



AGM briefs

April 2016

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Energy Outlook 2035

Key messages

A1

- Today's challenge is to meet growing worldwide demand for energy while addressing climate change and other environmental and social issues.
- The **world economy is likely to more than double** from 2014 to 2035, largely driven by rising incomes in the emerging economies and a projected population increase of 1.5 billion.
- Global energy demand is likely to increase by about one third from 2014 to 2035, with almost all of the growth in emerging markets.
- We believe a **diverse mix of fuels and technologies** is needed to meet this growing energy demand and support transition to a lower-carbon economy.
- **Oil and gas are likely to continue to play a significant part.** They currently account for around 56% of total consumption and we believe that will decrease to about 54% in 2035.
- Climate change policy presents a key uncertainty. In our alternative 'faster transition' scenario that reflects this, oil and gas still account for more than 50% of total energy consumption in 2035.

Related briefs: BP's response to lower oil prices, Climate change and GHG emissions, Unburnable carbon

Additional information

- BP's Energy Outlook presents what we think is **most likely to happen**. We recognize that there are **many uncertainties** and reference these in three alternative scenarios:
 1. Slower global GDP growth.
 2. Faster transition to a lower-carbon world.
 3. Shale oil and gas have even greater potential.
- There are more than enough energy resources to meet this growing demand, but there are a number of challenges:
 - **Affordability:** fossil fuels are currently cheaper than renewables but their future costs are hard to predict. While many renewables remain expensive, innovation and wider deployment are likely to bring down their costs.
 - **Supply security:** energy resources are often distant from the hubs of energy consumption and in places facing political uncertainties. More than half of the world's known oil and natural gas reserves are located in just eight countries.
 - **Carbon intensity:** fossil fuels – though plentiful and currently more affordable than other energy resources – emit CO₂ and other greenhouse gases through their production and use.

Oil

- Oil demand grows modestly, averaging 0.9% per annum between 2014 and 2035; but oil remains the largest source of energy, **providing 29% of global energy in 2035**.
- Total liquid fuels (including biofuels), global demand grows by nearly 20 million barrels per day between 2014 and 2035 – equivalent to adding a market the size of the US today.
- Transport fuel continues to be dominated by oil - we expect it to account for almost 90% of transportation fuels in 2035 – compared with 94% today.
- OECD demand for liquid fuels peaked in 2005, and by 2035 is projected to fall back to where it was in 1988.
- Non-OPEC supply accounts for the majority of the supply increase. All of the net increase in non-OPEC supply comes from the Americas: US shale, Brazilian deepwater and Canadian oil sands.

Gas

- Demand for natural gas is expected to grow by 1.8% p.a., making it the **fastest growing fossil fuel**. It is likely to play an increasing role in meeting global energy demand, because it is available at scale, relatively low cost and lower-carbon than other fossil fuels.
- **By 2035 gas is expected to provide 26% of global energy**, placing it ahead of coal.
- Shale gas will contribute more than half of the growth in natural gas globally between 2014 and 2035.
 - In the first half of the Outlook, almost all of the growth in shale output stems from the US – which is likely to become a net exporter of gas later this decade.
 - Further out, China's shale gas production scales up rapidly while US growth slows, such that from around 2030 onwards China is the largest contributor to growth in shale gas production.
- The use of liquefied natural gas is expected to double between 2014 and 2035, displacing pipeline as the dominant mode of international trade in natural gas.

Renewables

- **Renewables are the fastest-growing energy source.**
- Over the past few years, there has been rapid expansion of the use of solar power due to cost reduction in manufacturing and public subsidies.
- Renewables, excluding large-scale hydroelectricity, currently account for around 3% of energy consumption. We estimate that by **2035 they will contribute around 9% of total global energy supplies**.

Contact: Paul Appleby



BP's response to lower oil prices

A2

Key messages

- We expect oil prices to be lower for longer, but not lower forever.
- Since 2010, we have been working to create a stronger, simpler and more focused business. This has positioned us well to respond to lower oil prices.
- We are optimizing capital expenditure and driving down cash costs through a reduction in third-party costs, and through efficiency and simplification across the organization.
- Our **financial framework** is designed to re-establish a balance where operating cash flow covers organic capital expenditure and the current dividend (before scrip) by 2017, at an average Brent oil price of around \$60/barrel. (Operating cash flow excludes payments related to GoM.)
- **If prices remain lower for longer than anticipated**, we expect to continue to recalibrate for the weaker environment and to capture more deflation. We would expect this to drop the balance point below \$60 per barrel.
- We are responding to today's challenges in a very thoughtful way so as **not to compromise safety or growth plans** that are essential for our future.

Additional information

How BP is resilient

- **Integrated business** – upstream and downstream businesses and a well-established oil and gas trading function that can generate value for the group when prices are volatile. We delivered record profits in our downstream business in 2015.
- **Balanced portfolio** – geographical diversity and mix of resource types can provide us with resilience to a wide range of operating conditions and opportunities for growth. A significant part of our upstream portfolio has production sharing agreements, where revenues are typically less sensitive to oil price fluctuations.
- **Flexible balance sheet** – we maintain a strong balance sheet with sufficient cash reserves, which helps to withstand price falls and other events.

Our financial framework through 2017

- The framework underpins our commitment to **sustain the dividend** for our shareholders.

Optimize capital expenditure	\$17-19 billion per year in 2016 and 2017 (towards the lower end of the range in 2016)
Reduce cash costs	Reduction of close to \$7 billion versus 2014 by end of 2017 (with \$3.4 billion reduced by the end of 2015)
Make selective divestments	\$3-5 billion in 2016, \$2-3 billion per year from 2017 (to help manage oil price volatility and fund GoM commitments)
Maintain flexibility around gearing	Manage with some flexibility at around 20% (we expect gearing to run above 20% while oil prices remain weak)

- We will keep our financial framework under review through 2016 and beyond.

How we are putting this into action

- **Upstream**

- Activities – We are focusing on the timing of investments to capture deflation in the supply chain, paring back access and exploration spend and prioritizing activity in our base operations.
- Costs - We reduced unit production costs by more than 20% compared with 2013 and achieved an average reduction of 15% in upstream third-party costs in 2015. By the end of 2016, we expect to re-bid 40% of our third-party spend, including a significant proportion of our well services contracts.
- Workforce – Our total upstream workforce – including employees and contractors – is now 20% smaller than it was in 2013, with a reduction of around 4,000 expected in 2016.

- **Downstream**

- Activities – We reorganized our fuels business from nine regions to three, streamlined the lubricants business and started restructuring petrochemicals.
- Costs – Our focus on third-party spend has resulted in significant cost reductions and we have reduced head office-related costs by around 40%.
- Workforce – We expect to reduce our downstream workforce, including employees and contractors, by more than 5,000 by the end of 2017 compared to 2014. By the end of 2015 we had already achieved a reduction of 2,000 against this target.

- **Other business and corporate**

- We are focusing on third-party spend and headcount, both in response to the lower oil price and also to reflect the changes to our portfolio.

- **Employees** – we are aware of the impact that headcount reductions will have on employees and their families and will treat individuals affected with care and with respect.

Industry context

- There are signs that the market is adjusting to the current low level of oil prices, with strong demand growth and weakening supply.
- Gas prices have also fallen, albeit on a more regional and less dramatic scale. In markets such as the US, gas prices are at historically low levels.
- Periods of low prices are not uncommon in our industry and BP has gone through such cycles in the past.
- We expect 2016 to be a period of intense change, with ongoing restructuring and further deflation in the supply chain.

Contact: Jessica Mitchell



BP's strategy

Key messages

A3

- We prioritize **value over volume** by actively managing a high-value upstream and downstream portfolio and investing where we can apply our distinctive strengths and capabilities.
- Our objective is to create shareholder value by **growing sustainable free cash flow** and distributions over the long term.

Additional information

Clear priorities	<p>Safe and reliable operations We aim to run safe, reliable and compliant operations – leading to better operational efficiency and safety performance.</p> <p>Disciplined financial choices We aim to make disciplined financial choices in support of growth in underlying operating cash from our businesses, disciplined allocation of capital and financial resilience.</p> <p>Competitive project execution We seek efficient ways to delivering projects on time and on budget, from planning through to day-to-day operations.</p>
Quality portfolio	<p>Source future growth We target opportunities with the greatest potential to increase value, allowing us to build a strong pipeline for future growth.</p> <p>Focus on high-value upstream assets We focus on high-value upstream assets in deep water, giant fields, and selected gas value chains.</p> <p>Build high-quality downstream business We plan to leverage our newly upgraded assets, customer relationships and technology to grow operating cash flows.</p>
Distinctive capabilities	<p>Advanced technology We develop and deploy technologies we expect to make the greatest impact – from enhancing safety and reliability to creating competitive advantage.</p> <p>Strong relationships We form enduring partnerships with governments, customers, partners, suppliers and communities to create mutual advantage.</p> <p>Proven expertise Our talented people help to drive our business forward - applying diverse skills and expertise to deliver our complex projects.</p>

Contact: Dominic Emery



Shareholder distributions

Key messages

A4

- We are working to re-establish a balance in our financial framework by 2017, where **operating cash flow covers the dividend and capital expenditure** in a circa \$60 per barrel price environment.
- **If prices remain lower for longer than anticipated**, we expect to continue to recalibrate for the weaker environment and to capture more deflation. We would expect this to drop the balance point below \$60 per barrel.
- We look to find the **right balance between shareholder distributions and re-investment** in both safe and reliable operations and in projects for the future.
- We will keep our financial framework under review through 2016 and beyond.

Related links: BP's response to lower oil prices

Additional information

Dividends

- The **board reviews the dividend twice each year** – with the first and third quarter results.
- The total cash dividend paid to BP shareholders in 2015 was \$6.7bn. In 2014 this was \$5.9bn (2013 \$5.4bn, 2012 \$5.3bn, 2011 \$4.1bn).
- BP does not declare an annual dividend (which would need shareholder approval at the AGM) but announces interim quarterly dividends. This has been BP's practice since 1989.
- We announce dividends in US dollars as the company reports its financial results in dollars. We acknowledge that currency fluctuations may adversely affect sterling recipients from time to time.

Share buybacks – historical context

- There have been no share buybacks since end 2014.
- Buybacks make our commitment to **growth in dividends per share more affordable** as they reduce BP's equity base.
- Buybacks have been a means to return cash to shareholders at times when cash in excess of the group's investment needs has been generated through either one-off disposals or high oil and gas prices.
- Share buyback programme currently suspended due to current oil price environment. \$10.3bn spent on share buy backs between March 2013 and December 2014.

Resolution [20] – Share buyback

- BP is asking for authority to purchase up to 10% of BP's ordinary issued share capital (as it does every year) to maintain its flexibility to repurchase shares should it wish to do so.
- As at 31st December 2015, BP held approximately 1,756,327,000 (1.8bn) treasury shares, representing 8.7% of its issued share capital (excluding treasury shares).
- Current policy is to hold a sufficient number of repurchased shares in treasury to meet the requirements of BP's share incentive arrangements, with the remainder being cancelled.

Contact: Jess Mitchell/Emily Carey



Tax

Key messages

A5

- **BP paid \$3.5billion in corporate income and production taxes** globally in 2015 (2014:\$8billion). The reduction is driven mainly by the lower oil price.
- **No UK corporation or production tax was paid in 2015.**
 - Significant investment in major projects in the UK and the lower oil price resulted in a UK tax loss.
 - BP does not expect to be paying corporation tax in the UK until there is a recovery in the oil price.
 - Over the past five years BP has paid £1.8bn of corporation tax in the UK.
- **BP does not use 'tax havens' for tax avoidance purposes.**

Related briefs: Revenue and contract transparency

Additional information

BP's approach to tax

- *BP's approach to tax* was published on *bp.com* in February in response to proposed UK legislation requiring a UK company to make public its tax strategy.
- BP is committed to complying with tax laws in a responsible manner.
- We engage in efficient tax planning that reflects commercial and economic activity. We do not engage in artificial tax arrangements.
- We seek to build and sustain relationships with governments and fiscal authorities that are constructive and based on mutual respect. We work collaboratively wherever possible with fiscal authorities to resolve disputes and to achieve early agreement and certainty.
- We engage in initiatives to simplify and improve tax regimes to encourage investment and economic growth.

Tax havens

- BP does not operate in countries considered to be 'tax havens' for tax avoidance purposes - holdings exist in these countries for a variety reasons:
 - We have an operational business in the country.
 - The country provides the right regulatory environment for our operations.
 - Where the choice of a neutral location is important for joint venture partners.
 - A number of the BP companies identified in these locations are inactive and are being considered for elimination.

Taxes paid 2015

- We pay corporation taxes, royalties, production taxes, stamp duties, employment and other taxes. In addition we collect and pay employee taxes as well as indirect taxes such as excise duties and VAT.
- United Kingdom
 - BP's UK tax loss gave rise to a production and corporation tax refund of £209million.
 - BP paid £233million in business rates and employer national insurance contributions.
- United States
 - BP paid \$1billion in US federal and state income taxes, production taxes, property taxes and royalties in 2015.
 - Government penalties are not deductible for US federal tax purposes.
 - BP America is deducting for tax purposes costs associated with the Deepwater Horizon incident in line with the US Tax Code and International Accounting Standards.

Transparency

- We support the principle behind multilateral moves towards greater transparency that increase understanding of tax systems and build public trust.
- We have a strong interest in promoting accountability and good governance wherever we operate. Not only is this in line with our principles – it makes good business sense; our operations tend to have very long-term, often multi-generational horizons.
- Good governance, the rule of law and positive relationships with our local stakeholders are very important factors to enable us to deliver a return on investment for our shareholders.

Profit shifting

- BP is not a target of the OECD Base Erosion and Profit Shifting initiative, established in 2013 at the request of G20 finance ministers.
- BP's profits, and consequent tax payments, are mainly in areas where we have significant business (material asset values, high third-party turnover and significant numbers of employees).
- BP charges royalties for the *Castrol* and *Helios* brands on a use basis. These royalties are paid directly to the UK and are taxed in the UK.
- BP recharges head office and research and development costs to the businesses that the costs were incurred on behalf of. These recharges do not seek to erode the profit base of those subsidiaries by inflating the costs.

Tax disputes

- Our risk management procedures dictate that the group head of tax is notified of all significant differences of opinion with local tax offices.
- While there are some unresolved cases, the group does not believe that there will be any material impact upon the group's results of operations, financial position or liquidity.

Contact: Niraja Fletcher



BP's shareholder resolution 2015

Key messages

B1

- The shareholder resolution on **BP's preparation for a lower-carbon future** has allowed us to provide more insight on our own carbon emissions and how we are playing our part to address climate change.
- We are effectively managing climate change risk, and protecting shareholder value in the short and long term.
- We are responding to each area through the most appropriate report: *Sustainability Report, Annual Report, Energy Outlook and Technology Outlook*.

Related briefs: Climate change, Energy Outlook, Unburnable carbon

Additional information

1. Ongoing operational emissions management

- Only 10-20% of emissions associated with oil and gas fuel products come from the processes used to make them, with the remainder coming from consumer use.
- BP pursues commercially sound ways to reduce our emissions.

Consider energy use in business plans and assess, prioritize and implement technologies and systems to improve energy usage.	Our new Zhuhai 3 petrochemicals joint venture in China delivers 65% lower GHG emissions compared with conventional technology.
Use Solomon Energy Intensity Index (EII) at our refineries to measure energy performance. This industry benchmark allows us to compare performance of our refineries with each other and with peers.	Each of our refineries set and track progress against an EII target specific to its circumstances. We do not disclose these targets externally, as this could be commercially sensitive.
Manage flaring and venting at our operations where it does not compromise safety. We are working towards the World Bank goal of zero routine flaring by 2030.	Our Tangguh operations have reduced flaring by 87% since 2010 by recycling gas for use as a fuel and continuous improvement in controlling sources.
Factor internal carbon cost into investment and engineering decisions for large new projects. In industrial countries this is \$40 per tonne of CO ₂ e.	Along with energy efficiency considerations, it has encouraged projects to be set up in a way that will have lower GHG emissions. It has not resulted in a no-investment decision.

- **We don't plan to set global targets.** We don't believe explicit targets always result in the most cost-effective energy efficiency and carbon reduction solutions. We like the direction provided by CDP's Aiming for A, but don't support its requirements for targets.

2. Asset portfolio resilience to IEA scenarios

- BP strives for a **balanced portfolio** in terms of its resources, geography and businesses.
 - Diversity of resources helps us provide energy to support economic development and contribute to a lower-carbon future. Half of our Upstream portfolio is natural gas.
 - Geographical diversity of operations gives us access to a variety of resources and markets, and provides robustness to geopolitical events.

- With our proved reserves replaced every 13 years on average, we have time to **adapt our investment strategy** to changes in policy, market or technology conditions.
 - Greenhouse gas policy – we use an internal carbon cost of \$40/tonne of CO₂e for large new projects in industrialized countries. We also stress test at a higher carbon price.
 - Supply and demand – our *Energy Outlook* looks past the near-term volatility and identifies the structural trends such as advancements enabling faster growth (e.g. shale). In our ‘faster transition’ scenario, oil and gas account for over half of demand in 2035.
 - Fluctuating oil prices – we test our investments against a range of oil and gas prices to check their profitability over the long term. We take into account current price levels and our long-term outlook.
 - Cost of supplying oil and gas – we consider factors such as the nature of the asset class or resource, technology advancements and government incentives.
 - Evolving technology – we monitor emerging technologies such as batteries and solar conversion, with our *Technology Outlook* and other activities. We invest in start-up companies to understand and participate in these potentially disruptive technologies.
- We take relevant steps to **make our operations resilient to potential physical impacts** of climate change – such as sea-level rise, higher temperatures, extreme weather events.
 - We have guidance for existing operations and projects on how to assess potential climate change risks and impacts – to enable mitigation steps to be incorporated into project planning, design and operations.

Example: we decided to place some of the new South Caucasus pipeline deeper underground to avoid potential washouts due to flooding.

3. Low-carbon energy R&D and investment strategies

- BP invests in energy efficiency technologies and renewable energy, including proprietary research, start-up companies and university programmes.
- BP currently has the largest operated renewables business among our oil and gas peers.
- BP has invested over \$8 billion in alternative energies in the past decade, but our investment experience has been mixed.
- Carbon capture and storage – BP maintains a relevant capability in case GHG regulation requires it for some businesses, and to support CO₂ enhanced oil recovery opportunities. Barriers: high costs, commercial complexity, uncertain business and policy environment.

4. Relevant strategic KPIs and executive incentives

- GHG emissions is a strategic KPI. We do not have an associated executive incentive. We will consider this when updating our remuneration policy in 2016.
- Reserves replacement ratio (RRR) is a strategic KPI and a long-term incentive. RRR contributes a maximum of 11.1% to the performance share element of remuneration.

5. Public policy positions relating to climate change

- BP believes that carbon pricing by governments is the most comprehensive and economically efficient policy to limit greenhouse gas emissions. We joined other oil and gas companies in 2015 to call on the UN and governments to put a price on carbon.
- We are working collaboratively with other companies in the Oil and Gas Climate Initiative (OGCI) to evolve our businesses towards, and help deliver, the aims of the Paris Agreement. The ten OGCI members produce over one-fifth of the world’s oil and gas.

Contact Dominic Emery



Climate change and GHG emissions

Key messages

B2

- Climate change is an important long-term issue that requires efforts by governments, companies and consumers. Governments must lead by providing a clear, stable and effective climate policy framework.
- BP welcomes the direction provided by the Paris Agreement, as it creates the possibility for carbon pricing to help deliver global goals and national contributions for reducing GHG emissions.
- BP plays its part by calling for a price on carbon; supplying natural gas; providing renewable energy; pursuing energy efficiency; and supporting research and partnerships.
- We work with others on climate issues through the Oil and Gas Climate Initiative, and in 2015 we joined the Climate and Clean Air Coalition's Oil and Gas Methane Partnership and the World Bank Zero Routine Flaring by 2030 initiative.

Related briefs: BP's response to shareholder resolution, Unburnable carbon

Additional information

Climate change and GHG emission trends

- BP projects that rate of growth of carbon emissions is projected to more than halve over the next 20 years compared with the past 20 years. This is driven by faster gains in energy efficiency or energy savings, and shift towards lower-carbon fuels or energy-switching.
- We project that global CO₂ emissions from fossil fuels may be 20% higher in 2035 than in 2014. This is not what BP wants to see, but what we currently think is likely - based on current and known policy.
- We also have a 'faster transition' case, with carbon prices of up to \$100/tonne, tougher CO₂ standards for vehicles and significant energy-efficiency gains for industry/buildings in place by 2035. In this case, we believe emissions could fall around 8% below the 2014 level by 2035.

Paris Agreement – UN conference on climate change

- The Paris Agreement aims to hold global average temperature rise to well below 2 degrees centigrade. Countries have declared voluntary contributions towards this aim, and agreed to review and strengthen them every five years from 2020.

Redacted - First Amendment

Supplying natural gas

- Around half of our current upstream portfolio is natural gas and we are increasing that proportion over time. Natural gas produces about half as much CO₂ as coal when burned to generate power and is cleaner, secure and affordable.
- Most government, industry and academic studies comparing gas and coal for power have found that, over the long term, gas has significantly lower life cycle GHG emissions.
- Based on our own operational experience, we believe methane emissions from gas developments can be economically and technically controlled to increase the climate advantage of gas over coal further.

Providing renewable energy

- BP invests in renewables where we can build commercially viable businesses at scale.
- Biofuels: We increased our production of ethanol equivalent by 47% in 2015, compared with 2014.
- Wind: BP is among the top wind energy producers in the US, with our share of wind energy capacity enough to power all the homes in a city the size of Dallas.
- Air BP is the world's first supplier of commercial jet biofuel, supplying SAS, Lufthansa and KLM, using the existing fuelling infrastructure at Oslo's airport.

Pursuing efficient operations and products

- We incorporate energy use considerations into business plans and assess, prioritize and implement technologies and systems to improve energy usage.
- Gas production: BP is working to reduce emissions through programmes to **detect and repair methane leaks**. E.g., building a central processing facility at our Khazzan project takes away the need for processing equipment at each individual well site, which can be a source of additional methane emissions in gas production.
- Oil production: new projects must seek alternatives to flaring and venting as a means to dispose of associated gas, e.g. capturing for reuse, or re-injection.
- We have been developing Castrol lubricants with lower viscosity, which helps manufacturers to improve the fuel efficiency of their vehicles. Our premium Ultimate fuels contribute to better fuel efficiency by restoring the cleanliness of the engine and improving combustion performance.

Supporting research and partnerships

- Princeton's Carbon Mitigation Initiative brings together scientists, engineers and policy experts to design carbon mitigation strategies that are safe, effective and affordable.
- Energy Sustainability Challenge, with 15 university partners, has looked at how energy can be supplied, taking into account competing pressures for the use of water.
- We have been investing in start-up companies to better understand evolving alternative and advanced technologies such as electric vehicles, batteries and bio-lubricants.
 - Solidia developed a technology that can reduce carbon footprint of concrete by 70%. It is being rolled out through a partnership with LaFarge in the US and Europe.

BP's greenhouse gas emissions performance 2015

- Direct GHG emissions – increase is due to updating the global warming potential (GWP) for methane, in line with industry guidelines. Without this, our emissions would have decreased primarily due to divestments in Alaska.
- Flaring – the decrease is primarily due to improvements made to the gas injection capacity of wells in our Angola operations, as well as a move from start-up activity to normal operations in several sites in Azerbaijan, Georgia, Turkey and the North Sea.

Contact: Paul Jefferiss / Liz Rogers



Renewable energy

Key messages

B3

- We estimate renewable energy, excluding large-scale hydroelectricity, is likely to meet around **9% of total global energy demand by 2035**.
- We currently have the **largest operated renewables business** among our oil and gas peers. Our activities are focused on biofuels and onshore wind.
- We invest in renewable energy where we can build **commercially viable businesses at scale**. We have invested more than \$8 billion in alternative energies in the past decade, but our investment experience has been mixed.
- We believe **temporary policy support** is needed to help commercialize lower-carbon options and technologies, but they will ultimately need to become commercially self-sustaining, supported only by a carbon price.

Related briefs: Energy Outlook 2035, Climate change

Additional information

Biofuels

- We are focused on investing in low-cost, low-carbon biofuels that are either financially self-sustaining now or could be in the future.
- We own and operate three sugar cane mills **in Brazil** producing bioethanol and sugar, and exporting power to the local grid.
- We increased our **ethanol equivalent** production **by 47% in 2015**, compared with 2014.
- Air BP is the world's **first supplier of commercial jet biofuel**. Partnering with the Norwegian airport operator Avinor, Air BP supplies the jet biofuel to Lufthansa, SAS and KLM at Oslo airport using its existing fuelling infrastructure.
- We are investing in the development of **biobutanol**, in conjunction with DuPont. Compared with other biofuels, biobutanol can be blended with fuels in higher proportions, and is easier to transport, store and manage.
- We divested our interest in Vivergo Fuels – a UK-based joint venture producing bioethanol from wheat – in May 2015.

Sustainability issues and biofuels

- Food v fuel: less than 2% of the land used for crops or pasture in Brazil is for ethanol production. BP does not plant sugar cane in priority conservation areas.
- Water: the water intensity of our biofuels in Brazil averages at around 13 kilograms of water per kilogram of sugar and ethanol, which compares favourably to the water ratio of many agricultural food crops grown within the same region.
- Wastewater: the nutrient-rich wastewater from the ethanol refineries is reused as a source of irrigation water and fertilizer for the sugar cane crops.
- Sustainable sourcing of biofuels: we blend bio-components produced by other operators into fuel for markets where applicable laws require that gasoline and diesel sold to motorists include a proportion of biofuel. We source biofuels that meet legal sustainability

requirements where they exist; where not, we encourage governments to develop them and our suppliers to meet relevant voluntary standards.

Wind

- BP holds interests in 16 onshore wind farms in the US, and is the operator of 14 of them.
 - BP's net generating capacity from this portfolio, based on our financial stake, is 1.6 gigawatts of electricity.
 - The total generating capacity of these wind farms is enough to power all the homes in a city the size of Dallas.
 - We calculate our wind activities helped avoid around 2.7 million tonnes of CO₂ in 2015.
 - BP follows US Fish and Wildlife service guidelines, designed to help minimize impacts of wind farms on wildlife and their habitats.

Contact: Guy Mason



Unburnable carbon / 'stranded assets'

Key messages

B4

- BP's proved reserves are produced, and historically replaced, over a 13-year timeframe on average. This means we have time to adapt our investment strategy to changes in policy, market or technology conditions.
- We take a dynamic approach and consider GHG policy; supply and demand; fluctuating oil and gas prices; evolving technology; and the cost of supplying oil and gas.
- We believe any divestment campaign or climate-related financial disclosure requirements should take into account our dynamic investment strategy and the flexibility of our balanced portfolio.
- We are participating in the Financial Stability Board (FSB) climate-related financial disclosure task force indirectly through industry association IPIECA.

Related briefs: BP's response to shareholder resolution, Climate change

Our response

Access to affordable and secure energy is essential for economic prosperity. We project global demand to grow by 34% by 2035, driven by strong growth in the developing world. A diverse mix of energy sources, including fossil fuels, will be required.

There are multiple actors and actions. Carbon dioxide emissions from energy make up around two thirds of all global man-made greenhouse gas emissions – this energy supplies many staples in today's world: heat, light, industrial power and transportation. Agriculture and land-use changes, such as deforestation and clearing land for crops, account for about a quarter of the emissions.

All fossil fuels are not equal. Coal accounts for about 60% of potential CO₂ emissions from known fossil reserves and is the most carbon intensive fossil fuel. Natural gas is an affordable replacement in coal-fired power, cutting CO₂ emissions in half.

There is a variety of oil and gas users. Consumers account for around 80-90% of CO₂ emissions from oil and gas products.

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*.

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Our dynamic approach to investment strategy

- Anticipating GHG policy risk: we apply a carbon price to our investment decisions, where relevant.
- Supply and demand: we make regional and global assessments of energy supply/demand.
- Fluctuating prices: we test our investments against a range of oil and gas prices.
- Evolving technology: we assess potential innovation out to 2050; we invest in start-ups.
- Cost of supplying oil and gas: we forecast the cost of supplying oil and gas to 2050, taking into consideration expected technological improvements.

Additional information

Unburnable carbon and stranded assets concepts

Proponents of the concept argue that:

- Burning all fossil fuel reserves would increase CO₂ concentrations well above 450ppm, and probably raise temperatures by more than 2°C.
- Potential GHG regulation could make some reserves unburnable, or 'stranded assets'.
- Companies holding assets that are stranded should have their value cut.
- Companies should consider this on top of other risks when making new investments.

BP supports the idea that **some fossil fuels are unlikely to be produced**, particularly those that are costly to develop and are carbon intensive.

Reserves and company valuation

- Oil and gas reserves are not all alike in how they are defined or estimated.
- There is a greater level of confidence in producing proved company reserves than there is for various global reserves assessments – and proved company reserves are produced over shorter timescales (average 13 years for supermajors).
- Where companies are quoted on the US market, they are obliged to report proved reserves under SEC (Securities and Exchange Commission) rules. It is these proved reserves that are most correlated with upstream company valuations and are most likely to be produced.

Contact: Dominic Emery



Independent experts and monitors

Key messages

C1

US Department of Justice ethics and process safety monitors

- The monitors have interviewed employees, reviewed policies and procedures and made site visits.
- Their recommendations have been agreed and implementation is underway.

Process safety expert/Downstream

- Duane Wilson's three-year term as a board-appointed process safety expert came to a close during 2015.
- He shared his thoughts on possible areas for ongoing emphasis, such as risk management, progress measurement and leadership.

Independent expert/Bly Report

- Carl Sandlin's engagement came to a close in February 2016 after he reported to SEEAC that all 26 Bly Report recommendations had been closed out.
- He stated that the idea of **safety as a top priority is firmly ingrained** throughout the global wells organization and noted an increase in the degree of rigour and engagement at all levels.
- He recommended that BP **maintain its focus on continuous improvement** in the areas of safety culture, self-verification and training.

Related briefs: Gulf of Mexico

Additional information

Ethics and process safety monitors

- Two independent monitors 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.
- The **ethics monitor** is reviewing and providing recommendations concerning BP's ethics and compliance programme. He delivered an initial report early in 2015. He delivered a second report later in the year under a separate administrative agreement with the US Environmental Protection Agency.
- The recommendations have been consolidated and agreed and BP is now in the process of implementing them. The ethics monitor is conducting a follow-up review as the next phase of his engagement.
- The **process safety monitor** is reviewing and providing recommendations concerning BPXP's process safety and risk management procedures for deepwater drilling in the Gulf of Mexico.
- The process safety monitor submitted a report in 2015. Following discussions between BPXP, the process safety monitor and the US Department of Justice, the recommendations have now been finalized and implementation by BPXP is underway.

Duane Wilson – process safety expert for Downstream

- Duane Wilson provided an independent perspective on the progress that BP's fuels, lubricants and petrochemicals businesses have made towards becoming industry leaders in process safety performance.
- Mr Wilson reported to SEEAC on three topics:
 - Downstream's prioritization of the agenda to be an industry leader in process safety.
 - Downstream's progress in embedding BP's OMS.
 - Effectiveness of the downstream safety and operational risk function's agenda.
- His three-year term as a board-appointed process safety expert came to a close during 2015.
- Before leaving, he shared his thoughts on possible areas for ongoing emphasis, such as risk management, progress measurement and leadership.

Carl Sandlin – independent expert

- The **BP board appointed Carl Sandlin** as independent expert in 2012 to provide an objective assessment of BP's global progress in implementing the recommendations from the Bly Report. He also provided:
 - His views on the organizational effectiveness and culture of the global wells organization.
 - Process safety observations.
- Over the period of his appointment he met regularly with board members and wells organization leadership and reviewed the standards and practices developed to complete the recommendations.
- Mr Sandlin made three visits to each of the regional wells teams with active drilling operations, meeting key personnel and drilling contractors on site.
- He stated that the idea of safety as a top priority **is firmly ingrained throughout the global wells organization** and noted an increase in the degree of rigour and engagement at all levels.
- He recommended the organization build on the foundations established by the recommendations and maintain its focus on continuous improvement in the areas of **safety culture, self-verification and training**.

Contact: Jessica Burton / Angela Broad



Safety performance

Key messages

C2

- **Safety is our top priority** – driven by our leadership and applied to operating businesses through our operating management system.
- Building a **strong safety culture**, where everyone who works for, or on behalf of BP, feels responsible for their own safety as well as for the safety of those around them, is fundamental to this.
- We have seen **improvements in our process safety performance over the past five years**, with fewer tier 1 process safety events, fewer leaks and spills and fewer recordable injuries.
- We seek to set out clear and consistent **expectations for our contractors**, and may make interventions when our requirements are not being met.
- We have **completed all 26 recommendations** made by BP's investigation into the Deepwater Horizon accident, the **Bly Report**.

Related: Independent monitors, Security

Additional information

	2015	2014	2013	2012	2011
Fatalities	1	3	6	4	2
Recordable injury frequency	0.24	0.31	0.31	0.35	0.36
Day away from work case frequency	0.061	0.081	0.070	0.076	0.090
Loss of primary containment	235	286	261	292	361
Tier 1 process safety events	20	28	20	43	74
Tier 2 process safety events	83	95	110	154	241

- The workforce fatality occurred in Turkey when a ceiling collapsed during renovations at a recently-acquired retail site. We are saddened by this death and continue to dedicate ourselves to eliminating injuries and fatalities in our work.
- **Losses of primary containment (LOPC)** includes releases that are contained and do not reach the environment.
 - Figures for 2014 and 2015 include increased reporting due to the introduction of enhanced automated monitoring for remote sites in Lower 48. Using a like-for-like approach with prior years' reporting, our 2015 LOPC figure is 208 (2014 246).
- **Tier 1 process safety events** are LOPCs from a process of greatest consequence – causing harm to a member of the workforce or costly damage to equipment, or exceeding defined quantities.
- When adjusted for divestments, the process safety metrics still show a significant improvement over the past five years.
- **Long-term view:** 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.
- BP, like our industry peers, rarely works in isolation – we need to work with **contractors, suppliers and partners** to carry out our operations.

- In 2015 **52%** of the 353 million hours worked by BP were carried out by contractors. Any decline in the proportion of hours worked by contractors is due to changing work activity.
- Our operating management system includes requirements and practices for working with contractors.
- Our standard model contracts include health, safety, security and environmental requirements, and most now include human rights requirements.
- Bridging documents are necessary in some cases to define how our safety management system and those of our contractors co-exist to manage risk on a site.
- **The Bly Report recommendations**
 - Completing the Bly Report recommendations has led to fundamental change in how we manage risk in our drilling operations. The recommendations are now part of our operating management system.
- The BP board appointed **Carl 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 stated that the idea of safety as a top priority is firmly ingrained throughout the global wells organization and noted an increase in the degree of rigour and engagement at all levels.
 - He recommended the organization maintain its focus on continuous improvement in the areas of safety culture, self-verification and training.
 - His engagement came to a close in February 2016 after he reported to SEEAC that all 26 recommendations had been closed out.

Contact: Hazel O'Leary / Yoganande Maharaj / Jessica Burton / Jill Douglas



Redacted - First Amendment

Redacted - First Amendment

Contact Andrew Mennear / Jude Moore (resolution)

BP position

Updated: 9 March 2016

2



The Arctic

Key messages

D2

- The Arctic offers **opportunities** to help the world's **growing energy needs**, but there are also specific challenges due to its unique nature.
- BP has operated in the **US Arctic for several decades**.
- In the **offshore Arctic BP has a largely non-operated position**. We have investments in areas including the Barents Sea, Greenland and the Canadian Beaufort.
- BP **shares its knowledge and experience** in the Arctic with our partners to help deliver safe and responsible operations in this sensitive environment.
- We will continue to assess **opportunities**, proceeding only where it makes commercial sense and we understand and can manage associated risks and impacts.
- We invest in research and work with industry partners to **improve Arctic capability**.

Additional information

BP and the Arctic

- We operate nine onshore fields on Alaska's North Slope.
- Our offshore interests in the Arctic are currently limited to areas for exploration. BP has a largely non-operated position.
- We have decided with our partner and operator, Imperial Oil, to defer the proposed Beaufort Sea exploration drilling programme.

BP and 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 any operations in the offshore Russian Arctic or directly partner with Rosneft on any of its offshore Arctic licences.

Working safely and responsibly

- 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 are working with others in the industry to develop consistent operating standards for the Arctic that address areas such as the working environment, environmental monitoring, ice management and Arctic offshore structures.
- We worked with the International Maritime Organization (IMO) to develop an international code of safety for ships operating in polar waters and we are also contributing to the development of IMO safety guidance on operational limitations in ice.

Oil spill response

- BP has participated in Arctic oil spill research and development for more than 30 years, including several joint industry programmes such as the International Association of Oil & Gas Producers' joint programme on Arctic Oil Spill Response Technology and Oil in Ice.
- BP is a member of Alaska Clean Seas and Norwegian Clean Seas Association for Operating Companies – spill response organizations with equipment and trained personnel to tackle oil spill incidents.

Developing Arctic capability

- BP is already working with others to develop and deploy appropriate safety standards and technologies. We actively support ISO Arctic Standards and participate in industry groups such as IOGP.
- We intend to continue our work to develop Arctic technology to address the specific challenges of working in the Arctic.

Arctic communities

- Arctic communities depend on the natural environment for their livelihoods and cultural heritage.
- We acknowledge the importance of respecting the unique cultures and ways of life in Arctic communities. We also recognize that local knowledge and experience can enhance our operating approach.
- We work with Arctic communities to understand and manage potential impacts from our work and our response plans are enhanced through considering local and traditional knowledge.
- We have worked with communities in Alaska over many years to help them derive economic benefits from our presence.

The Arctic and climate change

- We understand that the Arctic is a sensitive environment and that some studies have shown it is experiencing impacts from climate change. Climate change remains an important long-term issue that requires global action.

Contact: Kathrina Mannion



Environment

Key messages

D3

- We worked with government regulators and other stakeholders in 2015 in the Gulf of Mexico, Alaska, Angola and the North Sea to **test our oil spill response capability**.
- In our industry, exploration, production and refining accounts for about 1 % of global freshwater withdrawals and much of the water withdrawn is returned to the local water basin.
- BP believes it is for **governments to decide** if sensitive areas can be developed and the measures needed to protect them. Executive approval is required for us to develop such areas.
- Substantial **air quality** benefits can occur by **replacing coal with natural gas** in power generation. BP has a growing natural gas business.

Related briefs: Climate change and GHGs, Gulf of Mexico

Additional information

Oil spill preparedness and response

- We updated our oil spill response plan requirements in 2012 to incorporate learnings from the Deepwater Horizon accident.
- Our operating businesses with the potential to spill oil are on track to complete updates by the end of 2016, with around 90% completed by the end of 2015.

Water

- We have not identified any significant risks from our withdrawal and consumption of fresh water.
- We estimate that around half of our major operations are located in areas where the availability of fresh water is considered stressed or scarce. These operations are in areas where water allocation and monitoring is well governed.

Sensitive areas and biodiversity

- BP has not unilaterally declared any no-go areas. No new projects have sought approval for entry into a protected area since 2012.
- In 2015, five of our major operations had activities located within the boundary of a protected area, and seven had activities within one kilometre of a protected area.

Sound and marine life

- BP has a strong deepwater portfolio and we aim to minimize potential impacts from sound to the marine environment.
- We participate in the IOGP's joint industry programme to improve our understanding of how sound generated by the oil and gas industry may impact marine life.

Great Australian Bight exploration

- NGOs have stated that they oppose oil exploration in the Great Australian Bight and intend to prioritize a campaign against BP's plans.
- We plan to drill the first well from October 2016 once an environment plan (and other regulatory documents) has been accepted by the independent regulator.
- The plan was submitted to the regulator in October 2015 for assessment and the first iteration of feedback was received in November. The revised plan was submitted in March.
- The environment plan identifies the risks associated with exploration drilling in the GAB, and how we will reduce them to as low as reasonably practicable.
- We have not ruled out publishing the full environment plan but it is a long, technically complex document (around 1,300 pages).
- However, a draft summary of the plan (around 80 pages) was published in October 2015. We will publish a final summary once the plan has been accepted by the independent regulator, as per the regulations.
- As part of the plan, BP has conducted face-to-face meetings with stakeholders, ranging from fishing and license holders to state government departments.
- We welcome the Australian senate inquiry into the potential impacts of BP's planned exploratory oil drilling project and any future oil and gas production in the Great Australian Bight, which is due to report in May.
- On oil spill preparedness and response, BP will have booms and dispersants at the drill site and at shore. We will also have access to equipment and supplies through the Australian Marine Oil Spill Centre and to multiple capping stacks including via OSRL in Singapore.

Air quality

- Our operations and the use of our products can contribute to air pollution, through fuel combustion, and process and equipment emissions. Some stakeholders see diesel fuels as a key contributor to such pollution, particularly through nitrogen oxide emissions.
- We work with vehicle manufacturers to develop high quality fuels and lubricants that can help meet the required emission regulatory standards.

Contact: Liz Rogers / Kathrina Mannion



Human rights

D4

Key messages

- **It is the duty of states to protect human rights.** It is the responsibility of companies to *respect* human rights.
- BP's **human rights policy** commits us to respect internationally-recognized human rights, as set out in the International Bill of Human Rights and the ILO's Declaration on Fundamental Principles and Rights at Work.
- We support the **UN Guiding Principles on Business and Human Rights** (UNGPs) and believe that they provide a useful, consensus-based framework for protecting and respecting human rights.
- Our processes already address many human rights issues, but **we are going further towards alignment with the relevant parts of the UNGPs** and are working to integrate human rights into processes for managing contractors, conducting impact assessments and addressing community concerns.
- We are a founding member of the **Voluntary Principles on Security and Human Rights (VPs)**. The VPs inform our management of security-related risks to communities in countries including Azerbaijan, Indonesia and Iraq.

Related links: Security (for information on the Voluntary Principles), Social responsibility, Diversity and inclusion

Additional information

Human rights and BP's values

- Respecting human rights means working to ensure that our activities do not have adverse impacts on communities, our employees or our contractors' employees.
- Our code of conduct states employees' responsibility to respect human rights and to report human rights abuse in our own or our business partners' operations.
- Our human rights policy sets out how we will meet our responsibility to respect human rights. It applies to every employee and officer in every BP wholly-owned entity, and in joint ventures to the extent possible and reasonable given BP's level of participation.

Our business partners and supply chain

- We expect our contractors to act consistently with our code of conduct and seek to make contractual commitments to encourage them to adhere to the principles set out in our human rights policy.
- The **standard model contracts** used by our upstream, downstream, shipping and biofuels businesses now include requirements for our suppliers to respect internationally recognized human rights in their work for BP.
- We have developed a standard set of questions that can be used to help **screen potential and current suppliers** in a consistent way anywhere around the world.
- Where appropriate, we undertake human rights due diligence when considering new business opportunities.

Workforce welfare

- We treat everyone who works for BP fairly and without discrimination and seek to provide a safe and secure workplace.
- Our employees and our contractors' employees can contact OpenTalk – our confidential workplace grievance mechanism – through which they may voice their concerns and obtain a timely response.

Host governments and the corporate responsibility to respect human rights

- It is not a company's role to influence how states protect, respect and fulfil human rights.
- We concentrate on identifying and managing potential human rights impacts and risks in our own projects and operations or those directly linked to our business activities.

Azerbaijan and the Southern Corridor

- BP in **Azerbaijan** is developing an implementation plan bridging gaps between the expectations set out in the UNGPs and BP's current practices.
- BP reports publicly on its progress in relation to security and human rights issues in an annual report to the Voluntary Principles plenary – this includes our efforts in Azerbaijan, Georgia and Turkey.
- BP has a long history of conducting its business activities in Azerbaijan responsibly and is already doing much that implicitly demonstrates respect for human rights.
- In accordance with the UNGPs, the government of Azerbaijan has the primary responsibility to protect human rights.
- All our activities are in compliance with the legislation of the Republic of Azerbaijan which includes universal conventions and agreements on human rights.

Brazil

- Our Tropical sugar cane mill in Brazil has taken action to provide working conditions which respect the rights and dignity of our workforce, including the implementation of **new grievance mechanisms** for employees wishing to voice concerns.
- Tropical is certified as compliant with the Bonsucro standard on sustainable production of sugar cane, which includes **criteria that address potential impacts on human rights**, such as providing a safe and healthy working environment.

Modern Slavery Act and other anti-trafficking legislation

- We address human trafficking and modern slavery as part of our wider efforts to respect human rights and meet our human rights policy commitments.
- BP will begin complying with the UK Modern Slavery Act's transparency in supply chain requirements in 2017.
 - We will publish an annual slavery and human trafficking statement relating to the group's 2016 activities. The statement will be approved by the board and published on our UK website.
- BP will comply with US federal procurement rules implementing US Executive Order 13627 where our US Federal contracts are in scope.

Contact: Liz Rogers / Dominic Emery



Oil sands

Key messages

D5

- Oil sands in Canada are the **third-largest proven crude oil reserves** in the world, after Venezuela and Saudi Arabia.
- BP recognizes that **greenhouse gas emissions, water and land impacts** are key environmental issues associated with developing oil sands.
- We are using our **technological capability** to seek to manage these issues and **minimize impacts**, working with our **partners** and through industry associations, such as Canada's Oil Sands Innovation Alliance (COSIA).
- We **listen and respond to concerns** raised by local communities through face-to-face meetings and by sponsoring and participating in community events. The regulator also requires a formal consultation process.
- We support **rigorous regulation and monitoring** of oil sands developments.

Additional information

BP's oil sands investments

- BP requires oil sands projects, like all of its investments, to be **commercially viable** over the life of the project. In light of changing global oil prices, some of our oil sands opportunities remain under evaluation, as we assess the best manner and timing of development.
- BP is involved in three oil sands lease areas in Alberta:
 1. **Sunrise Phase 1**, operated by Husky, began producing oil in March 2015.
 2. **Pike Phase 1**, operated by Devon, is in the design stage.
 3. **Terre de Grace**, operated by BP, is currently under appraisal.
- BP and our partners use, or plan to use, a production technology called **steam assisted gravity drainage (SAGD)** that involves pumping steam into the oil sand reservoir through a horizontal well to heat and extract the oil. This process results in less land disturbance than mining as the operations have a smaller physical footprint and do not require tailings ponds.
- Our objective is to build an **integrated business** that connects our upstream position in the oil sands with BP's downstream refining capacity in the US.

Greenhouse gas emissions

- 'Well-to-wheels' studies which measure GHG emissions from producing the oil (well) through to combustion (wheels) suggest that crude produced using SAGD technology in BP projects is around **8% more GHG intensive** than the average US refined crude.
- We are working with our partners to reduce emissions by:
 - Working to deliver improvements through heat integration and recovery techniques in our processing facilities.
 - Aiming to reduce energy use at well sites, for instance through the use of insulated tubing and electric submersible pumps.

Environmental impacts

- Water use: at Sunrise, the water used to make steam is primarily recycled from the wells. Where additional water is required, this is recycled from other operators or drawn from underground aquifers that are not suitable for human consumption.
- Water management: BP is supportive of government efforts to implement scientifically rigorous, comprehensive, integrated and transparent water monitoring.
- Physical footprint: with our partners, we have identified several ways to reduce land disturbance, including using a constraints mapping approach. This looks to site project infrastructure based on understanding local sensitive environmental parameters and community views. We also have progressive reclamation plans to minimize the overall footprint of a project.

Local communities

- We recognize that some aboriginal communities living near Alberta's oil sands regions are concerned about the impacts of oil sands development.
- We engage with local communities, including neighbouring First Nations and Métis, on activities relating to the Terre de Grace lease. We work to **maintain relationships with local communities** through regular meetings, field site visits and support for local community events.
- Our partners operating the Sunrise and Pike projects have similar stakeholder consultation processes and keep us informed of developments.
- We look for ways to work with local communities to help them derive economic benefits from our presence.

Joint ventures

- In addition to the day-to-day oversight by operators, the assets are managed through contractual joint venture processes, which include **governance committees**, with representation from BP and our partners.
- The project operator is required to provide timely reporting on various financial, operational, environmental and safety metrics.

Technology

- BP is working to advance technology in oil sands development and operations in four areas: appraisal, recovery, efficiency and sustainability.
- Our efforts are both collaborative and distinctive and include: a heavy oil research facility at the University of Surrey in England, technology-sharing agreements with oil sands partners, participating in a number of joint industry projects which support research and being a member of Canada's Oil Sands Innovation Alliance (COSIA).

Government regulation and oversight

- The oil sands are a **strictly regulated** resource. Provincial and federal regulatory agencies set out comprehensive and rigorous requirements for the full life cycle of developments, including an environmental impact assessment prior to development.
BP supports government efforts to **build upon existing monitoring capacity** through the establishment of an independent monitoring agency. This will contribute to an improved understanding of the long-term cumulative effects of oil sands development.

Contact: Stephen Willis



Revenue and contract transparency

Key messages

D6

- BP **supports transparency** in revenue flows from oil and gas activities in resource-rich countries.
- BP is a **founding member of Extractive Industries Transparency Initiative**, which works with governments, NGOs and international agencies to improve transparency and disclosure of payments to governments.
- We will start to disclose information for upstream activities on payments to governments on a country-by-country and project basis in 2016. The disclosure is required under the **EU Directive**, recently brought into effect in UK law.
 - We will publish this information on *bp.com* in June (deadline is 30 June).
 - Given the need for this detailed reporting we wanted to allocate sufficient time to make sure the data was complete.
 - We are required to report on payments we make to governments. In some instances, it is our partners that pay on behalf of our activities.
 - This will not represent our full socio-economic contribution to a country - this also includes jobs for employees and contractors, supplier purchases and social investment activities.
- We are awaiting the finalization and adoption of the SEC rules under the **US Dodd-Frank Act**.

Related briefs: Tax, Human rights

Additional information

Our views on revenue transparency

- It helps citizens of those countries access information to hold public authorities to account for the way they use funds received through taxes and other agreements.
- We believe **regulations should be proportionate** and should balance two concerns:
 - Local citizen and civil society's desire for information on payments to government.
 - The need to avoid commercial harm or damage the competitive position of companies affected by the regulations.

Extractive Industries Transparency Initiative (EITI)

- The EITI is a global standard for the governance of a country's oil, gas and mineral resources. Countries implementing the EITI disclose information on tax payments, licences, contracts, production and other key elements around resource extraction.
- The **EITI Board downgraded Azerbaijan** to candidate status on 14 April 2015, with 12 months to take corrective actions.
 - This decision was made by the EITI Board and is not a reflection of individual company positions.
- **Azerbaijan** is the first country to seek to validate against the new, higher EITI standard, and it will be a matter for their government to determine how to respond to this change in status.

- We believe that the **comprehensive, multi-stakeholder approach** of EITI is the best approach for the extractive industries. The standard is implemented by governments, in collaboration with companies and civil society.

Our views on contract transparency

Contract transparency refers to the publication of agreements under which extractive companies are granted the right to develop a specific area or field. For it to be a useful way of promoting accountability, we advocate that:

- Countries should revise existing national legislation that explicitly precludes transparency.
- Contract transparency legislation should apply to **all extractive companies** doing business in a particular country.
- Country transparency legislation should be **led by host governments** and not by the country of residence of extractive companies.
- Contract transparency should be **forward looking** and not be retroactively applied except by mutual agreement of all the signatories to the contract.
- Only extractive or licensing contracts granted by the government should be included in such disclosure requirements.
- Disclosure of **confidential technical and commercial** assumptions should not be required.
- The burden of the administration and publication of the contracts should not fall on international oil companies but should be the **responsibility of host countries**.
- Disclosure should only be required **after contracts have been awarded**, agreed and signed.

Contact: Dominic Emery / David Rider



Security

Key messages

D7

- **Safety and security of people remains BP's utmost priority.**
- We monitor for, and aim to guard against, hostile actions that could cause harm to our people or disrupt our operations, **including physical and cyber threats** and vulnerabilities.
- We **work constructively with host governments** on determining the security for our workforce and operations.
- We assess risk on an ongoing basis in those operating regions that are affected by political and social unrest, terrorism, armed conflict or criminal activity.
- BP only considers using **armed private security** services in a few high-risk locations, where the law permits.

Related briefs: Algeria

Additional information

Cybersecurity

- Cyber-attacks present a risk to the security of our information, IT systems and operations.
- We collaborate closely with governments, law enforcement agencies and industry peers to understand and respond to new and emerging cyber threats.
- We monitor our IT systems for suspicious activity and have a 24-hour monitoring centre in the US tasked with this.
- We promote good cybersecurity behaviours in our workforce through easy-to-understand policies and instructional videos.

Voluntary Principles on Security and Human Rights

- We are a signatory to the Voluntary Principles on Security and Human Rights.
- This provides 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 other member companies and Professor John Ruggie, former UN Special Representative on Business and Human Rights, to develop measurable **key performance indicators** for Voluntary Principles implementation.
- In some locations, including Iraq and Indonesia, security and human rights issues are monitored by **external experts**.

Armed private security arrangements

- BP only considers using armed private security services in a few high-risk locations (and only where the law permits). The decision to use armed security is subject to senior-level review and authorization, which is reviewed periodically.
- The only BP operations currently using armed private security services are:
 - Our operations in **Iraq**.
 - Some BP **shipping vessels** transiting high-risk areas where piracy is a threat.
 - An Air BP terminal in Johannesburg **South Africa** (as mandated by local legislation).
 - Facilities in remote parts of the **North Slope** in Alaska.
 - **Castellón refinery** in Spain (as required by local legislation).

Piracy and maritime security

- BP seeks to avoid known areas of pirate attack or armed robbery. Where this is not possible, and if we consider it safe to do so, we will continue to trade vessels through these areas, subject to the adoption of **heightened security measures**.

Contact: Derek Porter



Social responsibility

Key messages

D8

- The economic value distributed by BP (**jobs, taxes, development initiatives**) was around **\$216 billion** in 2015. This includes around \$67 million for community programmes including disaster relief.
- We recognize that **the impact of falling oil prices** will be felt not only by our industry but also by our host countries, particularly in areas where government revenues are heavily dependent on oil and gas.
- Our **code of conduct** explicitly prohibits engaging in bribery and corruption in any form.
- BP welcomes the direction set by the **UN Sustainable Development Goals** out to 2030.

Related briefs: Oil sands, Revenue and contract transparency, Tax, Arctic, Human rights

Additional information

Socio-economic contribution

- Oil and gas projects and operations have the potential to create jobs, generate tax revenues, provide opportunities for local suppliers and support community development initiatives.
- We develop strategies for our socio-economic contribution within a country that respond to local needs and work to meet the expectations of regulatory authorities.
- We aim to use **local labour and talent** wherever possible, and seek to recruit from the local community or country.
 - Example: our training programme in Oman is helping to build local skills. Around 90 Omani technicians are currently enrolled in the programme which includes health, safety and environmental technical skills training.
- We promote the use of **local suppliers** where appropriate.
 - Example: In Trinidad & Tobago we took delivery of our sixth locally produced platform for our Juniper offshore gas project in 2016.
- We support development programmes that meet local needs and are relevant to our business activities. We work with local authorities, community groups and specialists to deliver the programmes.

Anti-bribery and corruption

- Our group-wide anti-bribery and corruption policy applies to all BP-operated businesses.
- We are a corporate supporter of **Transparency International**.
- We are a member of the **Extractive Industries Transparency Initiative**, an organization that is working to set a global standard for transparency in oil, natural gas and mining.
- We are a signatory of the **UN Global Compact** and a member of its working group on the 10th principle, anti-corruption, as well as its oil and gas sub-working group.

Community consultation and engagement

- BP believes in consulting with communities throughout the life of a project and operations.
- **Community grievances:** we require our businesses to respond to community and stakeholder concerns and to record and act on any commitments.
 - Example: At our South Caucasus pipeline expansion project in Azerbaijan and Georgia, we aim to register and acknowledge community grievances within seven days, and address them within 30 days.

Indigenous peoples

- BP's approach to consultation with indigenous peoples and communities across the world is informed by our intent to build **mutually beneficial partnerships which endure over the long term**.
- In Australia, the US, Canada and Indonesia, where indigenous peoples are our neighbours, BP has worked in good faith over many years to develop and nurture relationships based on respect, trust and mutual benefit.
- Projects subject to our environmental and social practices that are predicted to have potential impacts on indigenous peoples are required to develop a **consultation plan and impact mitigation measures**, considering local circumstances, customs and culture.
- BP engages constructively with IPIECA on establishing oil and gas industry good practice in interpreting **Free and Prior Informed Consent (FPIC)** and applying FPIC principles in partnership with states.

Involuntary resettlement of communities

- We seek to **avoid physical displacement**, to approach any potential resettlement situations with great care and to consult openly with affected communities on any projects that involve land acquisition or potential displacement.
- Our practices also aim to **avoid involuntary economic resettlement** unless other reasonable options have been assessed and deemed not feasible. Projects are expected to put appropriate consultation and mitigation measures in place.
- **Independent external panels** have evaluated and publicly reported on our multi-year resettlement action plans in two past projects - physical resettlement at the Tangguh LNG plant in Indonesia and economic resettlement along the BTC pipeline.

Sustainable Development Goals (SDGs)

- Meeting the SDGs will require co-operation and collaboration among governments, NGOs, development partners, the private sector, and communities.
- Implementation will be led by countries, which should set the framework to enable all stakeholders – governments, civil society, the private sector and others – to help deliver the SDGs.
- At this early stage, it is difficult to predict the impact SDGs will have on industry.
- BP will work to make its appropriate contribution and we will monitor the SDGs as they move from political agreement to international and national implementation.

Contact Liz Rogers / Dominic Emery



Unconventional gas and hydraulic fracturing

Key messages

D9

- We estimate that natural gas will meet around 26% of the total global energy demand by 2035.
- Natural gas has the potential to contribute safely and affordably to global energy security and efforts to mitigate climate change. When burned for power, it emits half the CO₂ of coal.
- BP acknowledges there are concerns about hydraulic fracturing. BP manages impacts by using proven practices and industry standards:
 - **Water:** BP wells and facilities are designed, constructed, operated and decommissioned to mitigate the risk of natural gas, oil and hydraulic fracturing fluids contaminating water resources.
 - **Earthquakes:** hydraulic fracturing creates very small earth tremors that are rarely felt at the surface. BP assesses the potential risks of induced seismicity resulting from our operations, and we design our operations to mitigate this risk.
 - **Local communities:** we proactively engage with local communities and members of the public who may be impacted by our operations to understand and respond to their concerns.
- We **support regulation of unconventional resource development** based on an understanding of local conditions and best applied industry practices.

Related briefs: Oil sands

Additional information

BP and unconventional

- BP's unconventional development activity is largely in the US where we are the **eighth largest gas producer** and 80% of our onshore gas globally is from unconventional resources.
- Our US Lower 48 onshore business began operating as a separate business, with its own governance, processes and systems in 2015. In practice, this means that we apply BP's operating management system in a way that is appropriate to this dynamic environment.
- In Oman, BP operates and holds 60% of the Khazzan project, which is developing tight gas reserves that utilize hydraulic fracturing technology. Production start-up is targeted for late 2017.
- We are not currently considering onshore shale gas in the UK.

Unconventionals and hydraulic fracturing

- Unconventional resources are situated in rocks with extremely low permeability, making extraction more difficult. Industry uses hydraulic fracturing to develop these resources.
- Hydraulic fracturing is the process of pumping water, mixed with a very small proportion of sand and chemicals, underground at a high enough pressure to create and maintain small cracks in the rock. These cracks help release hydrocarbons that would otherwise not be accessible.

Protecting water resources

- We install multiple layers of steel in the well and cement these through and below the base of usable water sources to isolate them from hydrocarbons and fracturing fluids.
- We line reserve pits and evaporation ponds with impermeable clay and/or heavy-duty polyethylene liners to contain wastewater.
- We are trialling a number of water-saving technologies to reduce the amount of fresh water used in our operations, including treatment and reuse options.
- BP supports transparency regarding ingredients used in hydraulic fracturing. In the US we disclose the ingredients used in our fracturing fluid on the *fracfocus.org* website or other state-designated websites.

Methane and other greenhouse gas emissions

- Unconventional resources are routinely developed within the same range of GHG emissions as other oil and gas resources.
- Based on our own operational experience, we believe methane emissions from gas developments can be economically and technically controlled to increase the climate **advantage of gas over coal** further.
- We use **green completions** at our gas operations in the US, to manage methane and CO₂ emissions. This process recovers natural gas for sale and minimizes the amount of natural gas either flared or vented during the completion and commissioning of wells.

Earthquakes or seismic activity (induced seismicity)

- Hydraulic fracturing creates very small earth tremors that are rarely felt at the surface.
- The underground injection of wastewater, such as for the disposal of water produced from oil and gas reservoirs, may also pose a risk of inducing seismic activity in some areas but very few events have been documented relative to the large number of disposal wells in operation.

Engaging with communities and reducing our physical footprint

- We seek to mitigate potential impacts on local communities and address concerns that may be raised during operations such as increased traffic, noise, dust, air pollution, visual impacts, disruption of wildlife, and increased pressures on the local infrastructure.
- We place a priority on open and active dialogue with community members and local leaders where we operate. For example, in Colorado we have a community advisory panel that meets to discuss issues of interest to the local community and BP.
- We work to minimize the surface footprint of operations, through horizontal drilling, optimizing wells on a single pad site and using planting techniques to help restore the land after construction.

Hydraulic fracturing offshore

- Industry, including BP, has used hydraulic fracturing offshore for decades, primarily to enhance performance in conventional formations.
- In the Gulf of Mexico, where there has been recent stakeholder interest in offshore fracturing, hydraulic fracturing has been undertaken through a completion technique known as 'frac-pack'. This is a different technique than is typically used in unconventional formations and uses much smaller volumes of fracturing fluid.

Contact: Gabrielle Sitomer / Liz Rogers



Algeria

Key messages

E1

In Amenas – January 2013

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Redacted - Privilege

- BP remains deeply saddened by the tragic events at In Amenas, in which 40 innocent people lost their lives.

In Salah – March 2016

- Projectiles were fired at the In Salah Gas Joint Venture Krechba site from outside the site perimeter.
- BP temporarily relocated its staff from the In Salah Gas and In Amenas JV sites as a precautionary measure, with a limited number remaining in country.
- Other BP staff are working remotely while the JV and shareholder teams continue to assess the implications of the attack.
- BP has a long history in Algeria and remains committed to Algeria – as demonstrated by the recent start-up of the Southern Fields project.

Additional information

In Amenas

- In January 2013 the In Amenas gas plant in Algeria, came under armed terrorist attack. This was unprecedented in industry in terms of its force and scale.
- Forty innocent people lost their lives in the incident – four were BP employees and another was a former BP employee.
- In Amenas is run by a joint venture between Sonatrach (the national oil company of Algeria), BP Amoco Exploration (In Amenas) Limited and Statoil. It is not operated or controlled by BP, has its own management and operates separately from Sonatrach, BP and Statoil.
- The JV was responsible for security at the plant and had an active security management programme which utilized the services of an experienced Algerian security contractor.
- The security measures in place at the time of the attack were reasonable and adequate. However, the unprecedented and unforeseeable nature of the attack overwhelmed the security system in place.

- The UK Coroner and his Independent Expert concluded that the various safety enhancements made since the attack have adequately addressed the security matters raised in the Coroner's findings.

Redacted - Privilege

In Salah

- Al Qaeda in the Islamic Maghreb claimed responsibility for the attack. Calls were made in advance to BP offices and BP informed the JV.
- Following the attack the military secured the area and reportedly caught the terrorist suspects. Reports suggest that some were killed and others captured.
- No injuries were caused by the attack and there was no damage to the plant. There were five BP staff at Krechba at the time of the attack, and more than 500 personnel in total.
- The Algerian military and gendarmerie, both of which are armed, provide security in the military zone surrounding the Krechba plant while the JV is responsible for security within the plant perimeter.
- In Salah is a joint venture between Sonatrach, BP and Statoil. We continue to work with our JV partners as well as with the Algerian authorities, who have also responded to the incident by further strengthening their protection of the JV assets.
- Each company whose employees work at the In Salah Gas and In Amenas joint ventures took the decision on how they would respond and whether or not to withdraw their staff, including companies contracted to the joint ventures.
- Following the In Amenas attack, BP and Statoil completed detailed site by site security reviews. Both JVs implemented a programme of security measures that were set as pre-conditions for the re-entry of personnel.
- In addition, the Algerian authorities have made and continue to make enhancements to the military security measures provided in the area immediately surrounding the JV sites.
- It is likely that security measures put in place after the In Amenas incident prevented the terrorists getting closer to the site.
- BP is considering, along with our JV partner Statoil, a review into what happened and any lessons learned around crisis response.

Contact: Jo Cross / Jessica Burton



Azerbaijan and the Southern Corridor

Key messages

E2

- BP is the **largest foreign investor** in Azerbaijan and we recently celebrated 20 years in the region.
- Three integrated export pipelines will create a new Southern Gas Corridor, bringing Shah Deniz gas from Azerbaijan to Turkey and **into Europe for the first time**.
- Together Shah Deniz 2 and the Southern Gas Corridor form one of the **largest energy infrastructure projects** in the world:
 - **\$45bn** planned capital investment, approximately **30,000 new jobs** across six countries.
 - BP-operated projects have already committed around **\$11bn in contracts** since the beginning of 2014.
- Our socio-economic contribution to Azerbaijan includes creating jobs, generating tax revenues, providing opportunities for local suppliers and supporting community development initiatives.

Additional information

Human rights

- BP has a long history of conducting its business activities in Azerbaijan responsibly and is already doing much that implicitly demonstrates respect for human rights.
- BP in Azerbaijan is developing an implementation plan bridging gaps between the expectations set out in the **UN Guiding Principles on Business and Human Rights (UNGPs)** and BP's current practices.
- In accordance with the **UN Guiding Principles on Business and Human Rights (UNGPs)**, the government of Azerbaijan has the primary responsibility to protect human rights. All our activities **are in compliance** with the legislation of the Republic of Azerbaijan which includes universal conventions and agreements on human rights.
- BP reports on its progress in relation to security and human rights issues in an annual report to the Voluntary Principles plenary. This includes our efforts to sustain progress in locations where implementation is a priority, including Azerbaijan, Georgia and Turkey.

Extractive Industries Transparency Initiative (EITI)

- In 2015, Azerbaijan was downgraded from 'compliant' to 'candidate' status following an EITI Validation report. Validation is the EITI's independent evaluation mechanism and Azerbaijan is the first country to be validated against the 2013 EITI Standard.
- BP understands Azerbaijan has developed an action plan to take a set of corrective measures to restore its "compliant" status. The results will be reviewed in 2016 against the EITI requirements and assessed by the EITI Board for a further decision.
- BP has a strong interest in working through EITI to improve the governance of resource revenues wherever we operate. We actively support the country-level efforts towards EITI compliance in Azerbaijan.

Contribution to Azerbaijan

- Following the signing in 1994 of the 'contract of the century' between the government of Azerbaijan and BP and its partners, ACG operations have so far produced over 2.8 billion barrels.
- Together with our co-venturers in Azerbaijan, we remain committed to supporting the development of the local market – through enterprise development and training programmes and by increasing the local content in our projects.
- Some 87% of BP's permanent professionals in Azerbaijan are nationals. Many are in senior positions, including four members of the regional leadership team.

Shah Deniz 2

- Shah Deniz Stage 2 (SD2) is expected to add 16 billion cubic metres per year (bcma) of gas production to the approximately 10bcma from Shah Deniz Stage 1.
- In Azerbaijan and Georgia more than 22,000 people are involved in construction activities across all main contracts. In Azerbaijan over 80% of the workforce are Azerbaijani nationals.
- First gas delivery is targeted for 2018, with supplies in to Turkey; gas deliveries to Europe are expected in 2020.
- Shah Deniz continues to operate in full compliance with current US and EU sanctions – Iranian company NICO has 10% non-operating interest.

The Southern Gas Corridor (SGC)

- Gas produced from the giant Shah Deniz field will be carried some 3,500 kilometres to provide energy for millions of consumers in Turkey and Europe. It will bring Caspian gas directly into Europe for the first time.
- The new SGC consists of: 1) an expansion of the South Caucasus Pipeline through Azerbaijan and Georgia (SCPX), 2) construction of the Trans Anatolian Gas Pipeline (TANAP) across Turkey, 3) construction of the Trans Adriatic Pipeline (TAP) across Greece, Albania and into Italy.
- BP is operator and shareholder partner of the SCPX pipeline; BP is a shareholder in TANAP (12%) and TAP (20%).
- SD2 project execution is currently on schedule and under its capex budget.
- Gas exported through the SGC will help to promote **energy security and supply diversification**, particularly in South Eastern Europe, as well as connecting a number of isolated markets throughout the region.

Only if asked

- The Southern Corridor Advisory Panel (SCAP) is an external panel set up voluntarily and jointly by all the Southern Corridor projects' participants to advise on political, environmental, reputational and societal challenges that may be faced by the SGC during the early years.
- Members of the panel were chosen because they are respected and experienced political or industrial figures with strong relationships and a good understanding of the many countries, participants and interested parties in this very complex project.
The panel will report privately to the projects' participants. The projects' owners believe that the advisory panel will bring greater benefit in helping to solve problems and giving advice if that process is private.

Contact Bakhtiyar Aslanbayli / Emily Olson / Dominic Emery (EITI)
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Colombia – OCENSA pipeline trial

Key messages

E3

- The OCENSA pipeline project involved **engagement** with local communities, appropriate **compensation** payments and significant efforts to ensure **no material damage** to the land.
- BP believes that these measures were **effective** and that the construction of the pipeline was carried out to a **high standard**.

Redacted - Privilege

Additional information

OCENSA pipeline

- Built in the late 1990s by a consortium comprising BP and partners to export oil from the Cusiana and Cupiagua fields to the coast.
- BP exited Colombia in 2010, so is not formally involved in this action, rather Equion, the company that now comprises BP's Colombia assets.
- BP retained liabilities for this action and hence we still have an interest.

Redacted - Privilege

Contact Chris Brierly



Gulf of Mexico

Key messages

E4

Redacted - Privilege

Additional information

Redacted - Privilege

Redacted - Privilege

Contact Jason Ryan



E5

Russia

Key messages

- Russia is a **very significant resource holder** and will continue to play an important part in the long term supply of energy to the world economy.
- BP holds a **unique position in Russia** through our 19.75% share in Rosneft, the world's largest publicly traded oil company in terms of oil production.
- We remain **committed to our strategic investment** in Rosneft:
 - In the low oil price environment Rosneft continues to deliver solid operational and financial performance, demonstrating the resilience of its business model.
 - We comply with all relevant EU and US sanctions.
- We are partnering with Rosneft on a number of standalone projects in Russia, as well as co-operating through the sharing of technology and best practices.
- **BP does not currently have any operations in the offshore Russian Arctic** or directly partner with Rosneft on any of its offshore Arctic licences.

Related briefs: Sanctioned countries, Arctic

Additional information

Geopolitical

- We believe there is a **strong interdependence** between Russia and its trading partners – and that over time this should tend to **ease tensions**.
- We believe that the leadership of the Russian Federation recognizes the value that their foreign partners bring to the development of the Russian economy and resource base.

Significant influence

- As defined by the relevant accounting standards, BP continues to have **significant influence over Rosneft** and to account for it as an associate.
- BP has two members on the Rosneft board: Bob Dudley (member of the board's strategic planning committee) and Guillermo Quintero (HR and remuneration committee).
- BP continues to work collaboratively with Rosneft on governance processes.
- As a responsible shareholder, we will encourage Rosneft to maintain transparent operations, including its joint ventures with foreign partners.

Rosneft progress in 2015

- BP acquired a 20% stake in an East Siberia greenfield development (Taas-Yuryakh).
- We signed definitive agreements for the restructuring of the German Ruhr Oil JV (ROG).
 - Rosneft will take ownership of ROG's interests in the Bayernoil, MiRO Karlsruhe and PCK Schwedt refineries.
 - BP will take sole ownership of the Gelsenkirchen refinery and the solvent production facility DHC Solvent Chemie.

- We agreed to the creation of three areas of mutual interest in West and East Siberia, where BP and Rosneft will engage in exploration activities.
- These opportunities demonstrate that BP's involvement in Russia is delivering real, tangible value beyond our long-term equity holding.

Financials

- BP received \$271million, net of withholding taxes, in 2015 – representing our share of Rosneft's dividend for 2014.
 - Rosneft, as a Russian state company, is required to distribute 25% of IFRS net income by way of dividend.
- BP equity accounts for our share of Rosneft earnings, production and reserves. Preliminary estimates of 2015 figures are as follows:
 - Underlying replacement cost profit: approximately \$1.3billion in 2015.
 - Production: approximately 1million barrels of oil equivalent per day in 2015.
 - Reserves: 6.8billion barrels of oil equivalent in 2015.

Sources of value for BP in Russia

- BP has been collaborating with leading Russian oil and gas companies for more than 25 years, gaining experience and developing deep relationships.
- BP has delivered significant value to BP shareholders via the cash dividends and the divestment proceeds from TNK-BP.
- To date BP has delivered \$18billion net cash flow from our activities in Russia.
- Over time we believe there is the potential to build a material business in Russia in partnership with Rosneft, in addition to our core shareholding.

Redacted - Privilege

Contact: Peter Charow



Sanctioned countries

E6

Key messages

- BP's policy is to act in **full compliance** with applicable US and EU sanctions on prohibited countries, and monitors its activities with sanctioned countries and persons from sanctioned countries.
- BP is actively looking at commercial opportunities in **Iran** that are in full compliance with remaining sanctions. BP does not currently operate or have any facilities or employees located in Iran.
- BP's policy is to comply with all sanctions relating to **Russia** and seeks to continue commercial activities as permitted by the relevant sanctions.
- BP does not operate or have any facilities or employees, located in **North Korea, Sudan or Syria**.

Additional information

Iran

- Most EU primary sanctions and US secondary sanctions have been lifted or suspended following Implementation Day (per the joint comprehensive plan of action) on 16 January.
- Operations at the **BP-operated North Sea Rhum field** recommenced in October 2014. This was in accordance with the temporary management scheme announced by the UK government in October 2013 and licence by the US Office of Foreign Asset Control (OFAC) allowing US companies and financial institutions to participate in recommencing hydrocarbon operation and production from the Rhum field.
- As EU sanctions have now been lifted and IOC has been delisted, the UK government will return IOC's interests. BP has applied for an amended OFAC licence to enable US persons to continue to support Rhum.
- **Shah Deniz** continues in operation in full compliance with current US and EU sanctions. The Naftiran Intertrade Company (NICO) has a 10% or less non-operating interest in the Shah Deniz JV and associated pipelines. US government and EU Commission regulations exempt Shah Deniz from certain economic restrictions.
- Implementation Day had little impact on any sanctions affecting Shah Deniz.
- We are interested in looking at potential opportunities in Iran, but investments would need to be compliant with sanctions and, in a challenging environment, selective.

Russia

- **US sanctions:** existing US sanctions place significant restrictions on US citizens, US green card holders, US entities, employees of US entities and any person in the US ('US persons') which, amongst other restrictions:
 - Impact the ability of certain Russian entities to access US\$ capital markets for financing of longer than 90 days.

- Prohibit the use of US-origin goods and technology and US persons from being directly or indirectly involved in **offshore Arctic, deepwater and shale projects** that will lead to oil (or oil and gas) production.
- BP prohibits US entities from being directly involved in any of activities covered by the US sanctions and we have taken steps to require all US persons to comply with the sanctions and to require no US goods or technology to be used in violation of the sanctions.
- Similar **EU sanctions** were also imposed during the course of 2014, notably relating to:
 - The provision of certain services for offshore Arctic, deepwater and shale oil projects in Russia.
 - The provision of debt and equity financing of certain Russian entities.
- The introduction of a licensing regime for export, transfer, financing or technical assistance relating to specific technologies and equipment items.
- We have measures in place to ensure that we comply with the sanctions – including seeking relevant licences where appropriate.

Syria

- Both the US and the EU have enacted comprehensive sanctions against Syria, including prohibiting the purchase of Syrian crude, a prohibition on supplying certain equipment used in the production, refining, or liquefaction of petroleum resources, and restrictions on dealing with Syrian financial institutions.
- BP terminated all sales or purchases of crude oil and petroleum products to or from Syria. BP continues to supply aviation fuel to a UAE registered non-governmental entity that is owned by Syrian resellers resident in Dubai.

Cuba

- BP sells lubricants in Cuba through a 50:50 joint venture and trades in small quantities of lubricants. The recent thaw in the relations between Cuba and the US has not had any material effect on BP's activities in Cuba.

Myanmar (Burma)

- BP sells energy lubricants to drilling rigs operating offshore Myanmar and automotive lubricants into Myanmar through a local distributor.
- All sales are in full compliance with applicable sanctions.

Sanctioned shareholders [ONLY IF ASKED]

- We do not comment on who is or is not on our share register. BP undertakes regular reviews to ensure it is compliant with UK and international sanctions legislation, including blocking of shares and dividends of shareholders that are designated persons.

Contact: Jay Seymour and Jo Cross (Russia)



United Kingdom

E7

Key messages

- BP employs over **16,000 people** in the UK, with around eight times more jobs linked to or supported by our activities.
- As we adapt to the **current low oil prices**, we are reducing activity and simplifying the way we work. Some of this has resulted in job losses.
- We have invested around **£35 billion in the North Sea** to date and remain one of the largest investors in the Region. We are currently engaged in a **£10 billion** major projects investment programme with our partners.
- Before tax, UK petrol prices remain **among the lowest in Europe**. Duty and VAT make up around 60% of the UK retail price.
- We have taken the hard decision to end our **sponsorship of the Tate** and the Edinburgh festival in light of the current challenging business environment. We have no plans to end our other long term partnerships.

Related briefs: UK – Brexit, Sanctioned countries, Tax

Additional information

Employee pay and conditions

- All BP employees are paid above the **national living wage** as defined by the UK government, including under 25s.
- It is our belief that it is for governments to set requirements related to minimum wages. We do not see that it is for BP to seek accreditation against third party voluntary targets.
- We do not think an employee's age should impact their rate of pay and don't differentiate pay according to age.
- Our total reward offering in the UK is competitive within the market place.
- BP does not directly employ anyone on **zero-hour contracts** in the UK. Some contractors we use do offer zero hours contracts to some employees if mutually agreed as it can be a beneficial arrangement for the employee.

Arts and culture sponsorship

- BP's support for **arts and culture** in the UK goes back over 40 years. In that time we calculate that some **50 million people** have engaged with a BP-supported activity.
- We partner with five of the world's top cultural institutions: the British Museum, National Portrait Gallery, Royal Opera House, Royal Shakespeare Company and Tate Britain (until Feb 2017). Last year they welcomed over two million visitors to BP supported events.
- As a major UK company, we think it right to contribute to British society in many ways, including culture. We are a fossil fuel company that is playing its part in addressing the climate challenge – by advocating for a carbon price, providing lower carbon products like gas and renewables, pursuing energy efficiency and supporting research.
- The sole driver for our ending the Tate relationship is the low oil price environment, which is requiring us to reduce spending, investment and staff numbers.

North Sea and UK continental shelf (UKCS)

- We are committed to the North Sea and see a long-term future for our business there, operating more than 20 oil and gas fields, two terminals and a major pipeline network.
- In 2016, we are investing around \$2 billion of capital into North Sea projects and a further \$2 billion in running our North Sea operations.
- In recent years, we have streamlined and refreshed our North Sea portfolio and invested significantly in renewing our producing assets; this has improved the production efficiency and reliability of our existing assets.
- We expect a reduction of around 600 staff and agency contractor roles by the end of 2017, with the majority of these taking place in 2016.
- BP is committed to working collaboratively with government and the wider industry to maximise economic recovery from the North Sea – this includes the UK oil and gas regulator and HM Treasury to ensure the UKCS tax treatment is globally competitive.

Contribution to the UK economy (from Oxford Economics report, based on 2014 data)

- BP contributed an estimated £8.4 billion to the UK economy in 2014, equating to 0.5% of Britain's GDP.
- BP spent £7.7 billion with nearly 3,200 suppliers in the UK in 2014. BP's international businesses also spent £1.2 billion with British-registered companies operating abroad.

UK fuel pricing

- BP maintains a fuel retail market share of around 15% of all sales through some 1,280 BP branded sites, of which BP owns 308.
- The duty for gasoline and diesel remains at 57.95p per litre with no increases made by the UK government during 2015. VAT remains at 20%.
- UK Department of Energy & Climate Change analysis indicates **sustained crude price changes pass through into pump prices** within an average of 6-7 weeks. There isn't evidence to suggest difference in pass-through times between crude price rises and falls.
- The UK Office of Fair Trading (OFT) launched a call for information to investigate claims that the UK petrol and fuel sectors were not working well. It concluded in 2013 that "competition in the UK road fuels sector is working relatively effectively".

Partnerships

- Our **education programme**, in existence for over 45 years, and our partnerships with local and leading universities, schools, and other institutions help develop talent across the UK, particularly in science, technology, engineering, mathematics and business.
- We have three major research facilities in the UK: Hull, Pangbourne and the ICBT, and we invest in over 30 of the UK's leading universities.
- We typically spend 40% of our total R&D budget in the UK.

Contact Andrew Mennear / Tim Smith / Angela Broad / Des Violaris



UK – Brexit

Key messages

E8

- The EU is important to the UK, and the UK is important to the EU.
- BP supports the UK government's position of **staying within a reformed EU** where the UK can exert influence on the world stage and contribute to the further evolution of a globally competitive single market where business can thrive.
- During a potentially multi-year renegotiation process, the inevitable uncertainty, market volatility, distraction and new complexity would be damaging to business and to outside investor confidence.
- BP has no plans to participate in the referendum campaign as a 'registered participant', nor will it advise its employees on which way they should vote.

Additional information

Potential impacts on BP

- It is difficult to know precisely the impact of a Leave vote for BP until the UK's future trading relationship with the EU has been negotiated and the full implications have become evident.
- If Britain were to leave the EU the **direct economic impact on BP would probably be manageable**, resulting in:
 - Small-to-moderate economic impact for Tax, HR, IST and Treasury.
 - Likely no impact on our R&D funding
- We can't say definitively that Brexit would lead to BP cutting jobs or investment in the UK. *(Note: The Times' letter we signed along with almost 200 company leaders did say that jobs and investment would be at risk.)*

Potential impacts to the UK

- It is highly likely that the UK leaving would cause further turmoil within the EU where BP has considerable business interests. The UK would have to work even harder to maintain its overall influence in the world, something from which BP currently derives benefit.
- If the UK opted to leave the EU, it would virtually remove its ability to influence future EU policy and regulations governing the Single Market, which could still apply to parts of the UK economy.
- A Brexit vote may prompt another Scottish referendum on independence. Our position on this is unchanged: we continue to believe that a united UK has greater capacity to preserve the long-term competitiveness of the North Sea.

The Referendum campaign

- While BP has expressed a view, the referendum is a decision for the British people alone.
- The referendum on whether the UK should remain a member of the European Union or not will be held on 23 June.
- The referendum question is "Should the United Kingdom remain a member of the European Union or leave the European Union?" British, Irish and Commonwealth citizens

who are over 18 and are resident in the UK, along with UK nationals who have lived overseas for less than 15 years, will be eligible to vote in the referendum.

- Any person or organization spending more than £10,000, during the official campaigning period starting 15 April, must register with the Electoral Commission as a 'registered participant'.
- Campaign expenditure by BP would require prior authority by the AGM. It would also probably be prohibited under BP's own policies on political payments.

Brexit contingencies

- The consequences of Brexit are not yet sufficiently clear for any significant planning to have commenced in our most likely impacted areas: IST, HR, Treasury and Group Tax.
- Treasury have identified their key issues as market volatility, regulation and London's role as a financial centre. Group Tax are concerned about the risk of a working capital impact on import VAT and an increased compliance burden from the potential removal of EU simplifications around indirect tax mechanics.
- Relationships are in place with leading Leave campaigners, including the most credible Conservative leadership candidates.
- Our Scottish political engagement has been augmented since their Referendum.
- BP has successfully lobbied for the FCO budget to be maintained during the last comprehensive spending review and in support of the prime ministerial trade envoys.
- BP maintains a strong presence in Brussels and Berlin, and appropriate coverage in other key capitals, e.g. Madrid, Athens, The Hague, which could be augmented in the event of Brexit. We cultivate good relationships with the key embassies in London.

Other issues

- BP has previously expressed concern about the EU's lack of competitiveness and supported David Cameron's aim of making the EU more competitive. The deal negotiated by the prime minister should achieve this aim, with its renewed support for the Single Market, further free trade deals and to reduce the burden of regulation. The safeguards for non-Eurozone nations are also important.

Contact: Peter Mather



Diversity and inclusion

Key messages

F1

- BP's performance depends on having a highly-skilled, motivated and talented workforce that reflects **the societies where we operate**.
- Our goal is to create an **environment of inclusion and acceptance**.
- We have an ambition to **increase female representation in leadership** positions – our aim is for women to represent at least 25% of group leaders – our most senior managers – by 2020.
- BP encourages a number of **employee groups** that have formed around a variety of interests including gender, ethnicity, sexual orientation, working parents and disability.

Additional information

Board and diversity

- We continue to support the **Lord Davies' report** 'Women on Boards' and maintain an aspiration to increase female representation to 25%.
- Currently, three directors – or 20% – of our board of 15 are female.
- Our nomination committee remains mindful of diversity when considering potential candidates.

What are we doing

- **More than 90% senior leaders and group leaders** have attended our **diversity, inclusion and ethics learning programme**. Our intention is for all new leaders at these levels to receive this training within a year of moving into their role.
- We are developing **mentoring and sponsorship programmes** for women and minorities, and are introducing diversity principles that will help guide our hiring and career development programmes.

Gender pay gap

- We do not currently report on the gender pay gap at the group level.
- BP has employees in more than 60 countries, each with its own labour legislation and distinct levels of remuneration. As such, it is not meaningful to aggregate the ratio of basic salary of men to women at the group level.
- The relevant analysis and reporting is done at local level where this is required.
- We are aware of the current **UK government consultation into mandatory gender pay gap reporting** and will comply with the new regulations when these are implemented.

Representation (as at end of 2015)

- 41% of our graduate intake and 23% of group leadership are from beyond the UK and US.
- Female representation as follows:

	2013	2014	2015
All staff	30%	31%	32%
Graduate hires	33%	37%	46%
Group leaders	18%	18%	19%
Executive team	9%	9%	9%

Contact: Peter Duff

