvements through additional heat integration and recovery techniques. We also aim to reduce energy use at well sites, for instance, through insulating the portion of the steam pipe where it first enters the ground and before it reaches the oil sands.

Water

Water supply and management are key elements in planning a SAGD project. BP is committed to maintaining a high level of water conservation and our oil sands projects are designed to meet or exceed regulatory requirements. At Sunrise, we draw the water used to make steam primarily from underground aquifers and from non-potable water recycled from other operators.

Local communities

BP recognizes that some aboriginal communities living in or near Alberta's oil sands region are concerned about the impacts of oil sands development. We encourage local communities, such as First Nations and Métis, to provide feedback on our activities relating to the Terre de Grace project. We hold regular meetings, undertake field site visits and support local community events.

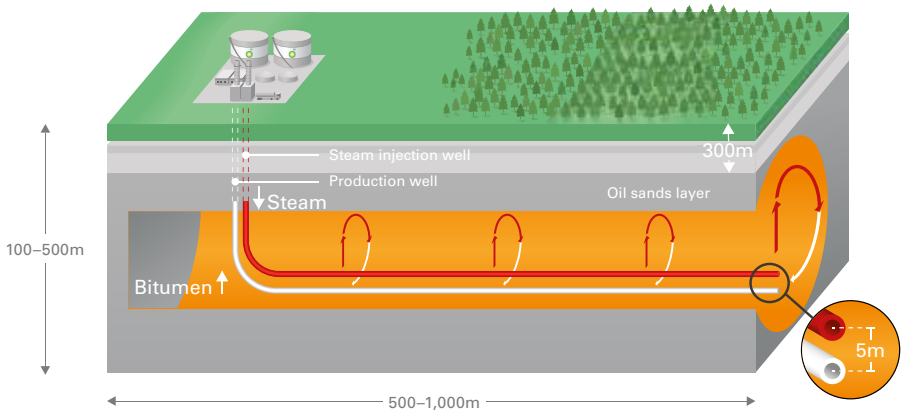
Our partners operating the Sunrise and Pike projects have established consultation processes that have involved, and will continue to involve, local communities and other stakeholders.

Commercial viability

BP requires oil sands projects, like all of its investments, to be commercially viable over the life of the project. We currently expect the break-even price for oil from Canada's oil sands to be within the range we require from other types of crude oil investments.

View our issue briefing on oil sands at *bp.com/oilsands*

Steam assisted gravity drainage



Biofuels

We invest in biofuel businesses that complement our core business.

Mario Lindenhayn
Chief executive officer, Biofuels Brazil, BP

"For us in Brazil, it is important to do biofuels well and to ensure that we minimize any negative impacts on the communities and environments in which we operate.

During our early days here, we undertook a study to evaluate the impacts that could result from our operations and to understand the needs of the local community. This formed the building blocks of our social and environmental action plan. The plan has evolved over time but primarily comprises of three main themes. Firstly, road safety, with campaigns focusing on education and awareness for our employees, their families and the wider community. Secondly, empowering local people, including increasing the number of women in our workforce. And thirdly, promoting the importance and value of sustainable sugar cane production especially at our own sites where around 20% of our sugar cane plantation is set aside to protect local biodiversity. We have embarked on a programme of activities to address these issues. As we forge ahead with our journey, I am proud of what we are doing in Brazil."

We are focused on investing in low-cost, low-carbon biofuels that are either financially self-sustaining now or could be in the future. Biofuels can be blended into gasoline or diesel without significant engine modifications or major changes to existing fuel delivery systems.

In Brazil, we produce biofuels that transform sugars into liquid fuels. Our three mills have a combined annual production capacity of around 640 million litres of ethanol and employ more than 6,000 people. The mills also use sugar cane waste to produce renewable power – two have a yearly capacity of up to 170 gigawatts (GWh) while our newly expanded Tropical mill can produce up to 340 GWh each year.

In conjunction with DuPont, we have developed biobutanol, a second-generation biofuel that can be blended into gasoline in greater proportions and is more compatible than ethanol with the infrastructure used for existing fuel supplies.

How sustainable are biofuels?

We believe biofuels can be produced sustainably and can positively affect rural development and energy security, and reduce carbon emissions. While the sustainability of biofuels can vary greatly depending on the raw materials used and the agricultural conditions, we are seeking to focus on sustainable alternatives.

Food security

Brazilian sugar cane is one of the most plentiful and land-efficient feedstocks for producing both ethanol and sugar. Less than 2% of the land used for crops or pasture in Brazil is for ethanol production – totalling around 5.1 million hectares.

Greenhouse gas emissions

Sugar cane ethanol has life cycle greenhouse gas emissions that are 70% lower than conventional transport fuels. One reason for this is that the mills produce renewable energy for operating the plants, with excess electricity exported to the grid.

Water

The growth of feedstocks for biofuels can potentially increase pressure on water resources, making the choice of crop and location crucial. The Goiás region in Brazil where we operate is especially well suited to sugar cane agriculture because the rainy and dry seasons match the needs of the sugar cane's growing cycle. The water intensity of our Brazilian biofuels operations averages around 17 kilograms of water per kilogram of sugar and ethanol, which compares favourably to that of many agricultural food crops within the region.

We have been assessing water availability in the region where our Tropical sugar cane mill is based. The outcomes of this analysis are helping us plan activities in the area.

Certification

As well as producing our own biofuels, BP buys significant quantities of biofuels produced by other operators and puts them into fuels for markets, including Europe and the US, where blending biofuels into gasoline and diesel is required by law.

For biofuels that we buy, we seek to comply with all legal sustainability requirements on such fuels in countries where regulations are in place. Elsewhere, we encourage our suppliers to meet sustainability standards, such as those developed for the International Sustainability and Carbon Certification system and the Roundtable on Sustainable Palm Oil.

BP is a member of Bonsucro, a not-for-profit initiative that aims to reduce the environmental and social impacts of sugar cane production. The Bonsucro standard certifies sustainable production of sugar cane, and includes criteria that address potential impacts on human rights – such as providing a safe and healthy working environment in workplace operations, and the environment – such as preventing the cultivation of sugar cane on land that is legally protected or of critical conservation value. Our Tropical mill is certified to both Bonsucro and SA8000, the international standard for social accountability and human rights.

For more information on worker rights in Brazil see *bp.com/workforcerights*

640 million
litres of ethanol can be produced by our three mills in Brazil annually.

The Arctic

Our offshore interests in the Arctic are currently limited to exploration. We operate nine onshore fields in Alaska.

We began working in Alaska in 1959 and have regularly conducted research to understand this sensitive environment.

The Arctic offers opportunities to help meet the world's growing energy needs, but there are also specific challenges due to its unique nature. These range from environmental, social and political to operational, technological and commercial challenges.

BP has operated in the US Arctic for several decades. We operate nine onshore fields on Alaska's North Slope.

In the offshore Arctic, BP has a largely non-operated position. We currently have investments in areas including the Canadian Beaufort, the Barents Sea and Greenland. For the next few years, activity will focus on exploration.

We will continue to assess other opportunities in the Arctic, proceeding only where we believe we understand and can manage associated risks and impacts.

We share our knowledge and experience in the Arctic with our partners to help deliver safe and responsible operations in this sensitive environment. We invest in developing Arctic capability within our industry.

Rosneft

We hold a 19.75% share in Rosneft, Russia's largest oil company, and remain committed to our strategic investment while complying with all relevant sanctions. BP does not currently have operations in the Russian Arctic or directly partner with Rosneft on any of its Arctic licences.

Working safely

Our operations in Alaska have government-approved land, air and water use permits and oil spill response plans that consider the sensitivity of the Arctic. We continue to carry out research into construction, drilling and oil spill response in ice and cold water settings and share our experience and knowledge with our partners.

We participate in a number of Arctic research programmes with our industry peers. Research areas include the effectiveness of dispersants in Arctic waters, oil spill modelling in ice, the use of remote sensors above and under water and a sea ice model designed to be integrated into established oil spill models.

See page 45 for information on ecological monitoring in the Arctic.

We are also working with others to deploy consistent safety standards and technologies, such as:

- The Barents 2020 project, which examines standards for safe exploration, production and transport of oil and gas in the Barents Sea.
- The International Maritime Organization's development of a draft international code of safety for ships operating in polar waters, which is expected to come into force in 2017.

We aim to minimize the impacts of our operations on their surroundings, particularly in sensitive environments, and invest in maintenance to keep our facilities safe and reliable. We completed a $100 million maintenance and upgrade programme at three of our North Slope facilities in 2014.

Working with local communities

Arctic communities depend on sensitive Arctic natural environments for their subsistence and cultural heritage. We acknowledge the importance of respecting the unique cultures and ways of life in Arctic communities.

We work with local communities to understand and manage the potential local impacts from our work. Our emphasis is on open and transparent dialogue, based on sound science and knowledge sharing, and our response plans are enhanced through considering local and traditional knowledge. For example, we have worked with the North Slope Borough and the Alaska Eskimo Whaling Commission to incorporate local environmental knowledge into our mitigation plans for potential impacts to the local community and subsistence whaling activities.

We also look for opportunities for local communities to share in the long-term economic benefits of our presence. For example, we support the Alaska Native in Science and Engineering Program, which provides opportunities for students from secondary school and university to engage with science and engineering. There are currently more than 1,500 students participating in the programme, which offers paid internships and support during the academic year.

9

BP-operated fields on Alaska's North Slope.

$100 million

maintenance and upgrade programme completed at three of our facilities.

How we operate

We strive to be a world-class operator, a responsible corporate citizen and a good employer.

What we said we would do	Where we are today	What we plan to do next
Further increase the number of women in leadership positions and build on our work to encourage other forms of diversity.	18% of group leaders are female. We remain committed to our aim that women will represent at least 25% of our group leaders by 2020.	Build capability and promote from within our existing workforce.
Evaluate our current screening process to help projects identify and assess socio-economic sensitivities and impacts.	Created additional guidance for projects on socio-economic sensitivities and standard impact mitigations.	Engage employees and board members in code of conduct certification.
Look for opportunities to continue to support a local supply chain.	More than $259 million in contracts awarded to local Omani companies since 2013.	Continue to pursue deeper, collaborative relationships with our strategic contractors.

Our operating management system

Our operating management system provides the foundation for a safer and stronger BP.

Technicians monitoring activity in the control room of the Atlantis platform in the Gulf of Mexico in the US.

BP's operating management system (OMS) is a group-wide framework designed to help us manage risks in our operating activities. It brings together BP requirements on health, safety, security, the environment, social responsibility and operational reliability, as well as related issues, such as maintenance, contractor relations and organizational learning, into a common management system.

Operating requirements

The OMS requirements set out what a BP operation needs to do across eight focus areas. This includes, for example, our principles for measuring our performance, as well as for managing facilities that are fit-for-purpose throughout the life cycle of the operation. Any necessary variations in the application of OMS – in order to meet local regulations or circumstances – are subject to a governance process. We review and amend our group requirements within OMS from time to time to reflect BP's priorities and experience or changing external regulations.

Continuous improvement

OMS also helps us improve the quality of our operating activities. All BP businesses covered by OMS undertake an annual performance improvement cycle and assess alignment with the OMS framework. Recently acquired operations need to transition to OMS.

We use the performance improvement cycle to identify and implement opportunities to work more effectively across the business – from individual challenges on sites to how we plan and carry out assurance.

Exemplar programme

Our 'exemplar' programme helps sites apply our OMS using the expertise of coaches who have up to 30 years of experience in high-hazard industries. There are 18 sites participating in the programme. Around 185 continuous improvement projects have been completed to date, in areas such as procedures, training and process safety systems. At our Cherry Point refinery in the US, for example, 'exemplar' has resulted in a new procedure to verify that spare pumps are always available and ready to use in case primary equipment fails.

Environmental and social practices

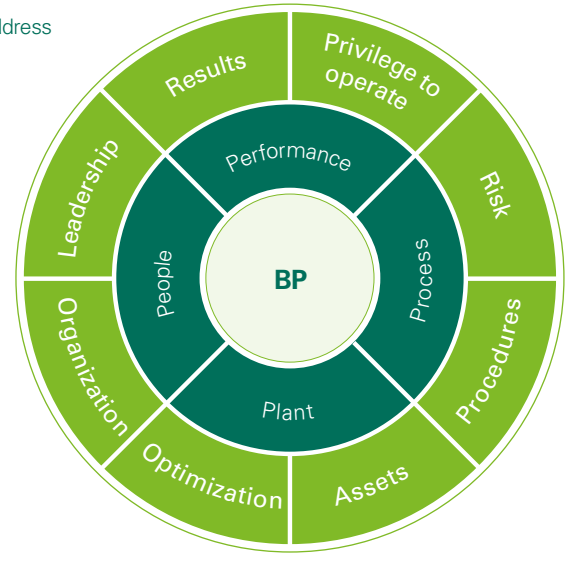
Our OMS includes practices that set out requirements and guidance for how we identify and manage environmental and social impacts. The practices include topics such as our management of greenhouse gas emissions, water, workforce welfare and cultural heritage. They apply to our major projects, projects that involve new access, those that could affect an international protected area and some BP acquisition negotiations.

In the early planning stages of these projects, we complete a screening process to identify the most significant environmental and social impacts. In 2014, we evaluated the socio-economic aspects of the screening process and created additional guidance for projects on socio-economic sensitivities and standard impact mitigations.

See page 41 for more information on managing environmental and social impacts.

Operating requirements

BP's OMS includes requirements that address eight focus areas.



Operators conducting an equipment inspection on board the Plutão, Saturno, Venus and Marte fields vessel, off the coast of Angola.

Our code of conduct

Our code of conduct defines our commitment to high ethical standards throughout the business.

OpenTalk cases
(by code chapter)

BP launched a shorter and simplified code of conduct in 2014. This is our guide to doing the right thing in business and explains the most important principles and expectations.

See *bp.com/codeofconduct*

Our code of conduct is based on our values and clarifies the principles and expectations for everyone who works at BP. It applies to all employees, officers and members of the board.

We expect and encourage our contractors and their employees to act in a way that is consistent with our code. We will take appropriate measures where we believe they have not met our expectations or their contractual obligations.

We have been working to strengthen our ethics and compliance presence to provide support where it is most needed. Also, in our trading function we continued to enhance guidance related to trading behaviours and conflicts of interest.

Certifying to the code

We provide employee training and communications to explain how the code's principles apply to our work. New employees receive training when they join BP and each year we engage our employees and board members in code of conduct certification. This reminds individuals of their duty to uphold BP's values, to do the right thing and to create an environment where people can confidently raise concerns.

Speaking up

BP is committed to providing an open environment where our employees, contractors and others with whom we come into contact are comfortable speaking up whenever they have a question about our code of conduct or see something they feel to be unsafe, unethical or potentially harmful. Employees are encouraged to discuss their questions or concerns with their line manager, other managers in their team, relevant supporting functions or BP's confidential helpline, OpenTalk.

BP has zero tolerance for retaliation against anyone who seeks advice, raises a concern, reports misconduct or participates in an investigation.

Courage and the code

Requests for facilitation payments are a risk in several of our operations. Speaking up about such requests takes courage. In one of our Asia Pacific operations, for example, a member of our team was repeatedly asked by local officials for cash and other contributions – a direct violation of our code. The requests were always rejected and brought to the attention of senior management. Advice on managing situations such as these has been developed and shared at employee meetings and the team member recognized for the courage shown in upholding our ethical standards.

In 2014, 1,114 people contacted OpenTalk with concerns or enquiries (2013 1,121; 2012 1,295). BP's 2014 annual ratio of 13 contacts per 1,000 employees (2013 13; 2012 15) is consistent with external benchmarks.

Our annual employee survey results indicated a high level of awareness and confidence in available channels and means to raise concerns about ethical and safety issues.

The most common concerns raised relate to the people section of the code. This includes treating people fairly, with dignity, and giving everyone equal opportunity; creating a respectful, harassment-free workplace; and protecting privacy and confidentiality. Possible courses of action following an investigation of a concern range from coaching up to, and including, dismissal.

Employee dismissals

In 2014, our businesses dismissed 157 employees for non-conformance with our code of conduct or unethical behaviour (2013 113). This excludes dismissals of staff employed at our retail service stations for incidents such as thefts of small amounts of money. We have enhanced our human resources processes resulting in improved identification and recording of code-related dismissals.

Human rights

Our code states our commitment to human rights and that we seek to conduct our business in a manner that respects the human rights and dignity of people. It also directs employees and other stakeholders to BP's human rights policy. See page 50 for more information.

Anti-bribery and corruption

We operate in some of the world's highest risk countries from an anti-bribery and corruption perspective, as measured by Transparency International's Corruption Perceptions Index.

We have a responsibility to our shareholders and to the countries and communities in which we do business to be ethical and lawful in all our dealings. Our code of conduct explicitly states that we do not tolerate bribery and corruption in any of its forms.

Our group-wide anti-bribery and corruption policy applies to all BP-operated businesses. The policy governs areas such as appropriate clauses in contracts, risk assessments and training. We target training on a risk basis and to those employees for whom it is thought to be most relevant, for example, given specific incidents or the nature or location of their role.

How we manage risk

BP's risk management system is designed to be a consistent and clear framework for managing and reporting risks from the group's operations to the board.

Members of BP's safety, ethics and environment assurance committee visiting our biofuels operations in Brazil.

BP manages, monitors and reports on the principal risks and uncertainties that can impact our ability to deliver our strategy of meeting the world's energy needs responsibly while creating long-term shareholder value.

Our management systems, organizational structures, processes, standards, code of conduct and behaviours together form a system of internal control that governs how we conduct the business of BP and manage associated risks.

Risk management system

Day-to-day risk management

Management and staff at our facilities, assets and functions identify and manage risk, promoting safe, compliant and reliable operations. Our operating management system integrates BP requirements on health, safety, security, environment, social responsibility, operational reliability and related issues.

Business and strategic risk management

Our businesses and functions integrate risk into key business processes such as strategy, planning, performance management, resource and capital allocation, and project appraisal. We do this by using a standard process for collating risk data, assessing risk management activities, making further improvements and planning new activities.

Oversight and governance

Functional leadership, the executive team, the board and relevant committees provide oversight to identify, understand and endorse management of significant risks to BP. They also put in place systems of risk management, compliance and control to mitigate these risks. Executive committees set policy and oversee the management of significant risks, and dedicated board committees review and monitor certain risks throughout the year.

How we manage operational risk

Our operating businesses are responsible for identifying and managing operating risks and bringing together people with the right skills and competencies to address them. They are also required to carry out self verification, and are subject to independent scrutiny and assurance.

Our safety and operational risk team works alongside operating businesses to set clear requirements; maintain an independent view of operating risk; examine how risks are being assessed, prioritized and managed; and to intervene when appropriate to bring about corrective action.

Members of our group audit team visit certain sites, including third-party rigs, to check how they are managing risks.

The board

We identify certain risks as being a high priority for particular oversight by the board. For 2015, this includes risks associated with the Gulf of Mexico oil spill, geopolitical risk, security, ethical misconduct, legal and regulatory non-compliance, trading non-compliance, cybersecurity, major project delivery and incidents associated with the drilling of wells, operating facilities and the transportation of hydrocarbons.

On 1 January 2015, the board was composed of the chairman, two executive directors and 11 non-executive directors.

Board committees

The board delegates some of its oversight and monitoring activities to its committees, composed entirely of non-executive directors. One of the six committees – the safety, ethics and environment assurance committee (SEEAC) monitors the management of non-financial risk. The committee met six times in 2014, with all meetings attended by the group chief executive.

The committee monitors BP's global implementation of the measures recommended in BP's investigation of the Deepwater Horizon accident, the Bly Report. Carl Sandlin, the independent expert appointed to assess progress, provided a report on his findings in the first quarter of 2015. See page 35 for more information.

2014 update

SEEAC received specific reports in 2014 on BP's management of risks in marine, wells, pipelines, facilities and major security incidents. The committee reviewed these risks, and risk management and mitigation, in depth with the relevant executive management.

In 2014, members of SEEAC visited operations at the Central Azeri offshore facility and the Sangachal gas reception facility in Azerbaijan, the Whiting refinery in the US and the biofuels business in Brazil.

See *bp.com/annualreport* for board committee reports and risk factors that could have an adverse effect on our business.

Our people

BP's performance depends on a highly skilled, motivated and talented workforce that is representative of the societies in which we operate.

Employees undertaking checks in the storage tank farm area at our Toledo refinery in the US.

We aim to develop the talents of our workforce – with a focus on maintaining safe and reliable operations, engaging and developing our employees and increasing the diversity of our workforce.

Attracting and retaining our people

The complex projects we work on require a wide range of specialist skills – from the capability to explore for new sources of energy through to transporting and distributing hydrocarbons safely across the world.

We have a bias towards building capability and promoting from within the organization. Where necessary, we complement this with selective external recruitment. In 2014, 84% of new senior leaders were recruited from within the organization.

A total of 670 graduates joined BP in 2014. We target the fields of science, technology, engineering and maths, and run initiatives and awareness days at universities and colleges. We also run 'future leader' programmes to recruit post-graduates. BP was the highest ranked energy-sector company in *The Times* 100 graduate employers survey in 2014.

Our graduate programmes attract skilled and diverse recruits from around the world. In 2014, 37% of our graduate intake were women and 50% were from outside the UK and the US.

We conduct external assessments for people entering senior managerial roles to help achieve rigour and objectivity in our hiring and talent processes. These provide an in-depth analysis of leadership behaviour and whether candidates have the necessary experience and skills for the role.

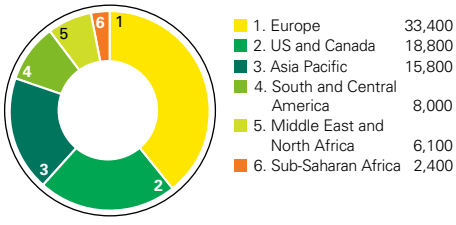
Building enduring capability

Our development opportunities help to build the diverse skills and expertise that we need. This is vital in a world where oil and gas companies face an increasing challenge to find and retain skilled and experienced people. We provide a range of opportunities for our employees, with an increased focus on on-the-job learning. This can include mentoring, team development days, workshops, seminars, online learning and international assignments.

Around 106,000 users have access to our online learning management system, including employees and selected contractors. This helps to provide consistent and effective development throughout the organization.

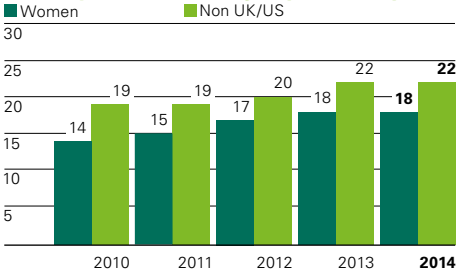
A career transition is a critical moment in an employee's professional growth. We have moved towards prioritizing learning at these points, for example, for those joining BP or moving into a new level of management. We also offer in-role development that covers a range of levels and subject areas, from effective planning to inclusive leadership and change management. Employees from 51 countries attended leadership training in 2014, delivered in six different languages.

BP employees



At the end of December 2014, we had 84,500 employees. We expect our number of employees to align with BP's smaller footprint in 2015 and 2016 as we right-size the organization as part of our response to a lower oil price.

Diversity and inclusion – group leadership (%)



Developing petrotechnical capabilities

In 2014, we opened a new upstream learning centre in the UK to complement our facility in the US. At both centres, rig teams including BP and contractor personnel, work together in an environment that mirrors the characteristics of their rig and wells. This develops technical skills and helps them prepare for the challenges involved in drilling complex wells.

See *bp.com/learningcentre*

50%

of our graduates were recruited from universities outside the UK and US in 2014.

84%

of new senior leaders were recruited from within the organization in 2014.

Through our internal academies, we provide leading technical, functional, compliance and leadership learning opportunities. In 2014, we launched five academies including the 'operating management system (OMS) academy' that provides training to operations personnel on implementing and applying OMS.

Rewarding performance

We reward our employees for what they deliver and how they have demonstrated behaviour that reflects our values. As part of their individual performance review, employees set priorities regarding their contribution to safety, compliance and risk management; what they will deliver for the near and long term; and how they will do their job.

Executive remuneration is directly linked to strategy and performance, with particular emphasis on matching rewards to results over the long term. Performance measures for pay include safety measures on recordable injury frequency, tier 1 process safety events and loss of primary containment. This structure is designed to reflect the long-term nature of BP's business and the significance of safety and environmental risks. See page 34 for more information on how we measure our safety performance.

Employee engagement

Executive team members hold regular meetings and webcasts with employees around the world. Team and one-to-one meetings are complemented by formal processes through works councils in parts of Europe. We seek to maintain constructive relationships with labour unions.

Each year, we conduct a survey to gather employees' views on a wide range of business topics and to identify areas where we can improve. Approximately 38,000 people in 70 countries completed our 2014 survey. We measure employee engagement with our strategic priorities using questions about perceptions of BP as a business and how it is managed in terms of leadership and standards. This measure remained stable in 2014 at 72% (2013 72%, 2012 71%).

Business leadership teams review the results and agree actions to address focus areas. The 2014 survey found that employees remain clear about the safety procedures, standards and requirements that apply to them and that pride in working at BP has increased steadily since 2011. Understanding and support of BP's strategy is strong at senior levels, but needs further communication and engagement across the organization – this is a focus area for 2015.

Scores related to development and career opportunities have fallen slightly compared to 2013. We have been making changes to how we deliver learning and manage talent and we expect to see benefits in the longer term.

Diversity and inclusion

As a global business, we aim for a workforce representative of the societies in which we operate. We work to attract, motivate, develop and retain the best talent from the diversity the world offers – our ability to be competitive and to thrive globally depends on it. Our goal is to create an environment of inclusion and acceptance. For our employees to be motivated and to perform to their full potential, and for the business to excel, our people need to be treated with respect and dignity and without discrimination.

We aim for women to represent at least 25% of our group leaders – the most senior managers of our businesses and functions – by 2020. We are also committed to increasing the national diversity of our leaders to reflect the countries in which we operate. At the end of 2014 a total of 22% of our group leaders came from countries other than the UK and the US.

We continue to support the UK government's review of gender diversity on boards, undertaken by Lord Davies in 2011. Currently we have two women on our board. We are actively seeking qualified candidates and remain committed to Lord Davies's goal of a quarter of our board to be female by the end of 2015.

Employees are encouraged to set up networks and these have formed around a range of issues including gender, sexual orientation and ethnicity. Our UK minority employee network was nominated for an award by the Race for Opportunity think tank in 2014. Also, two of our group leaders were featured in the *Financial Times Executive Diversity Report* – one on the Top 100 lesbian, gay, bisexual and transgender (LGBT) role models list and one on the Top 20 LGBT allies list.

In our employee survey, we have expanded the list of countries where we ask demographic questions related to disability, gender, age, nationality, ethnicity and sexual orientation. This will help us to identify any issues and respond to them accordingly.

A total of 82% of our group and senior level leaders have attended our diversity, inclusion and ethics learning programme. Our aim is that all new group and senior level leaders receive this training within a year of moving into their role.

Working with our contractors, suppliers and partners

Like our industry peers, we rarely work in isolation – we need to work with contractors, suppliers and partners to carry out our operations.

BP safety personnel inspecting a contractor's safety harness prior to use at our Durango gas site in Colorado in the US.

52%

of the 357 million hours worked by BP were carried out by contractors.

500+

procurement staff trained in revised due-diligence processes in 2014.

Our ability to be a safe and responsible operator depends in part on the capability and performance of those who help us carry out our operations. We therefore seek to identify and manage risks in the supply chain relating to areas such as safety, corruption and money laundering, and aim to have suitable provisions in our contracts with contractors, suppliers and partners.

Contractor management

In 2014, 52% of the 357 million hours worked by BP were carried out by contractors. Our operating management system (OMS) includes requirements and practices for working with contractors.

To help us manage risks effectively and take advantage of economies of scale, we are focusing on developing deeper, longer-term relationships with selected upstream contractors. We have established global agreements in areas such as engineered equipment and well services.

We seek to set clear and consistent expectations of our contractors. Our standard model contracts for upstream contractors, for example, include health, safety, security, and environmental requirements, as well as new human rights provisions.

Bridging documents are necessary in some cases to define how our safety management systems and those of our contractors will co-exist to manage risk on a site.

We have revised and simplified our upstream procurement and due-diligence processes in order to standardize the way we work with contractors. We trained more than 500 of around 1,000 procurement practitioners in these processes in 2014.

In our Downstream business, we conducted a review of contractor management practices in 2014. The review identified examples of good practice in contractor management as well as areas for improvement, and we will share the lessons learned from this with our refineries around the world.

Potentially high-consequence activity

Contracts that involve potentially high-consequence activity – where the work could result in the most serious risks, according to their potential impact and probability – demand our highest scrutiny. Our selection process includes pre-contract quality, technical and health, safety, security and environmental audits, which are carried out on a risk-prioritized basis.

Working with drilling and well services contractors

We work with our drilling and well services contractors to establish clear expectations on safety performance. We emphasize that while we provide oversight of their activities, including through regular field visits, they are accountable for the development and delivery of their safety management systems. We measure our contractors' safety performance through a variety of leading and lagging indicators, including data from audits, inspections and accident rates.

We ask these contractors to carry out self-verification of their safety management systems in areas such as pipe handling and fluid transfer, and we routinely discuss and review their performance to understand how they are delivering on safety commitments. We hold safety workshops with senior executives from our major drilling and well services contractors.

Sharing experience

BP runs deepwater well control training courses where BP employees and contractor staff can work together to practice their responses to possible scenarios and incidents.

We are keen to learn from the experience of our contractors and share our experiences. For example, we held safety awareness meetings in 2014 with contractors at our Whiting refinery in the US, where we exchanged ideas, examined safety data and discussed lessons learned from past incidents.

Targeted intervention

Our approach is to work collaboratively with contractors in a way that seeks to avoid the need for intervention. Where contractors do not meet our requirements, they may be put on a performance improvement plan. We may also seek to shut down, pause, or delay contractor operations until our requirements have been met. In one case in 2014, we put the negotiation of a global agreement with a supplier on hold for around 90 days until the supplier demonstrated improved performance.

Our joint venture partners

We seek to work with companies that share our commitment to ethical, safe and sustainable working practices. Our code of conduct states that we seek to clearly communicate our relevant expectations to our business partners, agreeing contractual obligations where applicable.

42%

of our upstream production is from joint ventures where BP is not the operator.

A technician on board our Chirag platform in the Caspian Sea, Azerbaijan.

We have a group framework for identifying and managing BP's exposure related to safety, operational and bribery and corruption risk from our participation in non-operated joint ventures. The framework is helping us to assess risks before making investment decisions and to monitor these on an ongoing basis.

Around 42% of our upstream production and 13% of our refining capacity in 2014 were from joint ventures where BP is not the operator.

Typically, our level of influence or control over a joint venture is linked to the size of our financial stake. Our OMS applies to the operations of joint ventures only where we are the operator. In other cases, one of our joint venture partners may be the designated operator. In those cases our OMS does not apply as the management system to be used by the operator, but is generally available as a reference point for engagement with operators and co-venturers.

Local suppliers

We run programmes to build the skills of local businesses, which can help develop strong local supply chains. For example, since we received approval to develop the Khazzan gas field in Oman in 2013, BP has awarded contracts worth more than $259 million to local Omani companies.

See page 48 for more information on local suppliers.

Anti-bribery and corruption

Our anti-bribery and corruption policy governs areas such as risk-based assessments of parties with whom we do business, and the training of personnel in anti-bribery and corruption measures.

We carry out due diligence in order to make informed decisions on the degree of bribery and corruption risk that third parties pose before we start doing business with them. This process helps us put mitigation plans in place when needed.

We also conduct checks once contracts are in place. For example, we carry out commercial and anti-bribery and corruption audits of upstream contractors on a risk-prioritized basis to confirm whether they are complying with related contractual terms. A total of 72 audit reports were issued in 2014 (2013 100, 2012 98).

Sid Walters

Integrity manager, engineering services, North Sea, BP

"Because contractors work for BP in different parts of the world, their processes may differ geographically. Contractor safety management is used as a means to drive improved consistency across the functions and regions. We have aimed to standardize health, safety and environmental requirements for our contractors and make them more systematic."

Safety

Everything we do depends on the safety of our operations, our workforce and the communities around us.

What we said we would do	Where we are today	What we plan to do next
Continue to use the performance improvement cycle to align business practices with our operating management system (OMS).	18 sites were part of our 'exemplar' continuous improvement programme in 2014.	Enhance our 'OMS academy' programmes, which support operating leaders in their safety leadership.
Further develop the self-verification capability of operations to carry out health, safety, security and environment checks.	Handbook issued to site managers in our upstream operations to assist them in carrying out self verification.	Execute a planned programme of safety and operational risk-based assurance.
Maintain our progress towards completing the remaining recommendations from BP's investigation into the Deepwater Horizon accident, the Bly Report.	25 of 26 recommendations from the Bly Report completed.	Complete the final Bly Report recommendation on testing revised standards for well control and monitoring.

Managing safety

Safety is our top priority – driven by our leadership and applied through our operating management system.

BP's board members visit our Whiting refinery in the US.

We strive to create and maintain a safe operating culture at our facilities, and safety is one of the five values that guide our behaviour. Our code of conduct clarifies the principles and expectations for everyone who works at BP, including expectations for operating safely and reliably.

Our approach to safety and operational risk

Our approach to managing safety and operational risk builds on our experience, including learning from incidents, operations audits, annual risk reviews and from sharing lessons learned with our industry peers.

Our operating management system (OMS) sets out BP's principles for good operating practice and requires our businesses to monitor safety and operations risk performance, risk management effectiveness and conformance with group safety requirements. In 2014 we issued a handbook to site managers in our upstream operations to assist them in carrying out such self verification.

Our 'exemplar' programme is helping a number of sites to use continuous improvement techniques to apply OMS and improve operating activity and reliability. See page 25 for more information.

Find out more about how we manage operational risk on page 27.

Developing our leaders

Our 'OMS academy' offers learning programmes that are designed to help our people to develop the skills and attributes needed to deliver safe, reliable and compliant operations.

For example, the academy runs a programme for our operational leaders that includes delivering a continuous improvement project and presenting the results to peers. A recent project focused on marine safety in Tangguh in Indonesia and included simplifying and clarifying procedures covering crew changes on boats, developing checklists to facilitate self verification and improving staff training.

Learning from incidents

We are committed to improving our safety processes by learning from incidents – not just our own but those of others. For example, after a 2013 fatal derailment in Canada of a train containing crude oil, we introduced additional requirements for inspections on freight cars and on the number of rail handbrakes used. While not involved in the accident, we considered these measures were appropriate for our rail operations worldwide. Our senior leaders reviewed the lessons learned from the Canadian derailment at our annual risk review.

Product stewardship

We aim to manage our products throughout their life cycle to meet customer and legal expectations and intended performance. We assess our products to identify any potential health, safety or environmental aspects and to verify compliance with chemical control, product safety and hazard communication regulations, monitoring developments in regulation globally.

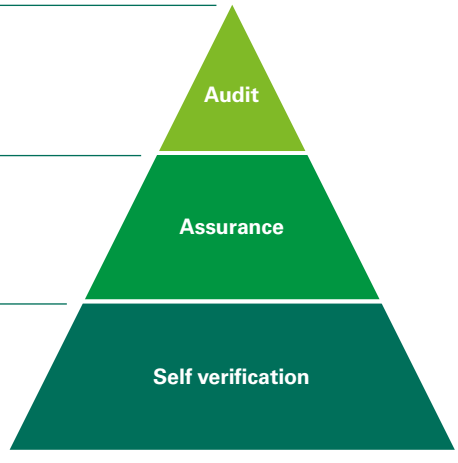
We work with industry, government, and others to advance knowledge about the safe use of our products.

From self verification to audit – three lines of defence

Third line of defence
Group audit provides an independent check of the effectiveness of a sample of activities intended to manage risk.

Second line of defence
Our safety and operational risk team provides businesses with tools, guidance and support to help them conform with our OMS.

First line of defence
Sites work continuously to verify conformance with requirements to drive safe, reliable and compliant operations.



A safety and compliance engineer carries out tests at our Castellon refinery in Spain.

Preventing incidents through process safety

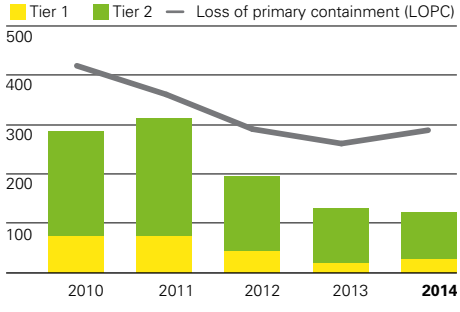
BP works to prevent, mitigate and respond to accidents such as fires, explosions and oil spills.

Q: Why is well control so important?

A: Well control is about preventing an unplanned release of oil, gas or other fluids from a well – which is one of the biggest risks for our industry. Managing well control is important because it protects the people that work on our rigs and facilities, and the environment. To do this we need to design, operate and complete each well properly and make sure the team has the right competencies. And finally, we work to make sure that our measures to monitor well control are rigorously maintained across our operating sites at all times.

Gary Jones
Head of global wells organization, BP

Process safety events
(number of incidents)



	2010	2011	2012	2013	2014
Tier 1	74	74	43	20	**28**
Tier 2	213	241	154	110	**95**
LOPC	418	361	292	261	**286**

Tier 1 process safety events are losses of primary containment from a process of greatest consequence – causing harm to a member of the workforce or costly damage to equipment, or exceeding defined quantities. Tier 2 process safety events are those of lesser consequence than tier 1.

Our process safety efforts are focused on preventing major accidents and spills at our installations, such as drilling rigs and refineries. Events of this nature are infrequent, but can result in serious harm to people and the environment.

We seek to avoid this by carrying out inspections and tests of equipment critical to process safety, and by applying good design and engineering principles, as well as robust operating practices.

Measuring our performance

We measure our performance to help us understand how well our efforts to prevent safety incidents are working, to map inconsistencies or early trends and to help us identify and mitigate risks before they occur. As well as at a group level, we track data such as the number of inspections and incidents at our businesses and sites so that we can learn and further improve our safety and operational performance locally.

Process safety events

We track the number of process safety events occurring across our upstream facilities and downstream process plants, including unplanned or uncontrolled releases of materials causing harm to a member of the workforce or the environment, costly damage to equipment or exceeding threshold quantities. We take a long-term view on process safety indicators because the full benefit of the decisions and actions in this area is not always immediate.

We also track loss of primary containment, which includes unplanned or uncontrolled releases from a tank, vessel, pipe, railcar or equipment used for containment or transfer within our operational boundary, excluding releases of non-hazardous substances such as water. We seek to record all loss of primary containment events regardless of the volume of the release and to report on losses over a certain severity threshold. Our 2014 data reflects increases in part due to the introduction of enhanced automated monitoring for many remote sites in our Lower 48 business.

Our performance in these areas over time suggests that our focus on safety is having a positive impact. However, we need to continue to remain vigilant and focused on delivering safe, reliable and compliant operations.

Safer drilling

Our drilling procedures underpin our efforts to prevent incidents and mitigate impacts should they occur. Our global wells organization is responsible for planning and executing all our wells operations across the world. It is also responsible for establishing standards on compliance, risk management, contractor management, performance indicators and technology for our wells operations. We are focused on building capability both within BP and across the wider industry. Our global wells institute offers courses in areas such as drilling engineering and well-site leadership.

We work with regulators, and with other companies in our industry, to improve standards and regulations on the safety and reliability of subsea blowout preventers – devices that are used to seal, control and monitor oil and gas wells.

As drilling contractors usually own their own subsea blowout preventers, we are establishing working groups with contractors and equipment manufacturers to share information about these devices and to identify opportunities to enhance their long-term reliability.

See page 30 for more information on how we work with our contractors.

Leadership

Senior leaders inspect sites in all regions with BP-operated rig activity. They monitor, engage with, and listen to frontline employees and contractors to assess the quality of operations. The board's safety, ethics and environment assurance committee (SEEAC) also conducts site visits.

Well-site and team leaders conduct regular safety inspections. We piloted the use of a tool in 2014 to help leaders self-verify safety standards in our wells using checklists on tablet computers.

Sharing lessons learned

We share our expertise and the lessons we have learned from incidents, such as the Deepwater Horizon accident, with industry peers. For example, in 2014 we continued to support the development of an incident database by the International Association of Oil & Gas Producers, which allows information from our industry on well control incidents to be shared. We also continued our work with other organizations to develop joint industry standards in areas such as subsea drilling equipment and well control integrity.

We support and participate in several industry-led consortia, including the Marine Well Containment Company in the Gulf of Mexico and the more globally focused Subsea Well Response Project, which provide equipment and technology to respond to a deepwater well control incident.

Danny McHugh

Project director, global operations organization, BP

"To prevent leaks from tanks, pipelines and other parts of our operations, we engineer systems that have built-in layers of protection – such as detection instruments and alarms – that will kick in if something looks like it is going wrong.

Our controls, alarms and safety instrumented systems project, which we initiated in 2011, co-ordinates efforts across our global operations to check not only that these layers are in place, but that they have been properly designed, maintained and tested. We have a team of engineers that oversees this process and develops guidance and best practice examples. We also help our businesses carry out checks to verify that the layers of protection are properly in place.

It's an important project – improvements can always be made, and one of the best ways of identifying them is to continually examine how our systems can be strengthened."

Completing the Bly Report recommendations

BP's investigation into the Deepwater Horizon accident, the Bly Report, made 26 recommendations aimed at further reducing risk across our global drilling activities. A total of 25 recommendations had been completed by the end of 2014. We expect the final recommendation to be completed by the end of 2015, as scheduled. This recommendation involves verifying the implementation of revised well control and monitoring standards to BP-owned and BP-contracted offshore rigs. It takes time to fully implement as it requires training a large proportion of our global wells operating personnel on the revised standards.

Our group audit team and independent expert, Carl Sandlin, have verified closure of the recommendations.

Independent assessment

The BP board appointed Mr Sandlin as independent expert in 2012 to provide an objective assessment of BP's global progress in implementing the recommendations from the Bly Report. Mr Sandlin also provides his views on the organizational effectiveness and culture of the global wells organization, and process safety observations.

As part of his activities in 2014, Mr Sandlin conducted his third round of visits to regional wells teams with active drilling operations. Mr Sandlin visited 10 regions in total. During each visit he conducted reviews with senior managers, and held discussions with key wells personnel and drilling contractors on site.

As part of his report in January 2015, Mr Sandlin assured SEEAC that the 25 Bly recommendations completed to date have been closed out to his satisfaction. He also reported that the deliverables that support these recommendations are well ingrained in the global wells organization regional teams. Mr Sandlin made some recommendations covering personal accountability for safe working; process simplification and enhancement; and the importance of using key safety metrics effectively.

Mr Sandlin is engaged through to June 2016.

Safety in our Downstream business

Innovative technology and robust risk management help us to safely store, handle and process hydrocarbons in our downstream activities.

We take measures to prevent leaks and spills at our refineries and other downstream facilities through well-designed, well-maintained and properly operated equipment. We also seek to provide safe locations, emergency procedures and other mitigation measures in the event of a release, fire or explosion.

We focus on managing the highest priority risks associated with our storage, handling and processing of hydrocarbons. We use technology, such as automated systems, which are intended to prevent our gasoline storage tanks from overfilling, to help manage our operations within safe operating and design limits.

Process safety expert

The board appointed Duane Wilson as process safety expert for our downstream activities in 2012 for a three-year term and assigned him to work in a global capacity with the business. Mr Wilson provided an independent perspective on the progress that BP's fuels, lubricants and petrochemicals businesses were making toward becoming industry leaders in process safety performance. He had frequent and direct access not only to the board, but also to BP employees, and visited facilities, conducted interviews and reviewed relevant documents, such as audit and incident reports, to fulfil his duties.

Safety in action

BP is working around the world to deliver safe, reliable and compliant operations. Our website features case studies on how we are putting this into practice.

Technological breakthroughs are revolutionizing the work of our corrosion and inspection engineers.

See bp.com/pipelinecorrosion

Simulating emergencies in Shetland

Virtual reality simulators at our Sullom Voe oil and gas terminal in Shetland in the UK are helping train staff to respond to emergency situations, from road traffic accidents to serious fires. The 3D software brings classroom sessions to life, and is designed to adjust chosen scenarios according to decisions made by our 60-strong emergency team, showing the potential consequences of various actions as soon as they are taken.

The simulator provides flexibility by enabling training to be carried out during day or night-time shifts and whatever the weather outside.

bp.com/shetlandsimulators

Using drones to monitor safety

Until recently the use of unmanned aerial vehicles – or drones – was mainly associated with the military. These days, however, they are increasingly being used for civilian and commercial purposes. BP received the first US commercial authorization from the Federal Aviation Administration to fly drones over land at its Prudhoe Bay operations in Alaska.

We are using three 1.8 metre-long drones to carry out safety surveys of our oil and gas operations, giving us extra capacity to monitor pipelines and providing new and efficient ways to inspect infrastructure, such as tanks, bridges and power lines.

bp.com/safetydrones

Responding to infectious diseases

Diseases such as dengue fever, malaria and ebola can pose a significant threat to our employees and operations around the world. We therefore work to raise awareness among employees and contractors about the spread of such diseases.

In Brazil, for example, we have issued advice to workers in our biofuels business on actions they can take to protect themselves and their families from the mosquito-borne chikungunya disease, and we have also supported wider initiatives in the country, such as mosquito control programmes, that help to combat this disease – and dengue fever – at a local level.

bp.com/infectiousdiseases

Driving safely in Oman

Thanks to a BP road safety programme in Oman, our people have travelled nearly six million kilometres in the country without a single reported lost-time injury since we began operations there in 2007 – equivalent to travelling to the moon and back nearly eight times.

We have focused our efforts on our drivers, who are given periodic training and are subject to regular road assessments. We track every journey using a vehicle monitoring system that gauges speed, braking patterns, distances driven, seat belt use and rest periods taken.

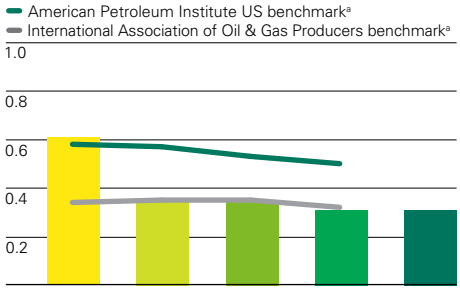
Strict adherence to our road rules has also helped reduce fuel consumption by 15-20% and maintenance costs by 20-30%, so has cut costs too.

bp.com/roadsafetyoman

Health and personal safety

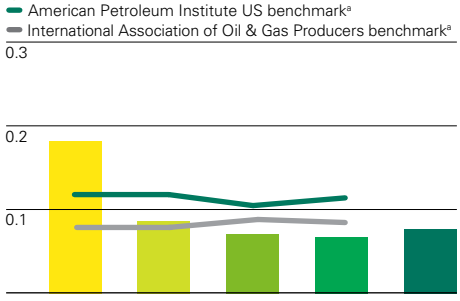
We take the welfare of our staff seriously and strive to create and maintain safe and healthy working environments.

Recordable injury frequency – workforce
(per 200,000 hours worked)



	2010	2011	2012	2013	**2014**
Workforce	0.61	0.36	0.35	0.31	**0.31**
Employees	0.25	0.31	0.26	0.25	**0.27**
Contractors	0.84	0.41	0.43	0.36	**0.34**

Day away from work case frequency – workforce
(per 200,000 hours worked)



	2010	2011	2012	2013	**2014**
Workforce	0.193	0.090	0.076	0.070	**0.081**
Employees	0.090	0.101	0.078	0.074	**0.091**
Contractors	0.264	0.080	0.074	0.066	**0.072**

[a] API and IOGP data reports for 2014 are not available until May 2015.

A safety expert fits breathing apparatus to a colleague during training at our Kwinana refinery in Australia.

We are committed to keeping people safe, whether they are working on our sites or living in communities near to our operations. Each member of the workforce has an obligation and authority to stop unsafe work.

We provide our operations personnel with training on identifying hazards and addressing risks associated with tasks, and in the US we have formal worker safety committees where BP employees can raise health and safety concerns.

Our emphasis on strengthening our safety systems is leading to some sustainable improvement over time, with three of our sites each recently reaching 15 million hours worked without a day away from work case. This has been achieved by improving our risk assessment procedures, increasing collaboration with contractors and encouraging a strong reporting culture.

Personal safety

We monitor and report on key workforce personal safety metrics and include both employees and contractors in our data. In 2014, BP reported three fatalities: a fall from height in the UK, an incident involving a forklift in Indonesia, and an incident that occurred while working inside a process vessel in Germany. We deeply regret the loss of these lives.

We measure our workforce recordable injury frequency, which is the number of reported work-related incidents that result in a fatality or injury (apart from minor first aid cases) per 200,000 hours worked. We also measure our day away from work case frequency, which is the number of incidents per 200,000 hours worked, that resulted in an injury where a person is unable to work for a day (shift) or more.

Our workforce recordable injury frequency, which includes employees and contractors combined, remained steady in 2014, however, we have seen an increase in our day away from work case frequency. We continue to focus our efforts on safety and we are reviewing our personal safety programmes. A number of improvement initiatives are under way.

Health and wellness

We work to reduce exposure to occupational risks such as noise, fatigue, stress and other health issues. Our health programmes consider local factors affecting people at work, such as the existence of hazardous conditions or substances at certain operating sites, as well as global concerns such as the possibility of an influenza pandemic or diseases such as ebola.

Our businesses carry out local programmes to help improve the health of communities in which they operate, such as education and awareness programmes on HIV and AIDS. In Indonesia, we initiated a programme to help eradicate malaria in Bintuni Bay, where we have a liquefied natural gas plant. The prevalence of malaria in the villages surrounding the plant has fallen to an average of less than 1%, down from an average of 12% when we did our baseline survey in 2003.

Security and crisis management

The scale and spread of our operations means we must prepare for a range of business disruptions and emergency events.

Q: How does BP assess changing political and security dynamics?

A: As a long-term investor in countries around the world, we assess changing circumstances in order to protect our people, infrastructure and business. We monitor geopolitical developments and trends, as well as issues such as terrorism, criminality and civil unrest. This helps us make decisions on our investments and on security programmes. We seek perspectives that look ahead years and even decades, while monitoring more immediate events to which we must react. For example, during the Arab Spring protests we acted quickly to evacuate personnel. We monitored the situation closely throughout, and were able to return to full operations as soon as it was safe and prudent to do so.

Derek Porter
Vice president, intelligence, security and crisis management, BP

Potential threats to our business come in many forms and are not always predictable, but we have processes in place to try to anticipate them and to be ready if a crisis or incident occurs. We need to prepare for events as wide-ranging as earthquakes, extreme weather, political conflicts, health alerts and accidents.

Security management

We monitor for, and aim to guard against, hostile actions that could cause harm to our people or disrupt our operations, including physical and digital threats and vulnerabilities.

We assess risk in those areas where we operate that are affected by political and social unrest, terrorism, armed conflict and criminal activity, as well as those that are business-specific. For example, we continue to monitor the situation in Iraq, where our primary operations are in the Rumaila field. We have a dedicated security team in the country that manages access to our key sites and provides oversight of security contractors.

We are a signatory to the Voluntary Principles on Security and Human Rights, which are designed to help companies maintain security while promoting respect for human rights. See page 51 for more information.

Cyber threats

Cyber attacks present a risk to the security of our information, IT systems and operations. We maintain a range of defences to help prevent and respond to cyber attacks. We run cyber awareness programmes for our employees to show how they can guard against attacks and manage risks.

Crisis management

Crisis and continuity management planning is essential if we are to keep our people safe, respond effectively to emergencies and avoid potentially severe disruptions in our operations. In addition to routine monitoring, our businesses are expected to identify potential crisis and continuity risks on an annual basis and we carry out regular exercises to test how prepared our teams are to respond.

We provide support to our businesses through a central response team that can be mobilized at short notice and a response information centre that provides 24-hour, seven-day-a-week assistance in anticipating, reacting to, and recovering from crisis situations.

In Amenas, Algeria

In January 2013, the In Amenas gas plant in Algeria, which is run as a joint venture between BP, the Algerian state oil and gas company, Sonatrach, and Statoil, came under armed terrorist attack. Algerian military action regained control of the site. Forty people, including four BP employees, and a former employee, lost their lives in the incident. This was a tragic and unprecedented event that impacted many employees and their families. BP participated fully in the UK Coroner's inquest, which we considered the most effective means of providing a greater understanding of what happened. The UK Coroner handed down his verdicts, conclusions and detailed factual findings in February 2015.

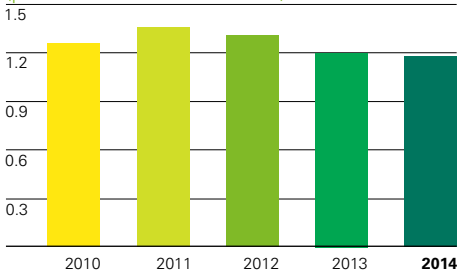
Since the attack, BP and Statoil have jointly carried out an extensive review of security arrangements in Algeria and have been working with Sonatrach and the Algerian authorities on a programme of security enhancements. The Coroner accepted the opinion of his independent security expert who endorsed the security measures now in place and commented that in his opinion the security enhancements now provide a significantly safer environment for the joint venture staff.

We are monitoring conditions in Iraq where our primary operations are in the Rumaila oilfield.

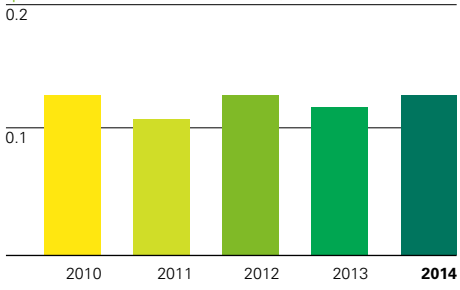
Transportation safety

We work hard to minimize the risk associated with transporting our people and equipment to our sites, and delivering fuel to our customers.

Total vehicle accident rate
(per million kilometres driven)



Severe vehicle accident rate
(per million kilometres driven)



Our workforce faces a number of on-the-job hazards related to travel, such as flying by helicopter to rigs or moving equipment and products by road.

Driving safety

Vehicle-related incidents remain one of the key risks facing our industry, so driving safety is a high priority for us. In 2014 alone, BP employees and contractors drove more than 600 million kilometres, which is the equivalent of 15,000 journeys around the world. Transporting fuel from refineries to petrol stations, and other downstream activities, account for most of these kilometres.

We rely on a variety of metrics to monitor our driving safety performance. For example, we track our severe vehicle accident rate, which includes accidents that result in death, injury, a spill, a vehicle rollover or serious vehicle damage. We also track our total vehicle accident rate, which is the sum of all on-road and off-road motor vehicle accidents.

In 2014, the number of reported vehicle accidents was 708 and there were 10 third-party fatalities reported, all driving related.

We provide guidance on driving safety covering areas such as providing fit-for-purpose vehicles and wearing seatbelts. We have been working across BP to apply safety measures. For example, in Turkey our people have driven around 30 million kilometres without a serious vehicle accident. In Oman, we have focused on driver training, including regular road assessments with positive results.
See page 36 for more information.

We share learnings from incidents globally, and we have seen a significant global decline over the past 10 years in the number of vehicle-related fatalities associated with our work. However, two countries where we have seen workforce fatalities in recent years, South Africa and Brazil, are places where we are expanding our presence. To help address this, in South Africa we have been using in-vehicle cameras in various types of vehicles to monitor driving behaviour. These serve as a coaching aid by helping to identify correct driving habits and techniques. In Brazil, we have developed training to increase awareness of the dangers of driving.

Aviation safety

We use a variety of aircraft, often in challenging conditions. Our safety requirements cover technical approval of aviation operators, contracting for aviation services, and the safe management of any aircraft operated on behalf of BP.

There have been a number of incidents involving helicopters in the North Sea over the past few years. Oil and gas companies, helicopter suppliers and regulators have collectively analysed these events and as a result, BP is using enhanced emergency breathing systems for offshore helicopter passengers in the UK. We are currently evaluating plans for a wider roll out of these systems.

Shipping safety

We transport our products across oceans, around coastlines and along waterways, using a combination of BP-operated and chartered vessels. All are subject to our health, safety, security and environmental requirements.

To prevent spills, all ships in our managed international fleet are double-hulled. We continue to invest in our fleet, for example, we have contracted for the construction of LNG tankers for delivery in 2018 and 2019. We have marine assurance requirements for all oil and gas transport vessels that we hire for specific periods or voyages.

BP seeks to avoid known areas of pirate attack or armed robbery. Where this is not possible we will continue to trade vessels through these areas, adopting heightened security measures.

We transport around 12,000 people to offshore rigs each month from Houma heliport, Louisiana.

Environment

BP is working to avoid, minimize and mitigate environmental impacts wherever we do business.

What we said we would do	Where we are today	What we plan to do next
Investigate water management approaches taking into account our operations' life cycle water demand and local water resources.	We have invested in a specialist water treatment company to help manage our operations in water scarce areas.	Assess different technology approaches for optimizing water consumption and wastewater treatment performance.
Continue to develop modelling tools to better predict the consequences of an oil spill to land.	We are supporting businesses to apply an onshore oil spill modelling tool to improve oil spill response planning.	Test the use of remote sensing systems for oil spill planning and response.
Share lessons learned on energy efficiency at Toledo in the US with our other refineries around the world.	6 of our refineries have developed energy efficiency plans using lessons learned at Toledo.	Continue to implement actions identified in the energy efficiency plans at our refineries.

Managing our impact on the environment

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

19

projects completed our environmental and social screening process in 2014.

We review our management of material issues such as greenhouse gas emissions, water, sensitive and protected areas and oil spill response. This includes examining emerging risks and actions taken to mitigate them. For example, water scarcity is a potential risk for some of our operations, and we are working to improve the tools and processes our businesses use to identify and evaluate this risk.

We also review many other issues, including how we manage our air emissions, opportunities to reduce, reuse and recycle waste, and ways to reduce our use and emissions of ozone depleting substances.

See *bp.com/hsechartingtool* for environmental performance data.

Managing impacts through the life cycle

Our operating sites can have a lifespan of several decades and our operations are expected to work to reduce their impacts and risks. This starts in early project planning and continues through operations and decommissioning.

Screening and impact assessment

In the early planning stages, projects that are subject to our environmental and social practices complete a screening process to identify potential impacts associated with the project. These may include risks to sensitive or internationally protected areas and species, air quality and water availability. We also consider social aspects such as prevalence of corruption and bribery within a host country, local employment and community health and safety. See page 25 for more information on our environmental and social practices.

Following the screening process, we carry out impact assessments, identify mitigation measures and implement these in project design, construction and operations. For example, as a result of screening for a drilling project in Uruguay, we identified that sensitive corals could be present in the project location and we are determining what steps we may need to take to mitigate potential impacts.

Operations

Every year, our major operating sites review their environmental performance and set local improvement objectives. These can include measures such as flaring reduction, pollution prevention, or reducing impact on biodiversity. Impacts on the environment vary from site to site, and according to the nature of each operation. We consider local environmental sensitivities in determining which issues require the greatest focus for impact reduction. At a site close to communities, for example, the immediate concern may be air quality, whereas a remote desert site may require greater consideration of water management issues.

All our major operating sites, with the exception of recently acquired operations and our US Lower 48 onshore business, were certified to the environmental management system standard ISO 14001 in 2014. The US Lower 48 onshore business, set up with a more nimble operating model suited to the US onshore market, works to identify and systematically manage the impact of its activities on the environment.

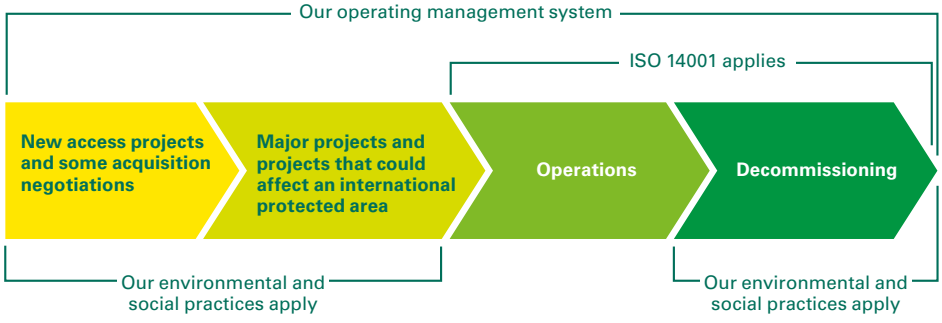
Decommissioning and remediation

BP works to restore the environment when remediating or decommissioning a site or in response to an unplanned incident. When evaluating and selecting the most appropriate approach, we take into account environmental and social considerations, such as potential energy use and the views of local communities.

Complying with regulations

With operations in almost 80 countries, BP faces diverse and complex environmental laws and regulations. We manage applicable legal and regulatory health, safety, security and environmental requirements, through our operating management system.

Managing environmental and social impacts

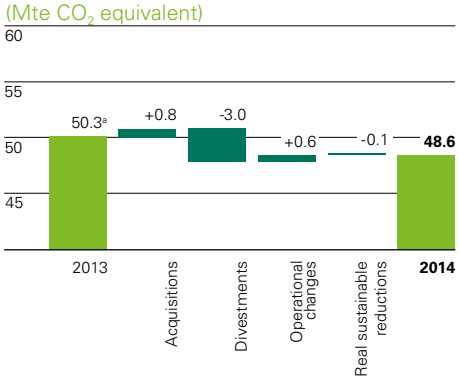


Employees at our purified terephthalic acid plant in Zhuhai, China conduct maintenance inspections that seek to help minimize water losses.

Environmental performance

We report on key environmental issues such as greenhouse gas emissions, energy use, flaring and water.

Greenhouse gas emissions
(Mte CO_2 equivalent)



[a] The reported 2013 figure of 49.2MteCO_2e has been amended to 50.3MteCO_2e.

GHG intensity
(TeCO_2 equivalent/unit)

	2012	2013	2014
Upstream (per thousand barrels of oil equivalent)	29.2	30.1[a]	**31.9**
Refining (per utilized equivalent distillation capacity)	901	995[b]	**978**
Petrochemicals (per thousand tonnes)	293	283	**291**

[a] The reported 2013 figure of 30.0teCO_2e/mboe has been amended to 30.1teCO_2e/mboe.
[b] The reported 2013 figure of 934teCO_2e/UEDC has been amended to 995teCO_2e/UEDC.

Greenhouse gas emissions

We aim to manage our greenhouse gas (GHG) emissions through operational energy efficiency, reductions in flaring and venting, and by factoring a carbon cost into our investment appraisals and the engineering design of new projects.

We report GHG emissions from all BP's consolidated entities as well as our share of equity-accounted entities other than BP's share of Rosneft. Rosneft's emissions data can be found on its website.

Our direct GHG emissions were 48.6 million tonnes (Mte) in 2014 (2013 50.3Mte, 2012 59.8Mte). The decrease is primarily due to the sale of our Carson and Texas City refineries in the US as part of our divestment programme.

Actions taken by our businesses to sustainably reduce their emissions amounted to a reduction of 0.1Mte. We have been measuring such sustainable reductions in our operational GHG emissions every year since 2002, and the running total by the end of 2014 was approximately 8.8Mte.

BP is aware of the growing focus on reducing emissions of short-lived climate forcers – substances such as methane that have a strong warming effect on the climate but have relatively short lifetimes in the atmosphere. We continue to increase our understanding of these emissions.

GHG intensity

For each of our major business activities, we track GHG intensity, which is the quantity of GHG emitted in tonnes (te) per a defined unit of measurement.

The overall increased intensity in our upstream operations over the past few years reflects decreasing production in our less GHG-intensive areas and increasing intensity in new areas as we develop resources that are more challenging and commission new assets. Although there may be annual fluctuations, it is likely that as we work in more technically challenging and potentially more energy-intensive areas, the carbon intensity of our upstream operations will continue to increase, while declining production in our mature assets, which requires more energy, also pushes intensity incrementally higher.

Following increased emissions in 2013 resulting from start-up activities at Whiting refinery in the US, overall GHG emissions have decreased in 2014. We expect the GHG intensity of our refining portfolio to remain relatively flat or to decrease at certain refineries due to efficiency projects in progress even with the trend towards processing heavier crudes.

The increase in the GHG intensity of our petrochemicals business was primarily a result of changes to fuel usage at two facilities and a small fire at one plant. The overall downward trend over the past few years reflects ongoing efficiency gains in our aromatics and acetyls businesses.

See *bp.com/annualreport* for GHG emissions and intensity based on operational control.

Emissions target

A company's GHG emissions can be influenced by a variety of factors that may result from shifts in business activity, production or assets. This makes it difficult to establish an appropriate GHG target that can be cascaded throughout the organization with the objective of achieving cost-effective emission reductions. For these reasons, BP – like some of our peers – does not set enterprise-wide GHG targets and instead requires performance management at a local level through our operating management system.

GHG regulation

GHG regulation is increasing globally. For example, we are seeing the growth of emission pricing schemes in Europe, California and China, additional monitoring regulations in the US and increased focus on reducing flaring and methane emissions in many jurisdictions.

We expect that GHG regulation will have an increasing impact on our businesses, operating costs and strategic planning, but may also offer opportunities for the development of lower-carbon technologies and businesses.

Accordingly, we require larger projects, and those for which emissions costs would be a material part of the project, to apply a standard carbon cost to the projected GHG emissions over the life of the project. In industrialized countries, our standard cost assumption is currently $40 per tonne of CO_2 equivalent. See page 16 for more information on our internal carbon price.

Energy efficiency

Reducing the amount of energy we use can help us to minimize our environmental impacts, including reducing GHG emissions and other air emissions, and can also provide economic incentives.

We require our operations to incorporate energy use considerations into their business plans and to assess, prioritize and implement technologies and systems that could improve efficiency. For example, we measure the energy performance of our refining business using the Solomon

Our Kwinana refinery in Western Australia uses specially treated wastewater as its primary source of water.

18%

of freshwater withdrawals by our major operations are from areas of water stress or scarcity.

Energy Intensity Index (EII), an industry measure that benchmarks energy efficiencies. All of our refineries set and track progress against an EII target. Six of our refineries have developed energy efficiency plans using lessons learned at our Toledo refinery in the US, which improved its EII by 8% between 2011 and 2013.

We are implementing new proprietary manufacturing processes at our petrochemicals facilities that substantially reduce the energy consumption required to make purified terephthalic acid.

Flaring

Our operations seek to minimize flaring, wherever possible. At some BP operating sites where there is stranded gas, for example in Alaska, we have re-injected gas into the reservoir, storing it there rather than flaring it. In the US, the majority of our gas operations use a process called green completions, which captures natural gas that would otherwise be flared or vented during the completion and commissioning of wells.

Air quality

Some of our activities, such as burning fossil fuels for power generation and operating our shipping fleet, produce emissions of sulphur oxides, nitrogen oxides and particulates, such as smoke, aerosols and dust. Methane and non-methane hydrocarbons are sometimes released during the production, storage, refining and handling of hydrocarbons and also come from the incomplete combustion of fossil fuels in our operations. We seek to manage these emissions to meet accepted standards and guidelines designed to protect the health of the environment and local communities.

For example, at our Whiting refinery in the US we have invested in new equipment to reduce air emissions and have implemented a monitoring system to provide air quality information to the local community.

Water

BP uses fresh water in our drilling, hydraulic fracturing, biofuels, refining and petrochemicals operations. At some of our refineries, we also use non-fresh water, such as seawater and treated municipal wastewater. We use non-fresh water and water from underground aquifers in our oil sands operations.

We recognize the importance of managing fresh water use and water discharges effectively in our operations and evaluate risks, including water scarcity, wastewater disposal and the long-term social and environmental pressures on local water resources. Based on the IPIECA Global Water Tool, we estimate that around half of our major operating sites withdraw fresh water in areas where the availability of fresh water is considered stressed or scarce. These operations account for about 18% of our total freshwater withdrawal.

Assessing water risks

We support research into water risks in areas where we work. For example, in Abu Dhabi, we are working with researchers at the University of Cambridge to develop a model of water and energy demands in the emirate to 2030, which will form the basis for analysing the impact of regulatory and other decisions on water, land and energy.

We have invested in a specialist water treatment company to support operations in areas of water scarcity. The company manufactures desalinization and brine management systems and we aim to trial these technologies at our operations.

Water withdrawal

BP withdraws fresh water from rivers, lakes, reservoirs and underground aquifers, obtaining regulatory permission where required. We also purchase water from municipal drinking water suppliers. We use treated saline water in many areas, including in our unconventional gas operations in Oman. At some locations, such as our Kwinana refinery in Australia, we use water sourced from municipal wastewater treatment plants after it has been specially treated, as our primary source of water for industrial use.

Managing discharges to water

Our operations manage significant volumes of wastewater. These waters can be treated and then discharged to the environment, re-injected back into the oil or gas reservoir or disposed of through other permitted means. In our biofuels operations in Brazil, the nutrient-rich wastewater from the ethanol refineries is reused as a source of irrigation water and fertilizer for the sugar cane crops.

We continue to invest in improving how we manage wastewater and have upgraded our wastewater treatment plants at our Rotterdam refinery in the Netherlands and at our Whiting refinery in the US.

We provide environmental performance data, as well as an interactive charting tool, at *bp.com/environment*

Oil spill preparedness and response

We are making considerable advances in the way we identify, assess and manage our oil spill risks and are sharing lessons with governments and industry.

Dr. Joanne Pitt

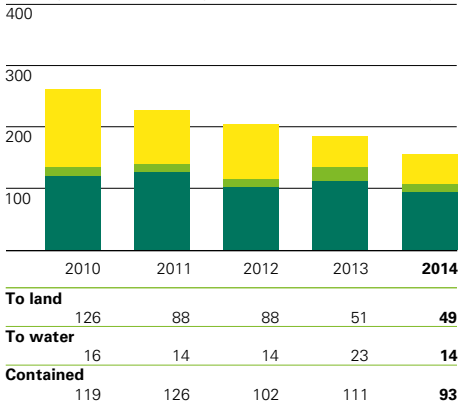
Knowledge exchange manager, Scottish Association of Marine Science

"We participated in an oil spill response exercise with BP that aimed to test the systems available in the event of an oil spill in the UK. Because of BP's planning process, we were able to co-ordinate our IT systems and integrate live data from our deep sea underwater gliders into BP's environmental sensitivity mapping systems. Gliders, and the data they provide, could provide a key tool in environmental monitoring.

Exercises such as this are a lot of work but are invaluable in improving oil spill preparedness, helping us to build the critical relationships required ahead of time and ensure that the tools and data available can be used in an integrated way and help inform decision making for response."

Number of oil spills

(≥ one barrel)



	2010	2011	2012	2013	**2014**
To land	126	88	88	51	**49**
To water	16	14	14	23	**14**
Contained	119	126	102	111	**93**

Our requirements for oil spill preparedness and response planning, and crisis management, incorporate what we have learned over many years of operation, and specifically from the Deepwater Horizon accident. Almost three quarters of our businesses with the potential to spill oil have updated oil spill planning scenarios and response strategies, in line with our new requirements issued in 2012. We aim to complete the remaining updates by the end of 2016.

Meeting the requirements is a substantial piece of work and we believe this has already resulted in a significant increase in our oil spill response capability. For example, this includes using specialized modelling techniques that help predict the impact of potential spills, the provision of stockpiles of dispersants and the use of new tools for environmental monitoring, such as aerial and underwater robotic vehicles.

Sensitivity mapping

We consider the environmental and socio-economic sensitivities of a region to help inform oil spill response planning. Sensitivity mapping helps us to identify the various types of habitats, resources and communities that could be affected by oil spills and develop appropriate response strategies.

We are implementing a mapping system that brings together geographical, operational, infrastructure, socio-economic, biological and habitat information to help us identify and better understand potential impacts of an oil spill. The tool contains information on coastlines that could potentially be affected by a spill, collected via satellites and helicopter and ground surveys. This is available for use by BP operations around the world and helps us set priorities for oil spill planning and response.

New technologies

We are testing the applicability of a number of emerging technologies for spill response. In collaboration with the Scottish Association of Marine Science, we have experimented with robotic underwater gliders for environmental monitoring and data collection in the North Sea. These systems, which can be piloted from land, could help us to better plan spill responses in marine environments by providing information on currents, temperature and water chemistry.

In Alaska, we are testing the use of robotic vehicles with camera sensors to locate spills and provide remote visibility for oil spill response at sea.

Environmental monitoring

In the Gulf of Mexico, BP has partnered with our peers to develop an environmental monitoring system, which can be rapidly deployed to track information on dispersant use in the subsea marine environment in the case of an oil spill.

Through the Gulf of Mexico Research Initiative, we are supporting research to improve knowledge of the Gulf ecosystem, and to better understand and mitigate the potential impacts of oil spills in the region and elsewhere.
See page 12 for more information.

Oil spill response exercises

In 2014, we conducted oil spill response exercises at locations around the world, including in the Gulf of Mexico and the North Sea. We worked collaboratively with state and federal regulators in the Gulf of Mexico to assess the use of subsea dispersants as a primary response strategy. In the North Sea, we tested the use of satellite imagery as a data feed for near real-time information as part of an oil spill response.

Working together

Along with eight other international oil companies as part of the Subsea Well Response Project, we worked with Oil Spill Response Limited (OSRL) to create an international system of intervention equipment for upstream oil spills, including four capping stacks located in various locations around the globe. We are also taking part in a new global response initiative by OSRL that provides participants with access to up to 5,000 cubic metres of dispersant that is strategically stationed worldwide. This should prove to be a critical resource for first response to oil spills.

We seek to work collaboratively with government regulators in planning for oil spill response, with the aim of improving any potential future response. For example, in 2014 we shared lessons on dispersant use and oil spill response technologies with governments in Angola, the UK and the US.

See page 34 for more information on how we are sharing lessons learned in our drilling operations.

Biodiversity and sensitive areas

We take steps to understand and manage the potential impacts of our operations on protected and sensitive areas.

We have been conducting ecological studies in Alaska for more than three decades.

BP operates in diverse environments around the world, from the desert to the deep sea. Some of these areas are particularly sensitive – they may be home to protected or globally threatened species or of cultural significance, contain an ecosystem with outstanding biological or geographical value, or within a landscape that is fragile or unique.

Protected areas

Some of our operations are situated within or close to areas that have national and international protected area status. We report on our major operations in and around protected areas, including those designated as protected by the International Union for Conservation of Nature (IUCN) (categories I-IV, V-VI and unassigned), UNESCO World Heritage Sites and sites designated under the Ramsar Convention.

Seven of our major operations, which may include more than one operating site, have activities within the boundary of a protected area, and another three have activities within one kilometre of a protected area boundary. In 2014, no new BP projects sought permission for entry into an international protected area.

For a list of protected areas in which we operate see *bp.com/sensitiveareas*

Managing impacts

Where our screening process indicates that a proposed project's planned activities could affect, or will enter a protected area, we prepare a risk assessment and executive approval is required before any physical activities take place. We then proceed with a more detailed impact assessment and identify ways to first avoid, or secondly minimize any potential impacts.

We take steps to assess and manage potential impacts on biodiversity, such as compiling a wildlife or biodiversity management plan or consulting with relevant experts and agencies to assess suitable actions. For example, we are working with Fauna & Flora International on how we manage biodiversity impacts over the longer term.

Ecological monitoring in the Arctic

From the early days of searching for oil on Alaska's North Slope, we have sought to understand what potential impacts could result from development and how these could be mitigated. Before and after start-up of the Prudhoe Bay oil field in 1977, we conducted baseline ecological studies to understand pre-development conditions. Since then, we have regularly conducted research to further our understanding. For example, we supported research that led to the development of methods to locate polar bear dens, which means we can now establish protective no-go buffer zones. We are supporting a number of long-term studies that are gathering information on areas such as weather and climate, plant communities, permafrost, and snow geese, seals and other wildlife.

See *northslope.org* for an annual summary of ecological study results.

Marine environments

BP has a strong focus on deepwater operations and we continue to increase our understanding of how our work may affect marine ecosystems – from monitoring the potential effects of sound from our offshore activities, such as seismic surveys, on marine life, to working with our industry to improve our understanding of the potential impacts of oil spills.

In Australia, we are working on a multi-year study of the biodiversity, marine environment and socio-economic importance of the Great Australian Bight with the Commonwealth Scientific and Industrial Research Organization, the South Australian Research and Development Institute, Flinders University and the University of Adelaide. Results from the programme will help us to better understand potential impacts from activities and will inform development decisions.

Major operations within and around a protected area in 2014[a]

Type of protected area	Inside the boundary	Adjacent (within 1km)	Near (between 1km and 5km)	Close (between 5km and 20km)
World Heritage Site	2	0	0	0
Ramsar site	1	2	3	3
IUCN category I-IV	4	3	8	16
IUCN category V-VI	3	2	5	10
IUCN not reported (unassigned)	1	2	1	2

[a] A major operation may have activities within or near more than one protected area.

Society

To BP, working responsibly includes seeking to have positive impacts on the communities in which we operate.

What we said we would do	Where we are today	What we plan to do next
Test the new socio-economic risk criteria for assessing the impacts of incidents on communities and workforces with our businesses.	Our businesses in Australia, Brazil, the US and other locations tested the socio-economic risk criteria.	Incorporate the new socio-economic risk criteria into our standard risk methodology for assessing the impacts of incidents.
Update our framework for managing social investment.	Enhanced our revised framework to include guidance on evaluating potential risks when making social investments.	Prepare for reporting taxes paid to governments, on a country and project basis, in line with new UK regulations.
Deliver human rights workshops to priority businesses and functions.	270+ employees received human rights training.	Continue to embed human rights due diligence into our supply chain processes.

Managing our impact on society

Our operations can bring about major changes to societies and communities, which can have significant impacts – both positive and negative.

Tangguh Independent Advisory Panel – May 2014 report

"BP has just completed the public consultation phase for the social and environmental impact statement "the AMDAL" that will form the basis for its commitments during the construction of the Tangguh LNG project's expansion from 2014-2019 and for the remainder of its operations.

The new AMDAL process has provided by far the best opportunity to date for input from and dialogue among, local affected parties. It gauged community views on the impact of Tangguh's social and environmental programmes as they have been implemented and brought out local feelings toward Tangguh.

The experience of local constituencies over the past 10 years has provided them with specific real life understanding of what works and what does not work, and which programmes should be eliminated and which need to be changed. Because of its collaborative nature, BP has accepted many of these suggestions and aspirations in shaping social management into new Tangguh Sustainable Development Programmes."

The way our industry manages its socio-economic impacts has consequences for people's health, wellbeing, culture and livelihoods.

Oil and gas projects and operations have the potential to affect local communities in a positive way by creating jobs, generating tax revenues, providing opportunities for local suppliers and supporting community development initiatives.

Negative impacts may occur if, for example, a company does not appropriately consider the concerns of nearby communities, or if employees lack awareness and training on anti-bribery and corruption policies.

We screen for possible socio-economic impacts in the early stages of our project planning process. We also conduct impact assessments to help us to better understand how we can avoid or mitigate negative impacts and identify opportunities for positive impacts throughout the life cycle of our project and operations. For more information see page 41.

Community engagement

Our ability to operate safely and continuously can depend on obtaining the necessary official permits from the authorities and on the informal permission and support of the communities in the surrounding area.

We consult with communities about potential environmental and socio-economic impacts throughout the life cycle of projects and operations and develop plans to manage these.

For example, in planning for the expansion of our Tangguh LNG project in Indonesia, we held public consultation meetings with representatives from 62 local villages to discuss their views, concerns and aspirations in relation to the project and our existing social programmes. In 2014, we used the findings of the consultation process to update our approach to community relations, health, education and livelihoods, including indigenous enterprise development programmes.

In Indonesia, we also work with an independent advisory panel to help address long-term socio-economic challenges associated with our presence. Panel members are selected to represent a range of views and provide feedback on our activities and offer recommendations on how to navigate the challenges.

Community grievances

We believe that open dialogue helps to build strong, mutually beneficial working relationships over the long term, and enables all sides to work through any disagreements in a constructive way. We provide guidance to projects on developing operational-level community grievance mechanisms, which help us to understand community concerns and seek to address them before they escalate.

We require our businesses to respond to community and stakeholder concerns and to record and act on any external commitments. In 2014 concerns and requests raised by communities near our major operating sites included noise, odour, access to fishing grounds, job opportunities for local residents, community investment programmes, acquisition or reinstatement of land, and maintenance of roads and fences.

We have been working with oil and gas industry association IPIECA to develop tools for managing community grievances and plan to test these for use in our own guidance and training. This is part of our work to align with the UN Guiding Principles on Business and Human Rights.

Understanding socio-economic implications of incidents

BP assesses the risk of unplanned events, such as spills and security incidents. This currently includes information on possible health, safety, environmental, reputational and business impacts. We have tested new socio-economic risk criteria with several businesses, including Australia, Brazil and the US. The criteria covers areas such as community stress and disruption, livelihoods, cultural heritage, workforce welfare and the availability and quality of fresh water. We plan to incorporate these into our standard risk methodology in 2015.

BP employees in Brazil talk to local communities about the oil and gas industry.

We are helping to develop local expertise in South Africa by investing in a youth development programme with the University of the Witwatersrand.

Supporting development in societies where we work

We believe that societies and communities where we work should benefit from our presence.

BP has supported the development of local businesses in Azerbaijan, such as the Debet Uniform Company, which supplies BP with personal protective uniforms.

We contribute to economies through our core business activities, for example by helping to develop the national and local supply base, and through community investment, such as supporting communities' efforts to increase their incomes and improve standards of living.

For example, we are Trinidad & Tobago's largest hydrocarbon producer, accounting for more than half of the national production of oil and gas. We also contribute to the local economy by creating jobs – over 90% of our employees are Trinidad & Tobago nationals – and by using local suppliers. For instance, we are helping to build expertise in the construction of gas platforms, with a local company beginning work on its sixth offshore platform for BP in 10 years in 2014.

Local workforce

Where possible we seek to recruit our workforce from the local community or country. We do this both to meet host governments' requirements and because we believe it benefits the local community and BP.

A number of our major operating sites are working to improve local and national representation in their workforce. For example, our training programme in Azerbaijan has helped petrotechnical graduates to develop the skills needed for a successful professional career. A total of 80 trainees have completed the programme and a further 45 have joined, selected from approximately 4,300 applicants.

In Angola, approximately 70% of our total workforce are Angolan nationals and we are helping to develop the pool of skilled local labour. In 2014, 29 people joined BP in Angola after graduating from our scholarship programme in chemical, electrical, mechanical, structural and petroleum engineering from universities in Turkey, South Africa and the UK. BP is also helping to train oil and gas professionals through masters' programmes at the Agostinho Neto University in Luanda.

Local suppliers

We promote the use of local suppliers where appropriate. For example, in Azerbaijan we have supported the efforts of companies to achieve international standards, to improve their competitiveness, and to increase the amount of work they get from BP contractors. Since 2007 our 'enterprise development and training programme' has helped local companies secure international contracts in excess of $433 million, of which $348 million are with BP in Azerbaijan.

We run programmes to help build the skills of businesses and to develop the local supply chain in a number of locations. For example, in Indonesia, we provide one-on-one business consultancy and technical assistance to local businesses to assist their participation in tender processes. This helps them to compete to supply goods and services associated with the construction and operation of LNG plants. We held mentoring sessions and workshops for 16 local businesses and enterprises in 2014, with $13 million awarded in BP contracts.

Community investment

We support development programmes that meet local needs and are relevant to our business activities. We use information from community engagement and impact assessments to shape our approach and work with local partners to deliver programmes that aim to create meaningful and sustainable impacts. In 2014, we revised our social investment framework to include guidance on evaluating new social investments, such as the potential risks of conflicts of interest, bribery and corruption and reputation damage.

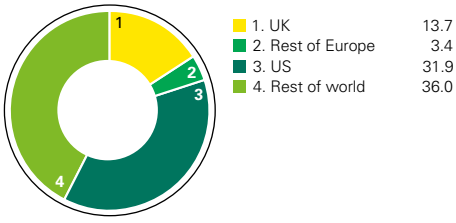
We contribute to the development of training and employment opportunities and help to build capability in institutions and businesses. For example, in Trinidad & Tobago we developed an initiative that offers micro-credit to residents in the local community of Mayaro to start their own businesses, along with business planning and financial accounting assistance. Since it began in 2002, the Mayaro Initiative for Private Enterprise Development has distributed more than 3,000 loans and created thousands of jobs in a community of almost 15,000 people. It is now a $10 million self-sustaining fund.

We often contribute to education initiatives in the regions where we work. In South Africa, for example, we are helping to develop local expertise by equipping talented young people in underprivileged communities with the skills they need to succeed in their final exams and go on to tertiary education. Of the 200 students who began the programme in 2009, 96% passed their final exams and 54 are now studying at university in various fields, including science, commerce, engineering and medicine. Around 1,000 more students are expected to participate in the programme over the next three years.

$348m

in BP contracts secured by local companies in Azerbaijan since 2007.

Contribution to communities by region ($ million)



In Trinidad & Tobago we are supporting an initiative that offers micro-loans to residents to start their own businesses.

Direct spending on community programmes
Our direct spending on community programmes, including disaster relief in 2014, was $85 million. This is in addition to $13.9 billion for employee benefits and wages and $8.0 billion in taxes paid to governments.

The BP Foundation
The BP Foundation is a charitable organization working to benefit communities around the world. It prioritizes donations to charities that support science, technology, engineering and maths education, economic development, practical approaches to environmental issues, and humanitarian relief. In 2014, the Foundation contributed $4 million to organizations and schools around the world that aligned with these focus areas.

The BP Foundation provided $175,000 in 2014 to locally based relief organizations in India, the Balkans and the US. Organizations supported by the foundation in 2014 included the United Way of India, Pragya, International Federation of Red Cross and the American Red Cross.

The foundation also matches the personal contributions that BP employees make to the eligible charities of their choice. In 2014, employees gave around $7 million, volunteered their time and raised funds to benefit charitable organizations worldwide, which was matched with grants of approximately $10 million.

Governance and financial transparency

We focus on improving transparency in revenue flows from oil and gas activities in resource-rich countries. This helps citizens of those countries to access information to hold public authorities to account for the way they use funds received through taxes and other agreements.

Tax
The taxes that we pay are a significant part of our economic contribution to the countries in which we operate. We support the Confederation of British Industry's statement of tax principles, which is intended to promote and affirm responsible business tax management by UK businesses.

US Dodd-Frank legislation and European Accounting and Transparency Directives
Transparency-related issues have gained momentum in recent years, bolstered by the US Dodd-Frank legislation and the enactment of the European Accounting and Transparency Directives. The UK government transposed the revenue transparency requirements contained in the EU Accounting Directive into UK law on 1 December 2014.

These regulations require companies in the extractive industries to publish information on the payments that they make to governments on a country by country and project by project basis, including taxes, production entitlements, royalties, signature bonuses, fees and payments for infrastructure improvements.

The UK regulations require the disclosure of information on payments made in the year ending 31 December 2015. BP is preparing to comply with the UK regulations, including participating in the development of industry guidance.

We are awaiting publication of the final rules for the US Dodd-Frank regime, expected to be issued before the end of 2015.

Extractive Industries Transparency Initiative
As a founding member of the Extractive Industries Transparency Initiative (EITI) and a member of the initiative's board, BP works with governments, non-governmental organizations and international agencies to improve transparency and disclosure of payments to governments.

We support governments' efforts towards EITI certification in countries where we operate and have worked with many countries on implementation of their EITI commitments, including Australia, Azerbaijan, Indonesia, Iraq, Norway, Trinidad & Tobago, the UK and the US.

We believe that the comprehensive, multi-stakeholder approach of EITI is the best approach for the extractive industries. The EITI is an inclusive process that is tailored to fit the local fiscal and legal regimes. See *eiti.org* for more information on our EITI activities.

Human rights

We are committed to conducting our business in a manner that respects the rights and dignity of all people.

Potential human rights impact areas within the oil and gas industry

270+

people attended human rights training events in 2014.

We respect internationally recognized human rights as set out in the International Bill of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. We set out our commitments in our human rights policy. BP's code of conduct references the policy, requiring employees to report any human rights abuse in our operations or in those of our business partners. Our operating management system includes guidance on human rights-related topics for our projects.

Potential impact areas

When planning for projects, we consider issues such as security and human rights, workforce welfare, community health and safety, water use, air quality and potential impacts on the livelihoods of local communities. This helps us to manage activities that could impact the rights of nearby communities and our workforces.

We are working to integrate human rights considerations into our impact assessments, including providing relevant training to environmental and social practitioners on IPIECA's new guidance, which we helped to develop in 2013. We also worked with IPIECA to develop tools for managing community grievances. See page 47 for more information on how we engage with communities and the types of concerns they raise.

Implementing the UN Guiding Principles

We are delivering our human rights policy by implementing the relevant sections of the United Nations Guiding Principles on Business and Human Rights and incorporating them into the processes and policies that govern our business activities.

Our action plan aims to achieve closer alignment with the UN Guiding Principles over a number of years using a risk-based approach. Representatives from key functions, including human resources, ethics and compliance, procurement, security, and safety and operational risk oversee the plan's implementation.

We continue to develop and implement human rights training for high-priority businesses and functions, working to build awareness of our human rights policy and an understanding of the potential human rights impacts within our industry. For example, this year we held 15 dedicated human rights training events for more than 270 employees, including awareness training for relevant senior leadership teams and representatives from functions such as procurement, shipping, finance and legal.

Supply chain

Managing human rights performance has implications for the way we manage our supply chains.

Our human rights policy makes a number of commitments that relate to the supply chain, including that we will seek to make contractual commitments with suppliers that encourage them to adhere to the principles contained in the policy. A number of our standard model contracts now include human rights clauses that require our suppliers to respect internationally recognised human rights in their work for BP.

In some locations, we also conduct social compliance and performance audits that include human rights aspects. For example, in Georgia, we audit contractor performance against the human rights requirements included in contracts. Findings of a recent contractor audit included that employees are free to express opinion, or join unions if interested, and no discrimination on any grounds was observed. We suggested areas for improvement, such as developing processes for fair and transparent recruitment to help promote equal opportunity among candidates.

In Oman, we have developed minimum workforce welfare standards for our Khazzan gas project that set requirements for contractors with respect to working and living conditions. We have discussed these with our contractors and have established a series of forums that will meet regularly to monitor worker welfare and employee relations activities, and act as a channel for escalating and addressing grievances raised.

Our Downstream business uses pre-qualification questionnaires covering human rights performance when screening for potential new suppliers. In specific locations (identified on a risk basis), we have begun conducting pre-qualification audits of suppliers that take into account aspects of human rights and labour practices.

We are working to develop our supplier human rights assessment processes further across our businesses, using a systematic and risk-based approach.

Q: Will BP's human rights policy change the way you do business?

A: At peak development in 2016, our Khazzan project in Oman will involve more than 10,000 people working in the remote desert. In preparation for this, we have developed workforce welfare requirements on aspects such as living accommodation, food provision and recreation facilities and are proactively addressing workforce concerns. We have held workshops with our key contractors to discuss our requirements and develop a shared understanding of the importance of delivering a standard of workforce welfare that respects our workers and adheres to our human rights policy. So in terms of whether the policy has changed the way we work, it's early days for us but our contractors have appreciated our approach and the policy has provided a strong basis for building shared expectations and goals.

Dave Campbell
Chief operating officer and vice president operations, BP Oman

Security and human rights

Security management can be complex, especially in locations where there is a higher potential for conflict or violent crime. A company's security arrangements, if not managed carefully, can expose it to accusations of complicity in human rights abuses. We seek to engage with the security forces that protect our assets to help them understand the human rights of our workforce and communities living near our operations and to interact responsibly with them.

Voluntary Principles on Security and Human Rights

We are a signatory to the Voluntary Principles on Security and Human Rights, which provide a framework for companies to assess whether human rights issues are likely to arise as a result of security activities within local operations, and to allow appropriate precautionary steps to be taken.

We are working with governments and other member companies to share and promote best practice. For example, we shared our experiences of implementing the Voluntary Principles with the Angolan government.

We asked other signatories, including governments and companies, to review our work and approach. They concluded that we are committed to the implementation of the Voluntary Principles, with strong policies, procedures and assurance systems. They also identified areas for improvement and further assessment, including ways to measure the effectiveness of our training on the principles.

Implementing the Voluntary Principles

We provide those employees accountable for assessing and managing security risks with guidance explaining BP's approach to implementing the Voluntary Principles, including the mechanisms we use for identifying and mitigating risk, interaction with public security forces, engagement with private security providers and evaluating progress. We periodically conduct internal assessments to identify areas where we can improve implementation.

BP reports on its progress in relation to security and human rights issues in an annual report to the Voluntary Principles plenary.

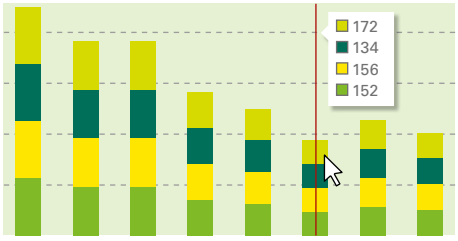
Training public security forces in Iraq

The Iraqi Oil Protection Force is responsible for controlling access to oil fields in Iraq and is critical to deterring, detecting and responding to criminal incidents. As lead contractor at Rumaila, Iraq's largest oilfield, we sought to develop a training programme for the protection force that would help them to work in a way that meets our expectations to respect human rights.

Our first step was to commission an independent assessment to understand the tactical and operational needs of the protection force and to identify the best ways to promote adherence to human rights standards. We then worked with the force to develop a training assistance programme using a 'train the trainer' approach. We chose this approach to promote ownership by the protection force, who will continue the training after our initial three-year programme is delivered. The training focuses on communicating good practices in protection services and improving practical skills, aligned with human rights standards. Each year we evaluate the programme to measure its impact on the performance of the force and identify further training needs.

Find more online

bp.com/sustainability includes a concise, downloadable Sustainability Report, as well as online case studies and performance data.



HSE charting tool

Filter and analyse information on the group's health, safety and environmental performance. Data for the past decade is available, and can be viewed in a variety of chart formats.

bp.com/hsechartingtool

Country and site reporting

We publish country reports on our operations in Angola, Azerbaijan and Georgia. We also maintain a library of site reports.

bp.com/countryreports

bp.com/sitereports

About our reporting

This Sustainability Report and *bp.com/sustainability* concentrate on performance and activities from 1 January to 31 December 2014. We aim to report on all aspects of our business, including joint ventures where we are the operator. Where appropriate, we also seek to provide an overview of joint venture activities where we are not the operator, but where we have significant influence on our partners.

We validate the content with our external assurance provider, Ernst and Young, whose remit includes commenting on the prominence given to each topic and identifying any gaps.

We apply the Global Reporting Initiative's G3.1 guidelines, and we use guidance from our industry association IPIECA. We also report against the UN Global Compact's 10 principles on human rights, labour, environment and anti-corruption.

bp.com/reportingstandards

The energy future

Read about how technology is helping Abu Dhabi in managing water and energy sustainability.

bp.com/foreseerabudhabi

View our energy projections in *BP Energy Outlook 2035*.

bp.com/energyoutlook

Society

Read about how we are supporting enterprise development in Trinidad & Tobago.

bp.com/miped

View BP's business and human rights policy.

bp.com/humanrightspolicy

Environment

View greenhouse gas intensity data, as well as energy use, flaring and water data.

bp.com/environment

Read about lessons learned from the oil spill response exercises in the North Sea.

bp.com/spillresponseexercise

How we operate

See how we are using high-tech simulations to help train our wells teams.

bp.com/learningcentre

Find information on BP's learning and development programmes, rewards and benefits, and approach to diversity and inclusion.

bp.com/careers

Safety

Read about how we are managing road safety in Oman.

bp.com/roadsafetyoman

Filter and analyse health and safety data from the past 10 years.

bp.com/hsechartingtool

Gulf of Mexico

Read about our environmental restoration efforts following the Deepwater Horizon accident.

bp.com/gulfofmexico

View the latest updates on BP's investigations and legal proceedings.

bp.com/legalproceedings

Find the latest BP news, press releases, statements and factsheets.

stateofthegulf.com

Independent assurance statement

BP's Sustainability Report 2014 (the Report) has been prepared by the management of BP p.l.c., who are responsible for the collection and presentation of information within it. Our responsibility, in accordance with BP management's instructions, is to carry out a 'limited level' assurance engagement on the Report. We do not accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk.

What we did to form our conclusions

Our assurance engagement has been planned and performed in accordance with ISAE3000.[1]

The Report has been evaluated against the following criteria:

- Whether the Report covers the key sustainability issues relevant to BP in 2014 which were raised in the media, BP's own review of material sustainability issues, and selected internal documentation.
- Whether the health, safety and environment (HSE) data presented in the Report are consistent with BP's Environmental Performance Group Reporting Requirements and HSE Reporting Definitions.
- Whether sustainability claims made in the Report are consistent with the explanation and evidence provided by relevant BP managers.

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

1. Interviewed a selection of BP's senior managers to understand the current status of safety, social, ethical and environmental activities, and progress made during the reporting period.
2. Reviewed selected group level documents relating to safety, social, ethical and environmental aspects of BP's performance to understand progress made across the organisation and test the coverage of topics within the Report.
3. Carried out the following activities to review health, safety and environment (HSE) data samples and processes:
   a. Reviewed disaggregated HSE data reported by a sample of nine businesses to assess whether the data had been collected, consolidated and reported accurately.
   b. Reviewed and challenged supporting evidence from the sample of businesses.
   c. Tested whether HSE data had been collected, consolidated and reported appropriately at group level.
4. Reviewed the coverage of material issues within the Report against the key sustainability issues raised in external media reports and the outputs from BP's processes for determining material sustainability issues.
5. Reviewed information or explanations about selected data, statements and assertions within the Report regarding BP's sustainability performance.

Level of assurance

Our evidence gathering procedures were designed to obtain a 'limited level' of assurance (as set out in ISAE3000) on which to base our conclusions. The extent of evidence gathering procedures performed is less than that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

The limitations of our review

Our work did not include physical inspections of any of BP's operating assets.

Our conclusions

Based on the scope of our review our conclusions are outlined below:

Materiality
Has BP provided a balanced representation of material issues concerning BP's sustainability performance?

- We are not aware of any material aspects concerning BP's sustainability performance which have been excluded from the Report.
- Nothing has come to our attention that causes us to believe that BP management has not applied its processes for determining material issues to be included in the Report.

Completeness and accuracy of performance information
How complete and accurate is the HSE data in the Report?

- With the exception of the limitations identified in the Report on pages 8-9, we are not aware of any material reporting units that have been excluded from the group-wide HSE data.
- Nothing has come to our attention that causes us to believe that the data relating to the above topics has not been collated properly from group-wide systems.
- We are not aware of any errors that would materially affect the data as presented in the Report.

How plausible are the statements and claims within the Report?

- We have reviewed information or explanation on selected statements on BP's sustainability activities presented in the Report and we are not aware of any misstatements in the assertions made.

Observations and areas for improvement

Our observations and areas for improvement will be raised in a report to BP management. Selected observations are provided below. These observations do not affect our conclusions on the Report set out above.

- BP describes steps that it continues to take to respond to climate change risk. For example, BP describes the role of its natural gas portfolio in delivering lower-carbon energy and the provision of increasingly energy efficient products. However, BP faces demands for further information and there remains limited explanation of the impact that its multi-pronged approach to climate change risk is delivering across the business in terms of carbon reductions, or how carbon might impact the future direction of the company.
- Stakeholders have raised a number of questions about the operation of the newly formed US Lower 48 onshore business. BP explains that it has its own governance, systems and processes that have been tailored to manage the impacts of unconventional gas development. However, the Report discloses that this business is not currently certified to the environmental management system standard (ISO 14001). Given ongoing concerns about hydraulic fracturing, BP may need to continue to provide updates on how risks are being addressed.
- BP has extended its coverage of how it is managing human rights risk within its supply chain including the insertion of specific requirements into its standard model contracts. This description acknowledges that certain parts of the business are exposed to higher levels of risk and explains that BP will continue to embed human rights due diligence into supply chain processes. Stakeholder interest in human rights risks within extended supply chains is growing rapidly and BP will need to report future progress made embedding its policy commitments.
- BP has sought to report more clearly on the practical application of its approach to sustainability issues rather than limiting the description to underlying governance and processes. This approach has helped BP to 'bring to life' the approach to managing sustainability issues more than in previous reporting.

Our independence

As auditors to BP p.l.c., Ernst & Young are required to comply with the requirements set out in the Auditing Practices Board's (APB) Ethical Standards for Auditors. Ernst & Young's independence policies apply to the firm, partners and professional staff. These policies prohibit any financial interests in our clients that would or might be seen to impair independence. Each year, partners and staff are required to confirm their compliance with the firm's policies.

We confirm annually to BP whether there have been any events including the provision of prohibited services that could impair our independence or objectivity. There were no such events or services in 2014.

Our assurance team

Our assurance team has been drawn from our global Climate Change and Sustainability Services Practice, which undertakes engagements similar to this with a number of significant UK and international businesses.

Ernst & Young LLP, London
18 March 2015

[1] International Federation of the Accountants' International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE3000).

BP's corporate reporting suite includes information about our financial and operating performance, sustainability performance and also on global energy trends and projections.

Annual Report and Form 20-F 2014
Details of our financial and operating performance in print and online.
Published in March.
bp.com/annualreport

Strategic Report 2014
A summary of our financial and operating performance in print and online.
Published in March.
bp.com/annualreport

Energy Outlook 2035
Projections for world energy markets, considering the potential evolution of global economy, population, policy and technology.
Published in February.
bp.com/energyoutlook

Sustainability Report 2014
Details of our sustainability performance with additional information online.
Published in March.
bp.com/sustainability

Financial and Operating Information 2010-2014
Five-year financial and operating data in PDF and Excel format.
Published in April.
bp.com/financialandoperating

Statistical Review of World Energy 2015
An objective review of key global energy trends.
Published in June.
bp.com/statisticalreview

You can order BP's printed publications free of charge from:
bp.com/papercopies

US and Canada
Issuer Direct
Toll-free: +1 888 301 2505
bpreports@precisionir.com

UK and rest of world
BP Distribution Services
Tel: +44 (0)870 241 3269
Fax: +44 (0)870 240 5753
bpdistributionservices@bp.com

Feedback
Your feedback is important to us.
You can email the corporate reporting team at *corporatereporting@bp.com*

or provide your feedback online at
bp.com/sustainabilityfeedback

You can also telephone
+44 (0)20 7496 4000

or write to:
Corporate reporting
BP p.l.c.
1 St James's Square
London SW1Y 4PD
UK

Acknowledgements

Design	SALTERBAXTER MSLGROUP
Typesetting	SALTERBAXTER MSLGROUP
Printing	Pureprint Group Limited, UK, ISO 14001, FSC® certified and CarbonNeutral®
Photography	Shahin Abasaliyev, Giles Barnard, Mehmet Binay, Stuart Conway, Emilu Damasceno, Richard Davies, Joshua Drake, Barry Halton, Simon Kreitem, Matt Livey, Bob Masters, Marc Morrison, Mikhail Novitsky, Chingiz Samadzade, Aaron Tait, Graham Trott

Paper
This document is printed on Oxygen paper and board. Oxygen is made using 100% recycled pulp, a large percentage of which is de-inked. It is manufactured at a mill with ISO 9001 and 14001 accreditation and is FSC® (Forest Stewardship Council) certified. This document has been printed using vegetable inks.

RECYCLED
Paper made from recycled material
FSC® C022913

Printed in the UK by Pureprint Group using their *alcofree*® and *pureprint*® printing technology.