BP PLC
Form 20-F
March 03, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended 31 December 2014

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 1-6262

BP p.l.c.

(Exact name of Registrant as specified in its charter)

England and Wales

(Jurisdiction of incorporation or organization)

1 St James s Square, London SW1Y 4PD

United Kingdom

(Address of principal executive offices)

Dr Brian Gilvary

BP p.l.c.

1 St James s Square, London SW1Y 4PD

United Kingdom

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act

Title of each class	Name of each exchange on which registered
Ordinary Shares of 25c each	New York Stock Exchange*
Floating Rate Guaranteed Notes due May 2015	New York Stock Exchange
Floating Rate Guaranteed Notes due November 2015	New York Stock Exchange
Floating Rate Guaranteed Notes due 2016	New York Stock Exchange
Floating Rate Guaranteed Notes due 2017	New York Stock Exchange
Floating Rate Guaranteed Notes due February 2018	New York Stock Exchange
Floating Rate Guaranteed Notes due May 2018	New York Stock Exchange
Floating Rate Guaranteed Notes due September 2018	New York Stock Exchange
Floating Rate Guaranteed Notes due 2019	New York Stock Exchange
0.700% Guaranteed Notes due 2015	New York Stock Exchange

3.875% Guaranteed Notes due 2015	**New York Stock Exchange**
3.125% Guaranteed Notes due 2015	**New York Stock Exchange**
2.248% Guaranteed Notes due 2016	**New York Stock Exchange**
3.200% Guaranteed Notes due 2016	**New York Stock Exchange**
1.375% Guaranteed Notes due 2017	**New York Stock Exchange**
1.846% Guaranteed Notes due 2017	**New York Stock Exchange**
1.375% Guaranteed Notes due 2018	**New York Stock Exchange**
1.674% Guaranteed Notes due 2018	**New York Stock Exchange**
2.241% Guaranteed Notes due 2018	**New York Stock Exchange**
4.750% Guaranteed Notes due 2019	**New York Stock Exchange**
2.237% Guaranteed Notes due 2019	**New York Stock Exchange**
2.315% Guaranteed Notes due 2020	**New York Stock Exchange**
2.521% Guaranteed Notes due 2020	**New York Stock Exchange**
4.500% Guaranteed Notes due 2020	**New York Stock Exchange**
4.742% Guaranteed Notes due 2021	**New York Stock Exchange**
3.561% Guaranteed Notes due 2021	**New York Stock Exchange**
2.500% Guaranteed Notes due 2022	**New York Stock Exchange**
3.245% Guaranteed Notes due 2022	**New York Stock Exchange**
2.750% Guaranteed Notes due 2023	**New York Stock Exchange**
3.994% Guaranteed Notes due 2023	**New York Stock Exchange**
3.535% Guaranteed Notes due 2024	**New York Stock Exchange**
3.814% Guaranteed Notes due 2024	**New York Stock Exchange**

* Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary Shares of 25c each	20,005,961,293
Cumulative First Preference Shares of £1 each	7,232,838
Cumulative Second Preference Shares of £1 each	5,473,414

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ¨ No x

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).* Yes ¨ No ¨

* This requirement does not apply to the registrant in respect of this filing.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ¨ International Financial Reporting Standards as issued by the International Accounting Standards Board x Other ¨

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ¨ Item 18 ¨

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

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Annual Report and

Form 20-F 2014

bp.com/annualreport

Building a stronger,

safer BP

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Who we are

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

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

As a global group, our interests and activities are held or operated through subsidiaries, branches, joint arrangements or associates established in and subject to the laws and regulations of many different jurisdictions. The UK is a centre for trading, legal, finance, research and technology and other business functions. We have well-established operations in Europe, North and South America, Australasia, Asia and Africa.

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

BP proposition

We prioritize value over volume by actively managing a high-value upstream and downstream portfolio and investing only where we can apply the distinctive strengths, capabilities and technologies that we have built up over decades.

Our objective is to create shareholder value by growing sustainable free cash flow over the long term. Our disciplined approach enables us to grow distributions to our shareholders over time.

See *bp.com/bpproposition*

| Your feedback

Front cover imagery

An operations technician and process engineer perform safety checks on the Atlantis platform in the Gulf of Mexico. The region is an important part of our upstream portfolio and Atlantis is one of four BP-operated platforms there. The Mardi Gras pipeline that stretches across 450 miles of the Gulf moves oil and gas production to onshore facilities from these platforms.

We welcome your comments and feedback on our reporting. Your views are important to us and help us shape our reporting for future years.

You can provide this at *bp.com/annualreportfeedback* or by emailing the corporate reporting team. Details are on the back cover.

BP Annual Report and Form 20-F 2014

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BP in 2014

We have reshaped and repositioned the business for the future, with a clear strategy that has put us on course to grow value for shareholders.

« Glossary

Words with this symbol« are defined in the glossary on page 252.

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Information about this report

This document constitutes the Annual Report and Accounts in accordance with UK requirements and the Annual Report on Form 20-F in accordance with the US Securities Exchange Act of 1934, for BP p.l.c. for the year ended 31 December 2014. A cross reference to Form 20-F requirements is included on page 257.

This document contains the Strategic report on pages 1-50 and the inside cover (Who we are section) and the Directors report on pages 51-71, 90, 167-196 and 207-255. The Strategic report and the Directors report together include the management report required by DTR 4.1 of the UK Financial Conduct Authority s Disclosure and Transparency Rules. The Directors remuneration report is on pages 72-88. The consolidated financial statements of the group are on pages 89-166 and the corresponding reports of the auditor are on pages 94-95.

BP Annual Report and Form 20-F 2014 and *BP Strategic Report 2014* (comprising the Strategic report and supplementary information) may be downloaded from *bp.com/annualreport*. No material on the BP website, other than the items identified as *BP Annual Report and Form 20-F 2014* or *BP Strategic Report 2014* (comprising the Strategic report and supplementary information), forms any part of those documents. References in this document to other documents on the BP website, such as *BP Energy Outlook*, are included as an aid to their location and are not incorporated by reference into this document.

BP p.l.c. is the parent company of the BP group of companies. The company was incorporated in 1909 in England and Wales and changed its name to BP p.l.c. in 2001. Where we refer to the company, we mean BP p.l.c. Unless otherwise stated, the text does not distinguish between the activities and operations of the parent company and those of its subsidiaries«, and information in this document reflects 100% of the assets and operations of the company and its subsidiaries that were consolidated at the date or for the periods indicated, including non-controlling interests.

BP s primary share listing is the London Stock Exchange. Ordinary shares are also traded on the Frankfurt Stock Exchange in Germany and, in the US, the company s securities are traded on the New York Stock Exchange (NYSE) in the form of ADSs (see page 244 for more details).

The term shareholder in this report means, unless the context otherwise requires, investors in the equity capital of BP p.l.c., both direct and indirect. As BP shares, in the form of ADSs, are listed on the NYSE, an Annual Report on Form 20-F is filed with the SEC. Ordinary shares are ordinary fully paid shares in BP p.l.c. of 25 cents each. Preference shares are cumulative first preference shares and cumulative second preference shares in BP p.l.c. of £1 each.

Registered office and our worldwide headquarters:

BP p.l.c.

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London SW1Y 4PD

UK

Tel +44 (0)20 7496 4000

Our agent in the US:

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501 Westlake Park Boulevard

Houston, Texas 77079

US

Tel +1 281 366 2000

Registered in England and Wales
No. 102498.

London Stock Exchange symbol
BP.

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BP at a glance

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« Defined on page 252.

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BP around the world

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« Defined on page 252.

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Chairman s letter

10-year dividend history

UK (pence per ordinary share)

US (cents per ADS)

One ADS represents six 25 cent ordinary shares.

Dear fellow shareholder,

We started 2014 with confidence in the overall development of the world and a feeling of progress in most of the world s economies after several challenging years. However, the year ended with significant uncertainties. BP operates in a geopolitical environment that has become more turbulent and the price of oil has significantly declined, returning to a pattern of volatility not seen for several years. The industry must adapt rapidly. Even before the recent volatility, we have taken measures to streamline and reshape BP. We believe we are well positioned to meet the challenges of the coming years.

In 2011, we set out our 10-point plan with clear goals that we have delivered over the last three years. This is a significant achievement for Bob Dudley and his team. It marks a major step in refocusing the company after the tragic events of 2010 when 11 people lost their lives in the Deepwater Horizon accident something we must never forget. Our strategic progress has to be tempered by the finding of gross negligence in the Clean Water Act litigation in the US, which we strongly disagree with and are appealing.

Strategy

Completing the 10-point plan does not mean that our work is done. Far from it. The board continues to be deeply involved in discussing and shaping our strategy with its clear priorities, quality portfolio and distinctive capabilities.

We successfully sold assets at a time of higher oil prices and are now going through a rapid cost adjustment to address this new landscape and improve our underlying business performance. We are refocusing our approach to producing hydrocarbons in the US Lower 48 and we are resetting our operations across the entire business. This is all taking place without compromising on safety. Our recent strategic partnership with Chevron in the Gulf of Mexico demonstrates what we mean by value over volume through a new ownership and operating model. Our goals are to make investment choices that play to our strengths, increase sustainable free cash flow and grow our distributions to shareholders.

We began a number of these initiatives earlier in 2014, putting us ahead of the current oil price pressures. These strategic actions will continue and more will be necessary as we respond to short-term imperatives. We aim to ensure that BP builds on its distinctive strengths in 2015 and beyond.

Shareholder distributions

The improved performance over the year and progress in strategic delivery has led to the board s decision to increase the dividend. During 2014, the board reviewed the dividend twice and each time raised it by 2.6% . These increases are part of our strategy to grow distributions. During 2014 BP completed its $8-billion share buyback programme using proceeds from the sale of our interest in TNK-BP. Shares worth a further $2.3 billion were also bought back in the year. In the present environment, returns to shareholders remain a key priority.

Board performance

For information about the board and its committees see page 51.

Remuneration

For information about our directors remuneration see page 72.

Oversight

The board has continued to maintain oversight of performance, risk and financial efficiency and kept a constant scrutiny on safety. Each year we review and monitor the group level risks through our own work and our committees, who carry out the majority of the work, leaving the board free to address strategic issues.

There are, however, longer-term issues on which we also have to focus, such as carbon and its role in climate change. It is clear that it is for governments and regulators to set the boundary conditions to address these issues and we will develop our business within their framework. For example, we already factor a price for carbon into our project evaluation. We recognize that we need to play our part in informing this debate and we do this through our projections for future world energy markets in the *BP Energy Outlook 2035*. Throughout, we must remain alert to developments that may alter the world in which we operate. The board is recommending that shareholders support the resolution at the annual general meeting seeking greater transparency of reporting in this important area.

Governance and succession

The board regularly considers how it operates and the appropriate composition and mix around the board table both to respond to today s challenges and BP s future strategic direction. Antony Burgmans, the current chair of the remuneration committee, will stand down as a director in 2016. In anticipation of his departure, Dame Ann Dowling will take over the chair of that committee during 2015. We have also considered the chairs and membership of all other committees. In 2012, upon Andrew Shilston joining the board and being appointed the senior independent director, we announced that Antony Burgmans would retain a role as an internal sounding board. This role will cease after the annual general meeting. Andrew will join the remuneration and nomination committees.

I would like to welcome Alan Boeckmann who joined the board as a non-executive director in July. Alan brings deep experience of contractor management, procurement and project delivery in our industry following his career in Fluor Corporation. Alan will be joining the remuneration committee after the annual general meeting. Our longest serving director, Iain Conn, left the company in December to become chief executive of Centrica after an almost 30-year career with BP, spanning different businesses and regions. George David will retire from the board at our AGM in April. My fellow directors and I thank both Iain and George for their huge contributions and work on behalf of the board.

I would also like to thank Bob Dudley, his team, my board colleagues and all our employees for all that they have done. Finally, my thanks go to you, our shareholders, for the support you have shown us during the year.

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Top: Members of BP s safety, ethics and environmental assurance committee (SEEAC) in Azerbaijan.

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Bottom: Cynthia Carroll attends a briefing during a visit to Brazil with SEEAC.

Carl-Henric Svanberg

Chairman

3 March 2015

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Group chief executive s letter

94.9%

2014 refining availability.

90%

Upstream BP-operated plant efficiency«.

Dear fellow shareholder,

The year 2014 was pivotal for BP. Despite the increasingly challenging business environment, we completed the 10-point plan we had set out in 2011 to make BP a safer, stronger, better performing business. Compared with three years ago, we have reduced safety-related incidents, delivered strong operating efficiencies and met our target to increase operating cash flow by more than 50%.

Our performance is important, not only because we achieved our targets, but because we did what we said we would do. I know how important it is to shareholders that we continue delivering on our commitments.

2014 was a turbulent year for BP and the industry. Oil prices fell dramatically and returned to their familiar pattern of volatility, after several exceptional years in which they remained above $100 per barrel. I expect these lower and more volatile prices to continue through 2015 and likely longer. We are now resetting the business to deliver value in this new context, scaling back capital spending and reducing costs, while always maintaining our primary focus on safety.

Our efforts over the past three years have helped prepare us to face the new oil price challenge with resilience. We have reshaped and strengthened our portfolio through a divestment programme, reduced our costs to reflect a smaller footprint and articulated a strategy based on clear priorities, a quality portfolio and distinctive capabilities.

Clear priorities

Safe and reliable operations will always be our first priority. While we have made real progress in the past three years, sadly there were three workforce fatalities in 2014, in accidents at a German refinery, a UK North Sea platform and an Indonesian petrochemicals plant. Our thoughts are with the families and friends of those who died and we will implement the lessons from these tragic events.

Since 2011 we have reduced the number of tier 1 and tier 2 process safety events the most serious incidents, leaks, spills and other releases. After making very good progress in 2013, we saw a higher number of such incidents in 2014. We are renewing our efforts to ensure conformance with our operating management system, allied to the right personal behaviours, taking great care in everything we do.

We clearly demonstrated capital discipline through 2014, restricting spending to around $23 billion, relative to guidance of $24-25 billion. We also saw good project execution as we met our plans to bring onstream seven start-up projects.

Quality portfolio

We continue to actively manage our portfolio, focusing on assets which play to our strengths and divesting assets that no longer fit our strategy. In both our Upstream and Downstream businesses, we are taking a rigorous approach to capital allocation and concentrating on efficiency and competitiveness in our activities. Making the right investment choices is of the highest priority.

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Delivery of our 10-point plan

For details of our performance against the plan see page 21.

Our strategy

For more on our strategic priorities and longer-term objectives see page 13.

Our key performance indicators

Find out how we measure our performance on page 18.

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Top: Bob Dudley at the World Petroleum Congress in Moscow.

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Bottom: Bob Dudley congratulates winners at the Helios awards where teams from across the world are recognized for their contributions to building a safer, stronger BP in line with our values.

We grew our exploration position during the year, with new access in five areas and hydrocarbon discoveries in the Gulf of Mexico, Brazil, the North Sea, Egypt and Angola. We began operating our onshore oil and gas operations in the Lower 48 states of the US as a separate business in January 2015. In the Downstream, we improved performance from fuels marketing, increased our capacity to refine heavy crude and shale oil in the US, maintained the focus on premium brands and growth markets in lubricants and reviewed the petrochemicals business to increase its earnings potential.

Having completed our $38-billion divestment programme ahead of schedule, we committed to make a further $10 billion of divestments by the end of 2015. By the end of 2014 we had agreed transactions amounting to $4.7 billion.

Distinctive capabilities

BP s distinctive capabilities of advanced technology, proven expertise and strong relationships underpin our progress. We have invested over the years to be a specialist in several key areas of technology. For example, in 2014 we started using robots to test enhanced oil recovery options, helping us reduce time to production.

The expertise of our people is central to our progress so developing our employees in critical areas is an ongoing activity. For example, we run specialist academies dedicated to global wells expertise and safety and operational risk, as well as other areas.

Strong relationships remain vital with communities, governments, partners, suppliers, staff and shareholders. The rapid progress made on the Southern Corridor project, which will pipe natural gas from the Caspian Sea to markets as far away as Italy, is just one example. With our partners, we have already awarded more than $9 billion of contracts to make, transport and install facilities.

A challenging environment

In 2015 we entered a very different landscape from that in which we began last year. The lower oil price presents formidable challenges for the industry. In these volatile times, BP continues to drive capital discipline by constraining the total level of capital spend in any one year, taking account of the opportunities available and the flexibility of our balance sheet.

Meanwhile, we continue to manage issues specific to BP. The legal proceedings in the US associated with the Deepwater Horizon accident and oil spill continue. In the first trial phase the judge issued a finding of gross negligence and wilful misconduct. We strongly disagree with these findings and have appealed. In the second phase the court found no gross negligence in our source control efforts and ruled that 3.19 million barrels of oil were discharged into the Gulf of Mexico. We have also appealed this ruling. The penalty phase trial finished in February, with the ruling to come at a later date. In all of the proceedings, we are seeking fair and just outcomes while protecting the best interests of our shareholders.

Our investment in Rosneft, funded from the proceeds of our sale of TNK-BP in 2013, continues to attract attention. Our approach is to comply with all relevant sanctions and otherwise to maintain our distinctive, long-term investment and relationship with Rosneft in a country that holds some of the world s largest oil and gas resources. There is strong interdependence between Russia and its trading partners, and I believe that over time such commercial links tend to ease tensions rather than exacerbate them.

The BP of 2015 is a robust and resilient business, a global team that has been through some of the most difficult times an organization can face and emerged stronger, safer and better than before.

Bob Dudley

Group chief executive

3 March 2015

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Our market outlook

We believe that a diverse mix of fuels and technologies will be essential to meet the growing demand for energy and the challenges facing our industry.

Our markets in 2014

See page 20 for information on oil and gas prices in 2014.

How BP is preparing for the near-term outlook

We exercise capital discipline by constraining the total level of capital spend and the number of projects sanctioned each year.

We sanction upstream projects at $80[a] per barrel, while testing projects for resilience at $60[a] per barrel.

Our balance sheet gives us resilience to withstand a period of low prices.

With a third of our production from production-sharing agreements and an increasing portfolio of high-quality gas projects, we are reducing our vulnerability to global oil price movements.

Near-term outlook

Oil prices, after around four years of averaging around $100 per barrel, have fallen by more than 50%. This reflects strong production growth in the US, increases in global supply elsewhere and weaker global demand. Prices weakened further following OPEC s decision in November to maintain production.

Prices are expected to remain low through the near term, at least. And while we anticipate supply chain deflation by 2016 and beyond, as industry costs follow oil prices with a lag, this will be a tough period of intense change for the industry as it adapts to this new reality.

Long-term outlook

Population and economic growth are the main drivers of global energy demand. The world s population is projected to increase by 1.6 billion from 2013 to 2035,

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

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

Effective policy

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

We continue to right-size the group s cost base to align with BP s smaller footprint.

[a] In real terms based to 2012.

For further detail on the projections of future energy trends contained in this section, please refer to *BP Energy Outlook 2035*.

and the world economy is likely to more than double in size over the same period. Improvements to energy efficiency, further stimulated by new climate policies and a shift towards less energy-intensive activities in fast-growing economies will restrain the growth of energy consumption. But we still expect world demand for energy to increase by as much as 37% between 2013 and 2035, with 96% of the growth in non-OECD countries.

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

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

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

Energy efficiency

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

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Energy consumption by region

(billion tonnes of oil equivalent)

Source: *BP Energy Outlook 2035.*

Energy consumption by fuel

(billion tonnes of oil equivalent)

*Includes biofuels.

Source: *BP Energy Outlook 2035.*

A diverse mix

We believe a diverse mix of fuels and technologies can enhance national and global energy security while supporting the transition to a lower-carbon economy. These are reasons why BP s portfolio includes oil sands, shale gas, deepwater oil and gas and biofuels.

Oil and natural gas

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

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

Natural gas, in particular, is likely to play an increasing role in meeting global energy demand. By 2035 gas is expected to provide 26% of global energy, matching the share of coal. Natural gas produces about half as much CO_2 as coal per unit of power generated, so increasing the share of gas versus coal helps to restrain greenhouse gas emissions. Shale gas has already had a significant impact

Renewables

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

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.

Beyond 2035

We expect that growing population and per capita incomes will continue to drive growing demand for energy. These dynamics will be shaped by future technology developments, changes in tastes, and future policy choices all of which are inherently uncertain. Concerns about energy security, affordability and environmental impacts are all likely to be important considerations. These factors may accelerate the trend towards more diverse sources of energy supply, a lower average carbon footprint, increased efficiency and demand on US gas prices and demand, and is expected to contribute 47% of the growth in global natural gas supplies between 2013 and 2035.

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

management.

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

Our strategy

Find out how BP can help meet energy demand for years to come on page 13.

Our projections of future energy trends and factors that could affect them, based on our views of likely economic and population growth and developments in policy and technology. Also available in Excel and video format.

See *bp.com/energyoutlook*

We provide a long-term technology view on future trends and their potential impact on the energy system. This helps assess lessons learned from technology s evolution and how it may shape our future energy choices.

See *bp.com/energy-technology-future*

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Our business model

We aim to create value for our investors and benefits for the communities and societies where we operate.

A process engineer monitors instrument readings at our Castellón refinery in Spain. The refinery has the flexibility to run sour, heavy and highly acidic crudes.

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In Trinidad & Tobago we are the largest hydrocarbon producer, accounting for about 50% of the nation s oil and gas.

We believe the best way to achieve sustainable success as a group is to act in the long-term interests of our shareholders, our partners and society. By supplying energy, we support economic development and help to improve quality of life for millions of people. Our activities also generate jobs, investment, infrastructure and revenues for governments and local communities.

Our business model spans everything from exploration to marketing. We have a diverse integrated portfolio that is focused and adaptable to prevailing conditions. Integration across the group allows us to share functional excellence more efficiently across areas such as safety and operational risk, environmental and social practices, procurement, technology and treasury management.

Every stage of the hydrocarbon value chain offers opportunities for us to create value, through both the successful execution of activities that are core to our industry, and the application of our own distinctive strengths and capabilities in performing those activities.

A relentless focus on safety remains the top priority for everyone at BP. Rigorous management of risk helps to protect the people at the front line, the places where we operate and the value we create. We understand that operating in politically complex regions and technically demanding geographies requires particular sensitivity to local environments.

Illustrated business model

For an at a glance overview of our business model see page 2.

Our businesses

For more information on our upstream and downstream business models, see pages 24 and 29 respectively.

Finding oil and gas g	Developing and extracting g	Transporting and trading g	Manufacturing and marketing
First, we acquire the rights to explore for oil and gas. Through our exploration activities we are able to renew our portfolio, discover new resources and replenish our development options.	When we find hydrocarbon resources, we aim to create value by progressing them into proved reserves or by divesting if they do not fit with our strategy. If we believe developing and producing the reserves will be advantageous for BP, we produce the oil and gas, then sell it to the market or distribute it to our downstream facilities.	We move oil and gas through pipelines and by ship, truck and rail. Using our trading and supply skills and knowledge, we buy and sell at each stage of the value chain. Our presence across major trading hubs gives us a good understanding of regional and international markets and allows us to create value through entrepreneurial trading.	Using our technology and expertise, we manufacture fuels and products, creating value by seeking to operate a high-quality portfolio of well- located assets safely, reliably and efficiently. We market our products to consumers and other end-users and add value through the strength of our brands.

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Our strategy

Our goal is to be a focused oil and gas company that delivers value over volume.

An operator commissions a steam system at the Whiting refinery in the US.

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Technical operations onboard our floating production, storage and offloading vessel in Angola.

We prioritize **value over volume** by actively managing a high-value upstream and downstream portfolio and investing only where we can apply the distinctive strengths, capabilities and technologies we have built up over decades.

Our objective is to create shareholder value by growing **sustainable free cash flow«** over the long term. Our disciplined approach enables us to **grow distributions** to our shareholders over time.

We are pursuing our strategy by setting clear priorities, actively managing a quality portfolio and employing our distinctive capabilities.

Clear priorities

First, we aim to run safe, reliable and compliant operations leading to better operational efficiency and safety performance. We also aim to achieve competitive project execution, which is about delivering

Distinctive capabilities

Our ability to deliver against our priorities and build the right portfolio depends on our distinctive capabilities. We apply advanced technology across the hydrocarbon value chain, from finding resources to developing energy-efficient and high-performance products for customers. We work to develop and maintain strong relationships with governments, partners, civil society and others to enhance our operations in almost 80 countries across the globe. And the proven expertise of our employees comes to the fore in a wide range of disciplines.

Our strategy in action

See how we are delivering our strategy on page 14.

Our key performance indicators

See how we measure our progress on page 18.

projects efficiently so they are on time and on budget. And we aim to make disciplined financial choices in support of growth in operating cash« from our businesses, disciplined allocation of capital and financial resilience.

Risks

Find out how we manage the risks to our strategy on page 46.

Quality portfolio

We undertake active portfolio management to concentrate on areas where we can play to our strengths. This means we continue to grow our exploration position, reloading our upstream pipeline. We focus on high-value upstream assets in deep water, giant fields and selected gas value chains. And, in our downstream businesses, we plan to leverage our newly upgraded assets, customer relationships and technology to grow operating cash flow.

Our portfolio of projects and operations is focused where we believe we can generate the most value, and not necessarily the most volume, through our production.

« Defined on page 252.

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Our strategy in action

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How we deliver	How we measure	Strategy in action in 2014	
We prioritize the safety and reliability of our operations to protect the welfare of our workforce and the environment. This also helps preserve value and secure our right to operate around the world.	Recordable injury frequency, loss of primary containment, greenhouse gas emissions, tier 1 process safety events.	**Running reliably** Running operations safely is Air BP s first priority. See page 40.	**28** tier 1 process safety events.
We rigorously screen our investments and we work to keep our annual capital expenditure within a set range. Ongoing management of our portfolio helps ensure focus on more value-driven propositions. We balance funds between shareholder distributions and investment for the future.	Operating cash flow, gearing, total shareholder return, underlying replacement cost profit per ordinary share.	**Increasing value** An alternative solution to increase long-term value. See page 21.	**$32.8bn** operating cash flow.
We seek efficient ways to deliver projects on time and on budget, from planning through to day-to-day operations. Our wide-ranging project experience makes us a valued partner and enhances our ability to compete.	Major project delivery.	**Unlocking hidden resources** Using our advanced technology and exploration experience to access gas in Oman. See page 27.	**7** major project start-ups in Upstream.
We target basins and prospects with the greatest potential to create value, using our leading subsurface capabilities. This allows us to build a strong pipeline of future growth opportunities.	Reserves replacement ratio.	**Extending the life of the North Sea** Our latest discovery demonstrates the basin s ongoing potential. See page 28.	**63%** reserves replacement ratio.[a]
We are strengthening our portfolio of high-return and longer-life assets across deep water, giant fields and gas value chains to provide BP with	Production.	**Committing to the future** Increasing production in the	**3.2** million barrels of oil equivalent per day.[a]

momentum for years to come.

Gulf of Mexico.

See page 25.

We benefit from our high-performing fuels, lubricants, petrochemicals and biofuels businesses. Through premium products, powerful brands and supply and trading, Downstream provides strong cash generation for the group.

Refining availability.

Driving success

Our retail partnership with Marks & Spencer is driving sales growth.

94.9%

refining availability.

See page 31.

Creating shareholder value by generating

sustainable free cash flow

Advanced technology
We develop and deploy technologies we expect to make the greatest impact on our businesses from enhancing the safety and reliability of our operations to creating competitive advantage in energy discovery, recovery, efficiency and products.

Strong relationships
We aim to form enduring partnerships in the countries in which we operate, building strong relationships with governments, customers, partners, suppliers and communities to create mutual advantage. Co-operation helps unlock resources found in challenging locations and transforms them into products for our customers.

Proven expertise
Our talented people help to drive our business forward. They apply their diverse skills and expertise to deliver complex projects across all areas of our business.

[a] On a combined basis of subsidiaries« and equity-accounted entities.

« Defined on page 252.

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Our distinctive capabilities

We use technology to find and produce more oil and gas, improve our processes for conversion into valuable products and develop lower-carbon energy solutions.

We aim to build strategic relationships with universities for research, recruitment, policy insights and education. Our long-term research programmes around the world are exploring areas from reservoir fluid flow to novel lubricant additives. For example through the BP International Centre for Advanced Materials almost 70 researchers are working on around 20 projects to advance the understanding and use of materials across a variety of energy and industrial applications.

The first priority for all our technology teams is improving the safety and integrity of our operations.

Our upstream technology programmes include advanced seismic imaging to help us find more oil and gas and enhanced oil recovery to get more from existing fields. New techniques are improving the efficiency of unconventional oil and gas production.

We focus our downstream technology programmes on improving the performance of our refineries and petrochemicals plants and on creating high quality, energy efficient, cleaner products.

We employ scientists and technologists at seven major technology centres in the US, UK and Germany. In 2014 we invested $663 million in research and development (2013 $707 million, 2012 $674 million).

See bp.com/technology

At our Wayne technology center in New Jersey chemists research new formulations to improve lubricant

Seismic imaging

We use our imaging expertise to increase the productivity and quality of the data we capture on land and offshore. We conducted one of our largest-ever onshore seismic surveys

Enhanced oil recovery (EOR)

BP delivers more light oil EOR production than any other international oil company. In 2014 we introduced the world s first automated robot for testing EOR performance.

in 2014 covering 2,800km^2 at the Khazzan field in Oman.

technologies, shortening the time we need to spend on development and trials before bringing them to field.

Production optimization

Our *Field of the Future* technologies provide real-time information to help manage operational risk, improve plant equipment reliability and optimize production. In 2014 we established a digital centre of expertise for technologies to analyse data, improve decision making and enhance efficiency.

Shipping efficiency

Our virtual arrival system can reduce fuel consumption and emissions by allowing vessels, ports and other parties to work together and agree an optimum arrival time for each vessel.

We aim to maintain a skilled workforce to deliver our strategy and meet our commitments to investors, partners and the wider world. We compete for the best people within the energy sector and other industries.

Our people are talented in a wide range of disciplines from geoscience, mechanical engineering and research technology to government affairs, trading, marketing, legal and others.

We have a bias towards building capability within the organization, complemented by selective external recruitment where necessary, and invest in all our employees development to build a sustainable talent pipeline.

Our approach to professional development and training helps build individual capabilities, reducing a potential skills gap. We believe our shared values help everyone at BP to contribute to their full potential.

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Corrosion prevention

Wireless Permasense® systems provide frequent and on-demand corrosion monitoring by detecting unexpected changes in the wall thickness of pipes. Developed in collaboration with Imperial College, London, they are used across all our refineries to monitor the integrity of critical assets.

Fuels

Our gasoline and diesel additive Ultimate in a Bottle, launched in China in 2014, helps clean and protect engines, enhance performance for diesel in cold weather and reduce emissions to improve air quality.

Biofuels

We are developing biobutanol in conjunction with DuPont. This second-generation biofuel can be blended into gasoline in greater proportions and is more compatible than ethanol with the infrastructure used for existing fuel supplies.

Lubricants

We focus on providing energy-efficient and high-performance products to customers. In 2014 we launched *Castrol EDGE* with *Titanium Fluid Strength Technology*, which changes the way engine oil behaves under extreme pressure, reducing friction by up to 15%.

Petrochemicals

Our *SaaBre* technology converts synthesis gas (carbon monoxide and hydrogen derived from hydrocarbons) into acetic acid. The process avoids the need to purify carbon monoxide or purchase methanol, reducing manufacturing costs and environmental impacts.

We work closely with governments, national oil companies and other resource holders to build long-lasting relationships that are crucial to the success of our business.

Internally we put together collaborative teams of people with the skills and experience needed to address complex issues, work effectively with our partners, engage with our stakeholders and help create shared value.

We place enormous importance on acting responsibly and meeting our obligations as we know from experience that trust can be lost. We work on big and complex projects with partners ranging from other oil companies to suppliers and contractors. Our activity creates value that benefits governments, customers, local communities and other partners.

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Our key performance indicators

We assess the group s performance according to a wide range of measures and indicators. Our key performance indicators (KPIs) help the board and executive management measure performance against our strategic priorities and business plans. We periodically review our metrics and test their relevance to our strategy. We believe non-financial measures such as safety and an engaged and diverse workforce have a useful role to play as leading indicators of future performance.

Changes to KPIs

We have replaced the RC profit per ordinary share KPI to underlying RC profit per ordinary share. This is one of the measures used by management to evaluate BP s operational performance and is also used as a performance measure for executive directors remuneration. All other KPIs remain the same.

Remuneration

To help align the focus of our board and executive management with the interests of our shareholders, certain

Underlying RC profit«

per ordinary share (cents)

Underlying RC profit is a useful measure for investors because it is one of the profitability measures BP management uses to assess performance. It assists management in understanding the underlying trends in operational performance on a comparable year-on-year basis.

It reflects the replacement cost of inventories sold in the period and is arrived at by excluding inventory holding gains and losses« from profit or loss. Adjustments are also made for non-operating items« and fair value accounting effects«. The IFRS equivalent can be found on page 208.

2014 performance The decrease in underlying RC profit per ordinary share for the year compared with 2013 was mainly due to a

Operating cash flow« ($ billion)

Operating cash flow is net cash flow provided by operating activities, as reported in the group cash flow statement. Operating activities are the principal revenue-generating activities of the group and other activities that are not investing or financing activities.

2014 performance
Operating cash flow in 2014 was higher in line with delivery of the 10-point plan.

Gearing (net debt ratio)«(%)

Our gearing (net debt ratio) shows investors how significant net debt is relative to equity from shareholders in funding BP s operations.

We aim to keep our gearing within the 10-20% range to give us the flexibility to deal with an uncertain environment.

Gearing is calculated by dividing net debt by total equity plus net debt. Net debt is equal to gross finance debt, plus associated derivative financial instruments, less cash and cash equivalents. For the nearest equivalent measure on an IFRS basis and for further information see Financial statements Note 25.

measures are reflected in the variable elements of executive remuneration.

Overall annual bonuses, deferred bonuses and performance shares are all based on performance against measures and targets linked directly to strategy and KPIs.

Directors remuneration

See how our performance impacted 2014 pay on page 72.

Key

KPIs used to measure progress against our strategy.

KPIs used to determine 2014 and 2015 remuneration.

lower profit in Upstream and lower earnings from Rosneft.

2014 performance
Gearing at the end of 2014 was 16.7%, up 0.5% on 2013 and within our target band of 10-20%.

Refining availability (%)

Refining availability represents Solomon Associates operational availability. The measure shows the percentage of the year that a unit is available for processing after deducting the time spent on turnaround activity and all mechanical, process and regulatory downtime.

Refining availability is an important indicator of the operational performance of our Downstream businesses.

2014 performance
Refining availability decreased by 0.4% from 2013 to 94.9% reflecting the completion of the Whiting refinery modernization project and ramp-up of operations.

Reported recordable injury frequency[a]

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

The measure gives an indication of the personal safety of our workforce.

2014 performance Our workforce RIF, which includes employees and contractors combined, is 0.31, level with 2013. While this is encouraging, we have seen an increase in our day away from work case frequency (see page 39). We are reviewing our personal safety programmes and continue to focus our efforts on safety.

Loss of primary containment[a]

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

By tracking these losses we can monitor the safety and efficiency of our operations as well as our progress in making improvements.

2014 performance The increase in 2014 reporting reflects the introduction of enhanced automated monitoring for many remote sites in our Lower 48 business. Using a like-for-like approach with previous years reporting, our 2014 loss of primary containment figure is 246.

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Total shareholder return (%)

Total shareholder return (TSR) represents the change in value of a BP shareholding over a calendar year. It assumes that dividends are reinvested to purchase additional shares at the closing price on the ex-dividend date. We are committed to maintaining a progressive and sustainable dividend policy.

2014 performance TSR decreased during the year, primarily as a result of a fall in the BP share price, partly offset by two dividend per share increases in 2014.

Reserves replacement ratio (%)

Proved reserves replacement ratio is the extent to which the year s production has been replaced by proved reserves added to our reserve base.

The ratio is expressed in oil-equivalent terms and includes changes resulting from discoveries, improved recovery and extensions and revisions to previous estimates, but excludes changes resulting from acquisitions and disposals. The ratio reflects both subsidiaries« and equity-accounted entities.

This measure helps to demonstrate our success in accessing, exploring and extracting resources.

2014 performance The reserves replacement ratio reflects lower reserves bookings as a result of fewer final investment decisions in 2014 and revisions of previous estimates.

Major project delivery

Major projects are defined as those with a BP net investment of at least $250 million, or considered to be of strategic importance to BP, or of a high degree of complexity.

We monitor the progress of our major projects to gauge whether we are delivering our core pipeline of activity.

Projects take many years to complete, requiring differing amounts of resource, so a smooth or increasing trend should not be anticipated.

2014 performance In total we delivered seven major project start-ups in Upstream.

Production (mboe/d)

We report the volume of crude oil, condensate, natural gas liquids (NGLs) and natural gas produced by subsidiaries and equity-accounted entities. These are converted to barrels of oil equivalent (boe) at 1 barrel of NGL = 1boe and 5,800 standard cubic feet of natural gas = 1boe.

2014 performance BP s total reported production including our Upstream segment and Rosneft was 2.4% lower than in 2013. This reduction reflected the Abu Dhabi onshore concession expiry and divestments, partially offset by increased production from higher-margin areas and higher production in Rosneft in 2014 compared to the aggregate production in Rosneft and TNK-BP in 2013.

Tier 1 process safety events«[a]

Greenhouse gas emissions[b]

Group priorities engagement[e] (%)

Diversity and inclusion[e] (%)

(million tonnes of CO_2 equivalent)

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

2014 performance The number of tier 1 process safety events has decreased substantially since 2010. 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.

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

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

2014 performance The decrease in our GHG emissions is primarily due to the sale of our Carson and Texas City refineries in the US as part of our divestment programme.

[b] The reported 2013 figure of 49.2MteCO_2 e has been amended to 50.3MteCO_2 e.

[c] For indirect emissions data see page 42.

[d] For our emissions on an operational control basis see page 42.

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

2014 performance The 2014 survey found that employees remain clear about safety procedures, standards and requirements that apply to them and that pride in working at BP has increased steadily since 2011. Understanding and support of BP s strategy is strong at senior levels, but needs further communication and engagement across the organization.

[e] Relates to BP employees.

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

2014 performance The percentage of our group leaders who are women or non-UK/US has remained steady this year. We remain committed to our aim that women will represent at least 25% of our group leaders by 2020.

« Defined on page 252.

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Our markets in 2014

A snapshot of the global energy market in 2014, as oil prices

return to a pattern of volatility.

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A mechanical technician works on the floating, production, storage and offloading vessel in Angola s ultra-deep water.

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Pipe alley at Cooper River petrochemicals plant. The site is one of the world s largest producers of PTA, a raw material primarily used to manufacture polyester and plastic bottles.

Crude oil prices (quarterly average)

Oil and gas pricing

For more on upstream markets in

2014 see page 25.

Refining margins

Economic growth has remained relatively weak globally, and was weaker in the emerging non-OECD economies than recent years. Within the OECD, the US and UK performed best growing at around their medium-term potential while Japan and the Eurozone have underperformed against their potential.

Oil

Crude oil prices, as demonstrated by the industry benchmark of dated Brent, averaged $98.95 per barrel in 2014. For the period from 2010 to mid-2014, oil prices followed a pattern of relative stability at around $110 a barrel. Prices averaged $109 during the first half of 2014, but fell sharply by more than 50% since June in the face of continued strong growth of light, sweet oil production in the US, and weak global consumption growth. Brent prices ended the year near $55.

Amid continued high oil prices for much of the year and weak economic growth in emerging economies, global oil consumption

Natural gas

Global price differentials in 2014 continued to narrow. US gas prices moved up, while European and Asian spot LNG prices weakened. The Henry Hub index increased from $3.7 per million British thermal units (mmBtu) in 2013 to $4.4 in 2014.

Spot LNG prices in Europe and Asia fell with rising global LNG supplies and weak demand growth. New LNG projects in Papua New Guinea and Australia, and recovering supplies in Africa have added to the market in 2014.

Moderating demand and milder weather reduced the UK National Balancing Point hub price to an average of 50 pence per therm in 2014 (2013 68). The Japanese spot price fell to an average of $13.9/mmBtu in 2014 (2013 $16.6).

In 2013 growth in natural gas consumption slowed to a below-average rate and broad

For more on downstream markets in 2014 see page 30.

increased by a below-average 0.6 million barrels per day (mmb/d) for the year (0.7%).[a] The growth in consumption was greatly exceeded by record growth in non-OPEC production (2.0 mmb/d), mainly by continued strong growth in US output. OPEC crude oil production fell slightly due to renewed outages in Libya. On balance, production significantly exceeded consumption, resulting in a large increase in OECD commercial oil inventories.

In 2013 global oil consumption grew by roughly 1.4 million barrels per day (1.4%), significantly more than the increase in global production (0.6%).[b] Non-OPEC production accounted for all of the net global increase, driven by robust US growth.

[a] From Oil Market Report 10 February 2015©, OECD/IEA 2015, page 4.

[b] *BP Statistical Review of World Energy June 2014*.

differentials between regional gas prices continued, although they did not widen further as US gas prices recovered from their 2012 lows. Global LNG supply expanded in 2013, following a contraction in supply in 2012. But the LNG market remained tight, as strong demand continued in Asia from economic growth and nuclear power outages, and in Latin America due to the effect of a drought on hydroelectric production.

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Group performance

A summary of our group financial and operating performance.

10-point plan performance

In 2014 we completed our three-year 10-point plan, established in 2011, to help stabilize BP and restore trust and value in response to the tragic Deepwater Horizon accident in 2010. Here we report on our performance in delivering the plan over the period.

Relentless focus on safety
We reduced tier 1 process safety events« and loss of primary containment (LOPC) by 62% and 21% respectively over the plan period. However, in 2014 there were eight more tier 1 events and 25 more LOPC incidents than 2013. Safety remains our primary focus and we continue to focus our efforts on it.

Play to our strengths
We accessed almost 158,000 km^2 exploration acres, made 13 new discoveries and drilled a total of 44 exploration wells (2014 18).

Stronger and more focused
We have reshaped our portfolio to have a set of high-value deepwater assets, gas value chains, giant fields, and a high-quality downstream business. We sold around half of our upstream installations and pipelines, and one third of our wells while retaining roughly 90% of our proved reserves and production.

Simpler and more standardized
We implemented standardized global systems and processes and established global functional organizations to conduct all BP-operated drilling and wells activity and manage the development of our major projects«.

More visibility and transparency to value
We provide downstream results by fuels, petrochemicals and lubricants, and report earnings from Rosneft as a separate operating segment.

Active portfolio management
We completed our $38-billion divestment programme ahead of schedule and plan for a further $10 billion of divestments before the end of 2015, with $4.7 billion of sales already agreed.

New upstream projects onstream with unit cash margins« double the 2011 average
We started up 15 major upstream projects, of which 13 are in the four higher-margin areas (Angola, Azerbaijan, Gulf of Mexico and North Sea). Average forecast unit cash margins (2014-23) for the 15 projects at $100/bbl oil price were more than double the 2011 upstream segment average.

Generate around 50% more in operating cash flow« by 2014 versus 2011[a]
We reported $32.8 billion of operating cash flow in 2014 (averaged oil price of $98.95/bbl, averaged Henry Hub gas price of $4.43/mmBtu) exceeding our target of around 50% increase on 2011.

Half of incremental operating cash for reinvestment half for other purposes including distributions

The dividend paid in 2014 increased by 39% since 2011, and we carried out $10.3 billion of share buybacks since March 2013, when a share repurchase programme was announced.

Strong balance sheet

Our gearing« stayed within our target range of 10-20%, decreasing from 20.4% in 2011 to 16.7% at the end of 2014.

[a] Assumed an oil price of $100/bbl and a Henry Hub gas price of $5/mmBtu in 2014. 2011 excluded BP s share of TNK-BP dividends; 2014 included BP s share of Rosneft dividends. The projection included the impact of payments in respect of federal criminal and securities claims with the US government and SEC where settlements have already been reached, but does not reflect any cash flows relating to other liabilities, contingent liabilities, settlements or contingent assets arising from the Gulf of Mexico oil spill.

« Defined on page 252.

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Financial and operating performance

			$ million
	2014	2013	2012
Profit before interest and taxation	**6,412**	31,769	19,769
Finance costs and net finance expense relating to pensions and other post-retirement benefits	**(1,462)**	(1,548)	(1,638)
Taxation	**(947)**	(6,463)	(6,880)
Non-controlling interests	**(223)**	(307)	(234)
Profit for the year[a]	**3,780**	23,451	11,017
Inventory holding (gains) losses«, net of tax	**4,293**	230	411
Replacement cost profit«	**8,073**	23,681	11,428
Net charge (credit) for non-operating items«, net of tax	**4,620**	(10,533)	5,298
Net (favourable) unfavourable impact of fair value accounting effects«, net of tax	**(557)**	280	345
Underlying replacement cost profit«	**12,136**	13,428	17,071
Capital expenditure and acquisitions, on accrual basis	**23,781**	36,612	25,204

[a] Profit attributable to BP shareholders.

Profit for the year ended 31 December 2014 decreased by $19.7 billion compared with 2013. Excluding inventory holding losses, replacement cost (RC) profit also decreased by $15.6 billion compared with 2013. Both results in 2013 included a $12.5 -billion non-operating gain relating to the disposal of our interest in TNK-BP.

After adjusting for a net charge for non-operating items, which mainly related to impairments and further charges associated with the Gulf of Mexico oil spill; and net favourable fair value accounting effects, underlying RC profit for the year ended 31 December 2014 was down by $1.3 billion compared with 2013. The reduction was mainly due to a lower profit in Upstream, partially offset by improved earnings from Downstream.

Profit for the year ended 31 December 2013 increased by $12.4 billion compared with 2012. Excluding inventory holding losses, RC profit also increased by $12.2 billion compared with 2012. The increase in both results was due to a $12.5 -billion gain of disposal of our interest in TNK-BP.

After adjusting for a net credit for non-operating items, which mainly related to the gain on disposal of our interest in TNK-BP and was partially offset by an $845-million write-off and impairments in Upstream and further charges associated with the Gulf of Mexico oil spill; and net unfavourable fair value accounting effects, underlying RC profit for the year ended 31 December 2013 was down by $3.6 billion compared with 2012. This was impacted by the absence of equity-accounted earnings from TNK-BP and lower earnings from both Downstream and Upstream, partially offset by the equity-accounted earnings from Rosneft from 21 March 2013 (when sale and purchase agreements with Rosneft and Rosneftegaz completed).

For the year ended 31 December 2012 profit was $11.0 billion, RC profit was $11.4 billion and underlying RC profit was $17.1 billion. There was a net post-tax charge of $5.3 billion for non-operating items, which included a $5-billion pre-tax charge relating to the Gulf of Mexico.

More information on non-operating items, and fair value accounting effects, can be found on page 209. See Gulf of Mexico oil spill on page 36 and Financial statements Note 2 for further information on the impact of the Gulf of Mexico oil spill on BP s financial results.

Taxation

The charge for corporate income taxes in 2014 was lower than 2013. The effective tax rate (ETR) was 19% in 2014 (2013 21%, 2012 38%). The low ETR in 2014 reflects the impairment charges on which tax credits arise in relatively high tax rate jurisdictions. The lower ETR in 2013 compared with 2012 primarily reflects the gain on disposal of TNK-BP in 2013 for which there was no corresponding tax charge. The underlying ETR (which excludes non-operating items and fair value accounting effects) on RC profit was 36% in 2014 (2013 35%, 2012 30%).

In the current environment, with our current portfolio of assets, the underlying ETR on RC profit for 2015 is expected to be lower than 2014.

Cash flow and net debt information

			$ million
	2014	2013	2012
Net cash provided by operating activities	**32,754**	21,100	20,479
Net cash used in investing activities	**(19,574)**	(7,855)	(13,075)
Net cash used in financing activities	**(5,266)**	(10,400)	(2,010)
Currency translation differences relating to cash and cash equivalents	**(671)**	40	64
Increase in cash and cash equivalents	**7,243**	2,885	5,458
Cash and cash equivalents at beginning of year	**22,520**	19,635	14,177
Cash and cash equivalents at end of year	**29,763**	22,520	19,635
Gross debt	**52,854**	48,192	48,800
Net debt«	**22,646**	25,195	27,465
Gross debt to gross debt-plus-equity	**31.9%**	27.0%	29.0%
Net debt to net debt-plus-equity«	**16.7%**	16.2%	18.7%

Net cash provided by operating activities

Net cash provided by operating activities for the year ended 31 December 2014 increased by $11.7 billion compared with 2013. Excluding the impacts of the Gulf of Mexico oil spill, net cash provided by operating activities was $32.8 billion for 2014, an increase of $11.6 billion compared with 2013. Profit before taxation was lower but this was partially offset by movements in the adjustments for non-cash items, including depreciation, depletion and amortization, impairments and gains and losses on sale of businesses and fixed assets. Furthermore, 2013 was impacted by an adverse movement in working capital and 2014 was favourably impacted.

The increase in 2013 compared with 2012 primarily benefited from the reduction of $2.3 billion in the cash outflow in respect of the Gulf of Mexico oil spill. Excluding the impacts of the Gulf of Mexico oil spill, net cash provided by operating activities was $21.2 billion for 2013, compared with $22.9 billion for 2012, a decrease of $1.7 billion. The decrease was mainly due to an increase in working capital requirements of $3.9 billion, which was partially offset by a reduction in income tax paid.

Net cash used in investing activities

Net cash used in investing activities for the year ended 31 December 2014 increased by $11.7 billion compared with 2013. The increase reflected a decrease in disposal proceeds of $18.5 billion, partly offset by a $4.9 -billion decrease in our investments in equity-accounted entities, mainly relating to the completion of the sale of our interest in TNK-BP and subsequent investment in Rosneft in 2013. There was also a decrease in our other capital expenditure excluding acquisitions of $2.0 billion.

The decrease in 2013 compared with 2012 reflected an increase in disposal proceeds of $10.4 billion, partly offset by an increase in our investments in equity-accounted entities, mainly relating to the completion of the sale of our interest in TNK-BP and subsequent investment in Rosneft. There was also an increase in our other capital expenditure excluding acquisitions of $1.3 billion.

There were no significant acquisitions in 2014, 2013 and 2012.

The group has had significant levels of capital investment for many years. Cash flow in respect of capital investment, excluding acquisitions, was $23.1 billion in 2014 (2013 $30 billion and 2012 $24.8 billion). Sources of funding are fungible, but the majority of the group s funding requirements for new investment come from cash generated by existing operations.

We expect capital expenditure, excluding acquisitions and asset exchanges, to be around $20 billion in 2015.

Total cash disposal proceeds received during 2014 were $3.5 billion (2013 $22 billion, 2012 $11.6 billion). In 2013 this included $16.7 billion for the disposal of BP s interest in TNK-BP and in 2012 it included $5.6 billion for the disposal of BP s interests in the Marlin hub, Horn Mountain, Holstein, Ram Powell and Diana Hoover fields in the Gulf of Mexico. See Financial statements Note 3 for more information on disposals.

Net cash used in financing activities

Net cash used in financing activities for the year ended 31 December 2014 decreased by $5.1 billion compared with 2013. The decrease primarily reflected higher net proceeds of $3.3 billion from long-term financing and a decrease in the net repayment of short-term debt of $1.3 billion. The $8-billion share repurchase programme was completed in July 2014.

The increase in 2013 compared with 2012 primarily reflected the buyback of shares of $5.5 billion, as part of our $8-billion share repurchase programme, lower net proceeds of $1.1 billion from long-term financing and an increase in the net repayment of short-term debt of $1.4 billion.

Total dividends paid in 2014 were 39 cents per share, up 6.8% compared with 2013 on a dollar basis and 1.9% in sterling terms. This equated to a total cash distribution to shareholders of $5.9 billion during the year (2013 $5.4 billion, 2012 $5.3 billion).

Net debt

Net debt at the end of 2014 decreased by $2.5 billion from the 2013 year-end position. The ratio of net debt to net debt plus equity at the end of 2014 increased by 0.5%.

The total cash and cash equivalents at the end of 2014 were $7.2 billion higher than 2013.

We will continue to target our net debt ratio in the 10-20% range while uncertainties remain. Net debt and the ratio of net debt to net debt plus equity are non-GAAP measures. See Financial statements Note 25 for further information on net debt.

For information on financing the group s activities, see Financial statements Note 27 and Liquidity and capital resources on page 211.

Group reserves and production

Total hydrocarbon proved reserves at 31 December 2014, on an oil equivalent basis including equity-accounted entities, decreased by 3% (decrease of 5% for subsidiaries and increase of 1% for equity-accounted entities) compared with 31 December 2013. Natural gas represented about 44% of these reserves (58% for subsidiaries and 27% for equity-accounted entities). The change includes a net decrease from acquisitions and disposals of 39mmboe (all within our subsidiaries). Acquisition activity in our subsidiaries occurred in Azerbaijan, the US and the UK, and divestment activity in our subsidiaries occurred in the US and Brazil.

Our total hydrocarbon production for the group was 2% lower compared with 2013. The decrease comprised a 1% increase (7% increase for liquids and 4% decrease for gas) for subsidiaries and a 7% decrease (13% decrease for liquids and 25% increase for gas) for equity-accounted entities.

For more information on reserves and production, see Oil and gas disclosures for the group on page 219.

	2014	2013	2012
Estimated net proved reserves[a] (net of royalties)			
Liquids«			million barrels
Crude oil[b]			
Subsidiaries«	**3,582**	3,798	4,082
Equity-accounted entities[c]	**5,663**	5,589	5,275
	9,244	9,387	9,357
Natural gas liquids			
Subsidiaries	**510**	551	591
Equity-accounted entities[c]	**62**	131	103
	572	682	693
Total liquids			
Subsidiaries	**4,092**	4,349	4,672
Equity-accounted entities[c]	**5,725**	5,721	5,378
	9,817	10,070	10,050
Natural gas			billion cubic feet
Subsidiaries	**32,496**	34,187	33,264
Equity-accounted entities[c]	**12,200**	11,788	7,041
	44,695	45,975	40,305
Total hydrocarbons«			million barrels of oil equivalent
Subsidiaries	**9,694**	10,243	10,408
Equity-accounted entities[c]	**7,828**	7,753	6,592
	17,523	17,996	17,000
Production[a] (net of royalties)			
Liquids			thousand barrels per day
Crude oil[d]			
Subsidiaries	**844**	789	795
Equity-accounted entities[e]	**979**	1,120	1,137
	1,823	1,909	1,932
Natural gas liquids			
Subsidiaries	**91**	86	96
Equity-accounted entities[e]	**12**	19	27
	103	105	123
Total liquids[f]			

Subsidiaries	**936**	874	891
Equity-accounted entities[e]	**991**	1,139	1,164
	1,927	2,013	2,056
Natural gas		million cubic feet per day	
Subsidiaries	**5,585**	5,845	6,193
Equity-accounted entities[e]	**1,515**	1,216	1,200
	7,100	7,060	7,393
Total hydrocarbons[f]	thousand barrels of oil equivalent per day		
Subsidiaries	**1,898**	1,882	1,959
Equity-accounted entities[e]	**1,253**	1,348	1,372
	3,151	3,230	3,331

[a] Because of rounding, some totals may not agree exactly with the sum of their component parts.

[b] Includes condensate and bitumen.

[c] Includes BP s share of Rosneft (2014 and 2013) and TNK-BP reserves (2012). See Rosneft on page 33 and Supplementary information on oil and natural gas on page 167 for further information.

[d] Includes condensate.

[e] Includes BP s share of Rosneft (2014 and 2013) and TNK-BP production (2013 and 2012). See Rosneft on page 33 and Oil and gas disclosures for the group on page 219 for further information.

[f] A minor amendment has been made to the split between subsidiaries and equity-accounted entities for the comparative periods.

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Upstream

We continued to actively manage our portfolio to play to our strengths, divesting non-core assets and finding alternative ways to create long-term value.

~

An operator works the controls at the Rumaila oilfield in Iraq. The field extends 50 miles from end to end.

Our business model and strategy

The Upstream segment is responsible for our activities in oil and natural gas exploration, field development and production, and midstream transportation, storage and processing. We also market and trade natural gas, including liquefied natural gas, power and natural gas liquids. In 2014 our activities took place in 28 countries.

With the exception of the US Lower 48 onshore business, we deliver our exploration, development and production activities through five global technical and operating functions:

The **exploration** function is responsible for renewing our resource base through access, exploration and appraisal, while the **reservoir development** function is responsible for the stewardship of our resource portfolio.

The **global wells organization** and the **global projects organization** are responsible for the safe, reliable and compliant execution of wells (drilling and completions) and major projects«.

The **global operations organization** is responsible for safe, reliable and compliant operations, including upstream production assets and midstream transportation and processing activities.

We optimize and integrate the delivery of these activities with support from global functions with specialist areas of expertise: technology, finance, procurement and supply chain, human resources and information technology.

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

Technologies such as seismic imaging, enhanced oil recovery and real-time data support our upstream strategy by helping to gain new access, increase recovery and reserves and improve production efficiency. See Our distinctive capabilities on page 16.

We actively manage our portfolio and are placing increasing emphasis on accessing, developing and producing from fields able to provide the greatest value (including those with the potential to make the highest contribution to our operating cash flow«). We sell assets that we believe have more value to others. This allows us to focus our leadership, technical resources and organizational capability on the resources we believe are likely to add the most value to our portfolio.

Our strategy is to grow long-term value by continuing to build a portfolio of material, enduring positions in the world s key hydrocarbon basins. Our strategy is enabled by:

- A continued focus on safety and the systematic management of risk.
- Prioritizing value over volume:
  - A more focused portfolio with strengthened incumbent positions and reduced operating complexity.
  - Efficient execution of our base activities, a quality set of major projects and leveraging our access and exploration expertise.
- Disciplined investment in three distinctive engines for growth: deep water, gas value chains and giant fields. We maintain a balanced portfolio of opportunities.
- Delivery of competitive operating cash growth through improvements in efficiency and reliability for both operations and investment.
- Strong relationships built on mutual advantage, deep knowledge of the basins in which we operate and technology.

Our performance summary

- For upstream safety performance see page 40.
- Our exploration function gained access to new potential resources covering more than 47,000km^2 in five countries.

We started up seven major upstream projects.

We achieved an upstream BP-operated plant efficiency« of 90%.

Our disposals generated $2.5 billion in proceeds in 2014.

Upstream profitability ($ billion)

See Financial performance on page 25 for an explanation of the main factors influencing upstream profit.

Outlook for 2015

We expect reported production in 2015 to be higher than 2014, mainly reflecting higher entitlements in production-sharing agreement (PSA)« regions on the basis of assumed lower oil prices. Actual reported outcome will depend on the exact timing of project start-ups, OPEC quotas and entitlement impacts in our PSAs. We expect underlying production« in 2015 to be broadly flat with 2014, with the base decline being offset by new major project volumes both from 2014 and 2015.

We expect four major projects to come onstream in 2015 two in Angola and one each in Australia and Algeria.

Capital investment in 2015 is expected to decrease, largely reflecting the lower oil price environment and our commitment to continued capital discipline. The reduction is expected to come primarily from prioritizing activity in our operations, paring back exploration and access spend, and shelving a number of marginal projects.

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Financial performance

			$ million
	2014	2013	2012
Sales and other operating revenues[a]	**65,424**	70,374	72,225
RC profit before interest and tax	**8,934**	16,657	22,491
Net (favourable) unfavourable impact of non-operating items« and fair value accounting effects«	**6,267**	1,608	(3,055)
Underlying RC profit before interest and tax	**15,201**	18,265	19,436
Capital expenditure and acquisitions	**19,772**	19,115	18,520
BP average realizations[b]			$ per barrel
Crude oil	**93.65**	105.38	108.94
Natural gas liquids	**36.15**	38.38	42.75
Liquids«	**87.96**	99.24	102.10
			$ per thousand cubic feet
Natural gas	**5.70**	5.35	4.75
US natural gas	**3.80**	3.07	2.32
			$ per barrel of oil equivalent
Total hydrocarbons«	**60.85**	63.58	61.86
Average oil marker prices[c]			$ per barrel
Brent	**98.95**	108.66	111.67
West Texas Intermediate	**93.28**	97.99	94.13
Average natural gas marker prices			$ per million British thermal units
Average Henry Hub gas price[d]	**4.43**	3.65	2.79
			pence per therm
Average UK National Balancing Point gas price[c]	**50.01**	67.99	59.74

[a] Includes sales to other segments.
[b] Realizations are based on sales by consolidated subsidiaries« only, which excludes equity-accounted entities.
[c] All traded days average.
[d] Henry Hub First of Month Index.

Market prices

Brent remains an integral marker to the production portfolio, from which a significant proportion of production is priced directly or indirectly. Certain regions use other local markers, which are derived using differentials or a lagged impact from the Brent crude oil price.

The dated Brent price in 2014 averaged $98.95 per barrel, after three consecutive years of prices above $100. Prices averaged about $109 during the first half of 2014, but fell sharply during the second half in the face of continued strong growth of light, sweet oil production in the US and weak global consumption growth. Brent prices ended the year near $55.

The Henry Hub First of Month Index price was up by 21%, year on year, in 2014 (2013, up by 31%).

Brent ($/bbl)

An extremely cold start to 2014 in North America increased heating demand and drained storage levels. US gas supply continued to expand in 2014, reaching yet another record production level, in particular supported by rising liquids-rich gas production.

Henry Hub ($/mmBtu)

The UK National Balancing Point gas price in 2014 fell by 26% compared with 2013 (2013 an increase of 14% on 2012). This reflected milder weather and weak demand in Europe. Lower LNG prices in Asia led to a reduction in the price of spot LNG available for Europe, which contributed to the weakness of European spot prices. For more information on the global energy market in 2014, see page 20.

Financial results

Sales and other operating revenues for 2014 decreased compared with 2013, primarily reflecting lower liquids realizations partially offset by higher production in higher-margin areas, higher gas realizations and higher gas marketing and trading revenues. The decrease in 2013 compared with 2012 primarily reflected lower volumes due to disposals and lower liquids realizations, partially offset by higher gas marketing and trading revenues.

Replacement cost (RC) profit before interest and tax for the segment included a net non-operating charge of $6,298 million. This is primarily related to impairments associated with several assets, mainly in the North

Sea and Angola reflecting the impact of the lower near-term price environment, revisions to reserves and increases in expected decommissioning cost estimates. This also included a charge to write down the value ascribed to block KG D6 in India as part of the acquisition of upstream interests from Reliance Industries in 2011. The charge arises as a result of uncertainty in the future long-term gas price outlook, following the introduction of a new formula for Indian gas prices, although we do see the commencement of a transition to market-based pricing as a positive step. We expect further clarity on the new pricing policy and the premiums for future developments to emerge in due course. Fair value accounting effects had a favourable impact of $31 million relative to management s view of performance.

The 2013 result included a net non-operating charge of $1,364 million, which included an $845-million write-off attributable to block BM-CAL-13 offshore Brazil as a result of the Pitanga exploration well not encountering commercial quantities of oil or gas, and had an unfavourable impact of $244 million from fair value accounting effects. The 2012 result included net non-operating gains of $3,189 million, primarily as a result of gains on disposals being partly offset by impairment charges. In addition, fair value accounting effects had an unfavourable impact of $134 million.

After adjusting for non-operating items and fair value accounting effects, the decrease in the underlying RC profit before interest and tax compared with 2013 reflected lower liquids realizations, higher costs, mainly depreciation, depletion and amortization and exploration write-offs and the absence of one-off benefits which occurred in 2013 (see below). This was partly offset by higher production in higher-margin areas, higher gas realizations and a benefit from stronger gas marketing and trading activities.

Compared with 2012 the 2013 result reflected lower production due to divestments, lower liquids realizations and higher costs, including exploration write-offs and higher depreciation, depletion and amortization, partly offset by an increase in underlying volumes, a benefit from stronger gas marketing and trading activities, one-off benefits related to production taxes and a cost pooling settlement agreement between the owners of the Trans-Alaska Pipeline System (TAPS), and higher gas realizations.

Total capital expenditure including acquisitions and asset exchanges in 2014 was higher compared with 2013. This included $469 million in 2014 relating to the purchase of an additional 3.3% equity in Shah Deniz, Azerbaijan and the South Caucasus Pipeline.

In total, disposal transactions generated $2.5 billion in proceeds during

2014, with a corresponding reduction in net proved reserves of 114mmboe, all within our subsidiaries.

The major disposal transactions during 2014 were the farm-out of a 40% stake in block 61 in the Khazzan field, Oman, to government owned Makarim Gas Development LLC, for $545 million; the sale of our interests in four BP-operated oilfields on the North Slope of Alaska to Hilcorp, including all of BP s interests in the Endicott and Northstar oilfields and a 50% interest in each of the Milne Point field and the Liberty prospect, together with BP s interests in the oil and gas pipelines associated with these fields for $1.25 billion plus an additional carry of up to $250 million, if the Liberty field is developed; and the sale of our interests in the Panhandle West and Texas Hugoton gas fields to Pantera Acquisition Group, LLC for $390 million. Sales transactions are typically subject to post-closing adjustments and future payments depending on oil price and production. More information on disposals is provided in Upstream analysis by region on page 213 and Financial statements Note 3.

Provisions for decommissioning increased from $17.2 billion at the end of 2013 to $18.7 billion at the end of 2014. The increase primarily reflects updated estimates of the cost of future decommissioning, additions and a change in discount rate, partially offset by utilization of provisions, exchange revaluation and impacts of divestments. Decommissioning costs are initially capitalized within fixed assets and are subsequently depreciated as part of the asset.

Exploration

The group explores for oil and natural gas under a wide range of licensing, joint arrangement« and other contractual agreements. We may do this alone or, more frequently, with partners.

New access in 2014

We gained access to new potential resources covering more than 47,000km^2 in five countries (Australia, Greenland, UK (North Sea), the US (Gulf of Mexico) and Morocco, which received final government approval in April 2014). In December, we signed a new PSA with the State Oil Company of the Republic of Azerbaijan to jointly explore for and develop potential prospects in the shallow water area around the Absheron Peninsula in the Azerbaijan sector of the Caspian Sea. This is pending final ratification by the government. Additionally, Rosneft and BP signed a heads of agreement in May 2014 relating to a long-term project for the exploration and potential development of the Domanik formations in the Volga-Urals region of Russia.

In January 2015, we received formal licences for El Matariya and Karawan concessions in Egypt after ratification and finalization of the agreements.

During the year we participated in five discoveries that are potentially commercial including: one in Egypt with the BG-operated Notus well in the El Burg concession; one in the pre-salt play of Angola with the Orca well in Block 20, operated by Cobalt International Energy; one at Xerelete in Brazil s Campos basin, operated by Total; one at Vorlich in the North Sea, which spans the GDF-SUEZ-operated block 30/1f and the BP-operated block 30/1c; and Guadalupe in the deepwater Gulf of Mexico, operated by Chevron.

Exploration and appraisal costs

Excluding lease acquisitions, the costs for exploration and appraisal costs were $2,911 million (2013 $4,811 million, 2012 $4,356 million). These costs included exploration and appraisal drilling expenditures, which were capitalized within intangible fixed assets, and geological and geophysical exploration costs, which were charged to income as incurred. Approximately 31% of exploration and appraisal costs were directed towards appraisal activity. We participated in 67 gross (32.75 net) exploration and appraisal wells in 10 countries.

Exploration expense

Total exploration expense of $3,632 million (2013 $3,441 million, 2012 $1,475 million) included the write-off of expenses related to unsuccessful drilling activities or lease expiration in the Lower 48 ($665 million), Algeria ($524 million), India ($139 million), the Gulf of Mexico ($500 million), Brazil ($368 million), China ($112 million), Angola ($110 million), Morocco ($83 million) and others ($133 million). In addition, $395 million was written off KG D6 in India as a result of uncertainty in the future long-term gas price outlook (see page 216).

Upstream reserves

Estimated net proved reserves[a] (net of royalties)

	2014	2013	2012
Liquids			million barrels
Crude oil[b]			
Subsidiaries«	**3,582**	3,798	4,082
Equity-accounted entities[c]	**702**	729	813
	4,283	4,527	4,895
Natural gas liquids			
Subsidiaries	**510**	551	591
Equity-accounted entities[c]	**16**	16	25
	526	567	616
Total liquids			
Subsidiaries[d]	**4,092**	4,349	4,672
Equity-accounted entities[c]	**717**	745	838
	4,809	5,094	5,510
Natural gas			billion cubic feet
Subsidiaries[e]	**32,496**	34,187	33,264
Equity-accounted entities[c]	**2,373**	2,517	2,549

	34,869	36,704	35,813
Total hydrocarbons	million barrels of oil equivalent		
Subsidiaries	**9,694**	10,243	10,408
Equity-accounted entities[c]	**1,126**	1,179	1,277
	10,821	11,422	11,685

[a] Because of rounding, some totals may not agree exactly with the sum of their component parts.

[b] Includes condensate and bitumen.

[c] BP s share of reserves of equity-accounted entities in the Upstream segment. During 2014, upstream operations in Abu Dhabi, Argentina and Bolivia, as well as some of our operations in Angola and Indonesia, were conducted through equity-accounted entities.

[d] Includes 21 million barrels (21 million barrels at 31 December 2013 and 14 million barrels at 31 December 2012) in respect of the 30% non-controlling interest in BP Trinidad & Tobago LLC.

[e] Includes 2,519 billion cubic feet of natural gas (2,685 billion cubic feet at 31 December 2013 and 2,890 billion cubic feet at 31 December 2012) in respect of the 30% non-controlling interest in BP Trinidad & Tobago LLC.

Reserves booking

Reserves booking from new discoveries will depend on the results of ongoing technical and commercial evaluations, including appraisal drilling. The segment s total hydrocarbon reserves on an oil equivalent basis, including equity-accounted entities at 31 December 2014, decreased by 5% (5% for subsidiaries and 4% for equity-accounted entities) compared with reserves at 31 December 2013.

Proved reserves replacement ratio«

The proved reserves replacement ratio for the Upstream segment in 2014, excluding acquisitions and disposals, was 31% for subsidiaries and equity-accounted entities (2013 93%), 29% for subsidiaries alone (2013 105%) and 43% for equity-accounted entities alone (2013 30%). For more information on proved reserves replacement for the group see page 219.

Developments

The map on page 26 shows our major development areas. We achieved seven major project start-ups in 2014: the Chirag oil project in Azerbaijan; Na Kika Phase 3, Mars B and Atlantis North expansion Phase 2 in the Gulf of Mexico; CLOV in Angola; Kinnoull in the North Sea and Sunrise in Canada. In addition to starting up major projects, we made good progress in the four areas we believe most likely to provide us with higher-value barrels Angola, Azerbaijan, the North Sea and the Gulf of Mexico.

Angola we had an oil and gas discovery, Orca, in the pre-salt play of Angola in Block 20 (BP 30%), operated by Cobalt International Energy, Inc. and the CLOV project reached plateau production of 160mboe/d.

Azerbaijan the Shah Deniz and South Caucasus Pipeline consortia awarded further key contracts for the development of the Shah Deniz Stage 2 and South Caucasus Pipeline expansion projects. The BP-operated Azerbaijan International Operating Company celebrated the 20th anniversary of the Azeri-Chirag-Gunashli PSA.

North Sea we continued to see high levels of activity, including a new discovery, Vorlich, in the central North Sea (see page 28); progress in the major redevelopment of the west of Shetland Schiehallion and Loyal fields; and the restart of operations at the Rhum field. BP has been granted seven awards in the UK government s 28th licensing round. The blocks are located in three of our core areas: to the north of our Magnus field, next to Vorlich, and west of our Kinnoull development. The government is still to award some blocks in this round. These blocks are undergoing environmental assessment.

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Gulf of Mexico we made a new discovery Guadalupe and were awarded 51 blocks in the March and August Gulf of Mexico lease sales. At the end of the year we had 10 rigs operating. Following our strategic divestment programme, we now have a focused portfolio with growth potential around four operated and three non-operated hubs.

Development expenditure of subsidiaries incurred in 2014, excluding midstream activities, was $15.1 billion (2013 $13.6 billion, 2012 $12.6 billion).

Production

Our oil and natural gas production assets are located onshore and offshore and include wells, gathering centres, in-field flow lines, processing facilities, storage facilities, offshore platforms, export systems (e.g. transit lines), pipelines and LNG plant facilities. It includes production from conventional and unconventional (coalbed methane, shale) assets. The principal areas of production are Angola, Argentina, Australia, Azerbaijan, Egypt, Trinidad, the UAE, the UK and the US.

Production (net of royalties)[a]

	2014	2013	2012
Liquids		thousand barrels per day	
Crude oil			
Subsidiaries	**844**	789	795
Equity-accounted entities	**163**	294	281
	1,007	1,083	1,076
Natural gas liquids			
Subsidiaries	**91**	86	96
Equity-accounted entities	**7**	8	7
	99	94	103
Total liquids[b]			
Subsidiaries	**936**	874	891
Equity-accounted entities	**170**	302	288
	1,106	1,176	1,179
Natural gas		million cubic feet per day	
Subsidiaries	**5,585**	5,845	6,193
Equity-accounted entities	**431**	415	416
	6,016	6,259	6,609
Total hydrocarbons[b]		thousand barrels of oil equivalent per day	
Subsidiaries	**1,898**	1,882	1,959
Equity-accounted entities	**245**	374	360
	2,143	2,256	2,319

[a] Includes BP s share of production of equity-accounted entities in the Upstream segment. Because of rounding, some totals may not agree exactly with the sum of their component parts.

[b] A minor amendment has been made to the split between subsidiaries and equity-accounted entities for the comparative periods.

Our total hydrocarbon production for the segment in 2014 was 5% lower compared with 2013. The decrease comprised a 1% increase (7% increase for liquids and 4% decrease for gas) for subsidiaries and a 35% decrease (44% decrease for liquids and 4% increase for gas) for equity-accounted entities compared with 2013. Divestments in 2014 accounted for 2% of the year-on-year production decrease. For more information on production see Oil and gas disclosures for the group on page 219.

In aggregate, after adjusting for the impact of price movements on our entitlement to production in our PSAs and the effect of acquisitions and disposals, underlying production was 2.2% higher compared with 2013. This primarily reflects strong Gulf of Mexico performance that was not impacted by weather, higher entitlements from lower oil prices and ADMA offshore concession (BP 14.67%) benefiting from higher OPEC nomination for Abu Dhabi.

The group and its equity-accounted entities have numerous long-term sales commitments in their various business activities, all of which are expected to be sourced from supplies available to the group that are not subject to priorities, curtailments or other restrictions. No single contract or group of related contracts is material to the group.

Gas marketing and trading activities

We market and trade natural gas (including liquefied natural gas (LNG)), power and natural gas liquids (NGLs). This provides us with routes into liquid markets for the gas we produce. It also generates margins and fees from selling physical products and derivatives to third parties, together with income from asset optimization and trading. The integrated supply and trading function manages our trading activities in natural gas, power and NGLs. This means we have a single interface with the gas trading markets and one consistent set of trading compliance and risk management processes, systems and controls.

Gas and power marketing and trading activity is undertaken primarily in the US, Canada and Europe to market both BP production and third-party natural gas, support group LNG activities, and to manage market price risk and create incremental trading opportunities through the use of commodity derivative contracts. This activity also enhances margins and generates fee income from sources such as the management of price risk on behalf of third-party customers.

The group s risk governance framework seeks to manage and oversee the financial risks associated with this trading activity, as described in Financial statements Note 27.

The group uses a range of commodity derivative contracts, storage and transport contracts in connection with its trading activities. The range of contracts that the group enters into is described in Glossary commodity trading contracts on page 252.

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Downstream

In 2014 we saw continued improvement in our process safety and delivered strong operational performance resulting in profit and operating cash flow growth.

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The storage tanks, pipes and towers at BP s Rotterdam refinery, which can run at least 70 different kinds of crude.

Our business model and strategy

Our Downstream segment has significant operations in Europe, North America and Asia, and also manufactures and markets products in Australasia, Africa and Central and South America.

Downstream is the product and service-led arm of BP, made up of three businesses:

Fuels includes refineries, fuels marketing and convenience retail businesses, together with global oil supply and trading activities that make up fuels value chains (FVCs). We sell refined petroleum products including gasoline, diesel and aviation fuel.

Lubricants manufactures and markets lubricants and related products and services globally, adding value through brand, technology and relationships, such as collaboration with original equipment manufacturing partners.

Petrochemicals manufactures products at locations around the world, mainly using proprietary BP technology. These products are then used by others to make essential consumer products such as paint, plastic bottles and textiles.

We aim to run safe and reliable operations across all our businesses, supported by leading brands and technologies, to deliver high-quality products and services to meet our customers needs.

Our strategy focuses on improving returns, growing operating cash flow«, and building a quality Downstream business that aims to lead the industry as measured by net income per refining barrel. Our five strategic priorities are:

Safe and reliable operations this remains our first priority and we continue to drive improvement in personal and process safety performance.

Advantaged manufacturing we aim to continue building a top quartile refining business by having a competitively advantaged portfolio which is underpinned by operations excellence. In petrochemicals we seek to create a business with higher earnings potential which is significantly more robust to a bottom of cycle environment.

Fuels marketing and lubricants we will invest in higher returning businesses which have operating cash flow growth potential.

Portfolio quality we will maintain our focus on quality by high-grading of assets combined with capital discipline. Where businesses do not fit our strategic frame, we will seek to divest.

Simplification and efficiency we have launched a simplification and efficiency programme to support performance improvement and to make our businesses even more competitive.

Implementing this strategy is expected to lead to a growing downstream earnings profile and increasingly make the business more robust to external environmental impacts. Growing operating cash flows and capital discipline should ensure that Downstream remains a source of increasing cash flow for BP.

Our performance summary

For downstream safety performance see page 41.

We continue to deliver strong operational performance across our refining system with the Whiting refinery now fully onstream.

We acquired the aviation fuel business, Statoil Fuel and Retail Aviation AS, to expand our Air BP business in Scandinavia.

We launched a new product, *Castrol EDGE* boosted with *Titanium Fluid Strength Technology* in our lubricants business.

We sold our lubricants global aviation turbine oils business and completed the sale of our LPG marketing businesses.

We announced that we will halt refining operations at the Bulwer refinery in Australia in 2015.

In petrochemicals, we decided to invest and retrofit some of our operations in the US and Europe with new proprietary technology while ceasing certain other operations in our aromatics business as a result of our strategic review.

Downstream profitability ($ billion)

See Financial performance on page 30 for the main factors influencing downstream profit.

Outlook for 2015

We anticipate a weaker refining environment due to narrowing crude differentials in the low crude price environment.

We expect the financial impact of refinery turnarounds to be comparable to that in 2014.

We expect gradual improvement in the petrochemicals margin environment.

« Defined on page 252.

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Financial performance

			$ million
	2014	2013	2012
Sale of crude oil through spot and term contracts	**80,003**	79,394	56,383
Marketing, spot and term sales of refined products	**227,082**	258,015	274,666
Other sales and operating revenues	**16,401**	13,786	15,342
Sales and other operating revenues[a]	**323,486**	351,195	346,391
RC profit before interest and tax[b]			
Fuels	**2,830**	1,518	1,403
Lubricants	**1,407**	1,274	1,276
Petrochemicals	**(499)**	127	185
	3,738	2,919	2,864
Net (favourable) unfavourable impact of non-operating items« and fair value accounting effects«			
Fuels	**389**	712	3,609
Lubricants	**(136)**	(2)	9
Petrochemicals	**450**	3	(19)
	703	713	3,599
Underlying RC profit before interest and tax[b]			
Fuels	**3,219**	2,230	5,012
Lubricants	**1,271**	1,272	1,285
Petrochemicals	**(49)**	130	166
	4,441	3,632	6,463
Capital expenditure and acquisitions	**3,106**	4,506	5,249

[a] Includes sales to other segments.

[b] Income from petrochemicals produced at our Gelsenkirchen and Mülheim sites is reported within the fuels business. Segment-level overhead expenses are included within the fuels business.

Financial results

Sales and other operating revenues in 2014 decreased compared with 2013 primarily due to falling crude prices. The increase in 2013, compared with 2012, reflected higher prices largely offset by lower volumes and foreign exchange losses.

The 2014 result included a net non-operating charge of $1,570 million, primarily relating to impairment charges in our petrochemicals and fuels businesses, while 2013 and 2012 results included impairment charges in our fuels business, which were mainly associated with our disposal programme. In addition, fair value accounting effects had a favourable impact of $867 million in 2014 versus unfavourable impacts in 2013 and 2012.

After adjusting for non-operating items and fair value accounting effects, underlying replacement cost (RC) profit before interest and tax in 2014 was higher than 2013 but lower than 2012.

Our fuels business

The fuels strategy focuses primarily on fuels value chains (FVCs). These include large-scale, highly upgraded, feedstock-advantaged refineries which are integrated with logistics and marketing businesses.

We believe that having a quality refining portfolio connected to strong marketing positions is core to our integrated FVC businesses as this provides optimization opportunities in highly competitive markets. We look to build on our strong portfolio of refining assets and, through advantaged crude, optimize across the supply chain.

We have improved our refining portfolio quality in terms of crude feedstock and location advantage, scale and have sustained competitive complexity through portfolio rationalization and selective investment. Across all regions we expect to operate our portfolio at top quartile availability and with improved efficiency.

We continue to grow our fuels marketing businesses, including retail, through differentiated marketing offers and distinctive partnerships. We partner with leading retailers globally, creating distinctive offers that deliver good returns and reliable profit and cash generation.

Underlying RC profit before interest and tax was higher than 2013, mainly due to improved fuels marketing performance, increased heavy crude processing and higher production, mainly as a result of the ramp-up of operations at our Whiting refinery following the modernization project. This was partially offset by a weaker refining environment. Compared with 2012, the 2013 results were impacted by significantly weaker refining margins, reduced throughput due to the planned Whiting refinery outage as a result of our modernization project, and the absence of earnings from the divested Texas City and Carson refineries. This was partially offset by a significantly improved supply and trading contribution and lower overall turnaround activity.

Refining marker margin«

We track the margin environment by a global refining marker margin (RMM). Refining margins are a measure of the difference between the price a refinery pays for its inputs (crude oil) and the market price of its products. Although refineries produce a variety of petroleum products, we track the margin environment using a simplified indicator that reflects the margins achieved on gasoline and diesel only. The RMM may not be representative of the margin achieved by BP in any period because of BP s particular refinery configurations and crude and product slates. In addition, the RMM does not include estimates of energy or other variable costs.

				$ per barrel
Region	Crude marker	**2014**	2013	2012
US North West	Alaska North Slope	**16.6**	15.2	18.0
US Midwest	West Texas Intermediate	**17.4**	21.7	27.8
Northwest Europe	Brent	**12.5**	12.9	16.1
Mediterranean	Azeri Light	**10.6**	10.5	12.7
Australia	Brent	**13.5**	13.4	14.8
BP RMM		**14.4**	15.4	18.2

BP refining marker margin ($/bbl)

The average global RMM in 2014 was $14.4/bbl, the lowest level since 2010 and $1.0/bbl lower than 2013. This was largely due to the narrower West Texas Intermediate-Brent spread as improving pipeline and rail logistics in the US reduced the discount of US domestic crude oil relative to the international benchmark.

Refining

At 31 December 2014 we owned or had a share in 14 refineries producing refined petroleum products that we supply to retail and commercial customers. For a summary of our interests in refineries and average daily crude distillation capacities see page 217.

In 2014, refinery operations were strong, with Solomon refining availability sustained at around 95% and utilization rates of 88% for the year. Overall refinery throughputs in 2014 were lower than those in 2013, mainly due to the divestment of the Texas City and Carson refineries.

	2014	2013	2012
Refinery throughputs[a]		thousand barrels per day	
US[b]	**642**	726	1,310
Europe	**782**	766	751
Rest of world	**297**	299	293
Total	**1,721**	1,791	2,354
			%
Refining availability«	**94.9**	95.3	94.8
Sales volumes		thousand barrels per day	
Marketing sales[c]	**2,872**	3,084	3,213
Trading/supply sales[d]	**2,448**	2,485	2,444
Total refined product sales	**5,320**	5,569	5,657
Crude oil[e]	**2,360**	2,142	1,518
Total	**7,680**	7,711	7,175

[a] Refinery throughputs reflect crude oil and other feedstock volumes.
[b] The Texas City and Carson refineries were both divested in 2013.
[c] Marketing sales include sales to service stations, end-consumers, bulk buyers and jobbers (i.e. third parties who own networks of a number of service stations) and small resellers.
[d] Trading/supply sales are sales to large unbranded resellers and other oil companies.
[e] Crude oil sales relate to transactions executed by our integrated supply and trading function, primarily for optimizing crude oil supplies to our refineries and in other trading. 88,000 barrels per day relate to revenues reported by the Upstream segment.

Logistics and marketing

Downstream of our refineries, we operate an advantaged infrastructure and logistics network that includes pipelines, storage terminals and tankers for road and rail. We seek to drive for excellence in operational and transactional processes and deliver compelling customer offers in the various markets where we operate. For example, in 2014 we added the capability to receive additional US shale crudes by rail at our Cherry Point refinery in Washington. This increases the use of location-advantaged crudes at this refinery, improving access and diversification of crude slates.

We supply fuel and related retail services to consumers through company-owned and franchised retail sites, as well as other channels, including dealer wholesalers and jobbers. We also supply commercial customers within the transport and industrial sectors.

	Number of retail sites operated under a BP brand		
Retail sites[f]	**2014**	2013	2012
US	**7,100**	7,700	10,100
Europe	**8,000**	8,000	8,300
Rest of world	**2,100**	2,100	2,300
Total	**17,200**	17,800	20,700

[f] The number of retail sites includes sites not operated by BP but instead operated by dealers, jobbers, franchisees or brand licensees under a BP brand. These may move to or from the BP brand as their fuel supply or brand licence agreements expire and are renegotiated in the normal course of business. Retail sites are primarily branded *BP, ARCO* and *Aral*. Excludes our interests in equity-accounted entities that are dual-branded.

Retail is the most material element of our fuels marketing operations and has good exposure to growth markets. We have distinctive partnerships with leading retailers in six countries and plan to expand elsewhere. Retail is a significant source of growth today and is expected to be so in the future. See Driving success below.

Supply and trading

BP s integrated supply and trading function is responsible for delivering value across the overall crude and oil products supply chain. This structure enables the optimization of our FVCs to maintain a single interface with oil trading markets and to operate with a single set of trading compliance and risk management processes, systems and controls. The oil trading function (including support functions) has trading offices in Europe, the US and Asia. Our presence in the more actively-traded regions of the global oil markets supports overall understanding of the supply and demand forces across these markets. It has a two-fold strategic purpose in our Downstream business.

First, it seeks to identify the best markets and prices for our crude oil, source optimal feedstocks for our refineries and provide competitive supply for our marketing businesses. Wherever possible we will look to optimize value across the supply chain. For example, we will often sell our own crude and purchase alternative crudes from third parties for our refineries where this will provide incremental margin.

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Second, the function aims to create and capture incremental trading opportunities by entering into a full range of exchange-traded commodity derivatives, over-the-counter contracts and spot and term contracts. In order to facilitate the generation of trading margin from arbitrage, blending and storage opportunities, it also owns and contracts for storage and transport capacity.

The group s risk governance framework, which seeks to manage and oversee the financial risks associated with this trading activity, is described in Financial statements Note 27.

The range of contracts that the group enters into is described in Glossary commodity trading contracts on page 252.

Aviation

Air BP s strategic aim is to maintain its position in the core locations of Europe and the US, while expanding its portfolio in airports that offer long-term competitive advantage in material growing markets such as Asia and South America. We are one of the world s largest global aviation fuels suppliers. Air BP serves many major commercial airlines as well as the general aviation sectors. We have marketing sales of approximately 400,000 barrels per day. For details of acquisitions in 2014, see Running reliably on page 40.

Our lubricants business

Our lubricants strategy is to focus on our premium brands and growth markets while leveraging technology and customer relationships. With more than 50% of profit generated from growth markets and continued growth in premium lubricants, we have an excellent base for further expansion and sustained profit growth.

Our lubricants business manufactures and markets lubricants and related products and services to the automotive, industrial, marine and energy markets across the world. Our key brands are *Castrol*, *BP* and *Aral*. *Castrol* is a recognized brand worldwide which we believe provides us with significant competitive advantage. In technology, we apply our expertise to create quality lubricants and high-performance fluids for customers in on-road, off-road, sea and industrial applications globally.

We are one of the largest purchasers of base oil in the market, but have chosen not to produce it or manufacture additives at scale. Our participation choices in the value chain are focused on areas where we can leverage competitive differentiation and strength, such as:

- Applying cutting-edge technologies in the development and formulation of advanced products.
- Creating and developing product brands and clearly communicating their benefits to our customers.
- Building and extending our relationships with customers to better understand and meet their needs.

The lubricants business delivered an underlying RC profit before interest and tax which is largely consistent with 2013 and 2012 levels. The 2014 result saw an underlying 6% year-on-year improvement in results, which was offset by adverse foreign exchange translation impacts.

Our petrochemicals business

Our petrochemicals strategy is to own and develop petrochemicals value chain businesses that are built around proprietary technology to deliver leading cost positions against our competition. We manufacture and market four main product lines:

- Purified terephthalic acid (PTA).
- Paraxylene (PX).
- Acetic acid.
- Olefins and derivatives.

We also produce a number of other specialty petrochemicals products.

We aim to improve our earnings potential and make the business more robust to a bottom of cycle environment. We are taking steps to significantly improve the cash break even performance of the business. This should improve our earnings potential and make the business more robust to a bottom of cycle environment. The actions to achieve this include:

- Restructuring a significant portion of our portfolio, primarily in our aromatics business, to shut down older capacity in the US and Asia and assess disposal options for less advantaged assets.
- Retrofitting our best technology in our advantaged sites to reduce overall operating costs.
- Growing third-party licensing income to create additional value.
- Delivering operational improvements focused on turnaround efficiency and improved reliability.

In addition to the assets we own and operate, we have also invested in a number of joint arrangements in Asia, where our partners are leading companies within their domestic market. An example of this is our latest generation technology PTA plant in China, which we are building with our partner, Zhuhai Port Co. The plant is currently commissioning with planned start-up in the first half of 2015.

In 2014 the petrochemicals business delivered a lower underlying RC profit before interest and tax compared with 2013 and 2012. This result reflected a continuation of the weak margin environment, particularly in the Asian aromatics sector, and unplanned operational events.

Our petrochemicals production in 2014 was flat compared with 2013 and slightly lower than 2012, with the low margin environment in 2014 and 2013 driving reduced output.

In November 2014 we announced plans to invest more than $200 million to upgrade PTA plants at Cooper River in South Carolina and Geel in Belgium using our latest proprietary technology. We expect these investments to significantly increase manufacturing efficiency at these facilities. We plan to continue deploying our technology in new asset platforms to access Asian demand and advantaged feedstock sources.

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Rosneft

BP holds a unique position in Russia through its 19.75% share in Rosneft.

p

Rosneft discovery in the South Kara Sea.

BP and Rosneft

- BP s shareholding in Rosneft allows us to benefit from a diversified set of existing and potential projects in the Russian oil and gas sector.
- Russia has significant hydrocarbon resources and will continue to play an important role in long-term energy supply to the global economy.
- BP believes the primary sources of value to BP shareholders from its investment in Rosneft will be potential long-term share price appreciation and dividend growth.
- BP is positioned to contribute to Rosneft s strategy implementation through collaboration on technology and best practice. We also have the potential to undertake standalone projects with Rosneft, both in Russia and internationally.
- We remain committed to our strategic investment in Rosneft while complying with all relevant sanctions.

2014 summary

- US and EU sanctions were imposed on certain Russian activities, individuals and entities, including Rosneft.
- BP received $693 million, net of withholding taxes, in July representing our share of Rosneft s dividend of 12.85 Russian roubles per share for 2013.

Rosneft and BP signed a contract in June to supply BP with up to 12 million tons of oil products over five years. A syndicate of banks, through a pre-export financing agreement, made a payment of approximately $1.935 billion to Rosneft.

Rosneft and BP signed a heads of agreement in May relating to a long-term project for the exploration and potential development of the Domanik formations in the Volga-Urals region of Russia.

Rosneft and BP concluded framework agreements in May to enable technical collaboration between the parties. Work is ongoing in a number of areas pursuant to these agreements in both upstream and downstream.

Bob Dudley serves on the Rosneft board of directors, and its strategic planning committee.

Upstream

Rosneft is the largest oil company in Russia and the largest publicly traded oil company in the world based on hydrocarbon production volume. Rosneft has a major resource base of hydrocarbons onshore and offshore, with assets in all key hydrocarbon regions of Russia: Western Siberia, Eastern Siberia, Timan-Pechora, Volga-Urals, North Caucasus, the continental shelf of the Arctic Sea, and the Far East.

Rosneft participates in international exploration projects or has operations in countries including the US, Canada, Vietnam, Venezuela, Brazil, Algeria, United Arab Emirates, Turkmenistan and Norway.

To progress Arctic exploration, it conducted exploration drilling with ExxonMobil in the South Kara Sea and announced a hydrocarbon discovery in September. Exxon subsequently suspended its participation in this project with Rosneft due to sanctions. Rosneft also began production drilling in the Sea of Okhotsk in September 2014, and continued to grow its gas business increasing gas production from 38 to 57bcm as well as advancing plans for the development of LNG export capacity.

Downstream

Rosneft is the leader of the Russian refining industry. It owns and operates 10 refineries in Russia and also has an interest in four refineries in Germany through its Ruhr Oel GmbH partnership with BP. It continued implementation of the modernization programme for its Russian refineries in 2014 to significantly upgrade and expand refining capacity.

Rosneft refinery throughput in 2014 amounted to 2,027mb/d. As at 31 December 2014, Rosneft owned and operated more than 2,500 retail service stations, representing the largest network in Russia. This included BP-branded sites acquired as part of the TNK-BP acquisition in 2013 which continue to operate under the BP brand under a licence agreement with BP. Downstream operations also include jet fuel, bunkering, bitumen and lubricants.

Rosneft segment performance

BP s investment in Rosneft is managed and reported as a separate segment under IFRS. The segment result includes equity-accounted earnings from Rosneft, representing BP s share in Rosneft.

		$ million
	2014[a]	2013[b]

Profit before interest and tax[c d]	**2,076**	2,053
Inventory holding (gains) losses«	**24**	100
RC profit before interest and tax	**2,100**	2,153
Net charge (credit) for non-operating items«	**(225)**	45
Underlying RC profit before interest and tax«	**1,875**	2,198
Average oil marker prices		$ per barrel
Urals (Northwest Europe CIF)	**97.23**	107.38
Russian domestic oil	**50.40**	54.97

[a] The operational and financial information of the Rosneft segment for 2014 is based on preliminary operational and financial results of Rosneft for the three months ended 31 December 2014. Actual results may differ from these amounts.

[b] From 21 March 2013.

[c] BP s share of Rosneft s earnings after finance costs, taxation and non-controlling interests is included in the BP group income statement within profit before interest and taxation.

[d] Includes $25 million (2013 $5 million loss) of foreign exchange losses arising on the dividend received.

Replacement cost (RC) profit before interest and tax for the segment included a non-operating gain of $225 million, relating to Rosneft s sale of its interest in the Yugragazpererabotka joint venture«. In addition, the result was affected by an unfavourable duty lag effect, lower oil prices and other items, partially offset by certain foreign exchange effects which had a favourable impact on the result. See also Financial statements Notes 15 and 30 for other foreign exchange effects.

« Defined on page 252.

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Balance sheet

	2014	$ million 2013
Investments in associates«[a] (as at 31 December)	**7,312**	13,681

Production and reserves

	2014 [b]	2013
Production (net of royalties) (BP share)[c]		
Liquids« (mb/d)		
Crude oil[d]	**816**	643
Natural gas liquids	**5**	7
Total liquids	**821**	650
Natural gas (mmcf/d)	**1,084**	617
Total hydrocarbons« (mboe/d)	**1,008**	756
Estimated net proved reserves (net of royalties) (BP share)		
Liquids (million barrels)		
Crude oil[d]	**4,961**	4,860
Natural gas liquids	**47**	115
Total liquids	**5,007**	4,975
Natural gas (billion cubic feet)	**9,827**	9,271
Total hydrocarbons (mmboe)	**6,702**	6,574

[a] See Financial statements Note 15 for further information.
[b] The operational and financial information of the Rosneft segment for 2014 is based on preliminary operational and financial results of Rosneft for the three months ended 31 December 2014. Actual results may differ from these amounts.
[c] 2013 reflects production for the period 21 March to 31 December, averaged over the full year. Information on BP s share of TNK-BP s production for comparative periods is provided on pages 222 and 223.
[d] Includes condensate.

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Other businesses

and corporate

Comprises our biofuels and wind businesses, shipping, treasury and corporate activities including centralized functions.

p

Crew carrying out mooring operations on the deck of BP s oil tanker, *British Chivalry*, as it berths in Singapore.

Financial performance

			$ million
	2014	2013	2012
Sales and other operating revenues[a]	**1,989**	1,805	1,985
RC profit (loss) before interest and tax	**(2,010)**	(2,319)	(2,794)
Net (favourable) unfavourable impact of non-operating items«	**670**	421	798
Underlying RC profit (loss) before interest and tax«	**(1,340)**	(1,898)	(1,996)
Capital expenditure and acquisitions	**903**	1,050	1,435

[a] Includes sales to other segments.

The replacement cost (RC) loss before interest and tax for the year ended 31 December 2014 was $2.0 billion (2013 $2.3 billion, 2012 $2.8 billion). The 2014 result included a net charge for non-operating items of $670 million (2013 $421 million, 2012 $798 million). This represented restructuring provisions and impairments, principally in respect of our biofuels businesses in the UK and US.

After adjusting for these non-operating items, the underlying RC loss before interest and tax for the year ended 31 December 2014 was $1.3 billion (2013 $1.9 billion, 2012 $2.0 billion). This result reflected improved shipping, biofuels and wind performance and a number of one-off credits.

Biofuels

Our investment in alternative energies is focused on biofuels, where our strategy is to focus on the conversion of cost-advantaged and sustainable feedstocks that are materially scalable and can be competitive without subsidies.

We operate three sugar cane mills in Brazil producing bioethanol and sugar and exporting power to the local grid. We continue to evaluate options to increase production at these facilities and completed work on expanding ethanol production capacity at one mill as planned.

BP continues to invest throughout the entire biofuels value chain, from growing sustainable higher-yielding and lower-carbon feedstocks through to the development, production and marketing of the advantaged fuel molecule biobutanol which has higher energy content than ethanol and delivers improved fuel economy.

In conjunction with our partner DuPont, we are undertaking research into the production of biobutanol under the company name Butamax.

Across our biofuels business, BP s share of ethanol-equivalent production (which includes ethanol and sugar) for 2014 was 653 million litres compared with 521 million litres in 2013. The majority of this production was from BP s sugar cane mills in Brazil.

Wind

We have a wind energy business in the US, with interests in 16 operating wind farms. Gross generating capacity from this portfolio is 2,585MW of electricity. Our focus is on safe operations and optimizing performance at our owned and joint venture« wind farms.

Based on our financial stake, BP s net wind generation capacity[b]« was 1,588 MW at 31 December 2014, compared with 1,590 MW at 31 December 2013. Our net share of wind generation for 2014 was 4,617 GWh, compared with 4,203 GWh a year ago.

[b] Capacity figures include 32MW in the Netherlands managed by our Downstream segment.

Shipping

The primary purpose of BP s shipping and chartering activities is the transportation of the group s hydrocarbon products using a combination of BP-operated, time-chartered and spot-chartered vessels. Surplus capacity may also be used to transport third-party products. All vessels conducting BP shipping activities are subject to our health, safety, security and environmental requirements. At 31 December 2014, our fleet included four Alaskan vessels, 46 BP-operated and 41 time-chartered vessels for our deep-sea, international oil and gas shipping operations. In December 2014 BP shipping entered into contracts with Daewoo Shipbuilding & Marine Engineering in South Korea for the construction of LNG tankers to be delivered in 2018 and 2019.

Treasury

Treasury manages the financing of the group centrally, with responsibility for managing the group s debt profile, share buyback programmes and dividend payments while ensuring liquidity is sufficient to meet group requirements. It also manages key financial risks including interest rate, foreign exchange, pension and financial institution credit risk. From locations in the UK, the US and Singapore, treasury provides the interface between BP and the international financial markets and supports the financing of BP s projects around the world. Treasury trades foreign exchange and interest rate products in the financial markets, hedging group exposures and generating incremental value through optimizing and managing cash flows and the short-term investment of operational cash balances. Trading activities are underpinned by the compliance, control and risk management infrastructure common to all BP trading activities. For further information, see Financial statements Note 27.

Insurance

The group generally restricts its purchase of insurance to situations where this is required for legal or contractual reasons. We bear losses as they arise, rather than spreading them over time through insurance premiums with attendant transaction costs. This approach is reviewed on a regular basis and if specific circumstances require such a review.

Outlook

Other businesses and corporate annual charges, excluding non-operating items, are expected to be around $1.6 billion in 2015.

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Gulf of Mexico oil spill

Economic and environmental restoration progress continues, while BP makes its case in court.

p

BP restoration projects in Louisiana include creating a fish hatchery and rebuilding and restoring beach, dune and marsh habitat on a number of coastal islands.

Key events

- In April the US Coast Guard ended active clean-up along the Gulf of Mexico shoreline, with any future identification of residual oil to be dealt with through the National Response Center process.

- The federal district court in New Orleans ruled in September that the discharge of oil was the result of the gross negligence and wilful misconduct of BP Exploration & Production Inc. BP has appealed this ruling.

- In January 2015 the district court ruled that 3.19 million barrels of oil were discharged into the Gulf of Mexico and that BP was not grossly negligent in its source control efforts. We have also appealed this ruling.

- BP continued to challenge the implementation of the settlement agreement with the Plaintiffs Steering Committee, including issues around compensation for losses with no apparent connection to the spill. In December, the US Supreme Court declined BP s petition to review the lower court decisions relating to these issues.

- As at the end of 2014, the cumulative pre-tax income statement charge since the incident amounted to $43.5 billion. This does not include amounts that BP does not consider possible to measure reliably at this time. The magnitude and timing of all possible obligations continue to be subject to significant uncertainty.

- The cumulative charges to be paid from the Deepwater Horizon Oil Spill Trust fund reached $20 billion in 2014. Subsequent additional costs are being charged to the income statement as they arise.

Environmental and economic restoration

We have made significant progress in completing the response to the accident and supporting environmental and economic recovery efforts in affected areas. The US Coast Guard ended patrols and operations on the final shoreline miles in Louisiana in April 2014. The Coast Guard has now transitioned all shoreline areas to their National Response Center process. If residual oil from the Deepwater Horizon incident is later identified and requires removal, BP will take action at the direction of the Coast Guard.

BP is responsible for the reasonable and necessary costs of assessing injury to natural resources resulting from the oil spill and of restoration as defined under the Oil Pollution Act of 1990 (OPA 90). In 2014 activity was focused on natural resource damage assessment and further progress was made on early restoration work.

Natural resource damage assessment and early restoration projects

Scientists from BP, government agencies, academia and other organizations are studying a range of species and habitats to understand how wildlife populations and the environment may have been affected by the accident and oil spill. Since May 2010, more than 240 initial and amended work plans have been developed by state and federal trustees and BP to study resources and habitat. The study data will inform an assessment of injury to natural resources in the Gulf of Mexico and the development of a restoration plan. The plan will address the identified injuries including the recreational use of these resources, as well as an estimated cost to implement it. By the end of 2014, BP had spent approximately $1.3 billion to support the assessment process. See *gulfsciencedata.bp.com* for environmental data collected through the natural resource damage assessment process.

While the injury assessment is still ongoing, restoration work has begun. In April 2011 BP committed to provide up to $1 billion in early restoration funding to expedite recovery of natural resources injured as a result of the Deepwater Horizon incident. BP and the trustees, as at December 2014, had reached agreement on a total of 54 early restoration projects that are expected to cost approximately $700 million, of which $629 million had been funded by the end of 2014. BP is providing project funding in exchange for restoration credits to be applied against the trustees final assessment of BP s natural resource damages funding obligations.

Gulf of Mexico Research Initiative

In May 2010 BP committed $500 million over 10 years to fund independent scientific research through the Gulf of Mexico Research Initiative. The goal of the research initiative is to improve society s ability to understand, respond to and mitigate the potential impacts of oil spills on marine and coastal ecosystems. BP has contributed $215 million to the programme as at 31 December 2014.

Economic recovery

BP continued to support economic recovery efforts in local communities through a variety of actions and programmes in 2014. By 31 December 2014, BP had spent $13.4 billion on economic recovery, including claims, advances, settlements and other payments, such as state tourism grants and funding for state-led seafood testing and marketing.

See *bp.com/gulfofmexico* for more information on environmental and economic restoration activities.

Multi-district litigation proceedings in New Orleans

The multi-district litigation trial relating to liability, limitation, exoneration and fault allocation (part of MDL 2179) began in the federal district court in New Orleans in February 2013.

Phase 1 causes of the accident and allocation of fault

The district court issued its ruling on the first phase of the trial in September 2014. It found that BP Exploration & Production Inc. (BPXP the BP group company that conducts exploration and production operations in the Gulf of Mexico), BP America Production Company and various other parties are each liable under general maritime law for the blowout, explosion and oil spill from the Macondo well. With respect to the United States claim against BPXP under the Clean Water Act, the district court found that the discharge of oil was the result of BPXP s gross negligence and wilful misconduct and that BPXP is therefore subject to enhanced civil penalties. BP does not believe that the evidence at trial supports a finding of gross negligence and wilful misconduct and has appealed the Phase 1 ruling.

A provision of $3,510 million was recognized in 2010 for estimated civil penalties under Section 311 of the Clean Water Act. BP continues to believe that a provision of $3,510 million represents a reliable estimate of the amount of the liability if the appeal is successful and this provision, calculated on the basis of the previous assumptions, has been maintained in the accounts. If BP is unsuccessful in its appeal, and the ruling of gross negligence and wilful misconduct is upheld, the maximum penalty that could be imposed is up to $4,300 per barrel. Based upon this penalty rate and the district court s ruling of the number of barrels spilled, which, as noted above is also subject to appeal, the maximum penalty could be up to $13.7 billion. The court has wide discretion in its application of statutory penalty factors and we are therefore unable to determine a reliable estimate for any additional penalty which might apply should the gross negligence finding be upheld.

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Phase 2 efforts to stop the flow of oil and the volume of oil spilled

The district court issued its ruling on the second phase of the trial in January 2015. It found that 3.19 million barrels of oil were discharged into the Gulf of Mexico. In addition, the district court found that BP was not grossly negligent in its source control efforts. We have also appealed this Phase 2 ruling.

Penalty phase

The penalty phase of the trial concluded in February 2015. In this phase, the district court will determine the amount of civil penalties owed to the United States under the Clean Water Act. This will be based on the court s rulings or ultimate determinations on appeal as to the presence of negligence, gross negligence or wilful misconduct and the volume of oil spilled, as well as the application of the penalty factors under the Clean Water Act.

BP is not currently aware of the timing of the district court s ruling for the penalty phase.

Plaintiffs Steering Committee settlements

BP reached settlements in 2012 with the Plaintiffs Steering Committee (PSC) to resolve the substantial majority of legitimate individual and business claims and medical claims stemming from the accident and oil spill. The PSC was established to act on behalf of individual and business plaintiffs in MDL 2179. During 2014, amounts paid out under the PSC settlements totalled approximately $600 million.

Individual and business claims

As part of its monitoring of payments made by the court-supervised programme for the economic and property damages settlement, BP identified and disputed multiple business economic loss claim determinations that appeared to result from an incorrect interpretation of the economic and property damages settlement agreement by the claims administrator. BP has also raised issues about misconduct and inefficiency in the facility administering the settlement.

In December 2013 the district court ruled that, for the purposes of determining business economic loss claims, revenues must be matched with expenses incurred by claimants in conducting their business even when the revenues and expenses were recorded at different times. In May 2014, the district court approved the claims administrator s revised matching policy reflecting this order and the policy is now in effect. The PSC has filed a motion with the district court to alter or amend the policy.

In September 2014 the district court denied BP s motion to order the return of excessive payments made by the Deepwater Horizon Court Supervised Settlement Program under the matching policy in effect before the district court s December 2013 ruling requiring a claimant s revenue to be matched with variable expenses. BP has appealed this decision to the US Court of Appeals for the Fifth Circuit (Fifth Circuit).

Following the ruling by the district court, which was affirmed by the Fifth Circuit, that the settlement agreement did not contain a causation requirement beyond the revenue and related tests set out in an exhibit to that agreement, the district court in May dissolved the injunction that had halted the processing and payment of business economic loss claims and instructed the claims administrator to resume the processing and payment of claims. In August BP petitioned the US Supreme Court for review of the Fifth Circuit s decisions relating to compensation of claims for losses with no apparent connection to the Deepwater Horizon spill. In December 2014 the US Supreme Court denied BP s petition for review.

Business economic loss claims continue to be assessed and paid under the revised matching policy. The deadline for submitting claims is 8 June 2015.

In September 2014 BP sought to remove Patrick Juneau from his roles as claims administrator and settlement trustee for the economic and property damages settlement for reasons including a conflict of interest. This was denied by the district court and BP has appealed this decision.

Medical claims

The medical benefits class action settlement provides for claims to be paid to qualifying class members from the agreement s effective date. Following the resolution of all appeals relating to this settlement, the agreement s effective date was 12 February 2014. The deadline for submitting claims under the settlement was one year from the effective date.

Process safety and ethics monitors

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

The process safety monitor is reviewing and providing recommendations concerning BPXP s process safety and risk management procedures for deepwater drilling in the Gulf of Mexico.

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

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

A third-party auditor has also been retained and will review and report to the probation officer, the US government and BP on BPXP s compliance with the plea agreement s implementation plan. See *bpxpcompliancereports.com* for annual updates on BP s compliance with the plea agreement.

Other legal proceedings

BP is subject to a number of different legal proceedings in connection with the Deepwater Horizon incident in addition to the legal proceedings relating to the PSC settlements and the multi-district litigation proceedings in New Orleans. For more information see Legal proceedings on page 228.

OPA 90 and other civil claims

BP p.l.c., BPXP and various other BP entities have been among the companies named as defendants in approximately 3,000 civil lawsuits resulting from the accident and oil spill, including the claims by several states and local government entities. The majority of these lawsuits assert claims under OPA 90, as well as various other claims, including for economic loss and real property damage, and claims under maritime law and state law. These lawsuits seek various remedies including economic and compensatory damages, punitive damages, removal costs and natural resource damages. Many of the lawsuits assert claims excluded from the PSC settlements, such as claims for recovery for losses allegedly resulting from the 2010 federal deepwater drilling moratoria and the related permitting process. Many of these lawsuits have been consolidated into MDL 2179.

Alabama, Mississippi, Florida, Louisiana, Texas and various local government entities have submitted or asserted claims to BP under OPA 90 for alleged losses including economic losses and property damage as a result of the Gulf of Mexico oil spill. BP has provided for the current best estimate of the amount required to settle these obligations. BP considers most of these claims to be unsubstantiated and the methodologies used to calculate them to be seriously flawed, not supported by OPA 90, not supported by documentation and to be substantially overstated.

Securities litigation proceedings

The multi-district litigation proceedings pending in federal court in Houston (MDL 2185), including a purported class action on behalf of purchasers of American Depositary Shares under US federal securities law, are continuing. A jury trial is scheduled to begin in January 2016.

SEC settlement

In connection with the 2012 settlement with the SEC resolving the SEC s Deepwater Horizon-related civil claims, in August 2014, the final instalment of $175 million was paid under the civil penalty of $525 million.

US Environmental Protection Agency (EPA) suspension and debarment

In March 2014, BP p.l.c., BPXP, and all other BP entities that the EPA had suspended from receiving new federal contracts or renewing existing ones entered into an administrative agreement with the EPA resolving all issues related to suspension or debarment arising from the Deepwater Horizon incident. The administrative agreement restores the eligibility of BP entities to enter into new contracts or leases with the US government. Under the terms and conditions of the administrative agreement, which applies for five years, BP has agreed to safety and operations, ethics and compliance and corporate governance requirements.

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Financial update

The group income statement for 2014 includes a pre-tax charge of $819 million in relation to the Gulf of Mexico oil spill. The charge for the year reflects additional litigation and claims costs and the ongoing costs of the Gulf Coast Restoration Organization. As at 31 December 2014, the total cumulative charges recognized to date amount to $43.5 billion. The total amounts that will ultimately be paid by BP in relation to all the obligations relating to the incident are subject to significant uncertainty and the ultimate exposure and cost to BP and the timing of such costs will be dependent on many factors, including in relation to any new information or future developments. These could have a material impact on our consolidated financial position, results and cash flows.

BP has provided for spill response costs, environmental expenditure, litigation and claims and Clean Water Act penalties that can be measured reliably. The cumulative income statement charge does not include amounts for obligations that BP considers are not possible to measure reliably at this time, such as:

Natural resource damages, except for reasonable costs for damage assessment, the $1-billion allocation for early restoration projects and associated legal costs.

Any obligation that may arise from securities-related litigation.

The cost of business economic loss claims under the PSC settlement not yet received, or received but not yet processed, or processed but not yet paid (except where an eligibility notice had been issued before the end of the month following the balance sheet date and is not subject to appeal by BP within the claims facility).

Claims asserted in civil litigation, including any further litigation through excluded parties from the PSC settlement.

Any further liability for the Clean Water Act penalty arising in the event the gross negligence finding is upheld.

Any further obligation that may arise from state and local claims.

The additional amounts payable for these and other items could be considerable. More details regarding the impacts and uncertainties relating to the Gulf of Mexico oil spill can be found in Risk factors on page 48, Legal proceedings on page 228 and Financial statements Note 2.

Deepwater Horizon Oil Spill Trust update

BP, in agreement with the US government, set up the $20-billion Deepwater Horizon Oil Spill Trust (the Trust) to provide confidence that funds would be available to satisfy legitimate individual and business claims, state and local government claims resolved by BP, final judgments and settlements, state and local response costs, and natural resource damages and related costs. The cumulative charges to the Trust had reached $20 billion in 2014. Subsequent additional costs over and above those provided within the $20 billion, are being charged to the income statement as they arise.

Payments made out of the Trust during 2014 totalled $1.7 billion for individual and business claims, medical settlement programme payments, natural resource damage assessment and early restoration, state and local government claims, costs of the court supervised settlement programme and other resolved items. As at 31 December 2014, the aggregate cash balances in the Trust and the associated qualified settlement funds amounted to $5.1 billion, including $1.1 billion remaining in the seafood compensation fund, from which a further $0.5 billion partial distribution started in early 2015, and $0.4 billion held for natural resource damage early restoration projects.

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Corporate responsibility

We believe we have a positive role to play in shaping the long-term future of energy.

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A safety and health specialist tests a confined space to make sure it s safe for entry at the Kwinana refinery in Western Australia.

Safety

We continue to promote deep capability and a safe operating culture across BP.

Our operating management system (OMS)« sets out BP s principles for good operating practice.

By the end of 2014, we had completed 25 of the 26 recommendations from BP s internal investigation regarding the Deepwater Horizon accident, the Bly Report.

Contractors carried out 52% of the 357 million hours worked by BP in 2014.

Process safety events

(number of incidents)

Recordable injury frequency

(workforce incidents per 200,000 hours worked)

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

Additional information on our safety, environmental and social performance is available in our Sustainability Report. See *bp.com/sustainability* for case studies, country reports and an interactive tool for health, safety and environmental data.

Group safety performance

In 2014, BP reported three fatalities; a fall from height in the UK, an incident involving a forklift in Indonesia, and an incident that occurred inside a process vessel in Germany. We deeply regret the loss of these lives.

Personal safety performance

	2014	2013	2012
Recordable injury frequency (group)[b]	**0.31**	0.31	0.35
Day away from work case frequency[c] (group)[b]	**0.081**	0.070	0.076
Severe vehicle accident rate[d]	**0.132**	0.120	0.130

[b] Incidents per 200,000 hours worked.
[c] Incidents that resulted in an injury where a person is unable to work for a day (shift) or more.
[d] Number of vehicle incidents that result in death, injury, a spill, a vehicle rollover, or serious disabling vehicle damage per one million kilometres travelled.

Process safety performance

	2014	2013	2012
Tier 1 process safety events«	**28**	20	43
Tier 2 process safety events	**95**	110	154
Loss of primary containment number of all incidents[e]	**286**	261	292
Loss of primary containment number of oil spills[f]	**156**	185	204
Number of oil spills to land and water	**63**	74	102
Volume of oil spilled (thousand litres)	**400**	724	801
Volume of oil unrecovered (thousand litres)	**155**	261	320

[e] Does not include either small or non-hazardous releases.
[f] Number of spills greater than or equal to one barrel (159 litres, 42 US gallons).

We report our safety performance using industry metrics including the American Petroleum Institute (API) RP-754 standard. These include tier 1 process safety events, defined as the loss of primary containment from a process of greatest consequence causing harm to a member of the workforce or costly damage to equipment, or exceeding defined quantities. Tier 2 process safety events are those of lesser consequence than tier 1. We take a long-term view on process safety indicators because the full benefit of the decisions and actions in this area is not always immediate.

We seek to record all losses of primary containment (LOPC), regardless of the volume of the release and report on losses over a severity threshold. These include unplanned or uncontrolled releases from a tank, vessel, pipe, rail car or equipment used for containment or transfer. Our 2014 data reflects increases in part due to the introduction of enhanced automated monitoring for many remote sites in our Lower 48 business.

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

Managing safety

We are working to continuously improve safety and risk management across BP. Our operating businesses are responsible for identifying and managing risks and bringing together people with the right skills and competencies to address them. They are also required to carry out self-verification and are subject to independent scrutiny and assurance. Our safety and operational risk team works alongside our operating businesses to provide oversight and technical guidance, while members of our group audit teams visit certain sites, including third-party rigs, to check how they are managing risks.

« Defined on page 252.

Each business segment has a safety and operational risk committee, chaired by the business head, to oversee the management of safety and operational risk in their respective areas of the business. In addition, the group operations risk committee facilitates the group chief executive s oversight of safety and operational risk management across BP.

The board s safety, ethics and environment assurance committee (SEEAC) receives updates from the group chief executive and the head of safety and operational risk on the management of the highest priority risks. SEEAC also receives updates on BP s process and personal safety performance, and the monitoring of major incidents and near misses across the group. See Our management of risk on page 46.

Operating management system (OMS)

BP s OMS is a group-wide framework designed to help us manage risks in our operating activities. It brings together BP requirements on health, safety, security, the environment, social responsibility and operational reliability, as well as related issues, such as maintenance, contractor relations and organizational learning, into a common management system. Any necessary variations in the application of OMS in order to meet local regulations or circumstances are subject to a governance process.

OMS also helps us improve the quality of our operating activities. All businesses covered by OMS undertake an annual performance improvement cycle and assess alignment with the OMS framework. Recently acquired operations need to transition to OMS. We review and amend our group requirements within OMS from time to time to reflect BP s priorities and experience or changing external regulations. See page 41 for information about contractors and joint arrangements«.

Capability development

We aim to equip our staff with the skills needed to run safe and efficient operations. Our OMS capability development programmes cover areas such as process safety, risk, and safety leadership. Our applied deepwater well control course uses simulator facilities to train key members of rig teams, including contractors. We have conducted more than 35 classes for rig crews from around the world since the course began in October 2012.

Security and crisis management

The scale and spread of BP s operations means we must prepare for a range of business disruptions and emergency events. BP monitors for, and aims to guard against, hostile actions that could cause harm to our people or disrupt our operations, including physical and digital threats and vulnerabilities.

We also maintain disaster recovery, crisis and business continuity management plans and work to build day-to-day response capabilities to support local management of incidents. See page 42 for information on BP s approach to oil spill preparedness and response.

In January 2013, the In Amenas gas plant in Algeria, which is run as a joint operation between BP, the Algerian state oil and gas company Sonatrach and Statoil, came under armed terrorist attack. Algerian military action regained control of the site. Forty people, including four BP employees, and a former employee, lost their lives in the incident. This was a tragic and unprecedented event which impacted many employees and their families.

BP participated fully in the UK Coroner s inquest, which we considered the most effective means of providing a greater understanding of what happened. The UK Coroner handed down his verdicts, conclusions and detailed factual findings on 26 February 2015.

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

Upstream safety

Safety performance

	2014	2013	2012
Recordable injury frequency	**0.23**	0.32	0.32
Day away from work case frequency	**0.051**	0.068	0.053
Loss of primary containment incidents number	**187**	143	151

Safer drilling

Our global wells organization is responsible for planning and executing all our wells operations across the world. It is also responsible for establishing standards on compliance, risk management, contractor management, performance indicators, technology and capability for our well operations.

Completing the Bly Report recommendations

BP s investigation into the Deepwater Horizon accident, the Bly Report, made 26 recommendations aimed at further reducing risk across our global drilling activities. A total of 25 recommendations had been completed by the end of 2014.

We expect the final recommendation to be completed by the end of 2015, as scheduled. This recommendation involves verifying the implementation of revised well control and monitoring standards to BP-owned and BP-contracted offshore rigs. It takes time to fully implement as it requires training a large proportion of our global wells operating personnel on the revised standards.

Our group audit team has verified closure of the recommendations.

See *bp.com/26recommendations* for the Bly Report recommendations.

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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 also provides his views on the organizational effectiveness and culture of the global wells organization, and process safety observations.

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

Mr Sandlin is engaged through to June 2016.

Downstream safety

Safety performance

	2014	2013	2012
Recordable injury frequency	**0.34**	0.25	0.33
Day away from work case frequency	**0.121**	0.063	0.089
Severe vehicle accident rate	**0.09**	0.10	0.16
Loss of primary containment incidents number	**82**	101	117

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

We focus on managing the highest priority risks associated with our storage, handling and processing of hydrocarbons. We use technology, such as automated systems, which are intended to prevent our gasoline storage tanks from overfilling, to help manage our operations within safe operating and design limits. In 2014 a total of 12 facilities participated in our exemplar programme, which aims to help sites apply our OMS using continuous improvement processes.

Process safety expert

The board appointed Duane Wilson as process safety expert for our downstream activities in 2012 for a three-year term and assigned him to work in a global capacity with the business. Mr Wilson provided an independent perspective on the progress that BP s fuels, lubricants and petrochemicals businesses were making toward becoming industry leaders in process safety performance.

Working with contractors and partners

BP, like our industry peers, rarely works in isolation we need to work with contractors, suppliers and partners to carry out our operations. In 2014, 52% of the 357 million hours worked by BP were carried out by contractors.

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

Contractors

We expect and encourage our contractors and their employees to act in a way that is consistent with our code of conduct. Our OMS includes requirements and practices for working with contractors.

We seek to set clear and consistent expectations of our contractors. Our standard model upstream contracts, for example, include health, safety, security and environmental 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 site.

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

Our partners in joint arrangements

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

We have a group framework for identifying and managing BP s exposure related to safety, operational, and bribery and corruption risk from our participation in non-operated joint arrangements.

Typically, our level of influence or control over a joint arrangement is linked to the size of our financial stake compared with other participants. In some joint arrangements we act as the operator. Our OMS applies to the operations of joint arrangements only where we are the operator.

In other cases, one of our partners may be the designated operator, or the operator may be an incorporated joint arrangement company owned by BP and other companies. In those cases, our OMS does not apply as the management system to be used by the operator, but is generally available as a reference point for engagement with operators and co-venturers.

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The Toledo refinery in Ohio processes around 160,000 barrels of crude oil each day to make gasoline, jet fuel and other products.

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Environment and society

Throughout the life cycle of our projects and operations, we aim to manage the environmental and social impacts of our presence.

Managing our impacts

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

Our operating management system« (OMS) includes practices that set out requirements and guidance for how we identify and manage environmental and social impacts. The practices apply to our major projects«, projects that involve new access, those that could affect an international protected area and some BP acquisition negotiations.

In the early planning stages of these projects, we complete a screening process to identify the most significant environmental and social impacts. We completed the process for 19 projects in 2014. Following screening, projects are required to carry out impact assessments, identify mitigation measures and implement these in project design, construction and operations.

BP s environmental expenditure in 2014 totalled $4,024 million (2013 $4,288 million, 2012 $7,230 million). For a breakdown of environmental expenditure see page 225. This figure includes a charge of $190 million relating to the Gulf of Mexico oil spill. For reference, expenditure related to the Gulf of Mexico oil spill was a credit of $66 million in 2013 and a charge of $919 million in 2012. For Regulation of the group s business Environmental regulation see page 225.

We review our management of material issues such as greenhouse gas emissions, water, sensitive and protected areas and oil spill response. This includes examining emerging risks and actions taken to mitigate them.

Oil spill preparedness and response

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

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

Enhancing response capabilities

We consider the environmental and socio-economic sensitivities of a region to help inform oil spill response planning. Sensitivity mapping helps us to identify the various types of habitats, resources and communities that could be affected by oil spills and develop appropriate response strategies. We are implementing a mapping system that brings together geographical, operational, infrastructure, socio-economic, biological and habitat information to help us identify and better understand potential impacts of an oil spill.

We are also testing the applicability of a number of emerging technologies for oil spill response, including the use of robotic vehicles with camera sensors to locate spills and provide remote visibility for oil spill response at sea.

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

See page 39 for information on volume of oil spilled by our operations in 2014, including volume of oil unrecovered.

Climate change

BP believes that climate change is an important long-term issue that justifies global action. We are taking steps to address carbon risk and collaborating with others on climate change issues. For example, we require our operations to incorporate energy use considerations in their business plans and to assess, prioritize and implement technologies and systems that could improve usage. We factor a carbon cost into our own investments and engineering designs for large new projects, and invest in lower-carbon energy products. We seek to address potential climate change impacts on our new projects in the design phase. We have guidance for existing operations and projects on how to assess potential climate risks and impacts to enable mitigation steps to be incorporated into project planning, design and operations.

Greenhouse gas emissions

We report on direct and indirect GHG emissions on a carbon dioxide-

equivalent (CO_2e) basis. Direct emissions include CO_2 and methane from the combustion of fuel and the operation of facilities, and indirect emissions include those resulting from the purchase of electricity, heat, steam or cooling. In 2014 we changed our GHG reporting boundary from a BP equity-share basis to an operational control basis.

Our approach to reporting GHG emissions broadly follows the IPIECA/ API/IOGP Petroleum Industry Guidelines for Reporting GHG Emissions (the IPIECA guidelines). We calculate emissions based on the fuel consumption and fuel properties for major sources rather than the use of generic emission factors. We do not include nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride as they are not material and it is not practical to collect this data.

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Greenhouse gas emissions (MteCO_2e)

	2014	2013	2012
Operational control[a]			
Direct emissions	**54.1**		
Indirect emissions	**7.2**		
BP equity share[b]			
Direct emissions	**48.6**	50.3[c]	59.8
Indirect emissions	**6.6**	6.6	8.4

[a] Operational control data comprises 100% of emissions from activities that are operated by BP, going beyond the IPIECA guidelines by including emissions from certain other activities such as contracted drilling activities. Data for emissions on an operational control basis was not available prior to 2014.

[b] BP equity share comprises our share of BP s consolidated entities and equity-accounted entities, other than BP s share of TNK-BP and Rosneft. Rosneft s emissions data can be found on its website.

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

The decrease in our GHG emissions is primarily due to the sale of our Carson and Texas City refineries in the US as part of our divestment programme. See *bp.com/greenhousegas* for more information about our GHG emissions from upstream production, refining throughput and chemicals produced.

Intensity

In 2014 we changed the intensity ratio we report on from a financial to a production-based one. The ratio of our total GHG emissions reported on an operational control-based boundary to gross production was 0.25teCO_2e/te production in 2014. Gross production comprises upstream production, refining throughput and petrochemicals produced.

In 2013 we reported the ratio of our total GHG emissions on a BP equity-share basis to adjusted revenue of those entities or share of entities included in GHG reporting. This was 0.15kte/ $million. Adjusted revenue reflects total revenues and other income, less gains on sales of businesses and fixed assets.

Greenhouse gas regulation

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

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

Accordingly, we require larger projects, and those for which emissions costs would be a material part of the project, to apply a standard carbon cost to the projected GHG emissions over the life of the project. In industrialized countries, our standard cost assumption is currently $40 per tonne of CO_2 equivalent. We use this cost as a basis for assessing the economic value of the investment and as one consideration in optimizing the way the project is engineered with respect to GHG emissions.

See page 225 for information on other environmental regulations.

Water

BP recognizes the importance of managing fresh water use and water discharges effectively in our operations and evaluates risks, including water scarcity, wastewater disposal and the long-term social and environmental pressures on local water resources.

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

Unconventional gas and hydraulic fracturing

Natural gas resources, including unconventional gas, have an increasingly important role in meeting the world s growing energy needs. New technologies are making it possible to extract unconventional gas resources safely, responsibly and economically. BP has unconventional gas operations in Algeria, Indonesia, Oman and the US.

Some stakeholders have raised concerns about the potential environmental and community impacts of hydraulic fracturing.

BP seeks to apply responsible well design and construction, surface operation and fluid handling practices to mitigate these risks.

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

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

Our US Lower 48 onshore business s approach is to operate in line with industry standards developed within the context of the highly regulated US environment.

See *bp.com/unconventionalgas* for information about our approach to unconventional gas and hydraulic fracturing.

Canada s oil sands

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

Our decision to invest in Canadian oil sands projects takes into consideration GHG emissions, impacts on land, water use, local communities and commercial viability. Projects are managed through governance committees, with equal representation from BP and our partners, and approval rights laid out in agreements with our partners.

See *bp.com/oilsands* for information on BP s investments in Canada s oil sands.

Human rights

We are committed to conducting our business in a manner that respects the rights and dignity of all people. We respect internationally recognized human rights, as set out in the International Bill of Human Rights and the International Labour Organization s Declaration on Fundamental Principles and Rights at Work. We set out our commitments in our human rights policy. Our code of conduct references the policy, requiring employees to report any human rights abuse in our operations or in those of our business partners.

We are delivering our human rights policy by implementing the relevant sections of the United Nations Guiding Principles on Business and Human Rights and incorporating them into the processes and policies that govern our business activities. Our action plan aims to achieve closer alignment with the UN Guiding Principles over a number of years using a risk-based approach. Representatives from key functions, including human resources, ethics and compliance, procurement, security, and safety and operational risk oversee the plan s implementation.

In 2014 our actions included:

- Human rights training events for more than 270 people, including awareness training for relevant senior leadership teams and representatives from functions such as procurement, shipping, finance and legal.
- The inclusion of human rights clauses in a number of our standard model contracts.
- Participation in the work of oil and gas industry organization IPIECA on developing shared industry approaches to managing human rights risks in the supply chain and guidance on responding to community grievances.
- Continued implementation of the Voluntary Principles on Security and Human Rights, with periodic internal assessments to identify areas for improvement.

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Construction work on the Sunrise energy project, based in the Canadian oil sands of northern Alberta.

See *bp.com/humanrights* for more information about our approach to human rights.

Business ethics

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

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

Financial transparency

We have taken part in consultations in relation to new or proposed revenue transparency reporting requirements in the US and EU for companies in the extractive industries. We are preparing to comply with the transposed EU Accounting Directive in the UK and are participating in the development of industry guidance. We are awaiting publication of the final rules of the US Dodd-Frank Act, expected to be issued before the end of 2015.

As a founding member of the Extractive Industries Transparency Initiative (EITI), BP works with governments, non-governmental organizations and international agencies to improve transparency and disclosure of payments to governments. We support governments   efforts towards EITI certification in countries where we operate and have worked with many countries on implementation of their EITI commitments, including Australia, Azerbaijan, Indonesia, Iraq, Norway, Trinidad & Tobago, the UK and the US.

Enterprise and community development

We run programmes to help build the skills of businesses and to develop the local supply chain in a number of locations. For example, in Indonesia, we provide one-on-one business consultancy and technical assistance to local businesses during the tender process.

BP   s community investments support development that meets local needs and are relevant to our business activities. We contributed $85 million in social investment in 2014.

See *bp.com/society* for more information about our social contribution.

Employees

We seek employees who have the right skills and who understand and embody the values and expected behaviours that guide everything we do.

BP headcount

Number of employees at 31 December[a]	**2014**	2013	2012
Upstream	**24,400**	24,700	24,200
Downstream	**48,000**	48,000	51,800
Other businesses and corporate	**12,100**	11,200	10,400
Total	**84,500**	83,900	86,400

[a] Reported to the nearest 100. For more information see Financial statements Note 33.
The above table includes:

	2014	2013	2012
Retail staff	**14,400**	14,100	14,700
Agricultural, operational and seasonal workers in Brazil	**5,300**	4,300	3,500

At the end of December 2014, we had 84,500 employees. This includes 14,400 service station staff and 5,300 agricultural, operational and seasonal workers in Brazil, which has increased by 1,000 in 2014 due to the expansion of one of our sugar cane processing mills which was completed in 2014. Meanwhile, operational headcount decreased in other areas. We expect our number of employees to align with BP s smaller footprint in 2015 and 2016 as we right-size the organization as part of our response to a lower oil price.

Our values

Our values of safety, respect, excellence, courage and one team align explicitly with BP s code of conduct and translate into the responsible actions necessary for the work we do every day. Our values represent the qualities and actions we wish to see in BP, they guide the way we do business and the decisions we make. We use these values as part of our recruitment, promotion and individual performance assessment processes. See *bp.com/values* for more information.

Our people

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

The group people committee, chaired by the group chief executive, has overall responsibility for key policy decisions relating to employees and governance of BP s people management processes. In 2014 the

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committee discussed longer-term people priorities; reward; progress in our diversity and inclusion programme; recruitment priorities including graduate recruitment and improvements to our learning and development programmes.

Attracting and retaining our people

The complex projects we work on require a wide range of specialist skills from the capability to explore for new sources of energy through to transporting and distributing hydrocarbons safely across the world. We have a bias towards building capability and promoting from within the organization. Where necessary, we complement this with selective external recruitment. In 2014, 84% of new senior leaders were recruited from within the organization.

A total of 670 graduates joined BP in 2014. We target the fields of science, technology, engineering and maths and run initiatives and awareness days at universities and colleges. We also run future leader programmes to recruit post-graduates. In 2014, 37% of our graduate intake were women and 50% were from outside the UK and US.

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

Building enduring capability

Our development opportunities help to build the diverse skills and expertise that we need. We provide a range of opportunities for our employees, with an increased focus on on-the-job learning. This can include mentoring, team development days, workshops, seminars, online learning and international assignments.

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

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

Diversity

As a global business, we aim for a workforce representative of the societies in which we operate.

We have set out our ambitions for diversity and our group people committee reviews performance on a quarterly basis. We aim for women to represent at least 25% of our group leaders the most senior managers of our businesses and functions by 2020. We continue to support the UK government s review of gender diversity on boards, undertaken by Lord Davies in 2011. Currently we have two women on our board. We are actively seeking qualified candidates and remain committed to Lord Davies goal of a quarter of our board to be female by the end of 2015. For more information on our board composition see page 58.

Workforce by gender

Numbers as at 31 December	Male	Female	Female %
Board directors	12	2	14
Group leaders	426	95	18
Subsidiary« directors	776	125	14
All employees	58,700	25,800	31

At the end of 2014, 22% of our group leaders came from countries other than the UK and the US, compared with 14% in 2000. We have continued to increase the number of local leaders and employees in our operations so that they reflect the communities in which we operate. This is monitored at a local, business and national level.

Inclusion

Our goal is to create an environment of inclusion and acceptance. For our employees to be motivated and to perform to their full potential, and for the business to thrive, our people need to be treated with respect and dignity and without discrimination.

We aim to ensure equal opportunity in recruitment, career development, promotion, training and reward for all employees regardless of race, colour, national origin, religion, gender, age, sexual orientation, gender

identity, marital status, disability, or any other characteristic protected by applicable laws. Where existing employees become disabled, our policy is to provide continuing employment and training wherever possible.

Employee engagement

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

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

Business leadership teams review the results of the survey and agree actions to address focus areas. The 2014 survey found that employees remain clear about the safety procedures, standards and requirements that apply to them and that pride in working at BP has increased steadily since 2011. Understanding and support of BP s strategy is strong at senior levels, but needs further communication and engagement across the organization this is a focus area for 2015. Scores related to development and career opportunities have fallen slightly compared to 2013. We have been making changes to how we deliver learning and manage talent and we expect to see benefits in the longer term.

Share ownership

We encourage employee share ownership. For example, through our ShareMatch plan, which operates in more than 50 countries, we match BP shares purchased by our employees. We operate a single group-wide equity plan which allows employee participation at different levels globally and is linked to the company s performance.

The BP code of conduct

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

Employees, contractors or other third parties who have a question about our code of conduct or see something they feel to be unsafe, unethical or potentially harmful can get help through OpenTalk, a confidential helpline operated by an independent company.

In 2014 1,114 people contacted OpenTalk with concerns or enquiries (2013 1,121, 2012 1,295). The most common concerns related to the people section of the code. This includes treating people fairly, with dignity and giving everyone equal opportunity; creating a respectful, harassment-free workplace; and protecting privacy and confidentiality.

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

Policy on political activity

We do not use BP funds or resources to support any political candidate or party. Employees rights to participate in political activity are governed by the applicable laws in the countries in which we operate. For example, in the US, BP provides administrative support to the BP employee political action committee to facilitate employee involvement and to assess whether contributions comply with the law and satisfy all necessary reporting requirements.

« Defined on page 252.

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Our management of risk

BP manages, monitors and reports on the principal risks and uncertainties that can impact our ability to deliver our strategy of meeting the world s energy needs responsibly while creating long-term shareholder value; these risks are described in the Risk factors on page 48.

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

BP s risk management system

BP s risk management system is designed to be a consistent and clear framework for managing and reporting risks from the group s operations to the board. The system seeks to avoid incidents and maximize business outcomes by allowing us to:

- Understand the risk environment, and assess the specific risks and potential exposure for BP.
- Determine how best to deal with these risks to manage overall potential exposure.
- Manage the identified risks in appropriate ways.
- Monitor and seek assurance of the effectiveness of the management of these risks and intervene for improvement where necessary.
- Report up the management chain and to the board on a periodic basis on how significant risks are being managed, monitored, assured and the improvements that are being made.

Our risk management activities

Day-to-day risk management management and staff at our facilities, assets and functions identify and manage risk, promoting safe, compliant and reliable operations. BP requirements, which take into account applicable laws and regulations, underpin the practical plans developed to help reduce risk and deliver strong, sustainable performance. For example, our operating management system (OMS)« integrates BP requirements on health, safety, security, environment, social responsibility, operational reliability and related issues.

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

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

BP s group risk team analyses the group s risk profile and maintains the group risk management system. Our group audit team provides independent assurance to the group chief executive and board, as to whether the group s system of internal control is adequately designed and operating effectively to respond appropriately to the risks that are significant to BP.

Risk governance and oversight

Key risk governance and oversight committees include the following:

Executive committees

g Executive team meeting for strategic and commercial risks.

g Group operations risk committee for health, safety, security, environment and operations integrity risks.

g Group financial risk committee for finance, treasury, trading and cyber risks.

g Group disclosure committee for financial reporting risks.

g Group people committee for employee risks.

g Resource commitment meeting for investment decision risks.

g Group ethics and compliance committee for legal and regulatory compliance and ethics risks.

Board and its committees

g BP board.

g Audit committee.

g Safety, ethics and environment assurance committee.

g Gulf of Mexico committee.

Board committees
For information on the board and its committees see page 58.

Risk management processes

As part of BP s annual planning process, we review the group s principal risks and uncertainties. These may be updated throughout the year in response to changes in internal and external circumstances.

We aim for a consistent basis of measuring risk to allow comparison on a like-for-like basis, taking into account potential likelihood and impact, and to inform how we prioritize specific risk management activities and invest resources to manage them.

Our risk profile

The nature of our business operations is long term, resulting in many of our risks being enduring in nature. Nonetheless, risks can develop and evolve over time and their potential impact or likelihood may vary in response to internal and external events.

We identify those risks as having a high priority for particular oversight by the board and its various committees in the coming year. Those identified for 2015 are listed on page 47. These may be updated throughout the year in response to changes in internal and external circumstances.

The oversight and management of other risks is undertaken in the normal course of business throughout the business and in executive and board committees. For example market pricing and liquidity reviews are conducted on a regular basis by the board and executive committees, including the group financial risk committee, to consider how we respond to market conditions and when making or reviewing investment decisions. For further information see page 10.

There can be no certainty that our risk management activities will mitigate or prevent these, or other risks, from occurring.

Further details of the principal risks and uncertainties we face are set out in Risk factors on page 48.

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Risks for particular oversight by the board and its committees in 2015

The risks for particular oversight by the board and committees in 2015 remain the same as those for 2014 except that we have replaced risks associated with delivery of our 10-point plan, which has now been delivered, with those relating to major project delivery one of our group key performance indicators.

Gulf of Mexico oil spill

A wide range of risks have arisen as a result of the Gulf of Mexico oil spill. These include legal, operational, reputational and compliance risks.

BP s management and mitigation of these risks is overseen by the board s Gulf of Mexico committee, which seeks to ensure that BP fulfils all legitimate obligations while protecting and defending BP s interests.

The committee s responsibilities include oversight and review of the following activities: the legal strategy for litigation; the strategy connected with settlements and claims; the environmental work to remediate or mitigate the effects of the oil spill; management strategy and actions to restore the group s reputation in the US; and compliance with government settlement and administrative agreements arising out of the accident and oil spill.

See Legal proceedings page 228, Financial statements Note 2 and Gulf of Mexico committee page 69 for further information.

Strategic and commercial risks

Geopolitical

The diverse locations of our operations around the world expose us to a wide range of political developments and consequent changes to the economic and operating environment. Geopolitical risk is inherent to many regions in which we operate, and heightened political or social tensions or changes in key relationships could adversely affect the group.

We seek to actively manage this risk through development and maintenance of relationships with governments and stakeholders and becoming trusted partners in each country and region. In addition, we closely monitor events (such as the situation that arose in Ukraine in 2014) and implement risk mitigation plans where appropriate.

Major project« delivery

Renewing our portfolio requires ongoing innovation and development in exploration, production, processing and distribution. Major projects contribute significantly to reshaping our portfolio and delivering our strategy.

To manage the risks associated with major project delivery, each stage of a project s life cycle must meet certain criteria to proceed to the next stage, or it will be re-assessed to improve value or be discontinued. Additionally, executive directors regularly review capital allocation at the resource commitment meetings. In the upstream our global projects organization focuses specifically on major projects and the risks to their delivery. We undertake post-project evaluations to review decision-making processes, project execution and project outcomes, and share these with other major projects as appropriate to support continuous improvement.

For information on our major projects portfolio see page 26, and for a recent example of how we remodel projects see Increasing value on page 21.

Cybersecurity

The threats to the security of our digital infrastructure continue to evolve rapidly and, like many other global organizations, our reliance on computers and network technology is increasing. A cybersecurity breach could have a significant impact on business operations.

We seek to manage this risk through cybersecurity standards, ongoing monitoring of threats, testing of cyber response procedures and close co-operation with authorities. Over the past few years our employee campaigns on topics such as email phishing and the protection of our information and equipment have helped to raise awareness of these issues.

Safety and operational risks

Process safety, personal safety and environmental risks

The nature of the group s operating activities exposes us to a wide range of significant health, safety and environmental risks such as incidents associated with releases of hydrocarbons when drilling wells, operating facilities and transporting hydrocarbons.

Our OMS helps us manage these risks and drive performance improvements. It sets out the rules and principles which govern key risk management activities such as inspection, maintenance, testing, business continuity and crisis response planning and competency development. In addition, we conduct our drilling activity through a global wells organization in order to promote a consistent approach for designing, constructing and managing wells.

For more information on safety and our OMS see page 39.

Security

Hostile acts such as terrorism or piracy could harm our people and disrupt our operations. We monitor for emerging threats and vulnerabilities to manage our physical and information security.

Our central security team provides guidance and support to a network of regional security advisers who advise and conduct assurance with respect to the management of security risks affecting our people and operations. We also maintain disaster recovery, crisis and business continuity management plans. We continue to monitor the situation in the Middle East and North Africa closely.

Compliance and control risks

Ethical misconduct and legal or regulatory non-compliance

Ethical misconduct or breaches of applicable laws or regulations could damage our reputation, adversely affect operational results and shareholder value, and potentially affect our licence to operate.

Our code of conduct and our values and behaviours, applicable to all employees, are central to managing this risk. Additionally, we have various group requirements and training covering areas such as anti-bribery and corruption, anti-money laundering, competition/anti-trust law and international trade regulations. We seek to keep abreast of new regulations and legislation and plan our response to them. We offer an independent confidential helpline, OpenTalk, for employees, contractors and other third parties. Under the terms of the US Department of Justice settlement, an ethics monitor will also review and provide recommendations concerning BP s ethics and compliance programme.

Find out more about our code of conduct, our business ethics and the ethics monitor on pages 45, 44 and 37 respectively.

Trading non-compliance

In the normal course of business, we are subject to risks around our trading activities which could arise from shortcomings or failures in our systems, risk management methodology, internal control processes or employees.

We have specific operating standards and control processes to manage these risks, including guidelines specific to trading, and seek to monitor compliance through our dedicated compliance teams. We also seek to maintain a positive and collaborative relationship with regulators and the industry at large.

For further information see Upstream gas marketing and trading activities on page 28, Downstream supply and trading on page 31 and Financial statements Note 27.

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Risk factors

The risks discussed below, separately or in combination, could have a material adverse effect on the implementation of our strategy, our business, financial performance, results of operations, cash flows, liquidity, prospects, shareholder value and returns and reputation.

Gulf of Mexico oil spill

The spill has had and could continue to have a material adverse impact on BP.

There is significant uncertainty regarding the extent and timing of the remaining costs and liabilities relating to the 2010 Gulf of Mexico oil spill (the incident), including the amount of claims, fines and penalties that become payable by BP (including as a result of any ultimate determination of BP s appeal of the ruling of gross negligence), the outcome or resolution of current or future litigation and any costs arising from any longer-term environmental consequences of the incident, the impact of the incident on our reputation and the resulting possible impact on our licence to operate. The provisions recognized in the income statement represent the current best estimates of expenditures required to settle certain present obligations that can be reliably estimated at the end of the reporting period, and there are future expenditures for which we currently cannot measure our obligations reliably. These uncertainties are likely to continue for a significant period. See Financial statements Note 2.

The risks associated with the incident could also heighten the impact of other risks the group is exposed to as described below.

Strategic and commercial risks

Prices and markets our financial performance is subject to fluctuating prices of oil, gas, refined products, exchange rate fluctuations and the general macroeconomic outlook.

Oil, gas and product prices are subject to international supply and demand and margins can be volatile. Political developments, increased supply from new oil and gas sources, technological change, global economic conditions and the influence of OPEC can impact supply and prices for our products. Decreases in oil, gas or product prices could have an adverse effect on revenue, margins and profitability and, if significant, we may have to write down assets and re-assess the viability of certain projects. A prolonged period of low prices may impact our cash flows, profit, capital expenditure and ability to maintain our long-term investment programme. Conversely, an increase in oil, gas and product prices may not improve margin performance as there could be increased fiscal take, cost inflation and more onerous terms for access to resources. The profitability of our refining and petrochemicals activities can be volatile, with periodic over-supply or supply tightness in regional markets and fluctuations in demand.

Exchange rate fluctuations can create currency exposures and impact underlying costs and revenues. Crude oil prices are generally set in US dollars, while products vary in currency. Many of our major project« development costs are denominated in local currencies, which may be subject to fluctuations against the US dollar.

Access, renewal and reserves progression our inability to access, renew and progress upstream resources in a timely manner could adversely affect our long-term replacement of reserves.

Delivering our group strategy depends on our ability to continually replenish a strong exploration pipeline of future opportunities to access and produce oil and natural gas. Competition for access to investment opportunities, heightened political and economic risks in certain countries where significant hydrocarbon basins are located and increasing technical challenges and capital commitments may adversely affect our strategic progress. This, and our ability to progress upstream resources and sustain long-term reserves replacement, could impact our future production and financial performance.

Major project delivery failure to invest in the best opportunities or deliver major projects successfully could adversely affect our financial performance.

We face challenges in developing major projects, particularly in geographically and technically challenging areas. Operational challenges and poor investment choice, efficiency or delivery at any major project that underpins production or production growth could adversely affect our financial performance.

Geopolitical we are exposed to a range of political developments and consequent changes to the operating and regulatory environment.

We operate and may seek new opportunities in countries and regions where political, economic and social transition may take place. Political instability, changes to the regulatory environment or taxation, international sanctions, expropriation or nationalization of property, civil strife, strikes, insurrections, acts of terrorism and acts of war may disrupt or curtail our operations or development activities. These may in turn cause production to decline, limit our ability to pursue new opportunities, affect the recoverability of our assets or cause us to incur additional costs, particularly due to the long-term nature of many of our projects and significant capital expenditure required.

Rosneft investment our investment in Rosneft may be impacted by events in or relating to Russia and our ability to recognize our share of Rosneft s income, production and reserves may be adversely impacted.

Events in or relating to Russia, including further trade restrictions and other sanctions, could adversely impact our investment in Russia. To the extent we are unable in the future to exercise significant influence over our investment in Rosneft or pursue growth opportunities in Russia, our business and strategic objectives in Russia and our ability to recognize our share of Rosneft s income, production and reserves may be adversely impacted.

Liquidity, financial capacity and financial, including credit, exposure failure to work within our financial framework could impact our ability to operate and result in financial loss.

Failure to accurately forecast, manage or maintain sufficient liquidity and credit could impact our ability to operate and result in financial loss. Trade and other receivables, including overdue receivables, may not be recovered and a substantial and unexpected cash call or funding request could disrupt our financial framework or overwhelm our ability to meet our obligations.

An event such as a significant operational incident, legal proceedings or a geopolitical event in an area where we have significant activities, could reduce our credit ratings. This could potentially increase financing costs and limit access to financing or engagement in our trading activities on acceptable terms, which could put pressure on the group s liquidity. Credit rating downgrades could trigger a requirement for the company to review its funding arrangements with the BP pension trustees and may cause other impacts on financial performance. In the event of extended constraints on our ability to obtain financing, we could be required to reduce capital expenditure or increase asset disposals in order to provide additional liquidity. See Liquidity and capital resources on page 211 and Financial statements Note 27.

Joint arrangements« and contractors we may have limited control over the standards, operations and compliance of our partners, contractors and sub-contractors.

We conduct many of our activities through joint arrangements, associates« or with contractors and sub-contractors where we may have limited influence and control over the performance of such operations. Our partners and contractors are responsible for the adequacy of the resources and capabilities they bring to a project. If these are found to be lacking, there may be financial, operational or safety risks for BP. Should an incident occur in an operation that BP participates in, our partners and contractors may be unable or unwilling to fully compensate us against costs we may incur on their behalf or on behalf of the arrangement. Where we do not have operational control of a venture, we may still be pursued by regulators or claimants in the event of an incident.

Digital infrastructure and cybersecurity breach of our digital security or failure of our digital infrastructure could damage our operations and our reputation.

A breach or failure of our digital infrastructure due to intentional actions such as attacks on our cybersecurity, negligence or other reasons, could seriously disrupt our operations and could result in the loss or misuse of data or sensitive information, injury to people, disruption to our business, harm to the environment or our assets, legal or regulatory breaches and potentially legal liability. These could result in significant costs or reputational consequences.

Climate change and carbon pricing public policies could increase costs and reduce future revenue and strategic growth opportunities.

Changes in laws, regulations and obligations relating to climate change could result in substantial capital expenditure, taxes and reduced profitability. In the future, these could potentially impact our upstream assets, revenue generation and strategic growth opportunities.

Competition inability to remain efficient, innovate and retain an appropriately skilled workforce could negatively impact delivery of our strategy in a highly competitive market.

Our strategic progress and performance could be impeded if we are unable to control our development and operating costs and margins, or to sustain, develop and operate a high-quality portfolio of assets efficiently. We could be adversely affected if competitors offer superior terms for access rights or licences, or if our innovation in areas such as exploration, production, refining or manufacturing lags the industry. Our performance could also be negatively impacted if we fail to protect our intellectual property.

Our industry faces increasing challenge to recruit and retain skilled and experienced people in the fields of science, technology, engineering and mathematics. Successful recruitment, development and retention of specialist staff is essential to our plans.

Crisis management and business continuity potential disruption to our business and operations could occur if we do not address an incident effectively.

Our business and operating activities could be disrupted if we do not respond, or are perceived not to respond, in an appropriate manner to any major crisis or if we are not able to restore or replace critical operational capacity.

Insurance our insurance strategy could expose the group to material uninsured losses.

BP generally purchases insurance only in situations where this is legally and contractually required. We typically bear losses as they arise rather than spreading them over time through insurance premiums. This means uninsured losses could have a material adverse effect on our financial position, particularly if they arise at a time when we are facing material costs as a result of a significant operational event which could put pressure on our liquidity and cash flows.

Safety and operational risks

Process safety, personal safety, and environmental risks we are exposed to a wide range of health, safety, security and environmental risks that could result in regulatory action, legal liability, increased costs, damage to our reputation and potentially denial of our licence to operate.

Technical integrity failure, natural disasters, human error and other adverse events or conditions could lead to loss of containment of hydrocarbons or other hazardous materials, as well as fires, explosions or other personal and process safety incidents, including when drilling wells, operating facilities and those associated with transportation by road, sea or pipeline.

There can be no certainty that our operating management system or other policies and procedures will adequately identify all process safety, personal safety and environmental risks or that all our operating activities will be conducted in conformance with these systems. See Safety on page 39.

Such events, including a marine incident, or inability to provide safe environments for our workforce and the public while at our facilities, premises or during transportation, could lead to injuries, loss of life or environmental damage. We could as a result face regulatory action and legal liability, including penalties and remediation obligations, increased costs and potentially denial of our licence to operate. Our activities are

sometimes conducted in hazardous, remote or environmentally sensitive locations, where the consequences of such events could be greater than in other locations.

Drilling and production challenging operational environments and other uncertainties can impact drilling and production activities.

Our activities require high levels of investment and are often conducted in extremely challenging environments which heighten the risks of technical integrity failure and the impact of natural disasters. The physical characteristic of an oil or natural gas field, and cost of drilling, completing or operating wells is often uncertain. We may be required to curtail, delay or cancel drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions and compliance with governmental requirements.

Security hostile acts against our staff and activities could cause harm to people and disrupt our operations.

Acts of terrorism, piracy, sabotage and similar activities directed against our operations and facilities, pipelines, transportation or digital infrastructure could cause harm to people and severely disrupt business and operations. Our activities could also be severely affected by conflict, civil strife or political unrest.

Product quality supplying customers with off-specification products could damage our reputation, lead to regulatory action and legal liability, and potentially impact our financial performance.

Failure to meet product quality standards could cause harm to people and the environment, damage our reputation, result in regulatory action and legal liability, and impact financial performance.

Compliance and control risks

US government settlements our settlements with legal and regulatory bodies in the US in respect of certain charges related to the Gulf of Mexico oil spill may expose us to further penalties, liabilities and private litigation or could result in suspension or debarment of certain BP entities.

Settlements with the US Department of Justice (DoJ) and the US Securities and Exchange Commission (SEC) impose significant compliance and remedial obligations on BP and its directors, officers and employees, including the appointment of an ethics monitor, a process safety monitor and an independent third-party auditor. Failure to comply with the terms of these settlements could result in further enforcement action by the DoJ and the SEC, expose us to severe penalties, financial or otherwise, and subject BP to further private litigation, each of which could impact our operations and have a material adverse effect on the group s reputation and financial performance. Failure to satisfy the requirements or comply with the terms of the administrative agreement with the US Environmental Protection Agency (EPA), under which BP agreed to a set of safety and operations, ethics and compliance and corporate governance requirements, could result in suspension or debarment of certain BP entities.

Regulation changes in the regulatory and legislative environment could increase the cost of compliance, affect our provisions and limit our access to new exploration opportunities.

Governments that award exploration and production interests may impose specific drilling obligations, environmental, health and safety controls, controls over the development and decommissioning of a field and possibly, nationalization, expropriation, cancellation or non-renewal of contract rights. Royalties and taxes tend to be high compared with those of other commercial activities, and in certain jurisdictions there is a degree of uncertainty relating to tax law interpretation and changes. Governments may change their fiscal and regulatory frameworks in response to public pressure on finances, resulting in increased amounts payable to them or their agencies.

Such factors could increase the cost of compliance, reduce our profitability in certain jurisdictions, limit our opportunities for new access, require us to divest or write-down certain assets or curtail or cease certain operations, or affect the adequacy of our provisions for pensions, tax, decommissioning, environmental and legal liabilities. Potential changes to pension or financial market regulation could also impact funding requirements of the group.

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Following the Gulf of Mexico oil spill, there have been cases of additional oversight and more stringent regulation of BP and other companies oil and gas activities in the US and elsewhere, particularly relating to environmental, health and safety controls and oversight of drilling operations, which could result in increased compliance costs. In addition, we may be subjected to a higher number of citations and level of fines imposed in relation to any alleged breaches of safety or environmental regulations, which could result in increased costs.

Ethical misconduct and non-compliance ethical misconduct or breaches of applicable laws by our businesses or our employees could be damaging to our reputation.

Incidents of ethical misconduct or non-compliance with applicable laws and regulations, including anti-bribery and corruption and anti-fraud laws, trade restrictions or other sanctions, or non-compliance with the recommendations of the ethics monitor appointed under the terms of the DoJ and EPA settlements, could damage our reputation, result in litigation, regulatory action and penalties.

Treasury and trading activities ineffective management of treasury and trading activities could lead to business disruption, financial loss, regulatory intervention or damage to our reputation.

We are subject to operational risk around our treasury and trading activities in financial and commodity markets, some of which are regulated. Failure to process, manage and monitor a large number of complex transactions across many markets and currencies while complying with all regulatory requirements could hinder profitable trading opportunities. There is a risk that a single trader or a group of traders could act outside of our delegations and controls, leading to regulatory intervention and resulting in financial loss and potentially damaging our reputation. See Financial statements Note 27.

Reporting failure to accurately report our data could lead to regulatory action, legal liability and reputational damage.

External reporting of financial and non-financial data, including reserves estimates, relies on the integrity of systems and people. Failure to report data accurately and in compliance with applicable standards could result in regulatory action, legal liability and damage to our reputation. For a period of three years after the SEC settlement in December 2012, we are unable to rely on the US safe harbor provisions regarding forward-looking statements, which may expose us to future litigation and liabilities in connection with our public disclosures. See Legal proceedings on page 228.

The Strategic report was approved by the board and signed on its behalf by David J Jackson, company secretary on 3 March 2015.

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Board of directors

As at 3 March 2015

See BP s board governance principles related to director independence on page 239.

Carl-Henric Svanberg

Chairman

Chair of nomination and chairman s committees; attends Gulf of Mexico, SEEAC[a] and remuneration committees

Bob Dudley

Group chief executive

Paul Anderson

Independent non-executive director

Chair of the SEEAC; member of the chairman s, Gulf of Mexico and nomination committees

Alan Boeckmann

Independent non-executive director

Member of the chairman s, Gulf of Mexico and SEEAC committees; attends the remuneration committee

Admiral Frank Bowman

Independent non-executive director

Member of the chairman s, SEEAC and Gulf of Mexico committees

Antony Burgmans

Independent non-executive director

Chair of the remuneration committee; member of the chairman s, SEEAC and nomination committees

Cynthia Carroll

Independent non-executive director

Member of the chairman s, SEEAC and nomination committees

George David

Independent non-executive director

Member of the chairman s, audit, Gulf of Mexico and remuneration committees

Ian Davis

Independent non-executive director

Chair of the Gulf of Mexico committee; member of the chairman s, nomination and remuneration committees

Professor Dame Ann Dowling

Independent non-executive director

Member of the chairman s, SEEAC and remuneration committees

Dr Brian Gilvary

Chief financial officer

Brendan Nelson

Independent non-executive director

Chair of the audit committee; member of the chairman s and nomination committees

Phuthuma Nhleko

Independent non-executive director

Andrew Shilston

Senior independent non-executive director

David Jackson

Company secretary

Member of the chairman s and audit committees	Member of the chairman s and audit committees; attends nomination committee	[a] Safety, ethics and environment assurance committee.

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Carl-Henric Svanberg

Chairman

Tenure

Appointed 1 September 2009

Outside interests

Chairman of AB Volvo

Age 62 **Nationality** Swedish

Career

Carl-Henric Svanberg became chairman of the BP board on 1 January 2010.

Carl-Henric spent his early career at Asea Brown Boveri and the Securitas Group, before moving to the Assa Abloy Group as president and chief executive officer.

From 2003 until 31 December 2009, he was president and chief executive officer of Ericsson, also serving as the chairman of Sony Ericsson

Bob joined Amoco Corporation in 1979, working in a variety of engineering and commercial posts. Between 1994 and 1997, he worked on corporate development in Russia. In 1997 he became general manager for strategy for Amoco and in 1999, following the merger between BP and Amoco, was appointed to a similar role in BP.

Between 1999 and 2000, Bob was executive assistant to the group chief executive, subsequently becoming group vice president for BP s renewables and alternative energy activities. In 2002, he became group vice president responsible for BP s upstream businesses in Russia, the Caspian region, Angola, Algeria and Egypt.

From 2003 to 2008, he was president and chief executive officer of TNK-BP. On his return to BP in 2009 he was appointed to the BP board and oversaw the group s activities in the Americas and Asia. Between 23 June and 30 September 2010, he served as the president and chief executive officer of BP s Gulf Coast

served as a non-executive director of BAE Systems PLC and on a number of boards in the US and Australia, and was also chief executive officer of Pan Energy Corp and chairman of Spectra Energy.

Relevant skills and experience

Paul Anderson has spent his career in the oil and gas industry working with global organizations. He brings the skills of an experienced chairman and chief executive and has played an important role, as chairman of the SEEAC since 2012, of continuing the board s focus on safety and on broader non-financial issues. His experience of business in the US and its regulatory environment has greatly assisted the work of the Gulf of Mexico committee.

Paul has continued to ensure that the SEEAC s activities are not limited to the UK by leading visits, in this year, to Baku and Brazil.

Alan Boeckmann

the engineering and contracting industry which was developed not only in the United States but also globally. He is an engineer and brings the skills of that profession to the SEEAC. Over his career he has been involved in remuneration matters and will join the remuneration committee after the 2015 AGM.

Admiral Frank Bowman

Independent non-executive director

Tenure

Appointed 8 November 2010

Outside interests

President of Strategic Decisions, LLC

Director of Morgan Stanley Mutual Funds

Director of Naval and Nuclear Technologies, LLP

Mobile Communications AB. He was a non-executive director of Ericsson between 2009 and 2012. He was appointed chairman and a member of the board of AB Volvo on 4 April 2012.

He is a member of the External Advisory Board of the Earth Institute at Columbia University and a member of the Advisory Board of Harvard Kennedy School. He is also the recipient of the King of Sweden s medal for his contribution to Swedish industry.

Relevant skills and experience

Carl-Henric Svanberg has, throughout his career, been involved with businesses with a global reach. He has done this as both a chairman and a chief executive officer. His experience is very broad which has assisted him in leading the board in the development of the group s strategy. He is focused on the development of the board as the long-term stewards of the company and ensuring the right combination of skills and diversity on the board to deliver that task.

Carl-Henric Svanberg s performance has been evaluated by the chairman s committee, led by Andrew Shilston.

Restoration Organization in the US. He was appointed a director of Rosneft in 2013 following BP s acquisition of a stake in Rosneft.

Relevant skills and experience

Bob Dudley has spent his entire career in the oil and gas industry. He has held senior management roles in Amoco and BP and has significant experience as the chief executive officer of TNK-BP.

Over the four years that he has been group chief executive, Bob has used these skills in leading BP s recovery. He initiated the 10-point plan, the main 2014 tasks of which have been completed. He has changed the way in which the group operates and focused its delivery on value not volume. He has reshaped the group through non-core asset divestment and has achieved a clear direction through a set of consistent values.

Bob Dudley s performance has been considered and evaluated by the chairman s committee.

Independent non-executive director

Tenure

Appointed 24 July 2014

Outside interests

Non-executive director of Sempra Energy and Archer Daniels Midland

Board member and trustee of Eisenhower Medical Center in Rancho Mirage, California

Age 66 **Nationality** American

Career

Alan Boeckmann retired as non-executive chairman of Fluor Corporation in February 2012, ending a 35-year career with the company. Between 2002 and 2011, he held the post of chairman and chief executive officer, and was president and chief operating officer from 2001 to 2002. His tenure with the company included responsibility for global operations.

Age 70 **Nationality** American

Career

Frank L Bowman served for more than 38 years in the US Navy, rising to the rank of Admiral. He commanded the nuclear submarine *USS City of Corpus Christi* and the submarine tender *USS Holland*. After promotion to flag officer, he served on the joint staff as director of political-military affairs and as the chief of naval personnel. He then served over eight years as director of the Naval Nuclear Propulsion Program where he was responsible for the operations of more than one hundred reactors aboard the US navy s aircraft carriers and submarines. He holds two masters degrees in engineering from the Massachusetts Institute of Technology.

After his retirement as an Admiral in 2004, he was president and chief executive officer of the Nuclear Energy Institute until 2008. He served on the BP Independent Safety Review Panel and was a member of the BP America External Advisory Council. He was appointed Honorary

Bob Dudley

Group chief executive

Tenure

Appointed to the board 6 April 2009

Outside interests

Non-executive director of Rosneft Member of Tsinghua Management University Advisory Board, Beijing, China

Member of BritishAmerican Business International Advisory Board

Member of UAE/UK CEO Forum

Member of the Emirates Foundation Board of Trustees

Age 59 **Nationality** American

Career

Bob Dudley became group chief executive on 1 October 2010.

Paul Anderson

Independent non-executive director

Tenure

Appointed 1 February 2010

Outside interests

No external appointments

Age 69 **Nationality** American

Career

Paul Anderson was formerly chief executive at BHP Billiton and at Duke Energy, where he also served as chairman of the board. Having previously been chief executive officer and managing director of BHP Limited and then BHP Billiton Limited and BHP Billiton Plc, he rejoined these latter two boards in 2006 as a non-executive director, retiring on 31 January 2010. He

As chairman and chief executive officer, he refocused the company on engineering, procurement, construction and maintenance services.

After graduating from the University of Arizona with a degree in electrical engineering, he joined Fluor in 1974 as an engineer and worked in a variety of domestic and international locations, including South Africa and Venezuela.

Alan was previously a non-executive director of BHP Billiton and the Burlington Santa Fe Corporation, and has served on the boards of the American Petroleum Institute, the National Petroleum Council and the advisory board of Southern Methodist University s Cox School of Business.

He led the formation of the World Economic Forum s Partnering Against Corruption initiative in 2004.

Relevant skills and experience

Knight Commander of the British Empire in 2005. He was elected to the US National Academy of Engineering in 2009.

Frank is a member of the CNA military advisory board and has participated in studies of climate change and its impact on national security. Additionally he was co-chair of a National Academies study investigating the implication of climate change for naval forces.

Relevant skills and experience

Frank Bowman has a deep knowledge of engineering coupled with exceptional experience in safety issues arising from his time with the US Navy and, later, the Nuclear Energy Institute. When coupled with his work on the BP Independent Safety Review Panel, Admiral Bowman has direct experience of BP s safety goals. In addition, the other roles in his career give him a broader perspective of systems and of people. He continues to make important contributions to the work of the SEEAC and the Gulf of Mexico committee.

Alan Boeckmann was asked to join the board because of his deep experience as a chairman and chief executive officer in

Antony Burgmans

Independent non-executive director

Tenure

Appointed 5 February 2004

Outside interests

Member of the supervisory board of SHV Holdings N.V.

Chairman of the supervisory board of TNT Express

Chairman of Akzo Nobel N.V.

Age 68 **Nationality** Dutch

Career

Antony Burgmans joined Unilever in 1972, holding a succession of marketing and sales posts including the chairmanship of PT Unilever Indonesia from 1988 until 1991.

In 1991, he joined the board of Unilever, becoming business group president, ice cream and

extractive industries. This has required deep strategic and operational involvement. In leading these businesses a high level of interaction with governments, the media, special interest groups and other stakeholders has been needed.

Cynthia began her career as a petroleum geologist with Amoco Production company in Denver, Colorado, after completing a masters degree in geology. In 1989, she joined Alcan (Aluminum Company of Canada) and ran a packaging company, led a global bauxite, alumina and speciality chemicals business and later was president and chief executive officer of the Primary Metal Group, responsible for operations in more than 20 countries. In 2007, she became the chief executive of Anglo American plc, the global mining group, operating in 45 countries with 150,000 employees, and was chairman of Anglo Platinum Limited and of De Beers s.a. She stepped down from these roles in April 2013.

Relevant skills and experience

Ian Davis

Independent non-executive director

Tenure

Appointed 2 April 2010

Outside interests

Chairman of Rolls-Royce Holdings plc

Non-executive member of the UK s Cabinet Office

Non-executive director of Johnson & Johnson, Inc.

Senior adviser to Apax Partners LLP

Age 63 **Nationality** British

Career

Ian Davis spent his early career at Bowater, moving to McKinsey & Company in 1979. He was managing partner of McKinsey s practice in the UK and Ireland from 1996 to 2003. In 2003, he was appointed as chairman and

Turbomachinery in the Department of Engineering in 2002. She was appointed the UK lead of the Silent Aircraft Initiative in 2003, a collaboration between researchers at Cambridge and MIT. She was head of the Department of Engineering at the University of Cambridge from 2009 to 2014. She was appointed director of the University Gas Turbine Partnership with Rolls-Royce in 2001, and chairman in 2009.

Between 2003 and 2008 she chaired the Rolls-Royce Propulsion and Power Advisory Board. She chaired the Royal Society/Royal Academy of Engineering study on nanotechnology. She is a Fellow of the Royal Society and the Royal Academy of Engineering and is a foreign associate of the US National Academy of Engineering and of the French Academy of Sciences.

She was elected President of the Royal Academy of Engineering in September 2014.

frozen foods Europe in 1994, and chairman of Unilever s Europe committee co-ordinating its European activities. In 1998, he became vice chairman of Unilever NV and in 1999, chairman of Unilever NV and vice chairman of Unilever PLC. In 2005, he became non-executive chairman of Unilever NV and Unilever PLC until his retirement in 2007. During his career he has lived and worked in London, Hamburg, Jakarta, Stockholm and Rotterdam.

Relevant skills and experience

Antony Burgmans is an experienced chairman and chief executive who has served on the BP board for over 11 years. He spent his executive career at Unilever where he developed skills in production, distribution and marketing. His experience of consumer facing business has meant that he has been able to provide the board with deep insight in the fields of reputation, brand, culture and values. He was asked to remain on the board until 2016 in the light of rapid board turnover in 2010 and 2011. Antony remains fully independent.

Antony has now led the remuneration committee for five years and has detailed and regular dialogue with shareholders on remuneration

Cynthia Carroll is an experienced former chief executive who has spent all of her career in the extractive industries, having trained as a petroleum geologist. Cynthia has been a leader in working to enhance safety in the mining industry. She has also made a strong contribution to the work of the SEEAC and notably to the nomination committee.

George David

Independent non-executive director

Tenure

Appointed 11 February 2008

Outside interests

Vice-chairman of the Peterson Institute for International Economics

Age 72 **Nationality** American

Career

worldwide managing director of McKinsey, serving in this capacity until 2009. During his career with McKinsey, he served as a consultant to a range of global organizations across the private, public and not-for-profit sectors. He retired as senior partner in July 2010.

Relevant skills and experience

Ian Davis brings the skills of a managing director and significant financial and strategic experience to the board. He has worked with and advised global organizations and companies in the oil and gas industry. His work in the public sector and with the Cabinet Office gives him a unique perspective on government affairs.

He has chaired the Gulf of Mexico committee since its formation and has led the board s oversight of the response in the Gulf and guided the board s consideration of the various legal issues which continue to arise following the Deepwater Horizon accident. He has been an active member of the remuneration committee.

Relevant skills and experience

Dame Ann has a strong engineering background, not only in the academic world but also in its practical application in business. She has led the department of engineering at Cambridge which is one of the leading centres for engineering research worldwide. This has been recognized by her appointment as President of the Royal Academy of Engineering. She chairs the BP technology advisory council which aims to provide challenge and direction to the work in the field of technology throughout the group. Dame Ann is a member of the SEEAC and, having joined the remuneration committee in 2012, will take its chair when Antony Burgmans stands down during 2015.

Dr Brian Gilvary

Chief financial officer

Tenure

Appointed to the board 1 January 2012

Outside interests

matters. He will hand the chair of the remuneration committee to Professor Dame Ann Dowling in 2015, and, having previously led the evaluation of the chairman, he handed this task to Andrew Shilston this year in anticipation of standing down at the 2016 AGM.

Cynthia Carroll

Independent non-executive director

Tenure

Appointed 6 June 2007

Outside interests

Non-executive director of Hitachi Ltd.

Age 58 **Nationality** American

Career

Cynthia Carroll has led multiple large complex global businesses in the

George David began his career in The Boston Consulting Group before joining the Otis Elevator Company in 1975. He held various roles in Otis and later in United Technologies Corporation (UTC), following Otis s merger with UTC in 1976. In 1992 he became UTC s chief operating officer and served as its chief executive officer from 1994 until 2008 and as chairman from 1997 until his retirement in 2009.

Relevant skills and experience

George David has substantial business and financial experience through his long career with UTC, a business with significant reliance on safety and technology. His time as a chairman and a chief executive officer has been valuable in enabling him to engage in the complexities of global business. He has previously chaired BP s technology advisory council and has brought insights from that task to the board.

He is an important member of the audit, remuneration and Gulf of Mexico committees, bringing a strong US and global perspective to their deliberations.

Professor Dame Ann Dowling

Independent non-executive director

Tenure

Appointed 3 February 2012

Outside interests

Professor of Mechanical Engineering at the University of Cambridge
President of the Royal Academy of Engineering

Member of the Prime Minister s Council for Science and Technology

Non-executive member of the board of the Department for Business, Innovation & Skills (BIS)

Age 62 **Nationality** British

Career

Dame Ann Dowling was appointed a Professor of Mechanical Engineering in the Department of

Visiting professor at Manchester University

External advisor to director general (spending and finance), HM Treasury Financial Management Review Board

Age 53 **Nationality** British

Career

Dr Brian Gilvary was appointed chief financial officer on 1 January 2012.

He joined BP in 1986 after obtaining a PhD in mathematics from the University of Manchester. Following a variety of roles in the upstream, downstream and trading in Europe and the United States, he became the Downstream s chief financial officer and commercial director from 2002 to 2005. From 2005 until 2009 he was chief executive of the integrated supply and trading function, BP s commodity trading arm. In 2010 he was appointed deputy group chief financial officer with responsibility for the finance function.

Engineering at the University of Cambridge in 1993. She became Head of the Division of Energy, Fluid Mechanics and

He was a director of TNK-BP over two periods, from 2003 to 2005 and from 2010 until the sale of the business and acquisition of Rosneft equity in 2013.

Relevant skills and experience

Dr Brian Gilvary has spent his entire career at BP. He has a strong knowledge of finance and trading and a deep understanding of BP s assets and businesses. Having worked in both Upstream and Downstream, he also has very broad experience of the business as a whole.

Brian has consistently worked to further strengthen the finance function and has continued to develop the company s engagement with shareholders.

Brian Gilvary s performance has been evaluated by the group chief executive and considered by the chairman s committee.

Brendan Nelson

Independent non-executive director

Phuthuma Nhleko

Independent non-executive director

Tenure

Appointed 1 February 2011

Outside interests

Non-executive director of Anglo American plc

Non-executive director and chairman of MTN Group Ltd

Chairman of the Pembani Group

Age 54 **Nationality** South African

Career

Phuthuma Nhleko began his career as a civil engineer in the US and as a project manager for infrastructure developments in southern Africa. Following this, he became a senior executive of the Standard Corporate

He has served as a non-executive director on the board of Cairn Energy plc where he chaired the audit committee.

Relevant skills and experience

Andrew Shilston has had a long career in finance in the oil and gas industry and more generally. His knowledge and experience as a chief financial officer, firstly in Enterprise Oil and then Rolls-Royce, makes him well suited to be a member of BP s audit committee. This is complemented by his experience as the chair of the audit committee at Cairn Energy.

Andrew has very broad experience of the oil and gas industry which has assisted the board in its work in overseeing the group s strategy and in particular the evaluation of capital projects.

As senior independent director he has contributed to the work of the nomination committee. He has also overseen the evaluation of the chairman in 2014 and will lead the external evaluation of the

The ages of the board are correct as at 3 March 2015.

Tenure

Appointed 8 November 2010

Outside interests

Non-executive director and chairman of the group audit committee of The Royal Bank of Scotland Group plc

Member of the Financial Reporting Council Monitoring Committee

Age 65 **Nationality** British

Career

Brendan Nelson is a chartered accountant. He was made a partner of KPMG in 1984 and served as a member of the UK board of KPMG from 2000 to 2006, subsequently being appointed vice chairman until his retirement in 2010. At KPMG International he held a number of senior positions including global chairman, banking and global chairman, financial services.

He served for six years as a member of the Financial Services Practitioner Panel and in 2013 was the president of the Institute of Chartered

and Merchant Bank in South Africa. He later held a succession of directorships before joining MTN Group, a pan-African and Middle Eastern telephony group represented in 21 countries, as group president and chief executive officer in 2002. During his tenure at the MTN Group he led a number of substantial mergers and acquisitions transactions.

He stepped down as group chief executive of MTN Group at the end of March 2011 and became chairman. He was formerly a director of a number of listed South African companies, including Johnnic Holdings (formerly a subsidiary of the Anglo American group of companies), Nedbank Group, Bidvest Group and Alexander Forbes.

Relevant skills and experience

Phuthuma Nhleko s background in engineering and his broad experience as a chief executive of a multinational company enables him to make a broad contribution to the board. This is particularly so in the areas of emerging market economies and the evolution of the group s

board in 2015.

David Jackson

Company secretary

Tenure

Appointed 2003

David Jackson, a solicitor, is a director of BP Pension Trustees Limited.

Accountants of Scotland.

Relevant skills and experience

Brendan Nelson has had a long career in finance and auditing, particularly in the areas of financial services and trading. During his career he has also had management experience at a very senior level. He is well qualified to chair the audit committee and to act as its financial expert. As chair of the audit committee he has focused particularly on the oversight of the group s trading operations.

All of this is complemented by his broader business experience and his role as the chair of the audit committee of a major bank.

strategy. His financial and commercial experience is also very relevant to his work on the audit committee.

Andrew Shilston

Senior independent non-executive director

Tenure

Appointed 1 January 2012

Outside interests

Non-executive director of Circle Holdings plc

Chairman of the Morgan Advanced Materials plc

Age 59 **Nationality** British

Career

Andrew Shilston trained as a chartered accountant before joining BP as a management accountant. He subsequently joined Abbott Laboratories before moving to Enterprise Oil plc in 1984 at the time of flotation. In 1989 he became treasurer of

Enterprise Oil and was appointed finance director in 1993. After the sale of Enterprise Oil to Shell in 2002, in 2003 he became finance director of Rolls-Royce plc until his retirement on 31 December 2011.

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Executive team

As at 3 March 2015

Rupert Bondy

Current position

Group general counsel

Executive team tenure

Appointed 1 May 2008

Outside interests

Non-executive director, Indivior PLC

Age 53 **Nationality** British

Career

Rupert Bondy is responsible for legal and compliance matters across the BP group.

Career

Tufan Erginbilgic was appointed chief executive, Downstream on 1 October 2014.

Prior to this, Tufan was the chief operating officer of the fuels business, accountable for BP s fuels value chains worldwide, the global fuels businesses and the refining, sales and commercial optimization functions for fuels. Tufan joined Mobil in 1990 and BP in 1997 and has held a wide variety of roles in refining and marketing in Turkey, various European countries and the UK. In 2004 he became head of the European fuels business. Tufan took up leadership of BP s lubricant business in 2006 before moving to head the group chief executive s office. In 2009 he became chief operating officer for the eastern hemisphere fuels value chains and lubricants businesses.

Bob Fryar

Current position

Executive vice president, safety and operational risk

Trinidad, including chief operating officer for Atlantic LNG, and vice president of operations. Bob has also served in a variety of engineering and management positions in onshore US and deepwater Gulf of Mexico.

Andy Hopwood

Current position

Chief operating officer, strategy and regions, Upstream

Executive team tenure

Appointed 1 November 2010

Outside interests

President TOC-Rocky Mountains Inc.

Vice president BP Corporation North America Inc.

Age 57 **Nationality** British

Katrina Landis

Current position

Executive vice president, corporate business activities

Executive team tenure

Appointed 1 May 2013

Outside interests

Independent director of Alstom SA

Founding member of Alstom s Ethics, Compliance and Sustainability Committee

Member of Earth Day Network s Global Advisory Committee

Ambassador to the U.S. Department of Energy s U.S. Clean Energy Education & Empowerment program

Age 55 **Nationality** American

Rupert began his career as a lawyer in private practice. In 1989 he joined US law firm Morrison & Foerster, working in San Francisco and London, and from 1994 he worked for UK law firm Lovells in London. In 1995 he joined SmithKline Beecham as senior counsel for mergers and acquisitions and other corporate matters. He subsequently held positions of increasing responsibility and, following the merger of SmithKline Beecham and GlaxoWellcome to form GlaxoSmithKline, was appointed senior vice president and general counsel of GlaxoSmithKline in 2001.

In April 2008 he joined the BP group, and he became the group general counsel in May 2008.

Tufan Erginbilgic

Current position

Chief executive, Downstream

Executive team tenure

Executive team tenure

Appointed 1 October 2010

Outside interests

No external appointments

Age 51 Nationality
American

Career

Bob Fryar is responsible for strengthening safety, operational risk management and the systematic management of operations across the BP group. He is group head of safety and operational risk, with accountability for group-level disciplines including engineering, health, safety, security, and the environment. In this capacity, he looks after the group-wide operating management system implementation and capability programmes.

Bob has 29 years experience in the oil and gas industry, having joined Amoco Production Company in 1985. Between 2010 and 2013, Bob was executive vice president of the

Career

Andy Hopwood is responsible for BP s upstream strategy, portfolio, and leadership of its global regional presidents.

Andy joined BP in 1980, spending his first 10 years in operations in the North Sea, Wytch Farm, and Indonesia. In 1989 Andy joined the corporate planning team formulating BP s upstream strategy, and subsequent portfolio rationalization. Andy held commercial leadership positions in Mexico and Venezuela, before becoming the Upstream s planning manager. Following the BP-Amoco merger, Andy spent time leading BP s businesses in Azerbaijan, Trinidad & Tobago, and onshore North America. In 2009, he joined the Upstream executive team as head of portfolio and technology and in 2010 was appointed executive vice president, exploration and production.

Career

Katrina Landis is responsible for BP s integrated supply and trading activities, renewable energy activities, shipping, technology and remediation management.

Katrina began her career with BP in 1992 in Anchorage, Alaska and held a variety of senior roles. She was chief executive officer of BP s integrated supply and trading Oil Americas from 2003 to 2006, group vice president of BP s integrated supply and trading from 2007 to 2008 and chief operating officer of BP Alternative Energy from 2008 to 2009. She was then appointed chief executive officer of BP Alternative Energy in 2009. In May 2013, she became executive vice president, corporate business activities. Since mid-2010 she has served as an independent director of Alstom SA, a world leader in transport infrastructure, power generation, and transmission, and is a founding member of Alstom s ethics, compliance and sustainability committee.

Appointed 1 October 2014

Outside interests

Independent non-executive director of GKN plc.

Age 55 **Nationality** British and Turkish

production division and was accountable for safe and compliant exploration and production operations and stewardship of resources across all regions. Prior to this, Bob was chief executive of BP Angola and also held several management positions in

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Bernard Looney

Current position

Chief operating officer, production

Executive team tenure

Appointed 1 November 2010

Outside interests

Member of the Stanford University Graduate School of Business Advisory Council

Fellow of the Energy Institute

Age 44 **Nationality** Irish

Career

Bernard Looney is responsible for BP s operated production, with specific accountability for drilling, operations, engineering, procurement and supply chain management, and health, safety and environment in the Upstream.

Bernard joined BP in 1991 as a drilling engineer, working in the North Sea, Vietnam and the Gulf of Mexico. In 2001 Bernard took responsibility for drilling operations on Thunder Horse in the deepwater Gulf of Mexico. In 2005 he became senior vice president for BP Alaska, before moving in 2007 to be head of the group chief executive s office. In 2009 he became the managing director of BP s North Sea business in the UK and Norway. At the same time, Bernard became a member of the Oil & Gas UK Board the North Sea oil and gas trade association. He became co-chair in mid-2010. Bernard became executive vice president, developments, in October 2010 and took up his current role in February 2013.

Lamar McKay

Current position

Chief executive, Upstream

Executive team tenure

Appointed 16 June 2008

Outside interests

Member of Mississippi State University Dean s Advisory Council

Age 56 **Nationality** American

Career

Lamar McKay is responsible for the Upstream segment which consists of exploration, development and production.

Lamar started his career in 1980 with Amoco and held a range of technical and leadership roles.

During 1998 to 2000, he worked on the BP-Amoco merger and served as head of strategy and planning for the exploration and production business. In 2000 he became business unit leader for the central North Sea. In 2001 he became chief of staff for exploration and production, and subsequently for BP s deputy group chief executive. Lamar became group vice president, Russia and Kazakhstan in 2003. He served as a member of the board of directors of TNK-BP between February 2004 and May 2007. In 2007 he was appointed executive vice president, BP America. In 2008 he became executive vice president, special projects where he led BP s efforts to restructure the governance framework for TNK-BP. In 2009 Lamar was appointed chairman and president of BP America, serving as BP s chief representative in the US. In January 2013, he became chief executive, Upstream.

Dev Sanyal

Current position

Executive vice president, strategy and regions

Executive team tenure

Appointed 1 January 2012

Outside interests

Independent non-executive director, Man Group plc.

Member, Accenture Global Energy Board

Member of Board of Advisors of the Fletcher School of Law and Diplomacy

Age 49 **Nationality** British and Indian

Career

Dev Sanyal is responsible for Europe, Asia, strategy and long-term planning, risk management, government and political affairs, policy and group integration and governance.

Dev joined BP in 1989 and has held a variety of international roles in London, Athens, Istanbul, Vienna and Dubai. He was appointed chief executive, BP eastern Mediterranean fuels in 1999. He moved to London as chief of staff of BP s worldwide downstream

businesses in 2002. In November 2003 he was appointed chief executive officer of Air BP international. In June 2006 he was appointed head of the group chief executive s office. He was appointed group vice president and group treasurer in 2007. During this period, he was also chairman of BP Investment Management Ltd and was accountable for the group s aluminium interests.

Helmut Schuster

Current position

Executive vice president, group human resources director

Executive team tenure

Appointed 1 March 2011

Outside interests

Non-executive director of Ivoclar Vivadent AG

Age 54 **Nationality** Austrian

Career

Helmut Schuster became group human resources director in March 2011. In this role he is accountable for the BP human resources function.

Helmut began his career working for Henkel in a marketing capacity. Since joining BP in 1989 Helmut has held a number of major leadership roles within the organization. He has worked in BP offices in the US, the UK and continental Europe and within most parts of refining, marketing, trading and gas and power. Before taking on his current role, his responsibilities as a vice president, human resources included the refining and marketing segment of BP, and corporate and functions. That role saw him leading the people agenda for roughly 60,000 people across the globe that includes businesses such as petrochemicals, fuels value chains, lubricants and functional experts across the group.

The executive team represents the principal executive leadership of the BP group. Its members include BP s executive directors (Bob Dudley and Dr Brian Gilvary whose biographies appear on pages 52-55) and the senior management listed left.

The ages of the executive team are correct as at 3 March 2015.

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Governance overview

Introduction from the chairman

2014 was another active year for the board as we continued to work with Bob Dudley and his team in reshaping the way that BP operates.

Once again, I have been impressed by the time and commitment given by my board colleagues. We have built on the progress made in 2013 in developing how the board works in supporting and challenging executive management. We have had the benefit of being a settled group for several years now and I believe that this allows us to spend our time wisely. Later in this report there is a breakdown of our activities. I would, however, like to highlight several areas.

The 10-point plan set the direction of travel for the group through to 2014. We worked through the year with executive management to determine our strategic direction for 2015 and beyond. To do this, we regularly reflected on the impact of economics and geopolitics both in the world and the markets in which we operate.

This has particularly been the case as the oil price fell during the last quarter of the year and action was needed to reset the business to a lower-price environment.

During the year, we reviewed and enhanced the regular information which comes to the board. This is in response to feedback from directors which came from our 2013 board evaluation.

We also considered, in some depth, the manner in which the remuneration committee operates. We have adopted a revised set of tasks for the committee which reflect the need to balance development and implementation of the remuneration policy for the directors while overseeing the approach to reward for executives below the board.

BP, with input from board members, has revised its code of conduct with the aim of simplifying and clarifying its requirements without weakening their effect. As a board, we are committed to BP s values and the code, and have received training on its application.

In 2014 the UK Corporate Governance Code was revised. We have taken this into account at the board and in the committees whose work it impacts. There is particular focus on how risk is governed and managed. As a result there is much for us to consider here and we will be reviewing our systems ahead of its implementation in 2015.

The nomination committee has continued to assess the mix of the skills and experience on the board, in particular for the future, and in line with our aspiration for diversity. Your board has a diverse membership and we continue to work to increase its diversity. As I have previously commented, while candidates can be identified, it is often the case that the timing of appointments is dependent on those candidates becoming free from current commitments. You should expect us to make progress in the current year.

Finally, we have again this year, considered whether all our narrative reporting is fair, balanced and understandable . We have applied the process adopted last year and concluded that this report meets that test.

I believe that the system of governance used by the board has assisted it to meet the challenges of past years and will do so in the future.

Carl-Henric Svanberg

Chairman

Board diversity

BP recognizes the importance of diversity, including gender diversity, at the board and all levels of the group. BP is committed to increasing diversity across its operations and has in place a wide range of activities to support the development and promotion of talented individuals, regardless of gender and ethnic background.

The board operates a policy which aims to promote diversity in its composition. Under this policy, director appointments are evaluated against the existing balance of skills, knowledge and experience on the board, with directors asked to be mindful of diversity, inclusiveness and meritocracy considerations when examining nominations to the board.

Implementation of this policy is monitored through agreed metrics. During its annual evaluation, the board considered diversity as part of the review of its performance and effectiveness.

The board is supportive of the recommendations contained in Lord Davies report Women on Boards for female board representation and has an aspiration to increase this to 25% by the end of 2015. At the end of 2014 there were two female directors on the board. The nomination committee is actively considering diverse candidates as part of its wider search for board candidates and it is anticipated that an appointment is likely to be made in 2015.

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Board and committee attendance in 2014

	Board		Audit committee		SEEAC		Remuneration committee		Gulf of Mexico committee		Nomination committee		Chairman s committee	
	A	B	A*	B	A*	B	A	B	A	B	A	B	A	B
Non-executive directors														
Carl-Henric Svanberg	10	10									6[c]	6	5c	5
Paul Anderson[1]	10	10			7[c]	7			11	10	6	6	5	5
Alan Boeckmann	4	4			2	2			5	5			2	2
Frank Bowman	10	10			7	7			11	11			5	5
Antony Burgmans[2]	10	7			7	7	5[c]	5			6	6	5	4
Cynthia Carroll[3]	10	9			7	7					6	6	5	5
George David[4]	10	10	13	12			5	5	11	11			5	5
Ian Davis	10	10					5	5	11[c]	11	6	6	5	5
Ann Dowling	10	10			7	7	5	5					5	5
Brendan Nelson	10	10	13[c]	13							6	6	5	5
Phuthuma Nhleko[5]	10	10	13	12									5	5
Andrew Shilston[6]	10	9	13	12									5	5
Executive directors														
Bob Dudley	10	9												
Iain Conn	9	9												
Brian Gilvary	10	10												

A = Total number of meetings the director was eligible to attend.
B = Total number of meetings the director did attend.
[C] Committee chairman.
* Includes a joint audit committee-SEEAC meeting to review BP s system of internal control and risk management.

[1] Paul Anderson attended all scheduled Gulf of Mexico committee meetings in 2014; however he was unable to attend the meeting on 15 September that was called at short notice due to long-standing travel arrangements.

[2] Antony Burgmans was unable to attend the board teleconference scheduled at short notice on 5 September 2014 due to a prior commitment. He was unable to attend the telephone board meeting on 27 October 2014 for health reasons and the board and chairman s committee meeting on 4 December 2014 due to a conflict with other board meetings on the same day.

[3] Cynthia Carroll was unable to attend the telephone board meeting on 27 October 2014 due to a conflicting board meeting.

[4] George David was unable to attend the telephone audit committee meeting on 26 February 2014 due to a clash with travel arrangements.

[5] Phuthuma Nhleko was unable to attend the telephone audit committee on 24 April due to a clash with the AGM of another company.

[6] Andrew Shilston attended all scheduled board and audit committee meetings in 2014; however he was unable to attend the board and audit teleconferences scheduled at short notice on 5 September 2014 due a prior overseas commitment.

How the board works

Board governance in BP

The board operates within a system of governance that is set out in the BP board governance principles. These principles define the role of the board, its processes and its relationship with executive management.

This system is reflected in the governance of the group s subsidiaries. See *bp.com/governance* for the board governance principles.

Role of the board

The board is responsible for the overall conduct of the group s business and the directors have duties under both UK company law and BP s articles of association.

The primary tasks of the board include:

- Active consideration and direction of long-term strategy and approval of the annual plan.
- Monitoring of BP s performance against the strategy and plan.
- Obtaining assurance that the principal risks and uncertainties to BP are identified and that systems of risk management and control are in place to mitigate such risk.
- Board and executive management succession.

The board seeks to set the tone from the top for BP by working with management to agree the company values and considering specific issues including health, safety, the environment and reputation.

Board composition

On 1 January 2015 the board had 14 directors the chairman, two executive directors and 11 independent, non-executive directors (NEDs).

Key roles and responsibilities

The chairman

Carl-Henric Svanberg

Provides leadership of the board.
Acts as main point of contact between the board and management.
Speaks on board matters to shareholders and other parties.

- Ensures that systems are in place to provide directors with accurate, timely and clear information to enable the board to operate effectively.
- Is responsible for the integrity and effectiveness of the BP board s system of governance.

The group chief executive

Bob Dudley

- Is responsible for day-to-day management of the group.
- Chairs the executive team (ET), the membership of which is set out on pages 56-57.

The senior independent director

Andrew Shilston

- Is available to shareholders if they have concerns that cannot be addressed through normal channels.

During 2014 Antony Burgmans, BP s longest serving non-executive director, has acted as an internal sounding board for the chairman and served as an intermediary for the other directors with the chairman when necessary. He has also led the chairman s evaluation. From the 2015 AGM, Andrew Shilston will assume these tasks as part of his role as senior independent director.

Neither the chairman nor the senior independent director is employed as an executive of the group.

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Appointment and time commitment

The chairman and NEDs have letters of appointment; there is no term limit on a director s service as BP proposes all directors for annual re-election by shareholders (a practice followed since 2004).

While the chairman s appointment letter sets out the time commitment expected of him, letters of appointment for NEDs do not set a fixed time commitment. It is anticipated that the time required of directors may fluctuate depending on demands of BP business and other events. It is expected that directors will allocate sufficient time to BP to perform their duties effectively and that they will make themselves available for all regular and ad-hoc meetings.

Executive directors are permitted to take up one external board appointment, subject to the agreement of the chairman. Fees received for an external appointment may be retained by the executive director and are reported in the annual report on remuneration (see page 72).

Independence and conflicts of interest

NEDs are expected to be independent in character and judgement and free from any business or other relationship which could materially interfere with the exercise of that judgement. It is the view of the board that all non-executive directors, with the exception of the chairman, are independent. See page 239 for a description of BP s board governance principles relating to director independence.

Antony Burgmans joined the board in February 2004 and by the 2015 AGM will have served 11 years as a director. In 2012, the board asked him to remain as a director until the 2016 AGM. The board continues to consider that his experience as the longest serving board member provides valuable insight, knowledge and continuity, that he continues to meet its criteria for independence and will keep this under review.

The board is satisfied that there is no compromise to the independence of, and nothing to give rise to conflicts of interest for, those directors who serve together as directors on the boards of outside entities or who hold other external appointments. The nomination committee keeps the other interests of the NEDs under review to ensure that the effectiveness of the board is not compromised.

Succession

Alan Boeckmann joined the board in July 2014 as a non-executive director. He is a member of the Gulf of Mexico and the safety, ethics and environment assurance committees and attends the remuneration committee.

Iain Conn, chief executive of BP s Downstream segment, retired from the board on 31 December 2014.

At BP s AGM in 2015, George David will retire from the board following seven years service as a non-executive director.

Professor Dame Ann Dowling will take the chair of the remuneration committee when Antony Burgmans stands down in 2015.

Andrew Shilston and Alan Boeckmann will join the remuneration committee after the 2015 annual general meeting.

Board activity

The board s activities are structured to enable the directors to fulfil their role, in particular with respect to strategy, monitoring, assurance and succession. At every meeting, the board receives reports from the chair of each committee that has met since the last meeting. The main areas of focus by the board during 2014 are shown below.

Board activities

Risk and assurance

During the year the board, either directly or through its committees, regularly reviewed the processes whereby risks are identified, evaluated and managed. The effectiveness of the group s system of internal control and risk management was also assessed (see Internal Control Revised Guidance for Directors (Turnbull) on page 63).

The annual plan, group risk reviews and strategy are central to BP s risk management programme. They provide a framework by which the board can consider principal risks, manage the group s overall risk exposure and underpin the delegation and assurance model for the board in its oversight of executive management and other activities. The board and its committees (principally the audit, SEEAC and Gulf of Mexico committees) monitored the group risks which were allocated following the board s review of the annual plan at the end of 2013.

Those group risks reviewed by the board during 2014 included risks associated with the delivery of BP s 10-point plan and geopolitical risk associated with BP s operations around the world. The board considered at the half year whether any changes were required to the allocation of group risks and confirmed the schedule for oversight of these risks. The board s monitoring committees (the audit, SEEAC and Gulf of Mexico committees) were also allocated a number of group risks for review over the year. These are outlined in the reports of the committees on pages 64-71.

For 2015, the group risks allocated for review by the board include geopolitical risk and the delivery of major projects«, particularly in the Upstream. Further information on BP s system of risk management is outlined in Our management of risk on page 46.

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Board effectiveness

Induction and board learning

On joining BP, non-executive directors are given a tailored induction programme. This includes one-to-one meetings with management, the external auditors and field visits to operations. The induction also covers governance, duties of directors, the work of the board committees generally and specifically the committees that a director will join.

To help develop an understanding of BP s business, the board continues to build its knowledge through briefings and field visits. In 2014 the board received training on BP s code of conduct and briefings on key business developments and changes to the UK Corporate Governance Code. The board met local management and external stakeholders at its board meetings in Istanbul and Chicago.

Non-executive directors are expected to attend at least one field visit per year. In 2014 the board visited the Whiting refinery in the US and members of the SEEAC visited BP s operations in Baku and Brazil. After each visit, the board or appropriate committee was briefed on the impressions gained by the directors during the visit.

Board evaluation

Each year BP undertakes a review of the board, its committees and individual directors. The chairman s performance is evaluated by the chairman s committee.

In 2014, an internally designed board evaluation for the board and the committees was carried out using a questionnaire prepared by an external facilitator (Lintstock). The evaluation tested key areas of the board s work including strategy, business performance, risk and governance processes. The output of the committee reviews were discussed individually at each committee meeting in December 2014. The output of the board review was used as the basis for one-to-one interviews between each director and the chairman. Results of the board evaluation and feedback from these interviews were discussed by the board in January 2015.

Key conclusions from the evaluation

The evaluation, which considered the work of the board and its committees, concluded that the processes of the board had worked well. The evaluation focused on how the board would continue to ensure that it was discussing the right issues and that, overall the board was adding value.

Reports from the business and on major projects were in very good shape. On the rapidly shifting economic and geopolitical climate, the board was keen to ensure that it manages its time to allow appropriate levels of discussion. The need to balance its monitoring activities with discussion on strategic matters was recognized and ought to be continually borne in mind. The future role of technology in delivering BP s strategy was highlighted.

Follow up from our previous evaluation

Following the 2013 evaluation, more agenda time was allocated to the development of strategy and governance around capital projects, resulting in the creation of a regular performance report on the group s major projects. The board also had a detailed briefing on the group s view on long-term technology trends and examined organizational capability, including diversity and inclusion, at one of its strategic days.

« Defined on page 252.

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Shareholder engagement

The company operates an active investor relations programme and the board receives feedback on shareholder views through results of an anonymous investor audit and reports from management and those directors who met with shareholders over the year.

Shareholder engagement cycle 2014

January	g	*BP Energy Outlook 2035* presentation
February	g	Fourth quarter results
	g	Investor roadshows with executive management
March	g	Strategy update presentation to investors
	g	Chairman and board committee chairs meeting
	g	Engagement on remuneration and governance issues
	g	
		UKSA private shareholders meeting
	g	SRI updates unconventional gas and hydraulic fracturing; and oil sands
	g	
		SRI roadshow on *BP Sustainability Review 2013*
April	g	US legal issues conference call
	g	Annual General Meeting
	g	First quarter results
June	g	Launch of *BP Statistical Review of World Energy*
July	g	Second quarter results
	g	Publication of the BP proposition on *bp.com*
	g	Investor roadshows with the group CEO and CFO
August	g	Engagement with UKSA private shareholder panel on BP s 2013 financial reports
September	g	US legal issues conference call
	g	Oil and gas sector conferences
October	g	Third quarter results
December	g	Engagement on remuneration
	g	Group SRI meeting
	g	Upstream strategy presentation

Institutional investors

Senior management regularly meet with institutional investors through roadshows, group and one-to-one meetings and events for socially responsible investors.

During the year the chairman, senior independent director and chairs of the audit and remuneration committees held individual investor meetings to discuss strategy, the board s view on BP s performance, governance, audit and remuneration. An annual investor event was held in March 2014 with the chairman and all the board committee chairs. This meeting enables BP s largest shareholders to hear about the work of the board and its committees and for non-executive directors to engage with investors.

In December the chairman and members of the executive team met with socially responsible investors as part of BP s annual SRI meeting. The meeting examined a number of operational and strategic issues, including how the board looks at risk and strategy, *BP s Energy Outlook 2035*, how the company approaches operational risk, upstream contractor management, technology and BP s portfolio.

See *bp.com/investors* to download materials from investor presentations, including the group s financial results and information on the work of the board and its committees.

Private investors

BP held a further event for private investors in conjunction with the UK Shareholders Association (UKSA) in 2014. The chairman and head of investor relations made presentations on BP s annual results, strategy and the work of the board. The shareholders asked questions on BP s activities. Later in the year, the UKSA met with the company to give feedback on the *BP Strategic Report 2013*.

AGM

Voting levels decreased slightly in 2014 to 63.13% (of issued share capital, including votes cast as withheld), compared to 64.24% in 2013 and 63.24% in 2012. Each year the board receives a report after the AGM giving a breakdown of the votes and investor feedback on their voting decisions for the meeting to inform the board on any issues arising.

UK Corporate Governance Code compliance

BP complied throughout 2014 with the provisions of the UK Corporate Governance Code, except in the following aspects:

B.3.2 Letters of appointment do not set out fixed-time commitments since the schedule of board and committee meetings is subject to change according to the demands of business and other events. All directors are expected to demonstrate their commitment to the work of the board on an ongoing basis. This is reviewed by the nomination committee in recommending candidates for annual re-election.

D.2.2 The remuneration of the chairman is not set by the remuneration committee. Instead the chairman s remuneration is reviewed by the remuneration committee which makes a recommendation to the board as a whole for final approval, within the limits set by shareholders. This wider process enables all board members to discuss and approve the chairman s remuneration (rather than solely the members of the remuneration committee).

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International advisory board

BP s international advisory board (IAB) advises the chairman, group chief executive and the board on geopolitical and strategic issues relating to the company. This group has an advisory role and meets twice a year, with one meeting held jointly with the main board. Between meetings IAB members remain on hand to provide advice and counsel when needed.

The IAB is chaired by BP s previous chairman, Peter Sutherland. Its membership in 2014 included Kofi Annan, Lord Patten of Barnes, Josh Bolten, President Romano Prodi, Dr Ernesto Zedillo and Dr Javier Solana. The chairman and chief executive attend meetings of the IAB. Issues discussed during the year included emerging geopolitical issues which could impact BP s business, developments in Russia, the Middle East and North Africa, the liberalization of Mexico s oil and gas sector and the US mid-term election cycle.

Internal Control Revised Guidance for Directors (Turnbull)

In discharging its responsibility for the company s risk management and internal control systems under the UK Corporate Governance Code, the board, through its governance principles, requires the group chief executive to operate with a comprehensive system of controls and internal audit to identify and manage the risks that are material to BP. The governance principles are reviewed periodically by the board and are consistent with the requirements of the UK Corporate Governance Code including principle C.2 (risk management and internal control).

The board has an established process by which the effectiveness of the system of internal control (which includes the risk management system) is reviewed as required by provision C.2.1 of the UK Corporate Governance Code. This process enables the board and its committees to consider the system of internal control being operated for managing significant risks, including strategic, safety and operational and compliance and control risks, throughout the year. Material joint ventures« and associates« have not been dealt with as part of the group in this process.

As part of this process, the board and the audit, Gulf of Mexico and safety, ethics and environment assurance committees requested, received and reviewed reports from executive management, including management of the business segments, corporate activities and functions, at their regular meetings.

In considering the systems, the board noted that such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

During the year, the board through its committees regularly reviewed with executive management processes whereby risks are identified, evaluated and managed. These processes were in place for the year under review, remain current at the date of this report and accord with the guidance on the UK Corporate Governance Code provided by the Financial Reporting Council. In December 2014 the board considered the group s significant risks within the context of the annual plan presented by the group chief executive.

A joint meeting of the audit and safety, ethics and environment assurance committees in January 2015 reviewed a report from the group head of audit as part of the board s annual review of the risk management and internal control systems. The report described the annual summary of group audit s consideration of the design and operation of elements of BP s system of internal control over significant risks arising in the categories of strategic and commercial, safety and operational and compliance and control, and considered the control environment for the group. The report also highlighted the results of audit work conducted during the year and the remedial actions taken by management in response to significant failings and weaknesses identified.

During the year, these committees engaged with management, group head of audit and other monitoring and assurance providers (such as the group ethics and compliance officer, head of safety and operational risk and the external auditor) on a regular basis to monitor the management of risks. Significant incidents that occurred and management s response to them were considered by the appropriate committee and reported to the board.

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

Subject to determining any additional appropriate actions arising from items still in process, the board is satisfied that, where significant failings or weaknesses in internal controls were identified during the year, appropriate remedial actions were taken or are being taken.

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Committee reports

Audit committee

Chairman s introduction

The work of the audit committee in 2014 remained focused on the appropriateness of BP s financial reporting and accounting judgements, the review of key group-level risks and the rigour of BP s audit processes, system of internal control and risk management. A number of key topics have remained core to the committee s agenda, including regular assessment of the group s financial responsibilities arising from the Deepwater Horizon accident and judgement on whether the group has maintained significant influence over Rosneft.

Outside these core areas, the committee undertook detailed reviews of key areas of BP s business, most notably in trading where the committee visited the trading floors in London and Chicago. This allowed the committee to see the role trading plays in the group s broader business and its system of governance, control, risk and compliance. Over the year, formal business of the committee was supplemented by private meetings with key constituents. These include BP s group audit function, the group ethics and compliance officer and the external auditor. I believe the background and experience of the committee s members, together with the ability to discuss issues directly with management, has led to an effective performance from the committee over the year.

Brendan Nelson

Committee chair

Role of the committee

The committee monitors the effectiveness of the group s financial reporting and systems of internal control and risk management.

Key responsibilities

- Monitoring and obtaining assurance that the management or mitigation of financial risks are appropriately addressed by the group chief executive and that the system of internal control is designed and implemented effectively in support of the limits imposed by the board (executive limitations) as set out in the BP board governance principles.
- Reviewing financial statements and other financial disclosures and monitoring compliance with relevant legal and listing requirements.
- Reviewing the effectiveness of the group audit function and BP s internal financial controls and systems of internal control and risk management.
- Overseeing the appointment, remuneration, independence and performance of the external auditor and the integrity of the audit process as a whole, including the engagement of the external auditor to supply non-audit services to BP.
- Reviewing the systems in place to enable those who work for BP to raise concerns about possible improprieties in financial reporting or other issues and for those matters to be investigated.

Members

Name	Membership status
Brendan Nelson (chairman)	Member since November 2010; chairman since April 2011
George David	Member since February 2008
Phuthuma Nhleko	Member since February 2011
Andrew Shilston	Member since February 2012

Brendan Nelson is chair of the audit committee. He was formerly vice chairman of KPMG, and is chairman of the group audit committee of The Royal Bank of Scotland Group plc, and a member of the Financial Reporting Council Monitoring Committee. He was president of the Institute of Chartered Accountants of Scotland in 2013. The board is satisfied that Mr Nelson is the audit committee member with recent and relevant financial experience as outlined in the UK Corporate Governance Code. It considers that the committee as a whole has an appropriate and experienced blend of commercial, financial and audit expertise to assess the issues it is required to address. The board also determined that the audit committee meets the independence criteria provisions of Rule 10A-3 of the US Securities Exchange Act of 1934 and that Mr Nelson may be regarded as an audit committee financial expert as defined in Item 16A of Form 20-F.

Meetings are also attended by the chief financial officer, group controller, chief accounting officer, group auditor (head of group audit) and representatives of the external auditor, who also meet with the committee chair on a regular basis outside the meetings.

Activities during the year

Training

The committee received technical updates from the chief accounting officer on developments in financial reporting and accounting policy. Externally facilitated learning sessions were held on director responsibilities for assurance over joint ventures, trends and developments in the use of third-party agents and developments in global accounting standards.

Financial disclosure

The committee reviewed the quarterly, half-year and annual financial statements with management, focusing on the integrity and clarity of disclosure, compliance with relevant legal and financial reporting standards and the application of accounting policies and judgements.

In conjunction with the SEEAC, the committee examined whether the *BP Annual Report and Form 20-F 2014* was fair, balanced and understandable and provided the information necessary for shareholders to assess the group s performance, business model and strategy.

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Accounting judgements and estimates

Areas of significant judgement considered by the committee during the year and how these were addressed included:

	Key issues/judgements in financial reporting	Audit committee review
Accounting for interests in other entities	BP exercises judgement when assessing the level of control obtained in a transaction to acquire an interest in another entity, and, on an ongoing basis in assessing whether there have been any changes in the level of control.	The committee continued to review the accounting for BP s investment in Rosneft including the assessment of significant influence in light of developments during the year, such as the imposition of US and EU sanctions.
Oil and natural gas accounting	BP uses judgement and estimations when accounting for oil and gas exploration, appraisal and development expenditure and determining the group s estimated oil and gas reserves.	The committee reviewed judgemental aspects of oil and gas accounting as part of the company s quarterly due-diligence process, including the treatment of certain intangible assets. The committee considered the judgements made in assessing the exploration write-offs recorded during the year. It received a briefing on the measurement of reserves and also examined the group s oil and gas reserves disclosures that appear in this *BP Annual Report and Form 20-F 2014*.
Recoverability of asset carrying values	Determining whether and how much an asset is impaired involves management judgement and estimates on highly uncertain matters such as future pricing or discount rates. Judgements are also required in assessing the recoverability of overdue receivables and deciding whether a provision is required.	The committee reviewed the discount rates for impairment testing as part of its annual process and examined the assumptions for long-term oil and gas prices and refining margins, particularly in light of the decline in prices in the latter part of the year. The committee considered the judgements made in assessing the existence of indicators of impairment of assets as well as the significant estimates made in the measurement of the impairment losses recognized. The committee also continued to discuss periodically with management the recoverability of overdue receivables.
Provisions and contingencies	The group holds provisions for the future decommissioning of oil and natural gas	The committee received briefings on the group s decommissioning, environmental

	production facilities and pipelines at the end of their economic lives. Most of these decommissioning events are in the long term and the requirements that will have to be met when a removal event occurs are uncertain. Judgement is applied by the company when estimating issues such as settlement dates, technology and legal requirements.	remediation and litigation provisioning, including key assumptions used, discount rates and the movement in provisions over time.
Gulf of Mexico oil spill	Judgement was applied during the year around the provisions and contingencies relating to the incident.	The committee regularly discussed the provisioning for and the disclosure of contingent liabilities relating to the Gulf of Mexico oil spill with management, external auditors and external counsel, including as part of the review of BP s stock exchange announcement at each quarter end. The committee examined developments relating to US court rulings (including Clean Water Act penalties, business and economic loss settlement payments and natural resource damages) and monitored legal developments while considering the impact on the financial statements and other disclosures.
Pensions and other post-retirement benefits	Accounting for pensions and other post-retirement benefits involves judgement about uncertain events, including discount rates, inflation and life expectancy.	The committee examined the assumptions used by management as part of its annual reporting process.
Taxation	Computation of the group s tax expense and liability, the provisioning for potential tax liabilities and the level of deferred tax asset recognition in relation to accumulated tax losses are underpinned by management judgement.	The committee reviewed the judgements exercised on tax provisioning as part of its annual review of key provisions.

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Audit committee focus in 2014

* Undertaken jointly with the SEEAC.

Risk reviews

The group risks allocated to the audit committee for monitoring in 2014 included those associated with trading activities, compliance with applicable laws and regulations and security threats against BP s digital infrastructure. The committee held in-depth reviews of these group risks over the year. It also examined the group s governance of the tax function and its approach to tax planning and reviewed how risk is assessed and considered when evaluating BP s capital investment projects.

Internal control and risk management

The committee reviewed the group s system of internal control and risk management over the year, holding a joint meeting with the SEEAC to discuss key audit findings and management s actions to remedy significant issues. The committee reviewed the scope, activity and effectiveness of the group audit function and met privately with the general auditor and his segment and functional heads during the year.

The committee received quarterly reports on the findings of group audit, on significant allegations and investigations and on key ethics and compliance issues. Further joint meetings were held with the SEEAC to discuss the annual certification report of compliance with the BP code of conduct and the role and remit of the newly formed business integrity function. The two committees also met to discuss the group audit and ethics and compliance programmes for 2014. The committee held a private meeting with the group ethics and compliance officer during the year.

External audit

The external auditors started the annual cycle with their audit strategy which identified key risks to be monitored during the year including the provisions and contingencies related to the Gulf of Mexico oil spill, the impact of the estimation of the quantity of oil and gas reserves and resources on impairment testing, depreciation, depletion and amortization and decommissioning provisions, unauthorized trading activity and BP s ability to maintain significant influence over Rosneft and consequently our ability to recognize our share of Rosneft s income, production and reserves. The committee received updates during the year on the audit process, including how the auditors had challenged the group s assumptions on these issues.

The audit committee reviews the fee structure, resourcing and terms of engagement for the external auditor annually. Fees paid to the external auditor for the year were $53 million, of which 8% was for non-assurance work (see Financial statements Note 34). Non-audit or non-audit related assurance fees were $5 million (2013 $5 million). Non-audit or non-audit related assurance services consisted of tax compliance services, tax advisory services and services relating to corporate finance transactions. The audit committee is satisfied that this level of fee is appropriate in respect of the audit services provided and that an effective audit can be conducted for this fee.

The effectiveness of the audit process was evaluated through a survey of the committee and those impacted by the audit. It used a set of criteria to measure the auditors performance against the quality commitment set out in their annual audit plan. This related to both the quality of opinion and of service. This included the robustness of the audit process, independence and objectivity, quality of delivery, quality of people and service and value added advice. The 2014 evaluation concluded that there was a good quality audit process and that the external auditors were regarded as technically knowledgeable and unafraid to challenge and intervene where necessary. Areas of suggested focus for the auditors included audit team turnover and the identification of risk areas for audit focus. There was also support for the independence of the external auditors and feedback that they should continue sharing good industry practice.

The committee held private meetings with the external auditors during the year and its chair met privately with the external auditor before each meeting.

Auditor appointment and independence

The committee considers the reappointment of the external auditor each year before making a recommendation to the board and shareholders. It assesses the independence of the external auditor on an ongoing basis and the external auditor is required to rotate the lead audit partner every five years and other senior audit staff every seven years. No partners or senior staff associated with the BP audit may transfer to the group. The current lead partner has been in place since the start of 2013.

Audit tendering

During the year the committee considered the group s position on its audit services contract taking into account the UK Corporate Governance Code, the EU Audit Regulation 2014 and the Statutory Audit Service Order 2014, issued by the UK Competitions and Markets Authority. Having considered the impact of these regimes, the committee concluded that the best interests of the group and its shareholders would be served by utilizing the transition arrangements outlined by the Financial Reporting Council in relation to the governance code and retaining BP s existing audit firm until the conclusion of the term of its current lead partner. Accordingly the committee intends that the audit contract will be put out to tender in 2016, in order that a decision can be taken and communicated to shareholders at BP s AGM in 2017; the new audit services contract would then be effective from 2018.

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Non-audit services

Audit objectivity and independence is safeguarded through the limitation of non-audit services to tax and audit-related work which falls within defined categories. BP s policy on non-audit services states that the auditors may not perform non-audit services that are prohibited by the SEC, Public Company Accounting Oversight Board (PCAOB) and UK Auditing Practices Board (APB). The categories of approved and prohibited services are outlined below.

The audit committee approves the terms of all audit services as well as permitted audit-related and non-audit services in advance. The external auditor is only considered for permitted non-audit services when its expertise and experience of the company is important. A two-tier system operates for approval of audit-related and non-audit work. For services relating to accounting, auditing and financial reporting matters, internal accounting and risk management control reviews or non-statutory audit, the committee has agreed to pre-approve these services up to an annual aggregate level. For all other services which fall under the permitted services categories, approval above a certain financial amount must be sought on a case-by-case basis. Any proposed service not included in the permitted services categories must be approved in advance either by the audit committee chairman or the audit committee before engagement commences. The audit committee, chief financial officer and group controller monitor overall compliance with BP s policy on audit-related and non-audit services, including whether the necessary pre-approvals have been obtained.

Committee review

The audit committee undertakes an annual evaluation of its performance and effectiveness. In 2014 the committee used an online survey which examined governance issues such as committee processes and support, the work of the committee and priorities for change.

Areas of focus for 2015 arising from the evaluation included the inclusion of broader segment and business reviews, undertaking more deep dive reviews and suggestions for further committee training.

Permitted and non-permitted audit services

Permitted services

Audit related

- Advice on accounting, auditing and financial reporting.
- Internal accounting and risk management control reviews.
- Non-statutory audit.
- Project assurance/advice on business and accounting process improvement.
- Due diligence (acquisition, disposals, joint arrangements).

Tax services

- Tax compliance.
- Direct and indirect tax advisory services.
- Transaction tax advisory services.
- Assistance with tax audits and appeals.
- Tax compliance/advisory relating to human capital and performance/reward.
- Transfer pricing advisory services.
- Tax legislative monitoring.

g Tax performance advisory.

Other services

g Workshops, seminars and training on an arm s length basis.

g Assistance on non-financial regulatory requirements.

g Provision of independent third-party audit on BP s Conflict Minerals Report.

Non-permitted services

SEC principles of auditor independence

g Bookkeeping/other services related to financial records.
g Financial information systems design and implementation.
g Appraisal, valuation, fairness opinions, contribution in-kind.
g Actuarial services.

g Internal audit outsourcing.
g Management functions.
g HR functions.
g Broker-dealer, investment advisor, banking services.
g Legal services.
g Expert services unrelated to audit.

Public Company Accounting Oversight Board (PCAOB) ethics and independence rules

g Contingent fees.

g Confidential or aggressive tax position transactions.

g Tax services for persons in financial reporting oversight roles.

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Safety, ethics and environment assurance committee (SEEAC)

Chairman s introduction

The SEEAC has continued to monitor closely and provide constructive challenge to management in the drive for safe and reliable operations at all times. This included the committee receiving specific reports on BP s management of high priority risks in marine, wells, pipelines, facilities and major security incidents. The committee also undertook a number of field visits as well as maintained its schedule of regular meetings with executive management.

We continued to receive regular reports from the independent experts that we have engaged in the Upstream (Carl Sandlin) and in the Downstream (Duane Wilson). They have provided valuable insights and advice on many aspects of process safety and we are grateful to them for their work.

We were also very pleased to welcome Alan Boeckmann to the committee in September. Alan brings valuable experience and insight from his many years at Fluor.

Paul Anderson

Committee chair

Role of the committee

The role of the SEEAC is to look at the processes adopted by BP s executive management to identify and mitigate significant non-financial risk. This includes the committee monitoring the management of personal and process safety and receiving assurance that processes to identify and mitigate such non-financial risk are appropriate in design and effective in implementation.

Key responsibilities

The committee receives specific reports from the business segments as well as cross-business information from the functions. These include, but are not limited to, the safety and operational risk (S&OR) function, group audit, group ethics and compliance and group security. The SEEAC can access any other independent advice and counsel if it requires, on an unrestricted basis.

The committee met six times in 2014, including joint meetings with the audit committee. At one of the joint meetings the committee reviewed the general auditor s report on the system of internal control and risk management for the year in preparation for the board s report to shareholders in the annual report (see Internal Control Revised Guidance for Directors (Turnbull) on page 63). In that joint meeting the committees also reviewed the general auditor s audit programme for the year ahead to ensure both committees endorsed the coverage. The SEEAC and audit committee worked together, through their chairs and secretaries, to ensure that the agendas did not overlap or omit coverage of any key risks during the year.

In addition to the committee membership, all the SEEAC meetings were attended by the group chief executive, the executive vice president for safety and operational risk and the general auditor or his delegate. The external auditor attended some of the meetings (and was briefed on the other meetings by the chair and secretary to the committee), as did the group general counsel and group ethics and compliance officer. The committee scheduled private sessions for the committee members only (without the presence of executive management) at the conclusion of each meeting to discuss any issues arising and the quality of the meeting.

Members

Name	Membership status
Paul Anderson (chairman)	Member since February 2010; chairman since December 2012
Frank Bowman	Member since November 2010
Antony Burgmans	Member since February 2004
Cynthia Carroll	Member since June 2007
Ann Dowling	Member since February 2012
Alan Boeckmann	Member since September 2014

Activities during the year

Safety, operations and environment

The committee received regular reports from the S&OR function, including quarterly reports prepared for executive management on the group s health, safety and environmental performance and operational integrity. These included quarter-by-quarter measures of personal and process safety, environmental and regulatory compliance and audit findings. Operational risk and performance forms a large part of the committee s agenda.

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

Independent expert Upstream

Mr Carl Sandlin continued in his role as an independent expert to provide further oversight and assurance regarding the implementation of the Bly Report recommendations. We were pleased that Mr Sandlin agreed, at the committee s request, to extend his engagement to the summer of 2016. He reported twice directly to the SEEAC in 2014, and presented detailed reports on his work, including reporting on a number of visits made to group operations around the world. He also reported to the committee that 25 out of 26 recommendations in the Bly Report were completed by the end of 2014 (and he will report to the committee regarding the final recommendation which is expected to be completed at the end of 2015).

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SEEAC focus in 2014

* Undertaken jointly with the audit committee.

Process safety expert Downstream

Mr Duane Wilson continued to report to the committee in his role as process safety expert for the Downstream segment. He continues to work with segment management on a worldwide basis (having previously focused on US refineries) to monitor and advise on the process safety culture and lessons learned across the segment. He twice reported directly to the SEEAC in 2014 and presented detailed reports on his work (including reporting on a number of visits he has made to refineries and other downstream facilities). Mr Wilson will complete his engagement in April 2015 and delivered his final report to the SEEAC in January 2015. The committee wishes to thank him for all of his work during the course of his engagement and believes he has made a lasting and positive impact on the process safety culture in the Downstream segment.

Reports from group audit and group ethics and compliance

The committee received quarterly reports from both of these functions. These included summaries of investigations into significant alleged fraud or misconduct (which are now undertaken through the business integrity team established in 2014). In addition, both the general auditor and the group ethics and compliance officer met in private with the chairman and other members of the committee.

Field trips

In May the chairman and other members of the committee visited Baku in Azerbaijan to examine both offshore facilities (Central Azeri platform) and the onshore gas reception terminal (Sangachal) operated by the group. In October the chairman and another committee member visited operations at the biofuels business in central Brazil. In September all members of the committee visited the Whiting refinery in Indiana, US, as part of a larger board visit. In all cases, the visiting committee members received briefings on operations, the status of local OMS implementation, and risk management and mitigation. Committee members then reported back in detail about each visit to the committee and subsequently to the board. In addition the local management team reported back to the committee regarding the status of the issues raised during the visit.

Committee review

For its 2014 evaluation, the SEEAC examined its performance and effectiveness with a questionnaire administered by external consultants. The topics covered included the balance of skills and experience among its membership, the quality and timeliness of the information the committee receives, the level of challenge between committee members and management and how well the committee communicates its activities and findings to the board.

The evaluation results were generally positive. Committee members considered that the committee possessed the right mix of skills and background, had an appropriate level of support and had received open and transparent briefings from management. The committee considered that the field trips made by its members had become an important element in

its work, in particular by giving committee members the ability to examine how risk management is being embedded in businesses and facilities, including management culture.

Gulf of Mexico committee

Chairman s introduction

The Gulf of Mexico committee continues to oversee the group s response to the Deepwater Horizon accident, ensuring that BP fulfils all its legitimate obligations while protecting and defending the interests of the group. In the past year the focus has been on the review of ongoing proceedings in Multi-District Litigation (MDL) 2179 and 2185, the assessment of natural resource damages, and of a number of other legal proceedings in relation to the Deepwater Horizon accident.

I believe the committee has been thorough in the execution of its duties. The high frequency of meetings and long tenure of committee membership has enabled members to review an evolving and complex spectrum of issues.

Ian Davis

Committee chair

Role of the committee

The committee was formed in July 2010 to oversee the management and mitigation of legal and licence-to-operate risks arising out of the Deepwater Horizon accident and oil spill. Its work is integrated with that of the board, which retains ultimate accountability for oversight of the group s response to the accident.

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Gulf of Mexico committee focus in 2014

Key responsibilities

- Oversee the legal strategy for litigation, investigations and suspension/debarment actions arising from the accident and its aftermath, including the strategy connected with settlements and claims.
- Review the environmental work to remediate or mitigate the effects of the oil spill in the waters of the Gulf of Mexico and on the affected shorelines.
- Oversee management strategy and actions to restore the group s reputation in the US.
- Review compliance with government settlement agreements arising out of the Deepwater Horizon accident and oil spill, including the SEC Consent Order, the Department of Justice plea agreement and the EPA administrative agreement, in co-ordination with other committee and board oversight.

Members

Name	Membership status
Ian Davis (chair)	Member since July 2010; committee chair since July 2010
Paul Anderson	Member since July 2010
Frank Bowman	Member since February 2012
George David	Member since July 2010
Alan Boeckmann	Member since September 2014

The chairman and the group chief executive attend all meetings of the committee.

Activities during the year

The committee reviewed plans and progress in moving Gulf Coast shoreline response activities through to completion and sign-off by the US Coast Guard. Active clean-up activities are now complete in all states.

The committee continued to oversee numerous legal matters relating to the Deepwater Horizon accident, including the ruling made in respect of Phase 1 of the trial in MDL 2179 (and the subsequent appeal of that ruling), preparation for the penalty phase of the trial and BP s appeals to the US Court of Appeals for the Fifth Circuit and the US Supreme Court relating to the Court Supervised Settlement Program.

The committee met 11 times in 2014.

Committee review

Each year the Gulf of Mexico committee evaluates its performance and effectiveness. Key areas covered included the balance of skills and experience among its membership, quality and timeliness of information and support received by the committee, the appropriateness of committee tasks and how well the committee communicates its activities and findings to the board.

The results of the evaluation were positive. Specific areas for focus in 2015 included maintaining constructive and challenging engagement with management as well as continuing timely and effective communication of its activities and findings to the board.

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Nomination and chairman s committees

Chairman s introduction

I am pleased to report on the two board committees that I chair. Both have been active during the year in seeking to develop the membership of the board and its governance.

Nomination committee

Role of the committee

The committee ensures an orderly succession of candidates for directors and the company secretary.

Key responsibilities

- Identify, evaluate and recommend candidates for appointment or reappointment as directors.
- Identify, evaluate and recommend candidates for appointment as company secretary.
- Keep under review the mix of knowledge, skills and experience of the board to ensure the orderly succession of directors.
- Review the outside directorship/commitments of the non-executive directors.

Members

Name	Membership status
Carl-Henric Svanberg (chair)	Member since September 2009; committee chair since January 2010
Paul Anderson	Member since April 2012
Antony Burgmans	Member since May 2011
Cynthia Carroll	Member since May 2011
Ian Davis	Member since August 2010
Brendan Nelson	Member since April 2012

Andrew Shilston, as the senior independent director, attends all meetings of the committee.

Activities during the year

The committee met six times during the year.

It continued to reflect on the rhythm of the meetings. As in 2013, the committee held one longer meeting during the year and reviewed board composition and skills in light of BP s strategy.

In 2014 the committee considered the sequencing of board retirements over the coming years and potential board candidates. It is pursuing several promising individuals and appointments are likely to be made in 2015. As part of this, letters of appointment for all non-executive directors were reviewed and amended. The committee considered the chairmanship and membership of each committee. As a result it was agreed that Dame Professor Ann Dowling would take the chair of the remuneration committee when Antony Burgmans steps down from that role in 2015, and that Andrew Shilston and Alan Boeckmann will join the remuneration committee after the 2015 annual general meeting.

The committee considered the feedback from its own evaluation. There were several actions including a greater focus on executive succession and the interaction between the chairman s and nomination committee in this respect. The committee also wishes to make agenda time to consider broader issues such as succession and diversity. Future searches for non-executive directors should generally focus on industry expertise and also consider the split between former chief executive officers and directors with others skills on the board.

Chairman s committee

Role of the committee

To provide a forum for matters to be discussed among the non-executive directors.

Key responsibilities

- Evaluate the performance and the effectiveness of the group chief executive.
- Review the structure and effectiveness of the business organization.
- Review the systems for senior executive development and determine the succession plan for the group chief executive, the executive directors and other senior members of executive management.
- Determine any other matter that is appropriate to be considered by all of the non-executive directors.
- Opine on any matter referred to it by the chairman of any committees comprised solely of non-executive directors.

Members

The committee comprises all the non-executive directors who join the committee at the date of their appointment to the board. The chief executive attends the committee when requested.

Activities during the year

The committee met five times in the year to:

- Assess the effect of sanctions on Russia on BP s relationship with Rosneft.
- Monitor the progress of the Gulf of Mexico litigation.
- Determine the framework for board evaluation in 2015.
- Review the background to the 2015 plan in light of the decline in oil prices.
- Consider the chief executive s plans for the succession and organization of the executive team.
- Evaluate the performance of the chairman and chief executive.

Directors remuneration report

Chairman s annual statement

Dear shareholder,

2014 started strongly but, as others have commented in this report, ended more turbulently as the price of oil fell, mainly in the last quarter. This formed the backdrop for the decisions of the committee at the end of 2014. The work of the committee is governed by a number of overriding principles. Key among these is seeking a fair outcome in reward that is linked to BP s immediate and long-term performance and strategy delivery. As part of this, the committee seeks to ensure that variable remuneration is based on underlying performance and is not driven by factors over which the directors have no control. All of this work is carried out within the policy framework that was approved overwhelmingly by shareholders earlier in the year.

In this context:

- 2014 saw the end of an improving three-year period for BP. This is demonstrated elsewhere in the report. The high-performance gearing in remuneration of the executive directors reflects good business results through an overall increase in remuneration compared to last year.

- The world is a more uncertain place in 2015. BP has responded broadly to this, including freezing salaries, and the committee has refocused the measures for the annual bonus to reflect new challenges.

- There are clear concerns in society and among shareholders that remuneration for executive directors is simply too much. The policy, now approved by shareholders, is clear and recognizes these concerns particularly by placing limits on the amounts that can be awarded. Equally, this remuneration has to be appropriate to be aligned with the global market for talent in which BP works. Here the committee has to strike a balance.

2014 in retrospect

Our remuneration policy was approved at the 2014 AGM for a three-year period. At the same meeting, a number of shareholders voted against or withheld their votes on our annual remuneration report. There were several reasons for this. There were concerns around our commitment to disclosure of targets, whether prospectively or retrospectively, and the need for additional disclosure when the committee was exercising judgements around qualitative measures. Some shareholders believed that the overall remuneration of the executive directors was excessive.

We are responding to these concerns and are committed to making as full a retrospective disclosure of those targets that we are able to, subject to confidentiality. I believe that this is demonstrated in this year s report, particularly in the tables relating to annual bonus and performance shares. In terms of overall quantum of remuneration, I have previously made clear that the committee understands the concerns felt in society and by some shareholders. The committee, however, believes that these concerns are properly recognized and balanced in the way in which the policy is framed and implemented.

At the time of our last report, the outcome for the performance shares was based on an estimated second place for relative reserves replacement. Once results for the oil majors were publicly available it was assessed that BP was in first place, resulting in a vesting of 45.5% . The awards were adjusted and announced accordingly.

Finally, in July, Iain Conn agreed with the board that he would stand down as a director on 31 December 2014. Iain has made a significant contribution to the company over his long career and, on this basis, the terms of his departure were agreed with the committee within the policy. The terms were promptly communicated on BP s website and are set out again later in this report.

2014 outcomes

BP has performed well in increasingly difficult circumstances. This has been demonstrated by the delivery of the 10-point plan, which the board approved as BP s strategic direction in 2011. In considering performance in 2014 and its effect on remuneration, two areas stand out. Firstly, a key milestone in delivery of the plan was achieving $32.8 billion of operating cash flow«. The excellent performance in this measure had a strong influence on both the annual bonus and the performance share element. The second area with an equally strong influence was safety. Over the three years of the performance share element, performance improved by more than 15% on two of the measures and over 60% on one measure.

Annual bonus

Measures for the annual bonus that focused on safety and value were largely unchanged from previous years to encourage continuity of performance and delivery. There had been a strong safety performance in 2013. We seek continuous improvement in this area and the targets for 2014 were ambitious. Against that background, performance was mixed and showed a modest improvement.

Operating cash stood out as being well ahead of target but underlying replacement cost profit« was below. Seven projects started up in 2014, making 16 major projects« start-ups since the beginning of 2012. All of this resulted in a group performance score of 1.10, compared with a score of 1.32 last year. The committee felt that this score reasonably reflected the overall performance for the year. Following elections by the executive directors, one third of this bonus will be paid in cash and two thirds in shares that are deferred for three years and matched. There is retrospective disclosure of many of the targets for the annual bonus later in this report.

Deferred bonus

2011 deferred bonus share awards became eligible for vesting at the end of 2014. Vesting is dependent on safety and environmental sustainability performance over that period. The committee reviewed this in consultation with the SEEAC. Based on strong and consistent improvement and no significant incidents, the deferred and matching shares vested in full.

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Performance shares

The 2012-2014 performance share plan was, as in the previous year, based on three sets of measures equally weighted; relative total shareholder return (TSR), operating cash flow and finally strategic imperatives, which include relative reserves replacement ratio (RRR), safety and operational risk and rebuilding trust. The committee made its assessment of performance over the three-year period against the agreed targets and its view of the achievements over that time. There were no shares awarded for TSR as the minimum threshold was not reached. As I have mentioned above, there was strong performance against the safety measures and the committee exercised its judgement based on qualitative data in respect of the need to rebuild trust. As for 2013, the assessment was preliminary as the final results from the comparator group for RRR were not available. On the basis of information available, second place was recorded. Based on this preliminary assessment, 60.5% of the shares are expected to vest. The committee believes that this represents a fair outcome for a continually improving performance over the period. Again, there is retrospective disclosure of many of the targets used for the 2012-2014 performance share plan in this report.

2015 and the future

During 2014, BP set out a clear proposition to shareholders aimed at delivering value rather than volume through active portfolio management, growing sustainable free cash flow through capital discipline and growing distributions for shareholders. The company s key performance indicators (KPIs) are designed to measure performance against this proposition. The committee is determined that the remuneration of the directors remains clearly linked to the company s strategy. There has been a refocus of some of the measures for the 2015 annual bonus to reflect this and the current short-term imperatives facing BP. The graphic below sets out BP s strategic priorities and links them to the measures used for short and long term remuneration with further detail in this report.

Policy issues

In 2014, the UK Corporate Governance Code was revised. The Code introduced, on a comply or explain basis, a requirement to introduce malus and clawback provisions into all performance related elements of directors remuneration. The committee has reviewed the terms of the executive directors remuneration and confirmed that malus and clawback provisions exist in all terms save the cash element of the annual bonus. It will propose an appropriate provision on the next occasion that it renews the remuneration policy. The committee also undertook a detailed examination of its tasks. The changes that have been made are set out in more detail later in this report.

Conclusion

Whilst BP has performed well in recent years and momentum has been building, there are clearly more challenging times ahead. We have set out our approach in this changing world. It is likely that, within our policy, we will need to exercise judgement and discretion based on solid data. Should we be required to do so, it will be done within our policy and with subsequent disclosure so that our shareholders are clear on the decisions that we have taken.

Finally, I will be standing down as the chair of the committee in June and I will be succeeded by Professor Dame Ann Dowling. Ann has sat on the committee after joining the board in 2012 and I look forward to introducing her to our shareholders. I would like to thank our shareholders for the support, and the challenge, over the past four years.

Antony Burgmans

Previously, the committee reviewed the executive directors salaries in May each year. In future, it will do so in January for implementation in April, at the same time as the rest of the organization. Given the general company pay freeze, no salary increases were awarded to directors for 2015.

Chairman of the remuneration committee

3 March 2015

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Remuneration committee report

The committee was made up of the following independent non-executive directors in 2014.

Members
Antony Burgmans (chairman)
George David
Ian Davis
Professor Dame Ann Dowling
In addition, Carl-Henric Svanberg and Bob Dudley normally attend the meetings except for matters relating to their own remuneration.

Key responsibilities

The committee s tasks were reviewed during the year and are as follows:

Determine the policy for the chairman and the executive directors (the policy) for inclusion in the remuneration policy for all directors as required by the regulations.

Review and determine as appropriate the terms of engagement, remuneration and termination of employment of the chairman and the executive directors in accordance with the policy, and be responsible for compliance with all remuneration issues relating to the chairman and the executive directors required by the regulations.

Prepare for the board an annual report to shareholders on the implementation of the policy, so far as it relates to the chairman and the executive directors, as required by the regulations.

Approve the principles of any equity plan for which shareholder approval is to be sought.

Approve the terms of the remuneration (including pension and termination arrangements) of the executive team as proposed by the group chief executive (GCE).

Approve changes to the design of remuneration as proposed by the GCE, for the group leaders of the company.

Monitor implementation of remuneration for group leaders to ensure alignment and proportionality.

Engage such independent consultants or other advisers as the committee may from time to time deem necessary, at the expense of the company.

In these tasks regulations shall mean regulations made under the Companies Act 2006 from time to time in relation to the remuneration of directors of quoted companies, the UK Corporate Governance Code adopted by the Financial Reporting Council from time to time and the UK Listing Authority s Listing Rules from time to time.

Committee review and composition

The board evaluation process included a separate questionnaire on the work of the remuneration committee. The results were analysed by an external consultant and discussed at the committee s meeting in December 2014. Processes continued to be rated as good to excellent and a number of topics for more in-depth discussion were identified. In particular the committee decided to schedule a longer strategy meeting each year.

George David stands down from the board at the next annual general meeting and will leave the committee. Alan Boeckmann and Andrew Shilston will join the committee after that meeting.

Professor Dame Ann Dowling will take the chair of the committee in June 2015. Antony Burgmans will remain a member of the committee.

Independence and advice

Independence

The committee operates with a high level of independence. The board considers all committee members to be independent with no personal financial interest, other than as shareholders, in the committee s decisions.

Consultation

The GCE is consulted on the remuneration of the other executive directors and the executive team and on matters relating to the performance of the

group. Neither he, nor the chairman of the board, participate in decisions on their own remuneration. The group human resources director normally attends, and other executives may attend relevant parts of meetings.

The committee consults other relevant committees of the board, for example the SEEAC, on issues relating to the exercise of its judgement or discretion.

Advice

During 2014 David Jackson, the company secretary, who is employed by the company and reports to the chairman of the board, acted as secretary to the remuneration committee. The company secretary periodically reviews the independence of the committee s advisers.

Gerrit Aronson, an independent consultant, is the committee s independent adviser. He is engaged directly by the committee. He advises the chairman, the board and the nomination committee on a variety of governance issues. Advice and services on particular remuneration matters were also received from other external advisers appointed by the committee.

Towers Watson provided information on the global remuneration market, principally for benchmarking purposes. Freshfields Bruckhaus Deringer LLP provided legal advice on specific compliance matters to the committee. Both firms provide other advice in their respective areas to the group.

Total fees or other charges (based on an hourly rate) paid in 2014 to the above advisers for the provision of remuneration advice to the committee as set out above (save in respect of legal advice) are as follows:

Gerrit Aronson £140,000

Towers Watson £23,400

Activities during the year

During the year, the committee met five times. Key discussions and decision items are shown in the table below.

Remuneration committee 2014 meetings

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Executive directors

Total remuneration summary 2014

Salary reviewed mid-year and **increased by an average of 3%** for all directors this was in line with average employee increases in the UK and US.

Annual bonus the key focus for 2014 was delivery of the group s 10-point plan, strong operating cash flow, safe and reliable operations and delivery of major projects within the year. Operating cash flow exceeded planned targets. Overall safety results were satisfactory and consolidated the improvements made over the last three years. The underlying operating performance was strong. **Overall group score was 1.10 times target.**

Deferred bonus 2011 deferred bonus was conditional on safety and environmental sustainability performance over the period 2012 through to

2014. There was strong and consistent delivery against this hurdle and **2011 deferred and matched shares vested in full.**

Performance shares vesting was based one third on relative total shareholder return (TSR), one third on operating cash flow and one third on strategic imperatives including safety and operational risk (S&OR), relative reserves replacement ratio (RRR) and rebuilding trust internally and externally. TSR performance did not achieve the minimum level necessary for this part of the award to vest. There was strong operating cash flow. There was similarly strong performance against the strategic imperatives. **On a preliminary assessment 60.5% of the 2012-2014 award are expected to vest.**

Pension pension figures reflect the UK requirements to show 20 times the increase in accrued pension over the year for defined benefit plans, as well as any cash paid in lieu.

Single figure table of remuneration of executive directors in 2014 (audited)

Remuneration is reported in the currency received by the individual

	Bob Dudley thousand		Dr Brian Gilvary thousand		Iain Conn thousand	
Annual remuneration 2014	**2014**	2013	**2014**	2013	**2014**	2013
Salary	**$1,827**	$1,776	**£721**	£700	**£786**	£763
Annual cash bonus[a]	**$1,005**	$2,344	**£396**	£924	**£1,252**	£961
Benefits	**$114**	$90	**£51**	£45	**£55**	£59
Total	**$2,946**	$4,210	**£1,168**	£1,669	**£2,093**	£1,783

Vested equity						
Deferred bonus and match[b]	**$3,401**	$0	**£0**	£0	**£1,698**	£242
Performance shares	**$6,391**[c]	$5,963[d]	**£1,904**[c]	£505	**£2,014**[c]	£1,688[d]
Total	**$9,792**	$5,963	**£1,904**	£505	**£3,712**	£1,930
Total remuneration	**$12,738**	$10,173	**£3,072**	£2,174	**£5,805**	£3,713
Pension						
Pension value increase[e]	**$2,596**	$4,447	**£21**	£44	**£18**	£46
Cash in lieu of future accrual	**N/A**	N/A	**£252**	£245	**£275**	£267
Total including pension	**$15,334**	$14,620	**£3,345**	£2,463	**£6,098**	£4,026

[a] This reflects the amount of bonus paid in cash with the deferred portion as set out in the conditional equity table below. In the case of Iain Conn, there was no deferral of bonus and all bonus was paid in cash.

[b] Value of vested deferred bonus and matching shares. The amounts reported for 2014 relate to the 2011 annual bonus deferred over three years, which vested on 11 February 2015 at the market price of $40.35 and £4.46 and include re-invested dividends on shares vested. The amounts reported for 2013 relate to the 2010 annual bonus.

[c] Represents the assumed vesting of shares in 2015 following the end of the relevant performance period, based on a preliminary assessment of performance achieved under the rules of the plan and includes re-invested dividends on shares vested. In accordance with UK regulations, the vesting price of the assumed vesting is the average market price for the fourth quarter of 2014 which was £4.27 for ordinary shares and $40.74 for ADSs. The final vesting will be confirmed by the committee in second quarter 2015 and provided in the 2015 Directors remuneration report.

[d] In accordance with UK regulations, in the 2013 single figure table, the performance outcome value was based on an estimated vesting at an assumed share price of £4.69 for ordinary shares and $45.52 for ADSs. In May 2014, after the external data became available, the committee reviewed the relative reserves replacement ratio position and assessed that the group was first place relative to the other oil majors. This resulted in an adjustment to the final vesting from 39.5% to 45.5% . On 15 May 2014, 115,766 ADSs for Bob Dudley and 331,330 shares for Iain Conn vested at prices of $50.90 and £5.03 respectively. The vesting of the final notional dividends prior to the vesting date took place on 24 June 2014 when Bob Dudley received 1,331 ADSs and Iain Conn received 4,122 shares at prices of $52.84 and £5.24 respectively. The 2013 values for the total vesting have increased by $1,440,954 for Bob Dudley and £356,604 for Iain Conn.

[e] Represents the annual increase net of inflation in accrued pension multiplied by 20 as prescribed by UK regulations.

Conditional equity to vest in future years, subject to performance

		Bob Dudley		Dr Brian Gilvary		Iain Conn	
Deferred bonus in respect of bonus year		**2014**	2013	**2014**	2013	**2014**	2013
Total deferred bonus	Value (thousand)	**$2,010**	$1,172	**£793**	£462		£481
Total deferred converted to shares	Shares	**294,108**	149,628	**176,576**	96,653		100,563
Total matched shares	Shares	**294,108**	149,628	**176,576**	96,653		100,563
Vesting date		**Feb 2018**	Feb 2017	**Feb 2018**	Feb 2017		Feb 2017

Release date[a]	**Feb 2021**	Feb 2020	**Feb 2021**	Feb 2020		Feb 2018
Performance share element	**2014-2016**	2013-2015	**2014-2016**	2013-2015	**2014-2016**	2013-2015
Potential maximum shares	**1,304,922**	1,384,026	**605,544**	637,413	**220,043[b]**	463,126[b]
Vesting date	**Feb 2017**	Feb 2016	**Feb 2017**	Feb 2016	**Feb 2017**	Feb 2016
Release date	**Feb 2020**	Feb 2019	**Feb 2020**	Feb 2019	**Feb 2018**	Feb 2017

[a] Deferred shares are released at vesting with the exception of matched shares which normally have a further three-year retention period.
[b] Potential maximum of performance shares element has been pro-rated to reflect actual service during the performance period.

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Total remuneration in more depth

In describing the work and decisions of the committee in 2014, the summary wording of the approved policy has been used to introduce the committee s approach to each element of remuneration. Throughout this report, the word policy refers to the directors remuneration policy

approved by shareholders at the company s annual general meeting on 10 April 2014. BP s strategy is reflected in the measures adopted by the committee for the executive directors and further aligned with those for the senior leadership of the group. The policy is available at *bp.com/remuneration* and is set out in the *BP Annual Report and Form 20-F 2013*.

Salary and benefits

Provides base-level fixed remuneration to reflect the scale and dynamics of the business, and to be competitive with the external market.

Policy summary

Operation and opportunity

Salaries are normally set in the home currency of the executive director and reviewed annually.

Salary levels and total remuneration of oil and other top European multinationals, and related US corporations, are considered by the committee. Internally, increases for the group leaders as well as employees in relevant countries are considered.

Salary increases will be in line with all employee increases in the UK and US and limited to within 2% of average increase for the group leaders.

Benefits reflect home country norms. The current package of benefits will be maintained, although the taxable value may fluctuate.

Performance framework

Salary increases are not directly linked to performance. However a base-line level of personal contribution is needed in order to be considered for a salary increase and exceptional sustained contribution may be grounds for accelerated salary increases.

Base salary

The annual base salaries of the executive directors were reviewed in May 2014. In conducting this review the committee considered all of the factors required by the policy and the overall level of increases for employees in both the UK and the US. They also considered the distribution and average level of increases for group leaders comprising around 500 executives in the group. This averaged 3.1%. Based on this review, salaries were increased by 3% on average, resulting in salaries of $1,854,000 for Bob Dudley, £731,500 for Dr Brian Gilvary and £797,000 for Iain Conn. These increases took effect on 1 July 2014.

2015 implementation

The committee determined that in future years, salaries would be reviewed in January to be effective in April, consistent with the rest of BP s employees. No increases were granted for 2015, in line with the group-wide salary freeze.

Benefits

Executive directors received car-related benefits, security assistance, insurance and medical benefits.

Annual bonus

Provides a variable level of remuneration dependent on short-term performance against the annual plan.

Policy summary

Operation and opportunity

Total overall bonus (before any deferral) is based on performance relative to measures and targets reflected in the annual plan, which in turn reflects BP s strategy.

On-target bonus is 150% of salary with 225% as maximum.

Achieving annual plan objectives equates to on-target bonus. The level of threshold payout for minimum performance varies according to the nature of the measure in question.

Performance framework

Specific measures and targets are determined each year by the remuneration committee.

A proportion will be based on safety and operational risk management and is likely to include measures such as loss of primary containment, recordable injury frequency and tier 1 process safety events.

The principal measures of annual bonus will be based on value creation and may include financial measures such as operating cash flow, replacement cost operating profit and cost management, as well as operating measures such as major project delivery, downstream net income per barrel and upstream unplanned deferrals. The specific metrics chosen each year will be set out and explained in the annual report on remuneration.

Framework

The committee determined performance measures and their weightings for the 2014 annual bonus at the beginning of the performance year, focusing on two key priorities: safety and value.

Performance measures remained largely unchanged from last year in order to maintain continuity and build momentum for delivery of the 10-point plan. Measures and targets reflected the business plan for the year and were set so that meeting plan would result in an on target bonus reward.

Bob Dudley and Dr Brian Gilvary s annual bonus was based 100% on group annual bonus objectives.

Safety made up 30% of group annual bonus objectives. Safety measures related to loss of primary containment, tier 1 process safety events and recordable injury frequency. Challenging targets for these measures were set, both to build on the improving trend of the last three years and to continue to reduce the number of safety events.

Value made up 70% of group annual bonus objectives. Measures included delivering operating cash flow in line with the 10-point plan; increasing underlying replacement cost profit; reducing corporate and functional costs; improving operating efficiency in upstream operations by minimizing unplanned deferrals; completing major projects planned within the year; and delivering downstream profit per barrel of refining capacity.

Iain Conn s annual bonus was based 70% against the group annual bonus objectives and 30% against safety, operating efficiency and profitability performance of the downstream segment.

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2014 outcomes

In January 2015, the committee considered the group s performance during 2014 against the measures and targets set out below.

In safety, the committee recognized that ambitious targets had been set and the improvements in the year varied between the measures. In loss of primary containment, the improvement was above the threshold but below the target resulting in a weighted score of 7.96 out of 10; similarly in recordable injury frequency (RIF) the improvement was above the threshold but below the target resulting in a weighted score of 6.07 out of 10. Importantly, these levels of performance still represented an improvement on the previous year. Tier 1 process safety events did not reach the threshold expectation and therefore did not score. The outcomes relative to these targets were mixed, however the underlying trend remained positive, reflecting continued improvement over the past three years.

Operating cash flow of $32.8 billion was well ahead of target of $30 billion. Underlying replacement cost profit of $12.1 billion was below target of $14.5 billion. Through greater simplification and efficiency across all functions, corporate and functional costs were reduced by 9% against a

targeted reduction of 7%. In terms of operational performance seven major projects were successfully delivered in 2014 against the plan of six. Upstream unplanned deferrals were reduced by 6% against a targeted reduction of 9%. Downstream net income per barrel of $4.4/bbl was below target of $6.4/bbl.

Based on these results, the overall group performance score was 1.10. The committee, as is its normal practice, considered this result in the context of the underlying financial performance of the group, competitors results, shareholder feedback and input from the board and other committees. After review, it concluded that this result fairly represented the overall performance of the business during the year.

In the downstream segment, safety results were good with improvements in loss of primary containment and process safety tier 2 events. Operating cash flow was ahead of plan but refining availability and net income per barrel were below plan expectations. The performance score was 0.98.

A summary of the outcomes for each measure, set against the target for the year, is shown below.

[a] Defined by American Petroleum Institute (API).

[b] Assessment of the financial outcomes was done using the same conditions as the targets were set at oil price, refining margin and other environmental factors were taken into account.

The overall bonus for directors was determined by multiplying the group score of 1.10 times target by the on-target bonus level of 150% of salary. Bob Dudley s total overall bonus was 165% of salary, as was Dr Brian Gilvary s. Iain Conn s total overall bonus was 159% of salary, based on both group and downstream segment performance (accounting for 30% of his bonus). Under the terms of the deferred element of the EDIP, one third of the total bonus is paid in cash. A director is required to defer a further third and the final third is paid either in cash or voluntarily deferred at the individual s election.

Bob Dudley and Dr Brian Gilvary have both elected to defer the final third of their annual bonus. Iain Conn, who left at the end of the year, was not eligible for deferral and so all his bonus (reflecting his 12 months of service) was paid in cash. The following table outlines the amounts paid in cash and amounts deferred into shares.

Annual bonus summary

	Overall bonus	Paid in cash	Deferred in BP shares
Bob Dudley	$3,014,550	$1,004,850	$2,009,700
Dr Brian Gilvary	£1,189,238	£396,413	£792,825
Iain Conn	£1,252,480	£1,252,480	£0

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2015 implementation

For 2015, 100% of Bob Dudley s and Dr Brian Gilvary s bonus will be based on group results.

The 2015 bonus plan has been set in the context of recent group achievements (delivery of the 10-point plan), current short-term imperatives and the group s strategy. The committee will continue to focus on the two overall themes of safety and value. In order to focus on priorities of the short term, the number of value measures has been reduced from six in 2014 to five in 2015. The measures reflect the current short term imperatives and tie back to the 2015 priorities in the group s annual plan. Targets for each measure are challenging but realistic and have been set in the context of the current environment.

Continued improvement in safety remains a group priority and is fully reflected in the measures. Safety will continue to have a 30% weight in the overall bonus plan. The value measures are now more heavily weighted on operating cash flow and underlying replacement cost profit. Capital and cost discipline are reflected through two measures net investment (organic) and corporate and functional cost management. The delivery of major projects remains a point of focus. All of these value measures are key to short-term performance within the group and will have an overall weight of 70% for the annual bonus 2015.

The committee agreed the performance measures for the 2015 annual cash bonus as set out opposite.

Targets will be disclosed retrospectively in the 2015 remuneration report to the extent that they are no longer considered commercially sensitive.

Deferred bonus

Reinforces the long-term nature of the business and the importance of sustainability, linking a further part of remuneration to equity.

Policy summary

Operation and opportunity

A third of the annual bonus is required to be deferred and up to a further third can be deferred voluntarily. This deferred bonus is awarded in shares.

Deferred shares are matched on a one-for-one basis, and both deferred and matched shares vest after three years depending on an assessment by the committee of safety and environmental sustainability over the three-year period.

Where shares vest, additional shares representing the value of reinvested dividends are added.

Before being released, all matched shares that vest after the three-year performance period are subject (after tax) to an additional three-year retention period.

Performance framework

Both deferred and matched shares must pass an additional hurdle related to safety and environmental sustainability performance in order to vest.

If there has been a material deterioration in safety and environmental metrics, or there have been major incidents revealing underlying weaknesses in safety and environmental management then the committee, with advice from the safety, ethics and environmental assurance committee, may conclude that shares vest in part, or not at all.

All deferred shares are subject to clawback provisions if they are found to have been granted on the basis of materially misstated financial or other data.

2014 outcomes

Both Bob Dudley and Iain Conn deferred two thirds of their 2011 annual bonus in accordance with the terms of the policy in place at the time of deferral.

The three-year performance period concluded at the end of 2014. The committee reviewed safety and environmental sustainability performance over this period and sought the input of the safety, ethics and environment assurance committee (SEEAC). Over the three-year period 2012-2014 safety measures showed steady improvement. All performance hurdles were met and the group-wide operating management system« is now sufficiently embedded throughout the organization to continue driving improvement in environmental as well as safety areas.

Following the committee s review, full vesting of the deferred and matched shares for the 2011 deferred bonus was approved, as shown in the following table (as well as in the single figure table on page 75).

2011 deferred bonus vesting

Name	Shares deferred	Vesting agreed	Total shares including dividends	Total value at vesting
Bob Dudley	436,824	100%	505,782	$3,401,384
Iain Conn	322,608	100%	380,785	£1,698,301

Dr Brian Gilvary participated in a separate deferred bonus plan prior to his appointment as an executive director and details of this are provided in the table on page 84.

Details of the deferred bonus awards made to the executive directors in early 2014, in relation to 2013 annual bonuses, were set out in last year s report. A summary of these awards is included on page 84.

2015 implementation

The committee has determined that the safety and environmental sustainability hurdle will continue to apply to shares deferred from the 2014 bonus. All matched shares that vest in 2018 will, after sufficient shares have been sold to pay tax, be subject to an additional three-year retention period before being released to the individual in 2021. This further reinforces long-term shareholder alignment and the nature of the group s business. Both Bob Dudley and Dr Brian Gilvary deferred two thirds of their 2014 annual bonus.

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Performance shares

Ties the largest part of remuneration to long-term performance. The level varies according to performance relative to measures linked directly to strategic priorities.

Policy summary

Operation and opportunity

Shares up to a maximum value of five and a half times salary for the group chief executive and four times salary for the other executive directors can be awarded annually.

Vesting of shares after three years is dependent on performance relative to measures and targets reflecting BP s strategy.

Where shares vest, additional shares representing the value of reinvested dividends are added.

Before being released, those shares that vest after the three-year performance period are subject (after tax) to an additional three-year retention period.

Performance framework

Performance shares will vest on the following three performance measures:

Total shareholder return relative to other oil majors.

Operating cash flow.

Strategic imperatives.

Measures based on relative performance to oil majors will vest 100%, 80%, 25% for first, second and third place finish respectively and 0% for fourth or fifth position.

The committee identifies the specific strategic imperatives to be included every year and may also alter the other measures if others are deemed to be more aligned to strategic priorities. These are explained in the annual report on remuneration.

The committee may exercise judgement to adjust vesting outcomes if it concludes that the formulaic approach does not reflect the true underlying performance of the company s business or is inconsistent with shareholder benefits.

All performance shares are subject to clawback provisions if they are found to have been granted on the basis of materially misstated financial or other data.

Framework

Performance shares were conditionally awarded to each executive director in 2012. Maximum awards under the policy were granted representing five-and-a-half-times salary for Bob Dudley and four-times salary for Dr Brian Gilvary and Iain Conn. Vesting of these awards was subject to delivering targets set over the three-year performance period.

One third of the award was based on relative total shareholder return (TSR), one third on operating cash flow and one third on strategic imperatives which were relative reserves replacement ratio (RRR), safety and operational risk (S&OR) and rebuilding trust internally and externally, all equally weighted. Again, performance against each of these measures was designed to be aligned with group strategy, future direction and creation of shareholder value.

Relative TSR represents the change in value of a BP shareholding between the average of the fourth quarter of 2011 and the fourth quarter of 2014 compared to other oil majors (dividends are re-invested). RRR represents organic reserves added over the three-year performance period divided by the reserves extracted. This ratio is ranked against like-for-like organic RRR for other oil major peers.

The 2012-2014 comparator group for relative TSR (33.3% weight) and relative RRR (11.1% weight) was Chevron, ExxonMobil, Shell and Total. The number of conditional shares that would vest for each of the relative performance measures for first, second and third place was set at the start of 2012 and equals 100%, 70% and 35% respectively. This reflects the approved rules applicable to the 2012-2014 plan. No shares would vest for fourth or fifth place.

For S&OR, percentage improvement targets were set. For rebuilding trust measures, the committee determined that it would use qualitative and quantitative data to assess the improvement of external and internal perception of the group and to gauge whether trust was being rebuilt. Judgement would then be exercised as appropriate.

2014 outcomes

The committee considered the performance of the group over the three-year period of the plan and the specific achievements against each of the targets set for the measures. Based on a preliminary assessment of relative RRR, 60.5% of the shares awarded in the 2012-2014 plan are expected to vest.

Relative TSR did not achieve the minimum required for any vesting. The significant weight associated with this measure (one third in total) aligns the actual value delivered to executive directors with that to shareholders.

Operating cash flow, representing a further one third of the award, was $32.8 billion. This notably exceeded the target set in 2011 to increase operating cash flow by more than 50% between 2012 and 2014 at $100/bbl. Consequently, maximum shares for this component will vest.

Strategic imperatives represented the final third. These included relative RRR, S&OR, and rebuilding trust internally and externally. These elements are discussed individually below.

Preliminary assessment of BP s relative RRR indicated a positive outcome with a minimum expected second place amongst the comparator group. The final ranking will be determined once the actual results for 2014 have been published by other comparator companies. For the purposes of this report, and in accordance with the UK regulations, second place has been assumed. Any adjustment to this will be reported in next year s annual report on remuneration. Based on a provisional second place assessment, 7.8% of the maximum of 11.1% shares are expected to vest for RRR.

S&OR has improved significantly over the 2012-2014 period. Loss of primary containment showed a reduction of 32%, the number of reported work related incidents (RIFs) reduced by 15% and tier 1 process safety events reduced by 62%. The underlying trend of continuing improvement over the past three years has been very positive. Consequently, the maximum of 11.1% shares will vest for the safety measures.

In 2011, shortly after the Deepwater Horizon incident, restoring trust both externally and internally was an important priority for the group and, as such, featured as one of the strategic imperatives of the plan. Since then, external and internal trust has been measured by surveys conducted with external audiences and internally with employees. External trust is tracked through six indicators with key stakeholders in the US and UK. Over the three years, external surveys showed improvements ranging from one to six percent with different external audiences.

Employee engagement is assessed by an index which measures employees perceptions of BP including understanding of business priorities, trust in BP leaders and confidence in BP s future strategy. This index has shown a four percent improvement since 2011 and a two percent improvement since 2012 across different levels of the organization.

« Defined on page 252.

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The results of this index were benchmarked against external data and were particularly encouraging.

Recognizing the need to make further progress in this area, the committee determined that 8.3% of the maximum 11.1% of shares will vest for the rebuilding trust measure.

As in past years, the committee also considered the overall performance of the group during the period and whether any other factors should be taken into account. Following this review, the committee assessed that a preliminary 60.5% vesting was a fair reflection of the overall performance pending confirmation of the reserves replacement result. This will result in the vesting shown in the table.

The vested shares for current executive directors are subject to a further three-year retention period before they will be released to the individuals in 2018.

2012-2014 performance shares preliminary outcome

	Shares awarded	Shares vested inc dividends	Value of vested shares
Bob Dudley	1,343,712	941,286	$ 6,391,332
Dr Brian Gilvary	624,434	445,912	£ 1,904,044
Iain Conn	660,633	471,761	£ 2,014,419

The measures, targets and weight for the plan as well as, on a preliminary basis, the outcomes achieved are shown below.

[a] Safety includes loss of primary containment, tier 1 process safety event (defined by API) and recordable injury frequency.
[b] This represents a preliminary assessment.

2011-2013 final outcomes confirmation

Last year it was reported that the committee had made a preliminary assessment of second place for the relative RRR in the 2011-2013 performance shares element. In May 2014 the committee reviewed the results for all comparator companies as published in their reports and accounts and assessed that BP was in first place relative to other oil majors and that the full 20% of shares would vest for this performance measure as opposed to 14% for second place. This resulted in a final vesting of 45.5% from 39.5% for the entire award. This is reflected in the single figure table on page 75.

2015 implementation

Shares were awarded in February 2015 to the maximum value allowed under the policy, five-and-a-half-times salary for Bob Dudley and four-times salary for Dr Brian Gilvary (see table on page 85). These have been awarded under the performance share element of the EDIP and are subject to a three-year performance period. Those shares that vest are subject, after tax, to an additional three-year retention period. The 2015-2017 performance share element will be assessed over three years based on the following measures: relative TSR (one third); cumulative operating cash flow (one third); and strategic imperatives (one third) including relative RRR; S&OR risk assessment; and major project delivery.

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These measures continue to be aligned with BP s strategic priorities of safe, reliable and compliant operations, major project delivery, disciplined financial choices and growing our exploration position.

TSR and RRR will be assessed on a relative basis compared with the other oil majors Chevron, ExxonMobil, Shell and Total with the following vesting schedule.

The committee has agreed targets and ranges for measures that will be used to assess performance at the end of the three-year performance period and will be disclosed retrospectively.

Relative performance ranking BP s ranking place versus oil majors	Vesting percentage for each relative performance measure
First	100%
Second	80%
Third	25%
Fourth or fifth	Nil

Pension

Recognizes competitive practice in home country.

Policy summary

Operation and opportunity

Executive directors participate in the company pension schemes that apply in their home country.
Current UK executive directors remain on a defined benefit pension plan and receive a cash supplement of 35% of salary in lieu of future service accrual when they exceed the annual allowance set by legislation.
Current US executive directors participate in transition arrangements related to heritage plans of Amoco and Arco and normal defined benefit plans that apply to executives with an accrual rate of 1.3% of final earnings (salary plus bonus) for each year of service.

Performance framework

Pension in the UK is not directly linked to performance.
Pension in the US includes bonus in determining benefit level.

Framework

Executive directors are eligible to participate in group pension schemes that apply in their home countries which follow national norms in terms of structure and levels.

US pension

Bob Dudley participates in the US plans. Pension benefits in the US are provided through a combination of tax-qualified and non-qualified benefit plans, consistent with applicable US tax regulations. The BP retirement accumulation plan (US pension plan) is a US tax-qualified plan that features a cash balance formula and includes grandfathering provisions under final average pay formulas for certain employees of companies acquired by BP (including Amoco and ARCO) who participated in these predecessor company pension plans. The TNK-BP supplemental retirement plan is a lump sum benefit based on the same calculation as the benefit under the US pension plan but reflecting service and earnings at TNK-BP.

The BP excess compensation (retirement) plan (excess compensation plan) provides a supplemental benefit which is the difference between (1) the benefit accrual under the US pension plan and the TNK-BP supplemental retirement plan without regard to the IRS compensation limit (including for this purpose base salary, cash bonus and bonus deferred into a compulsory or voluntary award under the deferred matching element of the EDIP), and (2) the actual benefit payable under the US pension plan and the TNK-BP supplemental retirement plan, applying the IRS compensation limit. The benefit calculation under the Amoco formula includes a reduction of 5% per year if taken before age 60.

The BP Supplemental Executive Retirement Benefit plan (SERB) is a supplemental plan based on a target of 1.3% of final average earnings (including, for this purpose, base salary plus cash bonus and bonus deferred into a compulsory or voluntary award under the deferred matching element of the EDIP) for each year of service (without regard for tax limits) less benefits paid under all other BP (US) qualified and non-qualified pension arrangements. The benefit payable under SERB is unreduced at age 60 but reduced by 5% per year if separation occurs before age 60. Benefits payable under this plan are unfunded and therefore paid from corporate assets.

UK pension

Iain Conn and Dr Brian Gilvary participate in a UK final salary pension scheme in respect of service prior to 1 April 2011. This scheme provides a pension relating to length of pensionable service and final pensionable salary. The disclosure of total pension includes any cash in lieu of additional accrual that is paid to individuals in the UK scheme who have exceeded the annual allowance or lifetime allowance under UK regulations. Both Iain Conn and Dr Brian Gilvary fall into this category and in 2014 received cash supplements of 35% of salary in lieu of future service accrual.

In the event of retirement before age 60, the following early retirement terms would apply:

On retirement between 55 and 60, in circumstances approved by the committee, an immediate unreduced pension in respect of the proportion of their benefit for service up to 30 November 2006, and subject to such reduction as the scheme actuary certifies in respect of the period of service after 1 December 2006. The scheme actuary has, to date, applied a reduction of 3% per annum for each year retirement precedes 60 in respect of the period of service from 1 December 2006 up to the leaving date; however a greater reduction can be applied in other circumstances.

On leaving before age 55, in circumstances approved by the committee, a deferred pension payable from 55 or later, with early retirement terms if it is paid before 60 as set out above.

Irrespective of this, on leaving in circumstances of total incapacity, an immediate unreduced pension is payable from their leaving date.

On leaving BP, Iain Conn is entitled to a deferred pension payable from age 55 or later. The early retirement terms applying to this pension are as set out above.

2014 outcomes

In 2014, Mr Dudley s accrued pension increased, net of inflation, by $130,000; Dr Gilvary s by £1,100 and Mr Conn s by £900. These increases have been reflected in the single figure table on page 75 by multiplying them by twenty in accordance with the requirements of the UK regulations. Dr Gilvary and Mr Conn participate in the UK pension arrangements described above. Both individuals have exceeded the annual or lifetime allowance under UK pensions legislation and, in accordance with the policy, receive a cash supplement of 35% of salary. These cash supplements have been separately identified in the single figure table on page 75.

Mr Dudley participates in the transitional arrangements in the US plans described above. These are aimed at an accrual rate of 1.3% of final earnings (which include salary and bonus), for each year of service.

The committee continues to keep under review the increase in the value of pension benefits for individual directors. There are significant differences in calculation of pensions between the UK and the US. US pension benefits are not subject to cost of living adjustments after retirement as they are in the UK. Equally, transfer values are frequently influenced by changes in interest rates and discount factors.

The committee will continue to make the required disclosures in accordance with the UK regulations; however, given the issues and differences set out above, the committee would note that 12 to 14 would be a typical annuity factor in the US compared with the factor of 20 upon which the UK regulations are based.

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Shareholder engagement

The committee values its dialogue with major shareholders on remuneration matters. During the year, the committee s chairman, the committee s independent adviser and the company secretary held individual meetings with shareholders to ascertain their views and discuss important aspects of the committee s policy and its implementation. They also met key proxy advisers. These meetings supplemented a group meeting of major shareholders with all committee chairs and the chairman which took place in March 2014, as well as an investor relations programme including a regular ongoing dialogue between the chairman and shareholders. Throughout the year this engagement provided the committee with an important and direct perspective of shareholder views and, together with the voting results on remuneration matters at the AGM, was considered when making decisions.

Shareholders who voted against the report or withheld their vote did so for several reasons. These related principally to insufficient detailed information to explain vesting outcomes and no firm commitment to retrospective disclosure of targets currently deemed to be commercially sensitive. For some, quantum was also an issue.

In his engagement, the chairman of the committee has sought to address these issues. While the absolute quantum of remuneration is a product of the implementation of the approved policy and of the performance of the group, additional disclosure is now part of this report. Specifically, the committee now discloses targets retrospectively for both annual bonus and long-term performance shares unless there are specific confidentiality issues.

The board s annual report on remuneration was approved by shareholders at the 2014 AGM. The votes on the report are shown below.

2014 AGM directors remuneration report vote results

Year	% vote for	% vote against	Votes withheld
2014	83.9%	16.1%	2,218,417,773

The committee s remuneration policy was approved by shareholders at the 2014 AGM. The votes on the policy are shown below.

2014 AGM directors remuneration policy vote results

Year	% vote for	% vote against	Votes withheld
2014	96.4%	3.6%	125,217,443

The shareholder approved policy now governs the remuneration of the directors for a period of three years expiring in 2017. It is the board s intention that the policy be renewed at the AGM in 2017.

See *bp.com/remuneration* for a copy of the approved policy.

External appointments

The board supports executive directors taking up appointments outside the company to broaden their knowledge and experience. Each executive director is permitted to accept one non-executive appointment, from which they may retain any fee. External appointments are subject to agreement by the chairman and reported to the board. Any external appointment must not conflict with a director s duties and commitments to BP. Details of appointments during 2014 are shown below.

Director	Appointee company	Additional position held at appointee company	Total fees
Bob Dudley	Rosneft[a]	Director	0
Iain Conn	BT Group plc[b]	Non-executive director	£ 54,000
	Rolls-Royce plc[c]	Senior independent director and chairman of the ethics committee	£ 29,300

[a] Bob Dudley holds this appointment as a result of the company s shareholding in Rosneft.
[b] Appointed 1 June 2014.
[c] Resigned 23 May 2014.

Executive director leaving the board

Iain Conn resigned as a director of the company and left BP s employment on 31 December 2014. This decision was announced on 24 July 2014, and he served BP on his existing contractual terms until 31 December 2014 while working five months of the 12 months notice period specified in his service contract. His settlement agreement dated 24 July 2014 is in accordance with the policy and details are set out in the summary below.

Certain aspects of the arrangements described involved the exercise of discretion by the committee in his favour. The committee was satisfied that this was appropriate in view of his long and successful career with BP.

lain Conn was potentially entitled to a termination payment of up to £453,677, calculated as approximately seven months of his base salary of £797,000 per annum. This was to be paid in seven monthly instalments from January 2015, but would cease to be payable in the event that he commenced another employment prior to 24 July 2015. lain Conn commenced employment with Centrica plc on 1 January 2015 and, accordingly, no termination payment was made to him.

lain Conn worked for the full 2014 financial year, and so was eligible for an annual bonus payment paid in cash. The amount of this bonus is stated on page 77.

lain Conn is entitled to an early retirement pension from age 55. In respect of service from 1 December 2006 to his leaving date, he will be subject to a 3% per annum reduction in his pension from age 55.

The share awards held by Iain Conn under the EDIP have been preserved in accordance with the good leaver provisions and will vest at the normal date, to the extent that performance targets are met:

Performance share awards granted in 2012, 2013 and 2014 (all of which will be pro-rated to reflect Iain Conn s period of service within the performance cycle); and

Compulsory deferred bonus awards granted in 2012, 2013 and 2014, voluntary deferred bonus awards granted in 2012 and 2013 and matching share awards granted in 2012, 2013 and 2014. The vesting of the matching share awards (but not the compulsory deferred bonus or the voluntary deferred bonus) will be subject to time pro-rating.

Information on these preserved share awards (including the vesting of share awards in the period up to 23 February 2015 and details of additional shares awarded representing re-invested dividends on such vested awards) is shown (pro-rated as appropriate) on pages 84 and 85.

The information relating to the vesting of share awards will be updated in the 2015 and 2016 remuneration reports.

To the extent that matching share awards granted in 2014 and any performance share awards vest, the post-tax number of shares will be subject to a twelve-month retention period. Vested performance share awards that are currently within their three-year post-vesting retention period must be retained until 31 December 2015.

Iain Conn will continue to be covered by the company s D&O insurance and his indemnity in respect of third-party liabilities will continue in force according to its terms. The company made a contribution towards his legal fees in connection with these arrangements.

Historical data and statistics

Historical TSR performance

This graph shows the growth in value of a hypothetical £100 holding in BP p.l.c. ordinary shares over six years, relative to a hypothetical £100 holding in the FTSE 100 Index of which the company is a constituent. The values of the hypothetical £100 holdings at the end of the six-year period were £107.45 and £194.77 respectively.

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History of CEO remuneration

Year	CEO	Total remuneration thousand[a]	Annual bonus % of maximum	Performance share vesting % of maximum
2009	Hayward	£6,753	89[b]	17.5
2010[c]	Hayward	£3,890	0	0
	Dudley	$7,722	0	0
2011	Dudley	$8,312	67	16.7
2012	Dudley	$9,184	65	0
2013	Dudley	$14,620[d]	88	45.5
2014	Dudley	$15,334	73	60.5

[a] Total remuneration figures include pension and are shown as reported each year in the respective Directors remuneration report with the exception of 2012 and 2013 which are restated in line with the figures reported in the single figure tables in this report and in 2013.

[b] 2009 annual bonus did not have an absolute maximum and so is shown as a percentage of the maximum established in 2010.

[c] 2010 figures show full year total remuneration for both Tony Hayward and Bob Dudley, although Bob Dudley did not become CEO until October 2010.

[d] This number is detailed in the single figure table on page 75 and includes the actual outcomes of the 2011-2013 performance share vesting.

Relative importance of spend on pay (million)

[a] Total remuneration reflects overall employee costs. See Financial statements Note 33 for further information.

[b] Capital investment reflects organic capital expenditure«. See footnote a on page 208 for further information.

[c] See Financial statements Note 29 for further information.

[d] Dividends includes both scrip dividends as well as those paid in cash. See Financial statements Note 8 for further information.

Percentage change in CEO remuneration

Comparing 2014 to 2013	Salary	Benefits	Bonus
% change in CEO remuneration	2.9%	26.7%	-14.2%
% change in comparator group remuneration	3.4%[a]	0.0%[b]	-7.7%

a

The comparator group comprises some 40% of BP s global employee population being professional/managerial grades of employees based in the UK and US and employed on more readily comparable terms. This is the average across the comparator group.

[b] There was no change in employee benefits structure. Those benefits that are linked to salary have changed in line with base salary increases.

Directors shareholdings

Executive directors are required to develop a personal shareholding of five times salary within a reasonable period of time from appointment. It is the stated intention of the policy that executive directors build this level of personal shareholding primarily by retaining those shares that vest in the deferred bonus and performance share plans which are part of the EDIP. In assessing whether the requirement has been met, the committee takes account of the factors it considers appropriate, including promotions and vesting levels of these share plans, as well as any abnormal share price

fluctuations. The table below shows the status of each of the executive directors in developing this level. These figures include the value as at 23 February 2015 from the directors interests shown below plus the assumed vesting of the 2012-2014 performance shares and is consistent with the figures reported in the single figure table on page 75.

	Appointment date	Value of current shareholding	% of policy achieved
Bob Dudley	October 2010	$10,147,581	109
Dr Brian Gilvary	January 2012	£3,618,299	99

The committee is satisfied that all executive directors comply with the policy by building the required personal shareholding in a reasonable period of time following their appointment. Importantly, none of the existing executive directors have sold shares that vested from the EDIP.

The figures below indicate and include all beneficial and non-beneficial interests of each executive director of the company in shares of BP (or calculated equivalents) that have been disclosed to the company under the Disclosure and Transparency Rules as at the applicable dates.

Current directors	Ordinary shares or equivalents at 1 Jan 2014	Ordinary shares or equivalents at 31 Dec 2014	Change from 31 Dec 2014 to 23 Feb 2015	Ordinary shares or equivalents total at 23 Feb 2015
Bob Dudley[a]	355,707	738,858	267,582	1,006,440
Dr Brian Gilvary	412,973	545,217	44,928	590,145
Former executive director				
Iain Conn[b]	600,272	826,602		

[a] Held as ADSs.

[b] Includes 48,024 ordinary shares held as ADSs.

The following table shows both the performance shares and the deferred bonus element awarded under the EDIP. These figures represent the maximum possible vesting levels. The actual number of shares/ADSs that vest will depend on the extent to which performance conditions have been satisfied over a three-year period.

Current directors	Performance shares at 1 Jan 2014	Performance shares at 31 Dec 2014	Change from 31 Dec 2014 to 23 Feb 2015	Performance shares total at 23 Feb 2015
Bob Dudley[a]	4,953,654	5,227,500	1,653,162	6,880,662
Dr Brian Gilvary	1,599,607	2,375,957	1,038,398	3,414,355
Former executive director				
Iain Conn	2,666,314	2,069,321		

[a] Held as ADSs.

At 23 February 2015, the following directors held the numbers of options under the BP group share option schemes over ordinary shares or their calculated equivalent, and the number of restricted shares as set out below. None of these are subject to performance conditions. Additional details regarding these options can be found on page 85.

Current director	Options	Restricted shares
Dr Brian Gilvary	504,191	
Former executive director		
Iain Conn		

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

There are no directors or other members of senior management who own more than 1% of the ordinary shares in issue. At 23 February 2015, all directors and other members of senior management as a group held interests of 12,980,342 ordinary shares or their calculated equivalent, 10,295,017 performance shares or their calculated equivalent and 6,051,908 options over ordinary shares or their calculated equivalent under the BP group share option schemes. Senior management comprises members of the executive team. See pages 56-57 for further information.

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udited)[a]

				Deferred share element interests				Interests vested in 20	
				Potential maximum deferred shares				Number of ordinary	
Bonus year	Type	Performance period	Date of award of deferred shares	At 1 Jan 2014	Awarded 2014	At 31 Dec 2014	Awarded 2015	shares vested	Vesting da
2011	Comp	2012-2014	08 Mar 2012	109,206		109,206		126,444[c]	11 Feb 20
	Vol	2012-2014	08 Mar 2012	109,206		109,206		126,444[c]	11 Feb 20
	Mat	2012-2014	08 Mar 2012	218,412		218,412		252,894[c]	11 Feb 20
2012[d]	Comp	2013-2015	11 Feb 2013	114,690		114,690			
	Vol	2013-2015	11 Feb 2013	114,690		114,690			
	Mat	2013-2015	11 Feb 2013	229,380		229,380			
2013[e]	Comp	2014-2016	12 Feb 2014		149,628	149,628			
	Mat	2014-2016	12 Feb 2014		149,628	149,628			
2014[e]	Comp	2015-2017	11 Feb 2015				147,054		
	Vol	2015-2017	11 Feb 2015				147,054		
	Mat	2015-2017	11 Feb 2015				294,108		
2010	DAB[f]	2011-2013	14 Mar 2011	44,971				51,118[c]	9 Jan 20
2011	DAB[f]	2012-2014	15 Mar 2012	73,624		73,624		84,491[c]	15 Jan 20
2012[d]	Comp	2013-2015	11 Feb 2013	78,815		78,815			
	Vol	2013-2015	11 Feb 2013	78,815		78,815			
	Mat	2013-2015	11 Feb 2013	157,630		157,630			
2013[e]	Comp	2014-2016	12 Feb 2014		96,653	96,653			
	Mat	2014-2016	12 Feb 2014		96,653	96,653			
2014[e]	Comp	2015-2017	11 Feb 2015				88,288		
	Vol	2015-2017	11 Feb 2015				88,288		
	Mat	2015-2017	11 Feb 2015				176,576		
directors									
2010	Comp	2011-2013	09 Mar 2011	21,384				24,670[c]	12 Feb 20
	Mat	2011-2013	09 Mar 2011	21,384				24,670[c]	12 Feb 20
2011	Comp	2012-2014	08 Mar 2012	80,652		80,652		95,196[c]	11 Feb 20
	Vol	2012-2014	08 Mar 2012	80,652		80,652		95,196[c]	11 Feb 20
	Mat	2012-2014	08 Mar 2012	161,304		161,304		190,393[c]	11 Feb 20
2012[d]	Comp	2013-2015	11 Feb 2013	80,648		80,648			
	Vol	2013-2015	11 Feb 2013	80,648		80,648			
	Mat	2013-2015	11 Feb 2013	161,296		107,531[g]			
2013[e]	Comp	2014-2016	12 Feb 2014		100,563	100,563			
	Mat	2014-2016	12 Feb 2014		100,563	33,521[g]			
2010	Comp	2011-2013	09 Mar 2011	26,604				30,174[c]	12 Feb 20
	Vol	2011-2013	09 Mar 2011	26,604				30,174[c]	12 Feb 20
	Mat	2011-2013	09 Mar 2011	44,340[g]				50,292[c]	12 Feb 20
2011	Comp	2012-2014	08 Mar 2012	91,638		91,638		106,104[c]	11 Feb 20
	Vol	2012-2014	08 Mar 2012	91,638		91,638		106,104[c]	11 Feb 20

	Mat	2012-2014	08 Mar 2012	91,638[g]	91,638[g]	106,104[c]	11 Feb 20
2012[d]	Comp	2013-2015	11 Feb 2013	97,278	97,278		
	Vol	2013-2015	11 Feb 2013	97,278	97,278		
	Mat	2013-2015	11 Feb 2013	32,424[g]	32,424[g]		

Comp = Compulsory.
Vol = Voluntary.
Mat = Matching.
DAB = Deferred Annual Bonus Plan.

[a] Since 2010, vesting of the deferred shares has been subject to a safety and environmental sustainability hurdle, and this will continue. If the committee assesses that there has been a material deterioration in safety and environmental performance, or there have been major incidents, either of which reveal underlying weaknesses in safety and environmental management, then it may conclude that shares should vest only in part, or not at all. In reaching its conclusion, the committee will obtain advice from the SEEAC. There is no identified minimum vesting threshold level.

[b] Bob Dudley and Dr Byron Grote received awards in the form of ADSs. The above numbers reflect calculated equivalents in ordinary shares. One ADS is equivalent to six ordinary shares.

[c] Represents vestings of shares made at the end of the relevant performance period based on performance achieved under rules of the plan and includes reinvested dividends on the shares vested. The market price of each share used to determine the total value at vesting on the vesting dates of 9 January 2014, 12 February 2014, 15 January 2015 and 11 February 2015 were £4.97, £4.87, £3.93 and £4.46 respectively and for ADSs on 12 February 2014 and 11 February 2015 were $48.38 and $40.35 respectively.

[d] The face value has been calculated using the market price of ordinary shares on 11 February 2013 of £4.55.

[e] The market price at closing of ordinary shares on 12 February 2014 was £4.87 and for ADSs was $48.38 and on 11 February 2015 was £4.46 and for ADSs was $40.35. The sterling value has been used to calculate the face value.

[f] Dr Brian Gilvary was granted the shares under the DAB prior to his appointment as a director. The vesting of these shares is not subject to further performance conditions and he receives deferred shares at each scrip payment date as part of his election choice.

[g] All matching shares have been pro-rated to reflect actual service during the performance period and these figures have been used to calculate the face value.

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Performance shares (audited)

		Share element interests				Interests vested in 2014 and 20		
		Potential maximum performance shares[a]				Number of ordinary		
Performance period	Date of award of performance shares	At 1 Jan 2014	Awarded 2014	At 31 Dec 2014	Awarded 2015	shares vested	Vesting date	Fa of t
2011-2013	09 Mar 2011	1,330,332				702,582[c]	15 May 2014[d]	
2012-2014	08 Mar 2012	1,343,712		1,343,712		941,286[c]	March 2015	
2013-2015[e]	11 Feb 2013	1,384,026		1,384,026				6
2014-2016[e]	12 Feb 2014		1,304,922	1,304,922				6
2015-2017[e]	11 Feb 2015				1,501,770			6
2011-2013[f]	14 Mar 2011	67,500				76,726[c]	9 Jan 2014	
2011-2013[g]	14 Mar 2011	22,500				25,824[c]	6 Feb 2014	
2012-2014	08 Mar 2012	624,434		624,434		445,912[c]	March 2015	
2013-2015[e]	11 Feb 2013	637,413		637,413				2
2014-2016[e]	12 Feb 2014		605,544	605,544				2
2015-2017[e]	11 Feb 2015				685,246			3
ecutive directors								
2011-2013	09 Mar 2011	623,025				335,452[c]	15 May 2014[d]	
2012-2014	08 Mar 2012	660,633		660,633		471,761[c]	March 2015	
2013-2015[e]	11 Feb 2013	694,688		463,126[h]				2
2014-2016[e]	12 Feb 2014		660,128	220,043[h]				1
2011-2013	09 Mar 2011	654,498				345,654[c]	15 May 2014[d]	
2012-2014	08 Mar 2012	414,468		414,468[h]		290,346c	March 2015	
2013-2015[e]	11 Feb 2013	142,278		142,278[h]				

[a] For awards under the 2011-2013 plan, performance conditions are measured 50% on TSR against ExxonMobil, Shell, Total and Chevron; 20% on reserves replacement against the same peer group; and 30% against a balanced scorecard of strategic imperatives. For awards under the 2012-2014, 2013-2015 and 2014-2016 plans, performance conditions are measured one third on TSR against ExxonMobil, Shell, Total and Chevron; one-third on operating cash flow; and one third on a balanced scorecard of strategic imperatives. Each performance period ends on 31 December of the third year. There is no identified overall minimum vesting threshold level but to comply with UK regulations a value of 30%, which is conditional on the TSR, reserves replacement ratio and one of the strategic imperatives reaching the minimum threshold, has been calculated.

[b] Bob Dudley and Dr Byron Grote received awards in the form of ADSs. The above numbers reflect calculated equivalents in ordinary shares. One ADS is equivalent to six ordinary shares.

[c] Represents vestings of shares made at the end of the relevant performance period based on performance achieved under rules of the plan and includes reinvested dividends on the shares vested. The market price of each share at the

vesting date of 9 January 2014 was £4.97, at 6 February 2014 was £4.77 and 15 May 2014 was £5.03 and for ADSs was $50.90. For the assumed vestings dated March 2015 a price of £4.27 per ordinary share and $40.74 per ADS has been used. These are the average prices from the fourth quarter of 2014.

[d] The 2011-2013 award vested on 15 May 2014 with an additional vesting of accrued notional dividends on 24 June 2014 on which the market price of each share was £5.24 and for ADSs was $52.84. For Byron Grote this resulted in an increase in value at vesting of $708,913 and for Bob Dudley and Iain Conn details can be found in the single figure table on page 75.

[e] The market price at closing of ordinary shares on 11 February 2013 was £4.55 and for ADSs was $43.01, on 12 February 2014 was £4.87 and for ADSs was $48.38, and on 11 February 2015 was £4.46 and for ADSs was $40.35.

[f] Dr Brian Gilvary was conditionally awarded shares under the Executive Performance Plan prior to his appointment as a director. The vesting of these shares is not subject to further performance conditions.

[g] Dr Brian Gilvary was conditionally awarded shares under the Competitive Performance Plan prior to his appointment as a director. The vesting of these shares is subject to performance conditions.

[h] Potential maximum of performance shares element has been pro-rated to reflect actual service during the performance period and these figures have been used to calculate the face value.

Share interests in share option plans (audited)

tion type	At 1 Jan 2014	Granted	Exercised	At 31 Dec 2014	Option price	Market price at date of exercise	Date from which first exercisable
BP 2011	500,000			500,000	£3.72		07 Sep 2014
SAYE	4,191			4,191	£3.68		01 Sep 2016
e directors							
SAYE	797			[a]	£3.16		
SAYE	3,017			2,005[b]	£3.68		01 Jan 2015

The closing market prices of an ordinary share and of an ADS on 31 December 2014 were £4.11 and $38.12 respectively.

During 2014 the highest market prices were £5.27 and $53.48 respectively and the lowest market prices were £3.64 and $34.88 respectively.

BP 2011 = BP 2011 plan. These options were granted to Dr Brian Gilvary prior to his appointment as a director and are not subject to performance conditions.

SAYE = Save As You Earn all employee share scheme.

[a] The option lapsed on Iain Conn s departure from the board in accordance with the rules.

[b] Potential maximum shares have been pro-rated with a shorter exercise period in accordance with the rules.

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Non-executive directors

This section of the directors remuneration report completes the directors annual report on remuneration with details for the chairman and non-executive directors (NEDs). The board s remuneration policy for the NEDs was approved at the 2014 AGM. This policy was implemented during 2014. There has been no variance of the fees or allowances for the chairman and the NEDs during 2014.

Chairman

Basic fee

Remuneration is in the form of cash fees, payable monthly. Remuneration practice is consistent with recognized best practice standards for a chairman s remuneration and as a UK-listed company, the quantum and structure of the chairman s remuneration will primarily be compared against best UK practice.

Operation and opportunity

The quantum and structure of chairman s remuneration is reviewed annually by the remuneration committee, which makes a recommendation to the board.

Benefits and expenses

The chairman is provided with support and reasonable travelling expenses.

Operation and opportunity

The chairman is provided with an office and full time secretarial and administrative support in London and a contribution to an office and secretarial support in Sweden. A chauffeured car is provided in London, together with security assistance. All reasonable travelling and other expenses (including any relevant tax) incurred in carrying out his duties is reimbursed.

The maximum remuneration for non-executive directors is set in accordance with the Articles of Association.

Fee structure

The table below shows the fee structure for the chairman in place since 1 May 2013. He is not eligible for committee chairmanship and membership fees or intercontinental travel allowance. He has the use of a fully maintained office for company business, a chauffeured car and security advice in London. He receives secretarial support as appropriate to his needs in Sweden.

	Fee level £ thousand
Chairman	785

The table below shows the fees paid for the chairman for the year ending 31 December 2014.

2014 remuneration (audited)

£ thousand		Fees		Benefits[a]		Total
	2014	2013	2014	2013	2014	2013
Carl-Henric Svanberg	785	773	37	49	822	822

[a] Benefits include travel and other expenses relating to the attendance at board and other meetings. Amounts disclosed have been grossed up using a tax rate of 45%, where relevant, as an estimation of tax due.

Chairman s interests

The figures below include all the beneficial and non-beneficial interests of the chairman in shares of BP (or calculated equivalents) that have been disclosed under the DTRs as at the applicable dates. The chairman s holdings represented as a percentage against policy achieved are 610%.

Chairman	Ordinary shares or equivalents at 1 Jan 2014	Ordinary shares or equivalents at 31 Dec 2014	Change from 31 Dec 2014 to 23 Feb 2015	Ordinary shares or equivalents total at 23 Feb 2015
Carl-Henric Svanberg	1,039,276	1,076,695		1,076,695

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Non-executive directors

Basic fee

Remuneration is in the form of cash fees, payable monthly. Remuneration practice is consistent with recognized best practice standards for non- executive directors remuneration and as a UK-listed company, the quantum and structure of NED director remuneration will primarily be compared against best UK practice.

Operation

The quantum and structure of NEDs remuneration is reviewed by the chairman, the group chief executive and the company secretary who make a recommendation to the board; the NEDs do not vote on their own remuneration.

Remuneration for non-executive directors is reviewed annually.

Committee fees and allowances

Intercontinental allowance

The NEDs receive an allowance to reflect the global nature of the Company s business. The allowance is payable for transatlantic or equivalent intercontinental travel for the purpose of attending a board or committee meeting or site visits.

Operation

The allowance will be paid in cash following each event of intercontinental travel.

Committee chairmanship fee

Those NEDs who chair a committee receive an additional fee. The committee chairmanship fee reflects the additional time and responsibility in chairing a committee of the board, including the time spent in preparation and liaising with management.

Committee membership fee

NEDs receive a fee for each committee on which they sit other than as a chairman. The committee membership fee reflects the time spent in attending and preparation for a committee of the board.

Operation

Fees for committee chairmanship and membership are determined annually and paid in cash.

The senior independent director (SID)

In the light of the SID s broader role and responsibilities, the SID is paid a single fee and is entitled to other fees relating to committees whether as chair or member.

Operation

The fee for the SID will be determined from time to time, and is paid in cash monthly.

Benefits and expenses

The NEDs are provided with support and reasonable travelling expenses.

Operation

NEDs are reimbursed for all reasonable travelling and subsistence expenses (including any relevant tax) incurred in carrying out their duties.

Professional fees

Fees will be reimbursed in the form of cash, payable following assistance.

Operation

The reimbursement of professional fees incurred by non-executive directors based outside the UK in connection with advice and assistance on UK tax compliance matters.

The maximum remuneration for non-executive directors is set in accordance with the Articles of Association.

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Fee structure

The table below shows the fee structure for non-executive directors from 1 May 2014:

	Fee level £ thousand
Senior independent director[a]	120
Board member	90
Audit, Gulf of Mexico, remuneration and SEEA committees chairmanship fees[b]	30
Committee membership fee[c]	20
Intercontinental travel allowance	5

[a] The senior independent director is eligible for committee chairmanship fees and intercontinental travel allowance plus any committee membership fees.
[b] For members of the audit, Gulf of Mexico, SEEA and remuneration committees.
[c] Committee chairmen do not receive an additional membership fee for the committee they chair.

2014 remuneration (audited)

£ thousand	Fees		Benefits[a]	Total	
	2014	2013	2014	2014	2013
Paul Anderson	175	175	48	223	175
Alan Boeckmann[b]	70		17	87	
Admiral Frank Bowman	165	165	17	182	165
Antony Burgmans	150	145	9	159	145
Cynthia Carroll	125	120	66	191	120
George David[c]	185	185	18	203	185
Ian Davis	150	150	5	155	150
Professor Dame Ann Dowling[d]	140	140	11	151	140
Brendan Nelson	125	130	16	141	130
Phuthuma Nhleko	150	150	9	159	150
Andrew Shilston	150	150	8	158	150

[a] Benefits include travel and other expenses relating to the attendance at board and other meetings. Amounts disclosed are estimated and have been grossed up using a tax rate of 45%, where relevant, as an estimation of tax due. These are disclosed for 2014 following approval of the policy.
[b] Appointed on 24 July 2014.
[c] In addition, George David received £12,500 for chairing the BP technology advisory council until 1 July 2013.
[d] In addition, Professor Dame Ann Dowling received £25,000 for chairing and being a member of the BP technology advisory council and £3,000 for an ad hoc technology advisory council meeting fee.

Non-executive director interests

The figures below indicate and include all the beneficial and non-beneficial interests of each non-executive director of the company in shares of BP (or calculated equivalents) that have been disclosed to the company under the DTRs as at the applicable dates.

Current non-executive directors	Ordinary shares or equivalents at 1 Jan 2014	Ordinary shares or equivalents at 31 Dec 2014	Change from 31 Dec 2014 to 23 Feb 2015	Ordinary shares or equivalents total at 23 Feb 2015	Value of current shareholding	% of policy achieved
Paul Anderson	30,000[a]	30,000[a]		30,000[a]	$206,100	139
Alan Boeckmann[b]		43,890[a]		43,890[a]	$301,524	203
Admiral Frank Bowman	16,320[a]	16,320[a]		16,320[a]	$112,118	76
Antony Burgmans	10,156	10,156		10,156	£45,194	50
Cynthia Carroll	10,500[a]	10,500[a]		10,500[a]	$72,135	49
George David	579,000[a]	579,000[a]		579,000[a]	$3,977,730	2,684
Ian Davis	11,449	22,420		22,420	£99,769	111
Professor Dame Ann Dowling	22,320	22,320		22,320	£99,324	110
Brendan Nelson	11,040	11,040		11,040	£49,128	55
Phuthuma Nhleko						0
Andrew Shilston	15,000	15,000		15,000	£66,750	56

[a] Held as ADSs.
[b] Appointed on 24 July 2014.

Past directors

Sir Ian Prosser (who retired as a non-executive director of BP in April 2010) was appointed as a director and non-executive chairman of BP Pension Trustees Limited on 1 October 2010. During 2014, he received £100,000 for this role.

This directors   remuneration report was approved by the board and signed on its behalf by David J Jackson, company secretary on 3 March 2015.

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Consolidated financial statements of the BP group

Report of Independent Registered Public Accounting Firm on the Annual Report on Form 20-F

The Board of Directors and Shareholders of BP p.l.c.

We have audited the accompanying group balance sheets of BP p.l.c. as of 31 December 2014, 31 December 2013 and 1 January 2013, and the related group income statement, group statement of comprehensive income, group statement of changes in equity and group cash flow statement for each of the three years in the period ended 31 December 2014. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the group financial position of BP p.l.c. at 31 December 2014, 31 December 2013 and 1 January 2013, and the group results of its operations and its cash flows for each of the three years in the period ended 31 December 2014, in accordance with International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards as issued by the International Accounting Standards Board.

In forming our opinion on the group financial statements we have considered the adequacy of the disclosure in Note 2 to the financial statements concerning the provisions, future expenditures which cannot be reliably estimated and other contingent liabilities related to the claims, penalties and litigation arising from the Gulf of Mexico oil spill. The total amount that will ultimately be paid by BP in relation to all obligations arising from this significant event is subject to significant uncertainty and the ultimate exposure and cost to BP is dependent on many factors, including but not limited to, the outcomes of numerous, material legal proceedings. Significant uncertainty exists in relation to the amount of claims that will become payable by BP and the amount of fines that will be levied on BP (including any ultimate determination of BP s culpability based on negligence, gross negligence or wilful misconduct). The outcome of litigation and the cost of the longer term environmental consequences of the oil spill are also subject to significant uncertainty. For these reasons it is not possible to estimate reliably the ultimate cost to BP. Our opinion is not qualified in respect of these matters.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), BP p.l.c. s internal control over financial reporting as of 31 December 2014, based on criteria established in Internal Control: Revised Guidance for Directors on the Combined Code as issued by the Institute of Chartered Accountants in England and Wales (the Turnbull guidance) and our report dated 3 March 2015 expressed an unqualified opinion.

/s/ Ernst & Young LLP

London, United Kingdom

3 March 2015

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Consolidated financial statements of the BP group

Report of Independent Registered Public Accounting Firm on the Annual Report on Form 20-F

The Board of Directors and Shareholders of BP p.l.c.

We have audited BP p.l.c. s internal control over financial reporting as of 31 December 2014, based on criteria established in Internal Control: Revised Guidance for Directors on the Combined Code as issued by the Institute of Chartered Accountants in England and Wales (the Turnbull guidance). BP p.l.c. s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s report on internal control on page 240. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, BP p.l.c. maintained, in all material respects, effective internal control over financial reporting as of 31 December 2014, based on the Turnbull guidance**.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the group balance sheets of BP p.l.c. as of 31 December 2014 and 2013, and the related group income statement, group statement of comprehensive income, group statement of changes in equity and group cash flow statement for each of the three years in the period ended 31 December 2014, and our report dated 3 March 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

London, United Kingdom

3 March 2015

Consent of independent registered public accounting firm

We consent to the incorporation by reference of our reports dated 3 March 2015, with respect to the group financial statements of BP p.l.c., and the effectiveness of internal control over financial reporting of BP p.l.c., included in this Annual Report and Form 20-F for the year ended 31 December

2014 in the following Registration Statements:

Registration Statement on Form F-3 (File Nos. 333-201894 and 333-201894-01) of BP Capital Markets p.l.c. and BP p.l.c.; and

Registration Statements on Form S-8 (File Nos.333-67206, 333-103924, 333-123482, 333-123483, 333-131583, 333-146868, 333-146870, 333-146873, 333-131584, 333-132619, 333-173136, 333-177423, 333-179406, 333-186463, 333-186462, 333-199015, 333-200794, 333-200795 and 333-200796) of BP p.l.c.

/s/ Ernst & Young LLP

London, United Kingdom

3 March 2015

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Group income statement

For the year ended 31 December $ million

	Note	**2014**	2013	2012
Sales and other operating revenues	4	**353,568**	379,136	375,765
Earnings from joint ventures after interest and tax	14	**570**	447	260
Earnings from associates after interest and tax	15	**2,802**	2,742	3,675
Interest and other income	5	**843**	777	1,677
Gains on sale of businesses and fixed assets	3	**895**	13,115	6,697
Total revenues and other income		**358,678**	396,217	388,074
Purchases	17	**281,907**	298,351	292,774
Production and manufacturing expenses[a]		**27,375**	27,527	33,926
Production and similar taxes	4	**2,958**	7,047	8,158
Depreciation, depletion and amortization	4	**15,163**	13,510	12,687
Impairment and losses on sale of businesses and fixed assets	3	**8,965**	1,961	6,275
Exploration expense	6	**3,632**	3,441	1,475
Distribution and administration expenses		**12,696**	13,070	13,357
Fair value gain on embedded derivatives	28	**(430)**	(459)	(347)
Profit before interest and taxation		**6,412**	31,769	19,769
Finance costs[a]	5	**1,148**	1,068	1,072
Net finance expense relating to pensions and other post-retirement benefits	22	**314**	480	566
Profit before taxation		**4,950**	30,221	18,131
Taxation[a]	7	**947**	6,463	6,880
Profit for the year		**4,003**	23,758	11,251
Attributable to				
BP shareholders	30	**3,780**	23,451	11,017
Non-controlling interests	30	**223**	307	234
		4,003	23,758	11,251
Earnings per share cents				
Profit for the year attributable to BP shareholders				
Basic	9	**20.55**	123.87	57.89
Diluted	9	**20.42**	123.12	57.50

[a] See Note 2 for information on the impact of the Gulf of Mexico oil spill on these income statement line items.

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Group statement of comprehensive income[a]

For the year ended 31 December				$ million
	Note	**2014**	2013	2012
Profit for the year		**4,003**	23,758	11,251
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Currency translation differences		**(6,838)**	(1,608)	485
Exchange gains (losses) on translation of foreign operations reclassified to gain or loss on sale of businesses and fixed assets		**51**	22	(15)
Available-for-sale investments marked to market		**(1)**	(172)	306
Available-for-sale investments reclassified to the income statement		**1**	(523)	(1)
Cash flow hedges marked to market	28	**(155)**	(2,000)	1,466
Cash flow hedges reclassified to the income statement	28	**(73)**	4	62
Cash flow hedges reclassified to the balance sheet	28	**(11)**	17	19
Share of items relating to equity-accounted entities, net of tax		**(2,584)**	(24)	(39)
Income tax relating to items that may be reclassified	7	**147**	147	(170)
		(9,463)	(4,137)	2,113
Items that will not be reclassified to profit or loss				
Remeasurements of the net pension and other post-retirement benefit liability or asset	22	**(4,590)**	4,764	(1,572)
Share of items relating to equity-accounted entities, net of tax		**4**	2	(6)
Income tax relating to items that will not be reclassified	7	**1,334**	(1,521)	440
		(3,252)	3,245	(1,138)
Other comprehensive income		**(12,715)**	(892)	975
Total comprehensive income		**(8,712)**	22,866	12,226
Attributable to				
BP shareholders		**(8,903)**	22,574	11,988
Non-controlling interests		**191**	292	238
		(8,712)	22,866	12,226

[a] See Note 30 for further information.

Group statement of changes in equity[a]

								$ million
	Share capital and capital reserves	**Treasury shares**	**Foreign currency translation reserve**	**Fair value reserves**	**Profit and loss account**	**BP shareholders equity**	**Non-controlling interests**	**Total equity**
At 1 January 2014	**43,656**	**(20,971)**	**3,525**	**(695)**	**103,787**	**129,302**	**1,105**	**130,407**
Profit for the year					**3,780**	**3,780**	**223**	**4,003**

Other comprehensive income			**(6,934)**	**(202)**	**(5,547)**	**(12,683)**	**(32)**	**(12,715)**
Total comprehensive income			**(6,934)**	**(202)**	**(1,767)**	**(8,903)**	**191**	**(8,712)**
Dividends					**(5,850)**	**(5,850)**	**(255)**	**(6,105)**
Repurchases of ordinary share capital					**(3,366)**	**(3,366)**		**(3,366)**
Share-based payments, net of tax	**246**	**252**			**(313)**	**185**		**185**
Share of equity-accounted entities changes in equity, net of tax					**73**	**73**		**73**
Transactions involving non-controlling interests							**160**	**160**
At 31 December 2014	**43,902**	**(20,719)**	**(3,409)**	**(897)**	**92,564**	**111,441**	**1,201**	**112,642**
At 1 January 2013	43,513	(21,054)	5,128	1,775	89,184	118,546	1,206	119,752
Profit for the year					23,451	23,451	307	23,758
Other comprehensive income			(1,603)	(2,470)	3,196	(877)	(15)	(892)
Total comprehensive income			(1,603)	(2,470)	26,647	22,574	292	22,866
Dividends					(5,441)	(5,441)	(469)	(5,910)
Repurchases of ordinary share capital					(6,923)	(6,923)		(6,923)
Share-based payments, net of tax	143	83			247	473		473
Share of equity-accounted entities changes in equity, net of tax					73	73		73
Transactions involving non-controlling interests							76	76
At 31 December 2013	43,656	(20,971)	3,525	(695)	103,787	129,302	1,105	130,407
At 1 January 2012	43,454	(21,323)	4,509	267	84,661	111,568	1,017	112,585
Profit for the year					11,017	11,017	234	11,251
Other comprehensive income			619	1,508	(1,156)	971	4	975
Total comprehensive income			619	1,508	9,861	11,988	238	12,226
Dividends					(5,294)	(5,294)	(82)	(5,376)
Share-based payments, net of tax	59	269			(44)	284		284
Transactions involving non-controlling interests							33	33
At 31 December 2012	43,513	(21,054)	5,128	1,775	89,184	118,546	1,206	119,752

[a] See Note 30 for further information.

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Group balance sheet

At 31 December			$ million
	Note	**2014**	2013
Non-current assets			
Property, plant and equipment	10	**130,692**	133,690
Goodwill	12	**11,868**	12,181
Intangible assets	13	**20,907**	22,039
Investments in joint ventures	14	**8,753**	9,199
Investments in associates	15	**10,403**	16,636
Other investments	16	**1,228**	1,565
Fixed assets		**183,851**	195,310
Loans		**659**	763
Trade and other receivables	18	**4,787**	5,985
Derivative financial instruments	28	**4,442**	3,509
Prepayments		**964**	922
Deferred tax assets	7	**2,309**	985
Defined benefit pension plan surpluses	22	**31**	1,376
		197,043	208,850
Current assets			
Loans		**333**	216
Inventories	17	**18,373**	29,231
Trade and other receivables	18	**31,038**	39,831
Derivative financial instruments	28	**5,165**	2,675
Prepayments		**1,424**	1,388
Current tax receivable		**837**	512
Other investments	16	**329**	467
Cash and cash equivalents	23	**29,763**	22,520
		87,262	96,840
Total assets		**284,305**	305,690
Current liabilities			
Trade and other payables	20	**40,118**	47,159
Derivative financial instruments	28	**3,689**	2,322
Accruals		**7,102**	8,960
Finance debt	24	**6,877**	7,381
Current tax payable		**2,011**	1,945
Provisions	21	**3,818**	5,045
		63,615	72,812
Non-current liabilities			
Other payables	20	**3,587**	4,756
Derivative financial instruments	28	**3,199**	2,225
Accruals		**861**	547
Finance debt	24	**45,977**	40,811
Deferred tax liabilities	7	**13,893**	17,439
Provisions	21	**29,080**	26,915
Defined benefit pension plan and other post-retirement benefit plan deficits	22	**11,451**	9,778

		108,048	102,471
Total liabilities		**171,663**	175,283
Net assets		**112,642**	130,407
Equity			
BP shareholders equity	30	**111,441**	129,302
Non-controlling interests	30	**1,201**	1,105
Total equity	30	**112,642**	130,407

C-H Svanberg Chairman

R W Dudley Group Chief Executive

3 March 2015

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Group cash flow statement

For the year ended 31 December	Note	2014	2013	$ million 2012
Operating activities				
Profit before taxation		**4,950**	30,221	18,131
Adjustments to reconcile profit before taxation to net cash provided by operating activities				
Exploration expenditure written off	6	**3,029**	2,710	745
Depreciation, depletion and amortization	4	**15,163**	13,510	12,687
Impairment and (gain) loss on sale of businesses and fixed assets	3	**8,070**	(11,154)	(422)
Earnings from joint ventures and associates		**(3,372)**	(3,189)	(3,935)
Dividends received from joint ventures and associates		**1,911**	1,391	1,763
Interest receivable		**(276)**	(314)	(379)
Interest received		**81**	173	175
Finance costs	5	**1,148**	1,068	1,072
Interest paid		**(937)**	(1,084)	(1,166)
Net finance expense relating to pensions and other post-retirement benefits	22	**314**	480	566
Share-based payments		**379**	297	156
Net operating charge for pensions and other post-retirement benefits, less contributions and benefit payments for unfunded plans	22	**(963)**	(920)	(858)
Net charge for provisions, less payments		**1,119**	1,061	5,338
(Increase) decrease in inventories		**10,169**	(1,193)	(1,720)
(Increase) decrease in other current and non-current assets		**3,566**	(2,718)	2,933
Increase (decrease) in other current and non-current liabilities		**(6,810)**	(2,932)	(8,125)
Income taxes paid		**(4,787)**	(6,307)	(6,482)
Net cash provided by operating activities		**32,754**	21,100	20,479
Investing activities				
Capital expenditure		**(22,546)**	(24,520)	(23,222)
Acquisitions, net of cash acquired		**(131)**	(67)	(116)
Investment in joint ventures		**(179)**	(451)	(1,526)
Investment in associates		**(336)**	(4,994)	(54)
Proceeds from disposals of fixed assets	3	**1,820**	18,115	9,992
Proceeds from disposals of businesses, net of cash disposed	3	**1,671**	3,884	1,606
Proceeds from loan repayments		**127**	178	245
Net cash used in investing activities		**(19,574)**	(7,855)	(13,075)
Financing activities				
Net issue (repurchase) of shares		**(4,589)**	(5,358)	122
Proceeds from long-term financing		**12,394**	8,814	11,087
Repayments of long-term financing		**(6,282)**	(5,959)	(7,177)
Net increase (decrease) in short-term debt		**(693)**	(2,019)	(666)
Net increase (decrease) in non-controlling interests		**9**	32	
Dividends paid				
BP shareholders	8	**(5,850)**	(5,441)	(5,294)

Non-controlling interests	**(255)**	(469)	(82)
Net cash used in financing activities	**(5,266)**	(10,400)	(2,010)
Currency translation differences relating to cash and cash equivalents	**(671)**	40	64
Increase in cash and cash equivalents	**7,243**	2,885	5,458
Cash and cash equivalents at beginning of year	**22,520**	19,635	14,177
Cash and cash equivalents at end of year	**29,763**	22,520	19,635

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Notes on financial statements

1. Significant accounting policies, judgements, estimates and assumptions

Authorization of financial statements and statement of compliance with International Financial Reporting Standards

The consolidated financial statements of the BP group for the year ended 31 December 2014 were approved and signed by the group chief executive and chairman on 3 March 2015 having been duly authorized to do so by the board of directors. BP p.l.c. is a public limited company incorporated and domiciled in England and Wales. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), IFRS as adopted by the European Union (EU) and in accordance with the provisions of the UK Companies Act 2006. IFRS as adopted by the EU differs in certain respects from IFRS as issued by the IASB, however, the differences have no impact on the group s consolidated financial statements for the years presented. The significant accounting policies and accounting judgements, estimates and assumptions of the group are set out below.

Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective for the year ended 31 December 2014. The accounting policies that follow have been consistently applied to all years presented.

The consolidated financial statements are presented in US dollars and all values are rounded to the nearest million dollars ($ million), except where otherwise indicated.

Significant accounting policies: use of judgements, estimates and assumptions

Inherent in the application of many of the accounting policies used in preparing the financial statements is the need for BP management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual outcomes could differ from the estimates and assumptions used. The accounting judgements and estimates that could have a significant impact on the results of the group are set out in boxed text below, and should be read in conjunction with the information provided in the Notes on financial statements. The areas requiring the most significant judgement and estimation in the preparation of the consolidated financial statements are: accounting for interests in other entities; oil and natural gas accounting, including the estimation of reserves; the recoverability of asset carrying values; derivative financial instruments, including the application of hedge accounting; provisions and contingencies, in particular provisions and contingencies related to the Gulf of Mexico oil spill; pensions and other post-retirement benefits and taxation.

Basis of consolidation

The group financial statements consolidate the financial statements of BP p.l.c. and the entities it controls (its subsidiaries) drawn up to 31 December each year. Subsidiaries are consolidated from the date of their acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Intra-group balances and transactions, including unrealized profits arising from intra-group transactions, have been eliminated. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Non-controlling interests represent the equity in subsidiaries that is not attributable, directly or indirectly, to BP shareholders.

Interests in other entities

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition-date fair value, and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are expensed and included in distribution and administration expenses.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount recognized for any non-controlling interest and the acquisition-date fair values of any previously held interest in the acquiree over the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date.

At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units, or groups of cash-generating units, expected to benefit from the combination s synergies.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill arising on business combinations prior to 1 January 2003 is stated at the previous carrying amount under UK generally accepted accounting practice, less subsequent impairments.

Goodwill may also arise upon investments in joint ventures and associates, being the surplus of the cost of investment over the group s share of the net fair value of the identifiable assets and liabilities. Such goodwill is recorded within the corresponding investment in joint ventures and associates.

Interests in joint arrangements

The results, assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting as described below.

Certain of the group s activities, particularly in the Upstream segment, are conducted through joint operations. BP recognizes, on a line-by-line basis in the consolidated financial statements, its share of the assets, liabilities and expenses of these joint operations incurred jointly with the other partners, along with the group s income from the sale of its share of the output and any liabilities and expenses that the group has incurred in relation to the joint operation.

Interests in associates

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting as described below.

Significant estimate or judgement: accounting for interests in other entities

Judgement is required in assessing the level of control obtained in a transaction to acquire an interest in another entity; depending upon the facts and circumstances in each case, BP may obtain control, joint control or significant influence over the entity or arrangement. Transactions which give BP control of a business are business combinations. If BP obtains joint control of an arrangement, judgement is also required to assess whether the arrangement is a joint operation or a joint venture. If BP has neither control nor joint control, it may be in a position to exercise significant influence over the entity, which is then accounted for as an associate.

1. Significant accounting policies, judgements, estimates and assumptions continued

Accounting for business combinations and acquisitions of investments in equity-accounted joint ventures and associates requires judgements and estimates to be made in order to determine the fair value of the consideration transferred, together with the fair values of the assets acquired and the liabilities assumed in a business combination, or the identifiable assets and liabilities of the equity-accounted entity at the acquisition date. The group uses all available information, including external valuations and appraisals where appropriate, to determine these fair values. If necessary, the group has up to one year from the acquisition date to finalize the determinations of fair value for business combinations.

Since 21 March 2013, BP has owned 19.75% of the voting shares of OJSC Oil Company Rosneft (Rosneft), a Russian oil and gas company. The Russian federal government, through its investment company OJSC Rosneftegaz, owned 69.5% of the voting shares of Rosneft at 31 December 2014. BP uses the equity method of accounting for its investment in Rosneft because under IFRS it is considered to have significant influence. Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control. IFRS identifies several indicators that may provide evidence of significant influence, including representation on the board of directors of the investee and participation in policy-making processes. BP s group chief executive, Bob Dudley, has been elected to the board of directors of Rosneft and he is a member of the Rosneft board s Strategic Planning Committee. Furthermore, under the Rosneft Charter, BP has the right to nominate a second director to Rosneft s nine-person board of directors for election at a general meeting of shareholders should it choose to do so in the future. In addition, BP holds the voting rights at general meetings of shareholders conferred by its 19.75% stake in Rosneft. In management s judgement, the group has significant influence over Rosneft, as defined by the relevant accounting standard, and the investment is, therefore, accounted for as an associate. BP s share of Rosneft s oil and natural gas reserves is included in the estimated net proved reserves of equity-accounted entities.

The equity method of accounting

Under the equity method, the investment is carried on the balance sheet at cost plus post-acquisition changes in the group s share of net assets of the entity, less distributions received and less any impairment in value of the investment. Loans advanced to equity-accounted entities that have the characteristics of equity financing are also included in the investment on the group balance sheet. The group income statement reflects the group s share of the results after tax of the equity-accounted entity, adjusted to account for depreciation, amortization and any impairment of the equity-accounted entity s assets based on their fair values at the date of acquisition. The group statement of comprehensive income includes the group s share of the equity-accounted entity s other comprehensive income. The group s share of amounts recognized directly in equity by an equity-accounted entity is recognized directly in the group s statement of changes in equity.

Financial statements of equity-accounted entities are prepared for the same reporting year as the group. Where material differences arise, adjustments are made to those financial statements to bring the accounting policies used into line with those of the group.

Unrealized gains on transactions between the group and its equity-accounted entities are eliminated to the extent of the group s interest in the equity-accounted entity. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The group assesses investments in equity-accounted entities for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication of impairment exists, the carrying amount of the investment is compared with its recoverable amount, being the higher of its fair value less costs of disposal and value in use. If the carrying amount exceeds the recoverable amount, the investment is written down to its recoverable amount.

The group ceases to use the equity method of accounting from the date on which it no longer has joint control over the joint venture or significant influence over the associate, or when the interest becomes classified as an asset held for sale.

Segmental reporting

The group s operating segments are established on the basis of those components of the group that are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The accounting policies of the operating segments are the same as the group s accounting policies described in this note, except that IFRS requires that the measure of profit or loss disclosed for each operating segment is the measure that is provided regularly to the chief operating decision maker. For BP, this measure of profit or loss is replacement cost profit before interest and tax which reflects the replacement cost of inventories sold in the period and is arrived at by excluding inventory holding gains and losses from profit. Replacement cost profit for the group is not a recognized measure under IFRS. For further information see Note 4.

Foreign currency translation

In individual subsidiaries, joint ventures and associates, transactions in foreign currencies are initially recorded in the functional currency of those entities by applying the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are included in the income statement, unless hedge accounting is applied. Non-monetary assets and liabilities, other than those measured at fair value, are not retranslated subsequent to initial recognition.

In the consolidated financial statements, the assets and liabilities of non-US dollar functional currency subsidiaries, joint ventures and associates, including related goodwill, are translated into US dollars at the rate of exchange ruling at the balance sheet date. The results and cash flows of non-US dollar functional currency subsidiaries, joint ventures and associates are translated into US dollars using average rates of exchange. In the consolidated financial statements, exchange adjustments arising when the opening net assets and the profits for the year retained by non-US dollar functional currency subsidiaries, joint ventures and associates are translated into US dollars are taken to a separate component of equity and reported in the statement of comprehensive income. Exchange gains and losses arising on long-term intra-group foreign currency borrowings used to finance the group s non-US dollar investments are also taken to other comprehensive income. On disposal or partial disposal of a non-US dollar functional currency subsidiary, joint venture or associate, the related cumulative exchange gains and losses recognized in equity are reclassified to the income statement.

Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

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1. Significant accounting policies, judgements, estimates and assumptions continued

Intangible assets

Intangible assets, other than goodwill, include expenditure on the exploration for and evaluation of oil and natural gas resources, computer software, patents, licences and trade marks and are stated at the amount initially recognized, less accumulated amortization and accumulated impairment losses.

Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. An intangible asset acquired as part of a business combination is measured at fair value at the date of acquisition and is recognized separately from goodwill if the asset is separable or arises from contractual or other legal rights.

Intangible assets with a finite life are amortized on a straight-line basis over their expected useful lives. For patents, licences and trade marks, expected useful life is the shorter of the duration of the legal agreement and economic useful life, and can range from three to 15 years. Computer software costs generally have a useful life of three to five years.

The expected useful lives of assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

Oil and natural gas exploration, appraisal and development expenditure

Oil and natural gas exploration, appraisal and development expenditure is accounted for using the principles of the successful efforts method of accounting.

Licence and property acquisition costs

Exploration licence and leasehold property acquisition costs are capitalized within intangible assets and are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned or that it has been determined, or work is under way to determine, that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing. If no future activity is planned, the remaining balance of the licence and property acquisition costs is written off. Lower value licences are pooled and amortized on a straight-line basis over the estimated period of exploration. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to property, plant and equipment.

Exploration and appraisal expenditure

Geological and geophysical exploration costs are charged against income as incurred. Costs directly associated with an exploration well are initially capitalized as an intangible asset until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. If potentially commercial quantities of hydrocarbons are not found, the exploration well is written off as a dry hole. If hydrocarbons are found and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continue to be carried as an asset.

Costs directly associated with appraisal activity, undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalized as an intangible asset. When proved reserves of oil and natural gas are determined and development is approved by management, the relevant expenditure is transferred to property, plant and equipment.

Development expenditure

Expenditure on the construction, installation and completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including service and unsuccessful development or delineation wells, is capitalized within property, plant and equipment and is depreciated from the commencement of production as described below in the accounting policy for property, plant and equipment.

Significant estimate or judgement: oil and natural gas accounting

The determination of whether potentially economic oil and natural gas reserves have been discovered by an exploration well is usually made within one year after well completion, but can take longer, depending on the complexity of the geological structure. Exploration wells that discover potentially economic quantities of oil and natural gas and are in areas where major capital expenditure (e.g. an offshore platform or a pipeline) would be required before production could begin, and where the economic viability of that major capital expenditure depends on the successful completion of further exploration work in the area, remain capitalized on the balance sheet as long as additional exploration or appraisal work is under way or firmly planned.

It is not unusual to have exploration wells and exploratory-type stratigraphic test wells remaining suspended on the balance sheet for several years while additional appraisal drilling and seismic work on the potential oil and natural gas field is performed or while the optimum development plans and timing are established. All such carried costs are subject to regular technical, commercial and management review on at least an annual basis to confirm the continued intent to develop, or otherwise extract value from, the discovery. Where this is no longer the case, the costs are immediately expensed.

One of the facts and circumstances which indicate that an entity should test such assets for impairment is that the period for which the entity has a right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed.

BP has leases in the Gulf of Mexico making up a prospect, some with terms which were scheduled to expire at the end of 2013 and some with terms which were scheduled to expire at the end of 2014. A significant proportion of our capitalized exploration and appraisal costs in the Gulf of Mexico relate to this prospect. This prospect requires the development of subsea technology to ensure that the hydrocarbons can be extracted safely. BP is in negotiation with the US Bureau of Safety and Environmental Enforcement in relation to seeking extension of these leases so that the discovered hydrocarbons can be developed. BP remains committed to developing this prospect and expects that the leases will be renewed and, therefore, continues to carry the capitalized costs on its balance sheet.

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of any decommissioning obligation, if any, and, for assets that necessarily take a substantial period of time to get ready for their intended use, finance costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included within property, plant and equipment.

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated is replaced and it is probable that future economic benefits associated with the

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1. Significant accounting policies, judgements, estimates and assumptions continued

item will flow to the group, the expenditure is capitalized and the carrying amount of the replaced asset is derecognized. Inspection costs associated with major maintenance programmes are capitalized and amortized over the period to the next inspection. Overhaul costs for major maintenance programmes, and all other maintenance costs are expensed as incurred.

Oil and natural gas properties, including related pipelines, are depreciated using a unit-of-production method. The cost of producing wells is amortized over proved developed reserves. Licence acquisition, common facilities and future decommissioning costs are amortized over total proved reserves. The unit-of-production rate for the depreciation of common facilities takes into account expenditures incurred to date, together with estimated future capital expenditure expected to be incurred relating to as yet undeveloped reserves expected to be processed through these common facilities.

Other property, plant and equipment is depreciated on a straight-line basis over its expected useful life. The typical useful lives of the group s other property, plant and equipment are as follows:

Land improvements	15 to 25 years
Buildings	20 to 50 years
Refineries	20 to 30 years
Petrochemicals plants	20 to 30 years
Pipelines	10 to 50 years
Service stations	15 years
Office equipment	3 to 7 years
Fixtures and fittings	5 to 15 years

The expected useful lives of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period in which the item is derecognized.

Significant estimate or judgement: estimation of oil and natural gas reserves

The determination of the group s estimated oil and natural gas reserves requires significant judgements and estimates to be applied and these are regularly reviewed and updated. Factors such as the availability of geological and engineering data, reservoir performance data, acquisition and divestment activity, drilling of new wells and commodity prices all impact on the determination of the group s estimates of its oil and natural gas reserves. BP bases its proved reserves estimates on the requirement of reasonable certainty with rigorous technical and commercial assessments based on conventional industry practice and regulatory requirements.

The estimation of oil and natural gas reserves and BP s process to manage reserves bookings is described in Supplementary information on oil and natural gas on page 167, which is unaudited. Details on BP s proved reserves and production compliance and governance processes are provided on page 219.

Estimates of oil and natural gas reserves are used to calculate depreciation, depletion and amortization charges for the group s oil and gas properties. The impact of changes in estimated proved reserves is dealt with prospectively by amortizing the remaining carrying value of the asset over the expected future production. Oil and natural gas reserves also have a direct impact on the assessment of the recoverability of asset carrying values reported in the financial statements. If proved reserves estimates are revised downwards, earnings could be affected by higher depreciation expense or an immediate write-down of the property s carrying value.

The 2014 movements in proved reserves are reflected in the tables showing movements in oil and natural gas reserves by region in Supplementary information on oil and natural gas (unaudited) on page 167. Information on the carrying amounts of the group s oil and natural gas properties, together with the amounts recognized in the income statement as depreciation, depletion and amortization is contained in Note 10 and Note 4 respectively.

Impairment of property, plant and equipment, intangible assets, and goodwill

The group assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, for example, changes in the group s business plans, changes in commodity prices leading to sustained unprofitable performance, low plant utilization, evidence of physical damage or, for oil and gas assets, significant downward revisions of estimated reserves or increases in estimated future development expenditure or decommissioning costs. If any such indication of impairment exists, the group makes an estimate of the asset s recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. An asset group s recoverable amount is the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount.

The business segment plans, which are approved on an annual basis by senior management, are the primary source of information for the determination of value in use. They contain forecasts for oil and natural gas production, refinery throughputs, sales volumes for various types of refined products (e.g. gasoline and lubricants), revenues, costs and capital expenditure. As an initial step in the preparation of these plans, various market assumptions, such as oil prices, natural gas prices, refining margins, refined product margins and cost inflation rates, are set by senior management. These market assumptions take account of existing prices, global supply-demand equilibrium for oil and natural gas, other macroeconomic factors and historical trends and variability. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

Fair value less costs of disposal is the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset s recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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1. Significant accounting policies, judgements, estimates and assumptions continued

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate the recoverable amount of the group of cash-generating units to which the goodwill relates should be assessed. In assessing whether goodwill has been impaired, the carrying amount of the group of CGUs (including goodwill) is compared with their recoverable amount. The recoverable amount of a group of CGUs to which goodwill is allocated is the higher of value in use and fair value less costs of disposal. Where the recoverable amount of the group of CGUs to which goodwill has been allocated is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Significant estimate or judgement: recoverability of asset carrying values

Determination as to whether, and by how much, an asset or group of CGUs containing goodwill is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for global or regional market supply-and-demand conditions for crude oil, natural gas and refined products. For oil and natural gas properties, the expected future cash flows are estimated using management s best estimate of future oil and natural gas prices and reserves volumes.

The estimated future level of production in all impairment tests is based on assumptions about future commodity prices, production and development costs, field decline rates, current fiscal regimes and other factors.

Fair value less costs of disposal may be determined based on similar recent market transaction data or, where recent market transactions for the asset are not available for reference, using discounted cash flow techniques. Where discounted cash flow analyses are used to calculate fair value less costs of disposal, accounting judgements are made about the assumptions market participants would use when pricing an asset, a CGU or a group of CGUs containing goodwill and the test is performed on a post-tax basis. The discount rate used is the group s post-tax weighted average cost of capital (2014 8%), with a 2% premium added in higher-risk countries. Reserves assumptions for fair value less costs of disposal discounted cash flow tests consider all reserves that a market participant would consider when valuing the asset, which are usually broader in scope than the reserves used in a value-in-use test. Discounted cash flow analyses used to calculate fair value less costs of disposal use market prices for the first five years and long-term price assumptions that are consistent with the assumptions used by the group for investment appraisal purposes thereafter. The long-term oil price assumption used in such tests is $97 per barrel in 2020 and is inflated at a rate of 2.5% per annum for the remaining life of the asset. This long-term assumption is derived from the $80 per barrel real oil price assumption used for investment appraisal. In the current price environment, the market prices used for the first five years of both value-in-use and fair value less costs of disposal impairment tests are particularly volatile. Market prices used for the first five years of both value-in-use and fair value less costs of disposal impairment tests are shown in the table below:

					2014
	2015	**2016**	**2017**	**2018**	**2019**
Brent oil price ($/bbl)	**61**	**69**	**73**	**76**	**77**

Henry Hub natural gas price ($/mmBtu)	**3.11**	**3.53**	**3.82**	**4.00**	**4.15**

					2013
	2014	2015	2016	2017	2018
Brent oil price ($/bbl)	108	102	97	93	90
Henry Hub natural gas price ($/mmBtu)	3.86	4.02	4.10	4.17	4.27

For value-in-use calculations, future cash flows are adjusted for risks specific to the cash-generating unit and are discounted using a pre-tax discount rate. The discount rate is derived from the group s post-tax weighted average cost of capital and is adjusted where applicable to take into account any specific risks relating to the country where the cash-generating unit is located. In 2014 the discount rate used for value-in-use calculations was 12% nominal (2013 12% nominal), with a 2% premium added in higher-risk countries. The discount rates applied in assessments of impairment are reassessed each year. Reserves assumptions for value-in-use tests are confined to proved and sanctioned probable reserves. For value-in-use calculations, prices for oil and natural gas used for future cash flow calculations are based on market prices for the first five years (consistent with those shown in the table above) and the group s flat nominal long-term price assumptions thereafter. As at 31 December 2014, the group s long-term flat nominal price assumptions were $90 per barrel for Brent and $6.50/mmBtu for Henry Hub (2013 $90 per barrel and $6.50/mmBtu). These long-term price assumptions are subject to periodic review and revision.

Irrespective of whether there is any indication of impairment, BP is required to test annually for impairment of goodwill acquired in a business combination. The group carries goodwill of approximately $11.9 billion on its balance sheet (2013 $12.2 billion), principally relating to the Atlantic Richfield, Burmah Castrol, Devon Energy and Reliance transactions. In testing goodwill for impairment, the group uses the approach described above to determine recoverable amount. If there are low oil or natural gas prices or refining margins or marketing margins for an extended period, the group may need to recognize goodwill impairment charges.

The recoverability of intangible exploration and appraisal expenditure is covered under Oil and natural gas exploration, appraisal and development expenditure above.

Details of impairment charges recognized in the income statement are provided in Note 3 and details on the carrying amounts of assets are shown in Note 10, Note 12 and Note 13.

Inventories

Inventories, other than inventories held for trading purposes, are stated at the lower of cost and net realizable value. Cost is determined by the first-in first-out method and comprises direct purchase costs, cost of production, transportation and manufacturing expenses. Net realizable value is determined by reference to prices existing at the balance sheet date, adjusted where the sale of inventories after the reporting period gives evidence about their net realizable value at the end of the period.

Inventories held for trading purposes are stated at fair value less costs to sell and any changes in fair value are recognized in the income statement.

Supplies are valued at cost to the group mainly using the average method or net realizable value, whichever is the lower.

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1. Significant accounting policies, judgements, estimates and assumptions continued

Leases

Finance leases are capitalized at the commencement of the lease term at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Finance charges are allocated to each period so as to achieve a constant rate of interest on the remaining balance of the liability and are charged directly against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Financial assets

Financial assets are classified as loans and receivables; financial assets at fair value through profit or loss; derivatives designated as hedging instruments in an effective hedge; held-to-maturity financial assets; or as available-for-sale financial assets, as appropriate. Financial assets include cash and cash equivalents, trade receivables, other receivables, loans, other investments, and derivative financial instruments. The group determines the classification of its financial assets at initial recognition. Financial assets are recognized initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The subsequent measurement of financial assets depends on their classification, as follows:

Loans and receivables

Loans and receivables are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process. This category of financial assets includes trade and other receivables. Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value and have a maturity of three months or less from the date of acquisition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried on the balance sheet at fair value with gains or losses recognized in the income statement. Derivatives, other than those designated as effective hedging instruments, are classified as held for trading and are included in this category.

Derivatives designated as hedging instruments in an effective hedge

These derivatives are carried on the balance sheet at fair value. The treatment of gains and losses arising from revaluation is described below in the accounting policy for derivative financial instruments and hedging activities.

Held-to-maturity financial assets

Held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment.

Available-for-sale financial assets

After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognized within other comprehensive income, except for impairment losses, and, for available-for-sale debt instruments, foreign exchange gains or losses and any changes in fair value arising from revised estimates of future cash flows, which are recognized in profit or loss.

Impairment of loans and receivables

The group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset s carrying amount and the present value of estimated future cash flows discounted at the financial asset s original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognized in the income statement.

Significant estimate or judgement: recoverability of trade receivables

Judgements are required in assessing the recoverability of overdue trade receivables and determining whether a provision against the future recoverability of those receivables is required. Factors considered include the credit rating of the counterparty, the amount and timing of anticipated future payments and any possible actions that can be taken to mitigate the risk of non-payment. See Note 27 for information on overdue receivables.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss; derivatives designated as hedging instruments in an effective hedge; or as financial liabilities measured at amortized cost, as appropriate. Financial liabilities include trade and other payables, accruals, most items of finance debt and derivative financial instruments. The group determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities depends on their classification, as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are carried on the balance sheet at fair value with gains or losses recognized in the income statement. Derivatives, other than those designated as effective hedging instruments, are classified as held for trading and are included in this category.

Derivatives designated as hedging instruments in an effective hedge

These derivatives are carried on the balance sheet at fair value. The treatment of gains and losses arising from revaluation is described below in the accounting policy for derivative financial instruments and hedging activities.

Financial liabilities measured at amortized cost

All other financial liabilities are initially recognized at fair value. For interest-bearing loans and borrowings this is the fair value of the proceeds received net of issue costs associated with the borrowing.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized respectively in interest and other income and finance costs.

This category of financial liabilities includes trade and other payables and finance debt.

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1. Significant accounting policies, judgements, estimates and assumptions continued

Derivative financial instruments and hedging activities

The group uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates, interest rates and commodity prices as well as for trading purposes. These derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments as if the contracts were financial instruments, with the exception of contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the group s expected purchase, sale or usage requirements, are accounted for as financial instruments. Gains or losses arising from changes in the fair value of derivatives that are not designated as effective hedging instruments are recognized in the income statement.

If, at inception of a contract, the valuation cannot be supported by observable market data, any gain or loss determined by the valuation methodology is not recognized in the income statement but is deferred on the balance sheet and is commonly known as day-one profit or loss . This deferred gain or loss is recognized in the income statement over the life of the contract until substantially all the remaining contract term can be valued using observable market data at which point any remaining deferred gain or loss is recognized in the income statement. Changes in valuation from the initial valuation are recognized immediately through the income statement.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging exposure to changes in the fair value of a recognized asset or liability.
- Cash flow hedges when hedging exposure to variability in cash flows that is attributable to either a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

Hedge relationships are formally designated and documented at inception, together with the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the entity will assess the hedging instrument effectiveness in offsetting the exposure to changes in the hedged item s fair value or cash flows attributable to the hedged risk. Such hedges are expected at inception to be highly effective in achieving offsetting changes in fair value or cash flows. Hedges meeting the criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in fair value of a hedging derivative is recognized in profit or loss. The change in the fair value of the hedged item attributable to the risk being hedged is recorded as part of the carrying value of the hedged item and is also recognized in profit or loss. The group applies fair value hedge accounting when hedging interest rate risk on fixed rate borrowings.

If the criteria for hedge accounting are no longer met, or if the group revokes the designation, the accumulated adjustment to the carrying amount of a hedged item at such time is then amortized to profit or loss over the remaining period to maturity.

Cash flow hedges

The effective portion of the gain or loss on a cash flow hedging instrument is recognized within other comprehensive income, while the ineffective portion is recognized in profit or loss. Amounts taken to other comprehensive income are reclassified to the income statement when the hedged transaction affects profit or loss.

Where the hedged item is a non-financial asset or liability, such as a forecast foreign currency transaction for the purchase of property, plant and equipment, the amounts recognized within other comprehensive income are reclassified to the initial carrying amount of the non-financial asset or liability. Where the hedged item is an equity investment, the amounts recognized in other comprehensive income remain in the separate component of equity until the hedged cash flows affect profit or loss. Where the hedged item is recognized directly in profit or loss, the amounts recognized in other comprehensive income are reclassified to production and manufacturing expenses, except for cash flow hedges of variable interest rate risk which are reclassified to finance costs.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized within other comprehensive income remain in equity until the forecast transaction occurs and are reclassified to the income statement or to the initial carrying amount of a non-financial asset or liability as above.

Significant estimate or judgement: application of hedge accounting

The decision as to whether to apply hedge accounting within subsidiaries, and by equity-accounted entities, can have a significant impact on the group s financial statements. Cash flow and fair value hedge accounting is applied to certain finance debt-related instruments in the normal course of business and cash flow hedge accounting is applied to certain highly probable foreign currency transactions as part of the management of currency risk. In addition, the financial statements reflect the application of cash flow hedge accounting to certain of the contracts signed in October 2012 for BP to sell its investment in TNK-BP and obtain an additional shareholding in Rosneft, which were accounted for as derivatives under IFRS. The group applied all-in-one cash flow hedge accounting to the contracts to acquire shares in Rosneft, resulting in a pre-tax loss of $2,061 million being recognized in other comprehensive income in 2013 and a pre-tax gain of $1,410 million in 2012. See Note 15, Note 27, and Note 28 for further details.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract. Contracts are assessed for embedded derivatives when the group becomes a party to them, including at the date of a business combination. Embedded derivatives are measured at fair value at each balance sheet date. Any gains or losses arising from changes in fair value are taken directly to the income statement.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The group categorizes assets and liabilities measured at fair value into one of three levels depending on the ability to observe inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs that are observable, either directly or indirectly, other than quoted prices included within level 1 for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability reflecting significant modifications to observable related market data or BP s assumptions about pricing by market participants.

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1. Significant accounting policies, judgements, estimates and assumptions continued

Significant estimate or judgement: valuation of derivatives

In some cases the fair values of derivatives are estimated using internal models due to the absence of quoted prices or other observable, market-corroborated data. This applies to the group s longer-term derivative contracts and certain options, as well as to the majority of the group s embedded derivatives. These embedded derivatives arise primarily from long-term UK natural gas contracts that use pricing formulae not related to gas prices, for example, oil product and power prices. The majority of these contracts are valued using models with inputs that include price curves for each of the different products that are built up from active market pricing data and extrapolated to the expiry of the contracts using the maximum available external pricing information. Additionally, where limited data exists for certain products, prices are interpolated using historic and long-term pricing relationships. Price volatility is also an input for the models.

Changes in the key assumptions could have a material impact on the fair value gains and losses on derivatives and embedded derivatives recognized in the income statement. For more information see Note 28.

Offsetting of financial assets and liabilities

Financial assets and liabilities are presented gross in the balance sheet unless both of the following criteria are met: the group currently has a legally enforceable right to set off the recognized amounts; and the group intends to either settle on a net basis or realize the asset and settle the liability simultaneously. A right of set off is the group s legal right to settle an amount payable to a creditor by applying against it an amount receivable from the same counterparty. The relevant legal jurisdiction and laws applicable to the relationships between the parties are considered when assessing whether a current legally enforceable right to set off exists.

Provisions, contingencies and reimbursement assets

Provisions are recognized when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the liability.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax risk-free rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized within finance costs. A provision is discounted using either a nominal discount rate of 2.75% (2013 3.25%) or a real discount rate of 0.75% (2013 1%), as appropriate. Provisions are split between amounts expected to be settled within 12 months of the balance sheet date (current) and amounts expected to be settled later (non-current). Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the group, or present obligations where it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote.

Where the group makes contributions into a separately administered fund for restoration, environmental or other obligations, which it does not control, and the group s right to the assets in the fund is restricted, the obligation to contribute to the fund is recognized as a liability where it is probable that such additional contributions will be made. The group recognizes a reimbursement asset separately, being the lower of the amount of the associated restoration, environmental or other provision and the group s share of the fair value of the net assets of the fund available to contributors.

Significant estimate or judgement: provision relating to the Gulf of Mexico oil spill

Detailed information on the Gulf of Mexico oil spill, including the financial impacts, is provided in Note 2.

The provision recognized is the reliable estimate of expenditures required to settle certain present obligations at the end of the reporting period. There are future expenditures, however, for which it is not possible to measure the obligation reliably. These are not provided for and are disclosed as contingent liabilities. Accounting judgement is required to identify when a provision can be measured reliably, which can be especially challenging when complex litigation activities are ongoing.

In addition, for those provisions which are recognized, there is significant estimation uncertainty about the amounts that will ultimately be paid, especially with regard to amounts payable under the Deepwater Horizon Court Supervised Settlement Program (DHCSSP). A provision is made for these costs when the amount can be measured reliably; this requires an analysis of claims received and processed and consideration of the status of ongoing legal activity.

The provision for penalties under the US Clean Water Act is based on the estimated civil penalty for strict liability. This provision is calculated based on the assumption that BP did not act with gross negligence or engage in wilful misconduct. However, in September 2014 the district court ruled that the discharge of oil was the result of BP s gross negligence and wilful misconduct and it is not now possible to determine a reliable estimate of the liability. The existing provision has been maintained as explained in Note 2 and a contingent liability has been disclosed in relation to the potential for a higher penalty due to this ruling. The amount that will become payable by BP is subject to a very high level of uncertainty since it will depend on the outcome of BP s appeal of the September 2014 gross negligence ruling as well as what is determined by the court in the federal multi-district litigation proceedings in New Orleans (MDL 2179) with respect to the application of statutory penalty factors. See Note 2 for additional information.

Decommissioning

Liabilities for decommissioning costs are recognized when the group has an obligation to plug and abandon a well, dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made. Where an obligation exists for a new facility or item of plant, such as oil and natural gas production or transportation facilities, this liability will be recognized on construction or installation. Similarly, where an obligation exists for a well, this liability is recognized when it is drilled. An obligation for decommissioning may also crystallize during the period of operation of a well, facility or item of plant through a change in legislation or through a decision to terminate operations; an obligation may also arise in cases where an asset has been sold but the subsequent owner is no longer able to fulfil its decommissioning obligations, for example due to bankruptcy. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. The provision for the costs of decommissioning wells, production facilities and pipelines at the end of their economic lives is estimated using existing technology, at current prices or future assumptions, depending on the expected timing of the activity, and discounted using the real discount rate. The weighted average period over which these costs are generally expected to be incurred is estimated to be approximately

20 years.

An amount equivalent to the decommissioning provision is recognized as part of the corresponding intangible asset (in the case of an exploration or appraisal well) or property, plant and equipment. The decommissioning portion of the property, plant and equipment is subsequently depreciated at the same rate as the rest of the asset.

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1. Significant accounting policies, judgements, estimates and assumptions continued

Other than the unwinding of discount on the provision, any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding asset.

Environmental expenditures and liabilities

Environmental expenditures that are required in order for the group to obtain future economic benefits from its assets are capitalized as part of those assets. Expenditures that relate to an existing condition caused by past operations that do not contribute to future earnings are expensed.

Liabilities for environmental costs are recognized when a clean-up is probable and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites.

The amount recognized is the best estimate of the expenditure required to settle the obligation. Provisions for environmental liabilities have been estimated using existing technology, at current prices and discounted using a real discount rate. The weighted average period over which these costs are generally expected to be incurred is estimated to be approximately five years.

Significant estimate or judgement: provisions

The group holds provisions for the future decommissioning of oil and natural gas production facilities and pipelines at the end of their economic lives. The largest decommissioning obligations facing BP relate to the plugging and abandonment of wells and the removal and disposal of oil and natural gas platforms and pipelines around the world. Most of these decommissioning events are many years in the future and the precise requirements that will have to be met when the removal event occurs are uncertain. Decommissioning technologies and costs are constantly changing, as well as political, environmental, safety and public expectations. BP believes that the impact of any reasonably foreseeable change to these provisions on the group s results of operations, financial position or liquidity will not be material. If oil and natural gas production facilities and pipelines are sold to third parties and the subsequent owner is unable to meet their decommissioning obligations, judgement must be used to determine whether BP is then responsible for decommissioning, and if so the extent of that responsibility. Consequently, the timing and amounts of future cash flows are subject to significant uncertainty. Any changes in the expected future costs are reflected in both the provision and the asset.

Decommissioning provisions associated with downstream and petrochemicals facilities are generally not recognized, as the potential obligations cannot be measured, given their indeterminate settlement dates. The group performs periodic reviews of its downstream and petrochemicals long-lived assets for any changes in facts and circumstances that might require the recognition of a decommissioning provision.

The provision for environmental liabilities is estimated based on current legal and constructive requirements, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of changes in laws and regulations, public expectations, prices, discovery and analysis of site conditions and changes in clean-up technology.

Other provisions and liabilities are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgement to existing facts and circumstances, which can be subject to change. Since the cash outflows can take place many years in the future, the carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances.

The timing and amount of future expenditures are reviewed annually, together with the interest rate used in discounting the cash flows. The interest rate used to determine the balance sheet obligation at the end of 2014 was a real rate of 0.75% (2013 1.0%), which was based on long-dated US government bonds.

Provisions and contingent liabilities relating to the Gulf of Mexico oil spill are discussed in Note 2. Information about the group s other provisions is provided in Note 21. As further described in Note 21, the group is subject to claims and actions. The facts and circumstances relating to particular cases are evaluated regularly in determining whether it is probable that there will be a future outflow of funds and, once established, whether a provision relating to a specific litigation should be established or revised. Accordingly, significant management judgement relating to provisions and contingent liabilities is required, since the outcome of litigation is difficult to predict.

Employee benefits

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the group. Deferred bonus arrangements that have a vesting date more than 12 months after the balance sheet date are valued on an actuarial basis using the projected unit credit method and amortized on a straight-line basis over the service period until the award vests. The accounting policies for share-based payments and for pensions and other post-retirement benefits are described below.

Share-based payments

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which equity instruments are granted and is recognized as an expense over the vesting period, which ends on the date on which the employees become fully entitled to the award. A corresponding credit is recognized within equity. Fair value is determined by using an appropriate, widely used, valuation model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions). Non-vesting conditions, such as the condition that employees contribute to a savings-related plan, are taken into account in the grant-date fair value, and failure to meet a non-vesting condition, where this is within the control of the employee is treated as a cancellation and any remaining unrecognized cost is expensed.

Cash-settled transactions

The cost of cash-settled transactions is recognized as an expense over the vesting period, measured by reference to the fair value of the corresponding liability which is recognized on the balance sheet. The liability is remeasured at fair value at each balance sheet date until settlement, with changes in fair value recognized in the income statement.

Pensions and other post-retirement benefits

The cost of providing benefits under the group s defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period to determine current service cost and to the current and prior periods to determine the present value of the defined benefit obligation. Past service costs, resulting from either a plan amendment or a curtailment (a reduction in future obligations as a result of a material reduction in the plan membership), are recognized immediately when the company becomes committed to a change.

Net interest expense relating to pensions and other post-retirement benefits, which is recognized in the income statement, represents the net change in present value of plan obligations and the value of plan assets resulting from the passage of time, and is determined by applying the discount rate to the present value of the benefit obligation at the start of the year, and to the fair value of plan assets at the start of the year, taking into account expected changes in the obligation or plan assets during the year.

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1. Significant accounting policies, judgements, estimates and assumptions continued

Remeasurements of the defined benefit liability and asset, comprising actuarial gains and losses, and the return on plan assets (excluding amounts included in net interest described above) are recognized within other comprehensive income in the period in which they occur and are not subsequently reclassified to profit and loss.

The defined benefit pension plan surplus or deficit in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and, in the case of quoted securities, is the published bid price. Defined benefit pension plan surpluses are only recognized to the extent they are recoverable.

Contributions to defined contribution plans are recognized in the income statement in the period in which they become payable.

Significant estimate or judgement: pensions and other post-retirement benefits

Accounting for pensions and other post-retirement benefits involves judgement about uncertain events, including estimated retirement dates, salary levels at retirement, mortality rates, determination of discount rates for measuring plan obligations and net interest expense and assumptions for inflation rates.

These assumptions are based on the environment in each country. The assumptions used may vary from year to year, which would affect future net income and net assets. Any differences between these assumptions and the actual outcome also affect future net income and net assets.

Pension and other post-retirement benefit assumptions are reviewed by management at the end of each year. These assumptions are used to determine the projected benefit obligation at the year end and hence the surpluses and deficits recorded on the group s balance sheet, and pension and other post-retirement benefit expense for the following year.

The assumptions used are provided in Note 22.

The discount rate and inflation rate have a significant effect on the amounts reported. A sensitivity analysis of the impact of changes in these assumptions on the benefit expense and obligation is provided in Note 22.

In addition to the financial assumptions, we regularly review the demographic and mortality assumptions. Mortality assumptions reflect best practice in the countries in which we provide pensions and have been chosen with regard to the latest available published tables adjusted where appropriate to reflect the experience of the group and an extrapolation of past longevity improvements into the future. A sensitivity analysis of the impact of changes in the mortality assumptions on the benefit expense and obligation is provided in Note 22.

Income taxes

Income tax expense represents the sum of current tax and deferred tax. Interest and penalties relating to income tax are also included in the income tax expense.

Income tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the related tax is recognized in other comprehensive income or directly in equity.

Current tax is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it is determined in accordance with the rules established by the applicable taxation authorities. It therefore excludes items of income or expense that are taxable or deductible in other periods as well as items that are never taxable or deductible. The group s liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences except:

- where the deferred tax liability arises on the initial recognition of goodwill; or
- where the deferred tax liability arises on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; or
- in respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, where the group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss. In respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the current tax assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

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1. Significant accounting policies, judgements, estimates and assumptions continued

Significant estimate or judgement: income taxes

The computation of the group s income tax expense and liability involves the interpretation of applicable tax laws and regulations in many jurisdictions throughout the world. The resolution of tax positions taken by the group, through negotiations with relevant tax authorities or through litigation, can take several years to complete and in some cases it is difficult to predict the ultimate outcome. Therefore, judgement is required to determine provisions for income taxes.

In addition, the group has carry-forward tax losses and tax credits in certain taxing jurisdictions that are available to offset against future taxable profit. However, deferred tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the unused tax losses or tax credits can be utilized. Management judgement is exercised in assessing whether this is the case.

To the extent that actual outcomes differ from management s estimates, income tax charges or credits, and changes in current and deferred tax assets or liabilities, may arise in future periods. For more information see Note 7.

Judgement is also required when determining whether a particular tax is an income tax or another type of tax (for example a production tax). Accounting for deferred tax is applied to income taxes as described above, but is not applied to other types of taxes; rather such taxes are recognized in the income statement on an appropriate basis.

Customs duties and sales taxes

Customs duties and sales taxes which are passed on to customers are excluded from revenues and expenses. Assets and liabilities are recognized net of the amount of customs duties or sales tax except:

- Where the customs duty or sales taxes incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the customs duty or sales tax is recognized as part of the cost of acquisition of the asset.
- Receivables and payables are stated with the amount of customs duty or sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included within receivables or payables in the balance sheet.

Own equity instruments

The group s holdings in its own equity instruments are shown as deductions from shareholders equity at cost. For accounting purposes, own equity instruments include both treasury shares and shares purchased from the open market. Some of these own equity instruments are held by Employee Share Ownership Plans (ESOPs), including certain shares transferred out of treasury. Consideration, if any, received for the sale of such shares is also recognized in equity, with any difference between the proceeds from sale and the original cost being taken to the profit and loss account reserve. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of equity shares. Shares repurchased under the share buy-back programme which are immediately cancelled are not shown as treasury shares, but are shown as a deduction from the profit and loss account reserve in the group statement of changes in equity.

Revenue

Revenue arising from the sale of goods is recognized when the significant risks and rewards of ownership have passed to the buyer, which is typically at the point that title passes, and the revenue can be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes.

Physical exchanges are reported net, as are sales and purchases made with a common counterparty, as part of an arrangement similar to a physical exchange. Similarly, where the group acts as agent on behalf of a third party to procure or market energy commodities, any associated fee income is recognized but no purchase or sale is recorded. Additionally, where forward sale and purchase contracts for oil, natural gas or power have been determined to be for trading purposes, the associated sales and purchases are reported net within sales and other operating revenues whether or not physical delivery has occurred.

Generally, revenues from the production of oil and natural gas properties in which the group has an interest with joint operation partners are recognized on the basis of the group s working interest in those properties (the entitlement method). Differences between the production sold and the group s share of production are not significant.

Interest income is recognized as the interest accrues (using the effective interest rate that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividend income from investments is recognized when the shareholders right to receive the payment is established.

Finance costs

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such time as the assets are substantially ready for their intended use. All other finance costs are recognized in the income statement in the period in which they are incurred.

Impact of new International Financial Reporting Standards

There are no new or amended standards or interpretations adopted during the year that have a significant impact on the financial statements.

Not yet adopted

The following pronouncements from the IASB will become effective for future financial reporting periods and have not yet been adopted by the group.

The IASB issued IFRS 15 Revenue from Contracts with Customers , which provides a single model for accounting for revenue arising from contracts with customers and is effective for annual periods beginning on or after 1 January 2017. IFRS 15 will supersede IAS 18 Revenue .

The IASB has also issued IFRS 9 Financial Instruments , which will supersede IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018. IFRS 9 covers classification and measurement of financial assets and financial liabilities, impairment methodology and hedge accounting.

BP has not yet decided the date of adoption for the group for IFRS 15 and IFRS 9 and has not yet completed its evaluation of the effect of adoption. The EU has not yet adopted IFRS 15 or IFRS 9.

There are no other standards and interpretations in issue but not yet adopted that the directors anticipate will have a material effect on the reported income or net assets of the group.

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2. Significant event Gulf of Mexico oil spill

As a consequence of the Gulf of Mexico oil spill in April 2010, BP continues to incur costs and has also recognized liabilities for certain future costs. Liabilities of uncertain timing or amount, for which no provision has been made, have been disclosed as contingent liabilities.

The cumulative pre-tax income statement charge since the incident amounts to $43.5 billion. For more information on the types of expenditure included in the cumulative income statement charge, see Impact upon the group income statement below. The cumulative income statement charge does not include amounts for obligations that BP considers are not possible, at this time, to measure reliably. For further information, including developments in relation to the interpretation of business economic loss claims under the Plaintiffs Steering Committee (PSC) settlement and the measurement of the penalty obligation under the Clean Water Act, see Provisions and contingent liabilities below.

The total amounts that will ultimately be paid by BP in relation to all the obligations relating to the incident are subject to significant uncertainty and the ultimate exposure and cost to BP will be dependent on many factors, as discussed under Provisions and contingent liabilities below, including in relation to any new information or future developments. These could have a material impact on our consolidated financial position, results of operations and cash flows. The risks associated with the incident could also heighten the impact of the other risks to which the group is exposed as further described under Risk factors on page 48 and Legal proceedings on page 228.

The impacts of the Gulf of Mexico oil spill on the income statement, balance sheet and cash flow statement of the group are included within the relevant line items in those statements and are shown in the table below.

			$ million
	2014	2013	2012
Income statement			
Production and manufacturing expenses	**781**	430	4,995
Profit (loss) before interest and taxation	**(781)**	(430)	(4,995)
Finance costs	**38**	39	19
Profit (loss) before taxation	**(819)**	(469)	(5,014)
Less: Taxation	**262**	73	94
Profit (loss) for the period	**(557)**	(396)	(4,920)
Balance sheet			
Current assets			
Trade and other receivables	**1,154**	2,457	
Current liabilities			
Trade and other payables	**(655)**	(1,030)	
Provisions	**(1,702)**	(2,951)	
Net current assets (liabilities)	**(1,203)**	(1,524)	
Non-current assets			
Other receivables	**2,701**	2,442	
Non-current liabilities			
Other payables	**(2,412)**	(2,986)	
Accruals	**(169)**		
Provisions	**(6,903)**	(6,395)	

Deferred tax	**1,723**	2,748	
Net non-current assets (liabilities)	**(5,060)**	(4,191)	
Net assets (liabilities)	**(6,263)**	(5,715)	
Cash flow statement			
Profit (loss) before taxation	**(819)**	(469)	(5,014)
Finance costs	**38**	39	19
Net charge for provisions, less payments	**939**	1,129	4,834
(Increase) decrease in other current and non-current assets	**(662)**	(1,481)	(998)
Increase (decrease) in other current and non-current liabilities	**(792)**	(618)	(5,090)
Pre-tax cash flows	**(1,296)**	(1,400)	(6,249)

The impact on net cash provided by operating activities, on a post-tax basis, amounted to an outflow of $9 million (2013 outflow of $73 million and 2012 outflow of $2,382 million).

Trust fund

BP established the Deepwater Horizon Oil Spill Trust (the Trust) in 2010, to be funded in the amount of $20 billion, to satisfy legitimate individual and business claims, state and local government claims resolved by BP, final judgments and settlements, state and local response costs, and natural resource damages and related costs. The Trust is available to fund the qualified settlement funds (QSFs) established under the terms of the settlement agreements (comprising the Economic and Property Damages (EPD) Settlement Agreement and the Medical Benefits Class Action Settlement) with the PSC administered through the Deepwater Horizon Court Supervised Settlement Program (DHCSSP) see Provisions and contingent liabilities below for further information. Fines and penalties are not covered by the trust fund.

The funding of the Trust was completed in 2012. The obligation to fund the $20-billion trust fund, adjusted to take account of the time value of money, was recognized in full in 2010 and charged to the income statement.

BP s rights and obligations in relation to the $20-billion trust fund are accounted for in accordance with IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds . An asset has been recognized representing BP s right to receive reimbursement from the trust fund. This is the portion of the estimated future expenditure provided for that will be settled by payments from the trust fund. We use the term reimbursement asset to describe this asset. BP will not actually receive any reimbursements from the trust fund, instead

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2. Significant event Gulf of Mexico oil spill continued

payments will be made directly from the trust fund, and BP will be released from its corresponding obligation. The reimbursement asset is recorded within Trade and other receivables on the balance sheet apportioned between current and non-current elements. The net increase in the provision for items covered by the trust fund of $662 million relates principally to business economic loss claims as well as increases in the provision for claims administration costs. During the year, cumulative charges to be paid by the Trust reached $20 billion. Subsequent additional costs, over and above those provided within the $20 billion, are being expensed to the income statement as incurred.

At 31 December 2014, $3,855 million of the provisions and payables are eligible to be paid from the Trust. The table below shows movements in the reimbursement asset during the period to 31 December 2014.

			$ million
	2014	2013	Cumulative since the incident
At 1 January	**4,899**	6,442	
Net Increase in provision for items covered by the trust fund	**662**	1,542	20,000
Amounts paid directly by the trust fund	**(1,706)**	(3,085)	(16,145)
At 31 December	**3,855**	4,899	3,855
Of which current	**1,154**	2,457	1,154
non-current	**2,701**	2,442	2,701

As at 31 December 2014, the aggregate cash balances in the Trust and the QSFs amounted to $5.1 billion, including $1.1 billion remaining in the seafood compensation fund which has yet to be distributed and $0.4 billion held for natural resource damage early restoration. A further $500-million partial distribution from the seafood compensation fund has been recommended and disbursement of funds commenced in early 2015. The portion of the provision and reimbursement asset that related to the seafood compensation fund were derecognized upon funding of the seafood compensation fund QSF in 2012.

The EPD Settlement Agreement with the PSC provides for a court-supervised settlement programme which commenced operation on 4 June 2012. See Provisions below for further information on the current status of the EPD Settlement Agreement. A separate claims administrator has been appointed to pay medical claims and to implement other aspects of the Medical Benefits Class Action Settlement. For further information on the PSC settlements, see Legal proceedings on page 228.

Other payables

BP reached an agreement with the US government in 2012, which was approved by the court in 2013, to resolve all federal criminal claims arising from the incident. Under the agreement, BP agreed to pay $4 billion over a period of five years. At 31 December 2014, the remaining criminal claims payable, within Other payables, was $2,995 million, of which $595 million falls due in 2015.

BP also reached a settlement with the US Securities and Exchange Commission (SEC) in 2012, resolving the SEC s Gulf of Mexico oil spill-related civil claims. As part of the settlement, BP agreed to a civil penalty of $525 million, with the final instalment paid during 2014.

Provisions and contingent liabilities

Provisions

BP has recorded provisions relating to the Gulf of Mexico oil spill in relation to environmental expenditure (including spill response costs), litigation and claims, and Clean Water Act penalties that can be measured reliably at this time.

Movements in each class of provision during the year and cumulatively since the incident are presented in the tables below.

				$ million 2014
	Environmental	Litigation and Claims	Clean Water Act	Total
At 1 January	1,679	4,157	3,510	9,346
Increase in provision	190	1,137		1,327
Unwinding of discount	1			1
Change in discount rate	2			2
Utilization paid by BP	(83)	(307)		(390)
paid by the trust fund	(648)	(1,033)		(1,681)
At 31 December	1,141	3,954	3,510	8,605
Of which current	528	1,174		1,702
non-current	613	2,780	3,510	6,903

				$ million Cumulative since the incident
	Environmental	Litigation and Claims	Clean Water Act	Total
Net increase in provision	14,599	26,595	3,510	44,704
Unwinding of discount	13	6		19
Change in discount rate	19			19
Reclassified to other payables		(4,283)		(4,283)
Utilization paid by BP	(11,687)	(4,080)		(15,767)
paid by the trust fund	(1,803)	(14,284)		(16,087)
At 31 December 2014	1,141	3,954	3,510	8,605

Environmental

The environmental provision at 31 December 2014 includes the remaining $279 million for BP s commitment to fund the Gulf of Mexico Research Initiative, which is a 10-year research programme to study the impact of the incident on the marine and shoreline environment of the Gulf of Mexico. In

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2. Significant event Gulf of Mexico oil spill continued

addition, BP faces claims under the Oil Pollution Act of 1990 (OPA 90) for natural resource damages. These damages include, among other things, the reasonable costs of assessing the injury to natural resources. During 2011, BP entered into a framework agreement with natural resource trustees for the United States and five Gulf-coast states, providing for up to $1 billion to be spent on early restoration projects to address natural resource injuries resulting from the oil spill, to be funded from the $20-billion trust fund. In 2012, work began on the initial set of early restoration projects identified under this framework and during 2014, Phase 3 of the early restoration projects was formally agreed, comprising $627 million of approved project spend (of which $563 million has been paid). At 31 December 2014, the remaining amount provided for natural resource damage assessment costs and early restoration projects was $798 million. Until the size, location and duration of the impact is assessed, it is not possible to estimate reliably either the amounts or timing of the remaining natural resource damages claims other than the assessment and early restoration costs noted above, therefore no additional amounts have been provided for these items and they are disclosed as a contingent liability.

Litigation and claims

The litigation and claims provision includes amounts that can be estimated reliably for the future cost of settling claims by individuals and businesses for damage to real or personal property, lost profits or impairment of earning capacity and loss of subsistence use of natural resources (Individual and Business Claims), and claims by state and local government entities for removal costs, damage to real or personal property, loss of government revenue and increased public services costs, under OPA 90 and other legislation (State and Local Claims), except as described under Contingent liabilities below. Claims administration costs and legal costs, including legal costs under indemnification agreements, have also been provided for. The timing of payment of litigation and claims provisions classified as non-current is dependent upon ongoing legal activity and is therefore uncertain.

BP has provided for its best estimate of the cost associated with the PSC settlement agreements with the exception of the cost of business economic loss claims, which are provided for where an eligibility notice had been issued before the end of the month following the balance sheet date and is not subject to appeal by BP within the claims facility. As disclosed in *BP Annual Report and Form 20-F 2013*, as part of its monitoring of payments made by the DHCSSP, BP identified multiple business economic loss claim determinations that appeared to result from an interpretation of the Economic and Property Damages Settlement Agreement (EPD Settlement Agreement) by the claims administrator that BP believes was incorrect.

During 2014, there were various rulings on matters relating to the interpretation of the EPD Settlement Agreement, in particular on the issue of matching revenue and expenses as well as causation requirements of the EPD Settlement Agreement.

In March 2014, the US Court of Appeals for the Fifth Circuit (the Fifth Circuit) affirmed the district court s ruling that the EPD Settlement Agreement contained no causation requirement beyond the revenue and related tests set out in an exhibit to that agreement. In March 2014, BP filed a petition that all the active judges of the Fifth Circuit review the decision; in May 2014 this was denied. The district court dissolved the injunction that had halted the processing and payment of business economic loss claims and instructed the claims administrator to resume the processing and payment of claims. BP sought review by the US Supreme Court (Supreme Court) of the Fifth Circuit s decisions relating to compensation of claims for losses with no apparent connection to the Deepwater Horizon spill. In December 2014, the Supreme Court declined to review BP s petition. As a result, the final deadline for filing claims in the Economic and Property Damages Settlement is 8 June 2015.

Management believes that no reliable estimate can currently be made of any business economic loss claims (i) not yet received; (ii) received, but not yet processed; or (iii) processed, but not yet paid, except where an eligibility notice had been issued before the end of the month following the balance sheet date and is not subject to appeal by BP within the claims facility. The inability to estimate reliably such claims is due to uncertainty regarding both the volume of such claims and the average value per claim.

In respect of uncertainty regarding the volume of claims, in December 2014, the Supreme Court declined to hear BP s appeal of the district court ruling that the EPD Settlement Agreement contained no causation requirement beyond the revenue and related tests set forth in that agreement. This resolution, however, does not reduce uncertainty in the short term regarding the volume of claims, since it is possible that additional claims will be made. In addition, a claims submission deadline of 8 June 2015 has now been set, which may lead to an increase in the rate of claims received until the deadline, compounding management s inability to estimate the total volume of claims that will be made.

In respect of uncertainty regarding the average value per claim, a small proportion of the filed claims have been determined under the revised policy for the matching of revenue and expenses for business economic loss claims (introduced in May 2014) and disputes, disagreements, and uncertainties regarding the proper application of the revised policy to particular claims and categories of claims continue to arise as the claims administrator has begun applying the revised policy. Furthermore, there have been no, or only a small number of, claim determinations made under some of the specialized frameworks that have been put in place for particular industries and so determinations to date may not be representative of the total population of claims. In addition, due to a data secrecy order, detailed data about claims that have not yet been determined is not currently available to BP and so it is not possible to review claim demographics or identify potential populations for each category of claim.

There is therefore very little data to build up a track record of claims determinations under the policies and protocols that are now being applied following resolution of the matching and causation issues. We therefore cannot estimate future trends of the number and proportion of claims that will be determined to be eligible, nor can we estimate the value of such claims. A provision for such business economic loss claims will be established when these uncertainties are resolved and a reliable estimate can be made of the liability.

The current estimate for the total cost of those elements of the PSC settlement that BP considers can be reliably estimated is $9.9 billion. The DHCSSP has issued eligibility notices, most of which are disputed by BP, in respect of business economic loss claims of approximately $400 million which have not been provided for. The majority of these claims are being re-assessed using the new matching policy. Furthermore, a significant number of business economic loss claims have been received but have not yet been processed, and further claims are likely to be received. The total cost of the PSC settlement is likely to be significantly higher than the amount recognized to date of $9.9 billion because the current estimate does not reflect business economic loss claims not yet received, or received but not yet processed, or processed but not yet paid, except where an eligibility notice had been issued before the end of the month following the balance sheet date and is not subject to appeal by BP within the claims facility.

The provision recognized for litigation and claims includes an estimate for State and Local Claims. Although the provision recognized is BP s current reliable best estimate of the amount required to settle these obligations, significant uncertainty exists in relation to the outcome of any litigation proceedings and the amount of claims that will become payable by BP.

Significant uncertainties exist in relation to the amount of claims that are to be paid and will become payable, including claims payable under the DHCSSP and State and Local Claims. There is significant uncertainty in relation to the amounts that ultimately will be paid in relation to current claims, and the number, type and amounts payable for claims not yet reported as described above and in Legal proceedings on page 228 and the outcomes of any further litigation including in relation to potential opt-outs from the PSC settlement or otherwise. There is also uncertainty as to the cost of administering the claims process under the DHCSSP and in relation to future legal costs.

See Legal proceedings on page 228 and Contingent liabilities below for further details.

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2. Significant event Gulf of Mexico oil spill continued

Clean Water Act penalties

A provision of $3,510 million was recognized in 2010 for estimated civil penalties under Section 311 of the Clean Water Act. At the time the provision for the Clean Water Act penalty was made, the number of barrels of oil spilled was determined by using the mid-point (47,500 barrels per day) of the range of estimates (35,000 to 60,000 barrels per day) from the intra-agency Flow Rate Technical Group created by the National Incident Commander in charge of the spill response. The initial estimate of 3.2 million barrels was calculated using a total flow of 47,500 barrels per day multiplied by the 85 days from 22 April 2010 to 15 July 2010 less an estimate of the amount captured on the surface (approximately 850,000 barrels). This estimated discharge volume was then multiplied by $1,100 per barrel the maximum amount the statute allows in the absence of gross negligence or wilful misconduct for the purposes of estimating a potential penalty. This resulted in a provision of $3,510 million for potential penalties under Section 311.

The estimates of cumulative discharge presented by experts testifying in the Phase 2 trial varied significantly. In January 2015, the district court issued its decision in the Phase 2 trial that 3.19 million barrels of oil were discharged into the Gulf of Mexico and therefore subject to a Clean Water Act penalty. This amount is consistent with the number of barrels BP has used to calculate the provision. In addition, the district court found that BP was not grossly negligent in its source control efforts. BP and other parties to the proceedings have filed notices of appeal of the Phase 2 ruling and therefore the findings from the Phase 2 trial remain subject to uncertainty.

In September 2014, the district court issued its decision in the Phase 1 trial that the discharge of oil was the result of the gross negligence and wilful misconduct of BP Exploration & Production Inc. (BPXP) and that BPXP is therefore subject to enhanced civil penalties. The statutory maximum penalty is up to $4,300 per barrel of oil discharged where gross negligence or wilful misconduct is proven. BP does not believe that the evidence at trial supports a finding of gross negligence and wilful misconduct and in December 2014 filed notice of appeal of the Phase 1 ruling.

As a result of the September 2014 district court ruling that the discharge of oil was the result of BP s gross negligence and wilful misconduct, the Clean Water Act penalty obligation is not considered to be reliably measurable and it is therefore no longer possible to determine a best estimate of the Clean Water Act penalty provision. Under IFRS, a provision is reversed when it is no longer probable that an outflow of resources will be required to settle the obligation. With regard to the Clean Water Act penalty obligation, it continues to be probable that there will be an outflow of resources and therefore, in the absence of the ability to identify the best estimate of the liability, the previously recognized provision of $3,510 million has been maintained. Note 1 Provisions, contingencies and reimbursement assets identifies the significant accounting estimates and judgements made in relation to the Clean Water Act provision.

BP continues to believe that a provision of $3,510 million represents a reliable estimate of the amount of the liability if the appeal is successful. If BP is unsuccessful in its appeal, and the ruling of gross negligence and wilful misconduct is upheld, the maximum penalty that could be imposed is up to $4,300 per barrel. Based upon this penalty rate and the district court s ruling on the number of barrels spilled, which, as noted above is also subject to appeal, the maximum penalty could be up to $13.7 billion.

However, in assessing the amount of the penalty, the court is directed to consider the following statutory penalty factors: the seriousness of the violation or violations, the economic benefit to the violator, if any, resulting from the violation, the degree of culpability involved, any other penalty for the same incident, any history of prior violations, the nature, extent, and degree of success of any efforts of the violator to minimize or mitigate the effects of the discharge, the economic impact of the penalty on the violator, and any other matters as justice may require . The court has wide discretion in deciding how to apply these factors to determine the penalty and what weighting to ascribe to different factors. BP is therefore unable to ascribe probabilities to possible outcomes within the range of potential penalties and cannot determine a reliable estimate for any additional penalty which might apply should the gross negligence finding be upheld. The trial phase to determine the amount of the Clean Water Act penalty commenced on 20 January 2015.

The amount that may become payable by BP is subject to a very high level of uncertainty since it will depend on the outcome of BP s appeals as well as what is determined by the district court with respect to the application of statutory penalty factors as noted above. The court has wide discretion in the application of statutory penalty factors. The timing of any payment is also uncertain.

Given the significant uncertainty, the very wide range of possible outcomes if BP is unsuccessful in this appeal of the September ruling, and the inability to ascribe probabilities to possible outcomes within the range, management is not able to estimate reliably any further liability for the Clean Water Act penalty arising in the event that BP is not successful in its appeal. A contingent liability is therefore disclosed. See Contingent liabilities below for further information.

Provision movements

The total amount recognized as an increase in provisions during the year was $1,327 million. After deducting amounts utilized during the year totalling $2,071 million, including payments from the trust fund of $1,681 million and payments made directly by BP of $390 million (2013 $3,777 million, including payments from the trust fund of $3,051 million and payments made directly by BP of $726 million), and after adjustments for discounting, the remaining provision as at 31 December 2014 was $8,605 million (2013 $9,346 million).

The total amounts that will ultimately be paid by BP for all obligations relating to the incident are subject to significant uncertainty and the ultimate exposure and cost to BP will be dependent on many factors. Furthermore, significant uncertainty exists in relation to the amount of claims that will become payable by BP, the amount of fines that will ultimately be levied on BP, the outcome of litigation and arbitration proceedings, and any costs arising from any longer-term environmental consequences of the oil spill, which will also impact upon the ultimate cost for BP. The amount and timing of any amounts payable could also be impacted by any further settlements which may or may not occur. Although the provision recognized is the current best reliable estimate of expenditures required to settle certain present obligations at the end of the reporting period, there are future expenditures for which it is not possible to measure the obligation reliably.

Contingent liabilities

BP has provided for its best estimate of amounts expected to be paid that can be measured reliably. It is not possible, at this time, to measure reliably other obligations arising from the incident, nor is it practicable to estimate their magnitude or possible timing of payment. Therefore, no amounts have been provided for these obligations as at 31 December 2014.

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2. Significant event Gulf of Mexico oil spill continued

Natural resource damage claims

As described above in Provisions, a provision has been made for natural resource damage assessment and early restoration projects under the $1-billion framework agreement. Natural resource damages resulting from the oil spill are currently being assessed. BP and the federal and state trustees are collecting extensive data in order to assess the extent of damage to wildlife, shoreline, near shore and deepwater habitats, and recreational uses, among other things. The study data will inform an assessment of injury to the Gulf Coast natural resources and the development of a restoration plan to address the identified injuries.

Detailed analysis and interpretation continue on the data that have been collected. Any early restoration projects undertaken pursuant to the $1-billion framework agreement could mitigate the total damages resulting from the incident. Accordingly, until the size, location and duration of the impact is assessed, it is not possible to estimate reliably either the amounts or timing of the remaining natural resource damage claims and associated legal costs, therefore no such amounts have been provided as at 31 December 2014.

Business economic loss claims under the PSC settlement

BP identified multiple business economic loss claim determinations under the PSC settlement that appeared to result from an interpretation of the EPD Settlement Agreement by the claims administrator that BP believes was incorrect. The potential cost of business economic loss claims not yet received, processed and paid (except where an eligibility notice had been issued before the end of the month following the balance sheet date and is not subject to appeal by BP within the claims facility) is not provided for and is disclosed as a contingent liability. A significant number of business economic loss claims have been received but have not yet been processed and paid and further claims are likely to be received. See Provisions above for further information.

State and Local claims

As described above in Provisions, a provision has been made for State and Local claims that can be measured reliably. The States of Alabama, Mississippi, Florida, Louisiana and Texas submitted or asserted claims to BP under OPA 90 for alleged losses including economic losses and property damage as a result of the Gulf of Mexico oil spill. The amounts claimed, certain of which include punitive damages or other multipliers, are very substantial. However, BP considers these claims unsubstantiated and the methodologies used to calculate these claims to be seriously flawed, not supported by OPA 90, not supported by documentation, and to substantially overstate the claims. Similar claims have also been submitted by various local government entities and a foreign government under OPA 90. The amounts alleged in the submissions for these State and Local Claims total approximately $35 billion. BP will defend vigorously against these claims if adjudicated at trial; the timing of any outflow of resources in relation to State and Local claims is dependent on the timing of the court process in relation to these claims.

Clean Water Act penalties

A provision has been maintained for BP s obligation under the Clean Water Act, as described above in Provisions. Any obligation in relation to any further liability for the Clean Water Act penalty arising in the event that BP is not successful in its appeal of the Phase 1 ruling is disclosed as a contingent liability. The trial phase to determine the amount of the Clean Water Act penalty commenced in January 2015 and post-trial briefing is scheduled to complete in April 2015. BP does not know when the district court will rule on the Penalty Phase of the trial and so the timing of any payment continues to be uncertain.

Securities-related litigation

Proceedings relating to securities class actions (MDL 2185) pending in federal court in Texas, including a purported class action on behalf of purchasers of American Depositary Shares under US federal securities law, are continuing. A jury trial is scheduled to begin in January 2016 and the timing of any outflow of resources, if any, is dependent on the duration of the court process. No reliable estimate can be made of the amounts that may be payable in relation to these proceedings, if any, so no provision has been recognized at 31 December 2014. In addition, no reliable estimate can be made of the amounts that may be payable in relation to any other securities litigation, if any, so no provision has been recognized at 31 December 2014.

Other litigation

In addition to the State and Local claims and securities class actions described above, BP is named as a defendant in approximately 3,000 other civil lawsuits brought by individuals, corporations and government entities in US federal and state courts, as well as certain non-US jurisdictions, resulting from the Deepwater Horizon accident, the Gulf of Mexico oil spill, and the spill response efforts. Further actions are likely to be brought. Among other claims, these lawsuits assert claims for personal injury or wrongful death in connection with the accident and the spill response, commercial and economic injury, damage to real and personal property, breach of contract and violations of statutes, including, but not limited to, alleged violations of US securities and environmental statutes. In addition, claims have been received, primarily from business claimants, under OPA 90 in relation to the 2010 federal deepwater drilling moratoria. Until further fact and expert disclosures occur, court rulings clarify the issues in dispute, liability and damage trial activity nears or progresses, or other actions such as further possible settlements occur, it is not possible given these uncertainties to arrive at a range of outcomes or a reliable estimate of the liabilities that may accrue to BP in connection with or as a result of these lawsuits, nor it is possible to determine the timing of any payment that may arise. Therefore no amounts have been provided for these items as at 31 December 2014.

It is not possible to measure reliably any obligation in relation to other litigation or potential fines and penalties. There are a number of federal and state environmental and other provisions of law, other than the Clean Water Act, under which one or more governmental agencies could seek civil fines and penalties from BP. For example, a complaint filed by the United States sought to reserve the ability to seek penalties and other relief under a number of other laws. Given the unsubstantiated nature of certain claims that may be asserted, it is not possible at this time to determine whether and to what extent any such claims would be successful or what penalties or fines would be assessed. Therefore no amounts have been provided for these items.

Settlement and other agreements

Under the settlement agreements with Anadarko and MOEX, and with Cameron International, the designer and manufacturer of the Deepwater Horizon blowout preventer, BP has agreed to indemnify Anadarko, MOEX and Cameron for certain claims arising from the accident. It is therefore possible that BP may face claims under these indemnities, but it is not currently possible to reliably measure, nor identify the timing of, any obligation in relation to such claims and therefore no amount has been provided as at 31 December 2014. There are also agreements indemnifying certain third-party contractors in relation to litigation costs and certain other claims. A contingent liability is also disclosed in relation to other obligations under these agreements.

The magnitude and timing of all possible obligations in relation to the Gulf of Mexico oil spill continue to be subject to a very high degree of uncertainty as described further in Risk factors on page 48. Any such possible obligations are therefore contingent liabilities and, at present, it is not practicable to estimate their magnitude or possible timing of payment. Furthermore, other material unanticipated obligations may arise in future in relation to the incident.

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2. Significant event Gulf of Mexico oil spill continued

Impact upon the group income statement

The amount of the provision recognized during the year can be reconciled to the charge to the income statement as follows:

$ million

	2014	2013	2012	Cumulative since the incident
Net increase in provision	**1,327**	1,860	6,074	44,705
Change in discount rate relating to provisions	**2**	(5)		19
Costs charged directly to the income statement	**114**	136	257	4,358
Trust fund liability discounted				19,580
Change in discounting relating to trust fund liability				283
Recognition of reimbursement asset, net	**(662)**	(1,542)	(1,191)	(20,000)
Settlements credited to the income statement		(19)	(145)	(5,681)
(Profit) loss before interest and taxation	**781**	430	4,995	43,264
Finance costs	**38**	39	19	231
(Profit) loss before taxation	**819**	469	5,014	43,495

The group income statement for 2014 includes a pre-tax charge of $819 million (2013 pre-tax charge of $469 million) in relation to the Gulf of Mexico oil spill. The costs charged in 2014 relate primarily to the ongoing costs of operating the Gulf Coast Restoration Organization (GCRO) and increases in the provisions for natural resource damage assessment, business economic loss claims, claims administration costs, legal and litigation costs. Finance costs of $38 million (2013 $39 million) reflect the unwinding of the discount on payables and provisions. The cumulative amount charged to the income statement to date comprises spill response costs arising in the aftermath of the incident, GCRO operating costs, amounts charged upon initial recognition of the trust obligation, litigation, claims, environmental and legal costs not paid through the Trust and estimated obligations for future costs that can be estimated reliably at this time, net of settlements agreed with the co-owners of the Macondo well and other third parties.

The total amount recognized in the income statement is analysed in the table below.

$ million

	2014	2013	2012	Cumulative since the incident
Trust fund liability discounted				19,580
Change in discounting relating to trust fund liability				283
Recognition of reimbursement asset, net	**(662)**	(1,542)	(1,191)	(20,000)
Other				8
Total (credit) charge relating to the trust fund	**(662)**	(1,542)	(1,191)	(129)
Environmental amount provided	**190**	47	801	3,134
change in discount rate relating to provisions	**2**	(5)		19
costs charged directly to the income statement				70
Total (credit) charge relating to environmental	**192**	42	801	3,223

Spill response amount provided		(113)	109	11,465
costs charged directly to the income statement			9	2,839
Total (credit) charge relating to spill response		(113)	118	14,304
Litigation and claims amount provided, net of provision derecognized	**1,137**	1,926	5,164	26,596
costs charged directly to the income statement				184
Total charge relating to litigation and claims	**1,137**	1,926	5,164	26,780
Clean Water Act penalties amount provided				3,510
Other costs charged directly to the income statement	**114**	136	248	1,257
Settlements credited to the income statement		(19)	(145)	(5,681)
(Profit) loss before interest and taxation	**781**	430	4,995	43,264
Finance costs	**38**	39	19	231
(Profit) loss before taxation	**819**	469	5,014	43,495

The total amounts that will ultimately be paid by BP in relation to all obligations relating to the incident are subject to significant uncertainty as described under Provisions and contingent liabilities above.

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3. Disposals and impairment

The following amounts were recognized in the income statement in respect of disposals and impairments.

			$ million
	2014	2013	2012
Gains on sale of businesses and fixed assets			
Upstream	**405**	371	6,504
Downstream	**474**	214	152
TNK-BP		12,500	
Other businesses and corporate	**16**	30	41
	895	13,115	6,697

			$ million
	2014	2013	2012
Losses on sale of businesses and fixed assets			
Upstream	**345**	144	109
Downstream	**401**	78	195
Other businesses and corporate	**3**	8	6
	749	230	310
Impairment losses			
Upstream	**6,737**	1,255	3,046
Downstream	**1,264**	484	2,892
Other businesses and corporate	**317**	218	320
	8,318	1,957	6,258
Impairment reversals			
Upstream	**(102)**	(226)	(289)
Downstream			(1)
Other businesses and corporate			(3)
	(102)	(226)	(293)
Impairment and losses on sale of businesses and fixed assets	**8,965**	1,961	6,275

Disposals

As part of the response to the consequences of the Gulf of Mexico oil spill in 2010, the group announced plans to deliver up to $38 billion of disposal proceeds by the end of 2013. By 31 December 2012, the group had announced disposals of $38 billion, and in addition, announced the sale of our 50% investment in TNK-BP. During 2013, the group announced that it expected to divest a further $10 billion of assets before the end of 2015. BP had agreed around $4.7 billion of such further divestments and received proceeds of $3.6 billion as at 31 December 2014.

			$ million
	2014	2013	2012

Proceeds from disposals of fixed assets	**1,820**	18,115	9,992
Proceeds from disposals of businesses, net of cash disposed	**1,671**	3,884	1,606
	3,491	21,999	11,598
By business			
Upstream	**2,533**	1,288	10,667
Downstream	**864**	3,991	637
TNK-BP		16,646	
Other businesses and corporate	**94**	74	294
	3,491	21,999	11,598

At 31 December 2014, deferred consideration relating to disposals amounted to $1,137 million receivable within one year (2013 $23 million and 2012 $24 million) and $333 million receivable after one year (2013 $1,374 million and 2012 $1,433 million). In addition, contingent consideration relating to the disposals of the Devenick field and the Texas City refinery amounted to $454 million at 31 December 2014 (2013 $953 million) see Notes 16 and 28 for further information.

Upstream

In 2014, gains principally resulted from the sale of certain onshore assets in the US, and the sale of certain interests in the Gulf of Mexico and the North Sea. Losses principally arose from adjustments to prior year disposals in Canada and the North Sea.

In 2013, gains principally resulted from the sale of certain of our interests in the central North Sea, and the Yacheng field in China.

In 2012, gains principally resulted from the sale of certain interests in the Gulf of Mexico and certain onshore assets in the US, the sale of our interests in our Canadian natural gas liquids business, and the sale of a number of interests in the North Sea.

Downstream

In 2014, gains principally resulted from the disposal of our global aviation turbine oils business. Losses principally arose from costs associated with the decision to cease refining operations at Bulwer Island in Australia.

3. Disposals and impairment continued

In 2013, gains principally resulted from the disposal of our global LPG business and closing adjustments on the sales of the Texas City and Carson refineries with their associated marketing and logistics assets.

In 2012, gains principally resulted from the disposal of our interests in purified terephthalic acid production in Malaysia, and retail churn in the US. Losses principally resulted from costs associated with our US refinery divestments.

TNK-BP

In 2013, BP disposed of its 50% interest in TNK-BP to Rosneft, resulting in a gain on disposal of $12,500 million.

Summarized financial information relating to the sale of businesses is shown in the table below. The principal transaction categorized as a business disposal in 2014 was the sale of certain of our interests on the North Slope of Alaska in our upstream business, which had been classified as held for sale during 2014. The principal transactions categorized as business disposals in 2013 were the sales of the Texas City and Carson refineries with their associated marketing and logistics assets. Information relating to sales of fixed assets is excluded from the table.

			$ million
	2014	2013	2012
Non-current assets	**1,452**	2,124	610
Current assets	**182**	2,371	570
Non-current liabilities	**(395)**	(94)	(263)
Current liabilities	**(65)**	(62)	(232)
Total carrying amount of net assets disposed	**1,174**	4,339	685
Recycling of foreign exchange on disposal	**(7)**	23	(15)
Costs on disposal[a]	**128**	13	39
	1,295	4,375	709
Gains on sale of businesses	**280**	69	675
Total consideration	**1,575**	4,444	1,384
Consideration received (receivable)[b]	**96**	(414)	76
Proceeds from the sale of businesses related to completed transactions	**1,671**	4,030	1,460
Deposits received related to assets classified as held for sale			146
Disposals completed in relation to which deposits had been received in prior year		(146)	
Proceeds from the sale of businesses[c]	**1,671**	3,884	1,606

[a] 2013 includes pension and other post-retirement benefit plan curtailment gains of $109 million.

[b] Consideration received from prior year business disposals or to be received from current year disposals. 2013 includes contingent consideration of $475 million relating to the disposal of the Texas City refinery.

[c] Substantially all of the consideration received was in the form of cash and cash equivalents. Proceeds are stated net of cash and cash equivalents disposed of $32 million (2013 $42 million and 2012 $4 million).

Impairments

Impairment losses in each segment are described below. For information on significant estimates and judgements made in relation to impairments see Impairment of property, plant and equipment, intangibles and goodwill within Note 1.

Upstream

The 2014 impairment losses of $6,737 million included $4,876 million in the North Sea business, of which $1,964 million related to the Valhall cash-generating unit (CGU), $660 million related to the Andrew area CGU, and $515 million related to the ETAP CGU. These CGUs have recoverable amounts of $767 million, $1,431 million, and $1,753 million respectively. Impairment losses also included an $859-million impairment of our PSVM CGU in Angola to its recoverable amount of $1,964 million, and a $415-million impairment of the Block KG D6 CGU in India to its recoverable amount of $2,364 million. The recoverable amount of the Block KG D6 CGU is stated after the exploration write-off described in Note 6. All of the impairments relate to producing assets. The impairments in the North Sea and Angola arose as a result of a lower price environment in the near term, technical reserves revisions, and increases in expected decommissioning cost estimates. The impairment of Block KG D6 arose following the introduction of a new formula for Indian gas prices. The recoverable amounts of the Valhall and Block KG D6 CGUs are their fair values less costs of disposal based on the present value of future cash flows, a level-3 valuation technique in the fair value hierarchy. The key assumptions in the tests were oil and natural gas prices, production volumes and the discount rate. The recoverable amounts of the Andrew area CGU, the ETAP CGU and the PSVM CGU are their values in use. See Impairment of property, plant and equipment, intangible assets and goodwill within Note 1 for further information on assumptions used for impairment testing. The discount rate used to determine the value in use of the PSVM CGU included the 2% premium for higher-risk countries as described in Note 1. A premium was not applied in determining the recoverable amount of the other CGUs.

The main elements of the 2013 impairment losses of $1,255 million were a $251-million impairment loss relating to the Browse project in Australia and a $253-million aggregate write-down of a number of assets in the North Sea, caused by increases in expected decommissioning costs. Impairment reversals arose on certain of our interests in Alaska, the Gulf of Mexico, and the North Sea, triggered by reductions in decommissioning provisions due to continued review of the expected decommissioning costs and an increase in the discount rate for provisions.

The main elements of the 2012 impairment losses of $3,046 million were a $1,082-million write-down of our interests in certain shale gas assets in the US, due to reserves revisions, lower values being attributed to recent market transactions and a fall in the gas price; a $999-million impairment loss relating to the decision to suspend the Liberty project in Alaska; a $706-million aggregate write-down of a number of assets, primarily in the Gulf of Mexico and North Sea, caused by increases in the decommissioning provision resulting from continued review of the expected decommissioning costs. Impairment reversals principally arose on certain of our interests in the Gulf of Mexico, triggered by a decision to divest assets.

Downstream

The main elements of the 2014 impairment losses of $1,264 million related to our Bulwer Island refinery and certain midstream assets in our fuels business, and certain manufacturing assets in our petrochemicals business.

The main elements of the 2013 impairment losses of $484 million related to impairments of certain refineries in the US and elsewhere in our global fuels portfolio.

The main elements of the 2012 impairment losses of $2,892 million related to assets held for sale for which sales prices had been agreed. This included $1,552 million relating to the Texas City refinery and associated assets and $1,042 million relating to the Carson refinery and associated assets.

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3. Disposals and impairment continued

Other businesses and corporate

Impairment losses totalling $317 million, $218 million, and $320 million were recognized in 2014, 2013 and 2012 respectively. The amount for 2014 is principally in respect of our biofuels businesses in the UK and US. The amount for 2013 is principally in respect of our US wind business. The amount for 2012 is principally in respect of the decision not to proceed with an investment in a biofuels production facility under development in the US.

4. Segmental analysis

The group s organizational structure reflects the various activities in which BP is engaged. At 31 December 2014, BP had three reportable segments: Upstream, Downstream and Rosneft.

Upstream s activities include oil and natural gas exploration, field development and production; midstream transportation, storage and processing; and the marketing and trading of natural gas, including liquefied natural gas (LNG), together with power and natural gas liquids (NGLs).

Downstream s activities include the refining, manufacturing, marketing, transportation, and supply and trading of crude oil, petroleum, petrochemicals products and related services to wholesale and retail customers.

During 2013, BP completed transactions for the sale of BP s interest in TNK-BP to Rosneft, and for BP s further investment in Rosneft. BP s interest in Rosneft is accounted for using the equity method and is reported as a separate operating segment, reflecting the way in which the investment is managed.

Other businesses and corporate comprises the biofuels and wind businesses, the group s shipping and treasury functions, and corporate activities worldwide.

The Gulf Coast Restoration Organization (GCRO), which manages all aspects of our response to the 2010 Gulf of Mexico incident, reports directly to the group chief executive and is overseen by a board committee, however it is not an operating segment. Its costs are presented as a reconciling item between the sum of the results of the reportable segments and the group results.

The accounting policies of the operating segments are the same as the group s accounting policies described in Note 1. However, IFRS requires that the measure of profit or loss disclosed for each operating segment is the measure that is provided regularly to the chief operating decision maker for the purposes of performance assessment and resource allocation. For BP, this measure of profit or loss is replacement cost profit or loss before interest and tax which reflects the replacement cost of supplies by excluding from profit or loss inventory holding gains and losses[a]. Replacement cost profit or loss for the group is not a recognized measure under IFRS.

Sales between segments are made at prices that approximate market prices, taking into account the volumes involved. Segment revenues and segment results include transactions between business segments. These transactions and any unrealized profits and losses are eliminated on consolidation, unless unrealized losses provide evidence of an impairment of the asset transferred. Sales to external customers by region are based on the location of the group subsidiary which made the sale. The UK region includes the UK-based international activities of Downstream.

All surpluses and deficits recognized on the group balance sheet in respect of pension and other post-retirement benefit plans are allocated to Other businesses and corporate. However, the periodic expense relating to these plans is allocated to the operating segments based upon the business in which the employees work.

Certain financial information is provided separately for the US as this is an individually material country for BP, and for the UK as this is BP s country of domicile.

[a] Inventory holding gains and losses represent the difference between the cost of sales calculated using the replacement cost of inventory and the cost of sales calculated on the first-in first-out (FIFO) method after adjusting for any changes in provisions where the net realizable value of the inventory is lower than its cost. Under the FIFO method, which we use for IFRS reporting, the cost of inventory charged to the income statement is based on its historical cost of purchase or manufacture, rather than its replacement cost. In volatile energy markets, this can have a significant distorting effect on reported income. The amounts disclosed represent the difference between the charge to the income statement for inventory on a FIFO basis (after adjusting for any related movements in net realizable value provisions) and the charge that would have arisen based on the replacement cost of inventory. For this purpose, the replacement cost of inventory is calculated using data from each operation s production and manufacturing system, either on a monthly basis, or separately for each transaction where the system allows this approach. The amounts disclosed are not separately reflected in the financial statements as a gain or loss. No adjustment is made in respect of the cost of inventories held as part of a trading position and certain other temporary inventory positions.

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4. Segmental analysis continued

$ million

By business	Upstream	Downstream	Rosneft	Other businesses and corporate	Gulf of Mexico oil spill response	Consolidation adjustment and eliminations	Total group
							2014
Segment revenues							
Sales and other operating revenues	65,424	323,486		1,989		(37,331)	353,568
Less: sales and other operating revenues between segments	(36,643)	173		(861)		37,331	
Third party sales and other operating revenues	28,781	323,659		1,128			353,568
Equity-accounted earnings	1,089	265	2,101	(83)			3,372
Segment results							
Replacement cost profit (loss) before interest and taxation	8,934	3,738	2,100	(2,010)	(781)	641	12,622
Inventory holding gains (losses)[a]	(86)	(6,100)	(24)				(6,210)
Profit (loss) before interest and taxation	8,848	(2,362)	2,076	(2,010)	(781)	641	6,412
Finance costs							(1,148)
Net finance expense relating to pensions and other post-retirement benefits							(314)
Profit before taxation							4,950
Other income statement items							
Depreciation, depletion and amortization[b]							
US	4,129	984		97			5,210
Non-US	8,404	1,336		213			9,953
Fair value (gain) loss on embedded derivatives	(430)						(430)
Charges for provisions, net of write-back of unused provisions, including change in discount rate	260	713		323	1,329		2,625
Segment assets							
Equity-accounted investments	7,877	3,244	7,312	723			19,156
Additions to non-current assets[c]	22,587	3,121		784			26,492

Additions to other investments						**160**
Element of acquisitions not related to non-current assets						**(366)**
Additions to decommissioning asset						**(2,505)**
Capital expenditure and acquisitions	**19,772**	**3,106**		**903**		**23,781**

[a] See explanation of inventory holding gains and losses on page 119.

[b] It is estimated that the benefit arising from the absence of depreciation for the assets held for sale during the year was $221 million.

[c] Includes additions to property, plant and equipment; goodwill; intangible assets; investments in joint ventures; and investments in associates.

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4. Segmental analysis continued

By business	Upstream	Downstream	Rosneft	TNK-BP	Other businesses and corporate	Gulf of Mexico oil spill response	Consolidation adjustment and eliminations	$ million 2013 Total group
Segment revenues								
Sales and other operating revenues	70,374	351,195			1,805		(44,238)	379,136
Less: sales and other operating revenues between segments	(42,327)	(1,045)			(866)		44,238	
Third party sales and other operating revenues	28,047	350,150			939			379,136
Equity-accounted earnings	1,027	195	2,058		(91)			3,189
Segment results								
Replacement cost profit (loss) before interest and taxation	16,657	2,919	2,153	12,500	(2,319)	(430)	579	32,059
Inventory holding gains (losses)[a]	4	(194)	(100)					(290)
Profit (loss) before interest and taxation	16,661	2,725	2,053	12,500	(2,319)	(430)	579	31,769
Finance costs								(1,068)
Net finance expense relating to pensions and other post-retirement benefits								(480)
Profit before taxation								30,221
Other income statement items								
Depreciation, depletion and amortization[b]								
US	3,538	747			181			4,466
Non-US	7,514	1,343			187			9,044
Fair value (gain) loss on embedded derivatives	(459)							(459)
Charges for provisions, net of	161	270			295	1,855		2,581

write-back of unused provisions, including change in discount rate					
Segment assets					
Equity-accounted investments	7,780	3,302	13,681	1,072	25,835
Additions to non-current assets[c]	19,499	4,449	11,941	1,027	36,916
Additions to other investments					41
Element of acquisitions not related to non-current assets					39
Additions to decommissioning asset					(384)
Capital expenditure and acquisitions	19,115	4,506	11,941	1,050	36,612

[a] See explanation of inventory holding gains and losses on page 119.

[b] It is estimated that the benefit arising from the absence of depreciation for the assets held for sale at 31 December 2012 until their disposal in 2013 amounted to approximately $201 million.

[c] Includes additions to property, plant and equipment; goodwill; intangible assets; investments in joint ventures; and investments in associates.

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4. Segmental analysis continued

$ million

2012

By business	Upstream	Downstream	TNK-BP	Other businesses and corporate	Gulf of Mexico oil spill response	Consolidation adjustment and eliminations	Total group
Segment revenues							
Sales and other operating revenues	72,225	346,391		1,985		(44,836)	375,765
Less: sales and other operating revenues between segments	(42,572)	(1,365)		(899)		44,836	
Third party sales and other operating revenues	29,653	345,026		1,086			375,765
Equity-accounted earnings	915	101	2,986	(67)			3,935
Segment results							
Replacement cost profit (loss) before interest and taxation	22,491	2,864	3,373	(2,794)	(4,995)	(576)	20,363
Inventory holding gains (losses)[a]	(104)	(487)	(3)				(594)
Profit (loss) before interest and taxation	22,387	2,377	3,370	(2,794)	(4,995)	(576)	19,769
Finance costs							(1,072)
Net finance expense relating to pensions and other post-retirement benefits							(566)
Profit before taxation							18,131
Other income statement items							
Depreciation, depletion and amortization[b]							
US	3,437	586		213			4,236
Non-US	6,918	1,343		190			8,451
Fair value (gain) loss on embedded derivatives	(347)						(347)
Charges for provisions, net of write-back of unused provisions, including change in discount rate	897	141		505	6,074		7,617
Segment assets							
Equity-accounted investments	7,329	3,212		1,071			11,612
Additions to non-current assets[c]	22,603	5,246		1,419			29,268
Additions to other investments							33
							(72)

Element of acquisitions not related to non-current assets				
Additions to decommissioning asset				(4,025)
Capital expenditure and acquisitions	18,520	5,249	1,435	25,204

[a] See explanation of inventory holding gains and losses on page 119.

[b] It is estimated that the benefit arising from the absence of depreciation for the assets held for sale amounted to approximately $435 million.

[c] Includes additions to property, plant and equipment; goodwill; intangible assets; investments in joint ventures; and investments in associates.

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4. Segmental analysis continued

$ million

By geographical area	US	Non-US	2014 Total
Revenues			
Third party sales and other operating revenues[a]	**122,951**	**230,617**	**353,568**
Other income statement items			
Production and similar taxes	**690**	**2,268**	**2,958**
Results			
Replacement cost profit before interest and taxation	**5,251**	**7,371**	**12,622**
Non-current assets			
Non-current assets[b c]	**69,125**	**114,462**	**183,587**
Capital expenditure and acquisitions	**7,227**	**16,554**	**23,781**

[a] Non-US region includes UK $77,522 million.
[b] Non-US region includes UK $18,430 million.
[c] Includes property, plant and equipment; goodwill; intangible assets; investments in joint ventures; investments in associates; and non-current prepayments.

$ million

By geographical area	US	Non-US	2013 Total
Revenues			
Third party sales and other operating revenues[a]	128,764	250,372	379,136
Other income statement items			
Production and similar taxes	1,112	5,935	7,047
Results			
Replacement cost profit before interest and taxation	3,114	28,945	32,059
Non-current assets			
Non-current assets[b c]	70,228	124,439	194,667
Capital expenditure and acquisitions	9,176	27,436	36,612

[a] Non-US region includes UK $82,381 million.
[b] Non-US region includes UK $18,967 million.
[c] Includes property, plant and equipment; goodwill; intangible assets; investments in joint ventures; investments in associates; and non-current prepayments.

$ million

By geographical area	US	Non-US	2012 Total
Revenues			
Third party sales and other operating revenues[a]	130,940	244,825	375,765
Other income statement items			

Production and similar taxes	1,472	6,686	8,158
Results			
Replacement cost profit before interest and taxation	180	20,183	20,363
Non-current assets			
Non-current assets[b c]	66,751	107,844	174,595
Capital expenditure and acquisitions	10,541	14,663	25,204

[a] Non-US region includes UK $75,364 million.
[b] Non-US region includes UK $17,545 million.
[c] Includes property, plant and equipment; goodwill; intangible assets; investments in joint ventures; investments in associates; and non-current prepayments.

5. Income statement analysis

			$ million
	2014	2013	2012
Currency exchange losses charged to the income statement[a]	**36**	180	106
Expenditure on research and development	**663**	707	674
Finance costs			
Interest payable	**1,025**	1,082	1,234
Capitalized at 1.94% (2013 2% and 2012 2.25%)[b]	**(185)**	(238)	(390)
Unwinding of discount on provisions and other payables	**308**	224	228
	1,148	1,068	1,072

[a] Excludes exchange gains and losses arising on financial instruments measured at fair value through profit or loss.
[b] Tax relief on capitalized interest is approximately $43 million (2013 $62 million and 2012 $93 million).
Interest and other income of $1,677 million in 2012 includes $709 million of dividends from TNK-BP.

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6. Exploration for and evaluation of oil and natural gas resources

The following financial information represents the amounts included within the group totals relating to activity associated with the exploration for and evaluation of oil and natural gas resources. All such activity is recorded within the Upstream segment.

For information on significant estimates and judgements made in relation to oil and natural gas accounting see Intangible assets within Note 1.

			$ million
	2014	2013	2012
Exploration and evaluation costs			
Exploration expenditure written off[a]	**3,029**	2,710	745
Other exploration costs	**603**	731	730
Exploration expense for the year	**3,632**	3,441	1,475
Impairment losses		253	
Impairment reversals			(42)
Intangible assets exploration and appraisal expenditure	**19,344**	20,865	23,434
Liabilities	**227**	212	287
Net assets	**19,117**	20,653	23,147
Capital expenditure	**2,870**	4,464	5,176
Net cash used in operating activities	**603**	731	730
Net cash used in investing activities	**2,786**	4,275	5,010

[a] 2014 included a $544-million write-off relating to disappointing appraisal results of Utica shale in the US Lower 48 and the subsequent decision not to proceed with its development plans, a $524-million write-off relating to the Bourarhat Sud block licence in the Illizi Basin of Algeria, a $395-million write-off relating to Block KG D6 in India and a $295-million write-off relating to the Moccasin discovery in the deepwater Gulf of Mexico. 2013 included a $845-million write-off relating to the value ascribed to Block BM-CAL-13 offshore Brazil as a result of the Pitanga exploration well not encountering commercial quantities of oil and gas and a $257-million write-off of costs relating to the Risha concession in Jordan as our exploration activities did not establish the technical basis for a development project in the concession. For further information see Upstream Exploration on page 26.

The carrying amount, by location, of exploration and appraisal expenditure capitalized as intangible assets at 31 December 2014 is shown in the table below.

Carrying amount	Location
$1-2 billion	Angola; India
$2-3 billion	Canada; Egypt; Brazil
$4-5 billion	US Gulf of Mexico

7. Taxation

Tax on profit

			$ million
	2014	2013	2012
Current tax			
Charge for the year	**4,444**	5,724	6,664
Adjustment in respect of prior years	**48**	61	252
	4,492	5,785	6,916
Deferred tax			
Origination and reversal of temporary differences in the current year	**(3,194)**	529	67
Adjustment in respect of prior years	**(351)**	149	(103)
	(3,545)	678	(36)
Tax charge on profit	**947**	6,463	6,880

In 2014, the total tax credit recognized within other comprehensive income was $1,481 million (2013 $1,374 million charge and 2012 $270 million credit). See Note 30 for further information. The total tax charge recognized directly in equity was $36 million (2013 $33 million credit and 2012 $6 million credit).

For information on significant estimates and judgements made in relation to taxation see Income taxes within Note 1.

Reconciliation of the effective tax rate

The following table provides a reconciliation of the UK statutory corporation tax rate to the effective tax rate of the group on profit before taxation. With effect from 1 April 2014 the UK statutory corporation tax rate reduced from 23% to 21% on profits arising from activities outside the North Sea. For 2014, the items presented in the reconciliation are distorted as a result of the tax credits related to the impairment losses recognized in the year, and the effect of the impairment losses on the profit for the year. In order to provide a more meaningful analysis of the effective tax rate for 2014, the table also presents separate reconciliations for the group excluding the effects of the impairment losses, and for the effects of the impairment losses in isolation. For 2013 and 2012, the effective tax rate is not affected significantly by impairment losses. See Note 3 for further information.

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7. Taxation continued

$ million

	2014 excluding impairments	2014 impacts of impairments	2014	2013	2012
Profit (loss) before taxation	**13,166**	**(8,216)**	**4,950**	30,221	18,131
Tax charge (credit) on profit or loss	**5,036**	**(4,089)**	**947**	6,463	6,880
Effective tax rate	**38%**	**50%**	**19%**	21%	38%
			% of profit before taxation		
UK statutory corporation tax rate	**21**	**21**	**21**	23	24
Increase (decrease) resulting from					
UK supplementary and overseas taxes at higher or lower rates[a]	**17**	**34**	**(11)**	4	12
Tax reported in equity-accounted entities	**(5)**		**(14)**	(2)	(5)
Adjustments in respect of prior years	**(2)**		**(6)**	1	1
Movement in deferred tax not recognized	**4**	**(3)**	**17**	2	2
Tax incentives for investment	**(4)**		**(10)**	(2)	(2)
Gulf of Mexico oil spill non-deductible costs			**1**		8
Permanent differences relating to disposals[b]	**(1)**		**(1)**	(8)	
Foreign exchange	**4**		**10**	2	(1)
Items not deductible for tax purposes	**4**	**(2)**	**12**	1	2
Other					(3)
Effective tax rate	**38**	**50**	**19**	21	38

[a] For 2014 excluding impairments, jurisdictions which contribute significantly to this item are Angola, with an applicable statutory tax rate of 50%, Trinidad, with an applicable statutory tax rate of 55% and the US with an applicable federal tax rate of 35%. For 2014, impairment charges have generated losses on which tax credits arise, mainly in Norway and the UK North Sea, with applicable statutory tax rates of 78% and 62% respectively. For 2013 and 2012, jurisdictions which contribute significantly are Angola, the UK and Trinidad with rates as disclosed above.

[b] For 2013, this relates to the non-taxable gain on disposal of our investment in TNK-BP.

Legislation to reduce the UK supplementary charge tax rate applicable to profits arising in the North Sea is expected to be enacted in 2015. The evaluation of the effect of this change for BP has not yet been completed.

Deferred tax

$ million

	Income statement			Balance sheet	
	2014	2013	2012	**2014**	2013
Deferred tax liability					
Depreciation	**(2,178)**	(474)	(75)	**29,062**	31,551

Pension plan surpluses	**(272)**	(691)			284
Other taxable temporary differences	**(1,278)**	(199)	(2,239)	**2,445**	3,653
	(3,728)	(1,364)	(2,314)	**31,507**	35,488
Deferred tax asset					
Pension plan and other post-retirement benefit plan deficits	**492**	787	(33)	**(2,761)**	(2,026)
Decommissioning, environmental and other provisions	**52**	1,385	1,872	**(11,237)**	(11,301)
Derivative financial instruments	**166**	30	(7)	**(575)**	(579)
Tax credits	**589**	(174)	1,802	**(298)**	(888)
Loss carry forward	**(1,397)**	(343)	(911)	**(3,848)**	(2,585)
Other deductible temporary differences	**281**	357	(445)	**(1,204)**	(1,655)
	183	2,042	2,278	**(19,923)**	(19,034)
Net deferred tax charge (credit) and net deferred tax liability	**(3,545)**	678	(36)	**11,584**	16,454
Of which deferred tax liabilities				**13,893**	17,439
deferred tax assets				**2,309**	985

The recognition of deferred tax assets of $1,467 million (2013 $67 million), in entities which have suffered a loss in either the current or preceding period, is supported by forecasts which indicate that sufficient future taxable profits will be available to utilize such assets.

		$ million
Analysis of movements during the year in the net deferred tax liability	**2014**	2013
At 1 January	**16,454**	14,369
Exchange adjustments	**122**	43
Charge (credit) for the year on profit	**(3,545)**	678
Charge (credit) for the year in other comprehensive income	**(1,563)**	1,397
Charge (credit) for the year in equity	**36**	(33)
Acquisitions	**80**	
At 31 December	**11,584**	16,454

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7. Taxation continued

A summary of temporary differences, unused tax credits and unused tax losses for which deferred tax has not been recognized is shown in the table below.

		$ billion
At 31 December	**2014**	2013
Unused tax losses[a]	**2.1**	1.8
Unused tax credits	**20.1**	18.0
of which arising in the UK[b]	**18.0**	16.3
arising in the US[c]	**2.0**	1.7
Deductible temporary differences[d]	**17.9**	11.2
Taxable temporary differences associated with investments in subsidiaries and equity-accounted entities[e]	**1.0**	1.1

[a] Substantially all the tax losses have no fixed expiry date.
[b] The UK unused tax credits arise predominantly in overseas branches of UK entities based in jurisdictions with high tax rates. No deferred tax asset has been recognized on these tax credits as they are unlikely to have value in the future; UK taxes on these overseas branches are largely mitigated by double tax relief on the overseas tax. These tax credits have no fixed expiry date.
[c] The US unused tax credits expire 10 years after generation and will all expire in the period 2015-2023.
[d] Deductible temporary differences of $1.0 billion are expected to expire in the period 2015-2021, the remainder do not have an expiry date.
[e] An amendment has been made to the comparative amount.

			$ billion
Impact of previously unrecognized deferred tax or write-down of deferred tax assets on current year charge	**2014**	2013	2012
Current tax benefit relating to the utilization of previously unrecognized tax credits	**0.2**	0.2	0.4
Deferred tax benefit relating to the recognition of previously unrecognized tax credits		0.2	0.1
Deferred tax expense arising from the write-down of a previously recognized deferred tax asset	**0.2**		

8. Dividends

The quarterly dividend expected to be paid on 27 March 2015 in respect of the fourth quarter 2014 is 10.00 cents per ordinary share ($0.60 per American Depositary Share (ADS)). The corresponding amount in sterling will be announced on 16 March 2015. A scrip dividend alternative is available, allowing shareholders to elect to receive their dividend in the form of new ordinary shares and ADS holders in the form of new ADSs.

	Pence per share			Cents per share			$ million		
	2014	2013	2012	**2014**	2013	2012	**2014**	2013	2012
Dividends announced and paid in cash									
Preference shares							**2**	2	2
Ordinary shares									
March	**5.7065**	6.0013	5.0958	**9.50**	9.00	8.00	**1,426**	1,621	1,211
June	**5.8071**	5.8342	5.1498	**9.75**	9.00	8.00	**1,572**	1,399	1,448
September	**5.9593**	5.7630	5.0171	**9.75**	9.00	8.00	**1,122**	1,245	1,417
December	**6.3769**	5.8008	5.5890	**10.00**	9.50	9.00	**1,728**	1,174	1,216
	23.8498	23.3993	20.8517	**39.00**	36.50	33.00	**5,850**	5,441	5,294
Dividend announced, payable in March 2015				**10.00**			**1,817**		

The details of the scrip dividends issued are shown in the table below.

	2014	2013	2012
Number of shares issued (thousand)	**165,644**	202,124	138,406
Value of shares issued ($ million)	**1,318**	1,470	982

The financial statements for the year ended 31 December 2014 do not reflect the dividend announced on 3 February 2015 and expected to be paid in March 2015; this will be treated as an appropriation of profit in the year ended 31 December 2015.

9. Earnings per ordinary share

	Cents per share		
	2014	2013	2012
Basic earnings per share	**20.55**	123.87	57.89
Diluted earnings per share	**20.42**	123.12	57.50

Basic earnings per ordinary share amounts are calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The average number of shares outstanding excludes certain shares that will be issuable in the future under employee share-based payment plans and treasury shares, which includes shares held by the Employee Share Ownership Plan trusts (ESOPs).

For the diluted earnings per share calculation, the weighted average number of shares outstanding during the year is adjusted for the dilutive effect of shares that are potentially issuable in connection with employee share-based payment plans using the treasury stock method.

	$ million		
	2014	2013	2012
Profit attributable to BP shareholders	**3,780**	23,451	11,017
Less: dividend requirements on preference shares	**2**	2	2
Profit for the year attributable to BP ordinary shareholders	**3,778**	23,449	11,015

9. Earnings per ordinary share continued

			Shares thousand
	2014	2013	2012
Basic weighted average number of ordinary shares	**18,385,458**	18,931,021	19,027,929
Potential dilutive effect of ordinary shares issuable under employee share-based payment plans	**111,836**	115,152	129,959
	18,497,294	19,046,173	19,157,888

The number of ordinary shares outstanding at 31 December 2014, excluding treasury shares, and including certain shares that will be issuable in the future under employee share-based payment plans was 18,199,882,744. Between 31 December 2014 and 17 February 2015, the latest practicable date before the completion of these financial statements, there was a net decrease of 24,096,712 in the number of ordinary shares outstanding as a result of share issues in relation to employee share-based payment plans. During the same period, no further shares were repurchased following the continuation of share buybacks announced on 29 April 2014.

Employee share-based payment plans

The group operates share and share option plans for directors and certain employees to obtain ordinary shares and ADSs in the company. Information on these plans for directors is shown in the Directors remuneration report on pages 72 88.

The following table shows the number of shares potentially issuable under equity-settled employee share option plans, including the number of options outstanding, the number of options exercisable at the end of each year, and the corresponding weighted-average exercise prices. The dilutive effect of these plans at 31 December included in the diluted earnings per share is also shown.

Share options		**2014**		2013
	Number of options[a b] thousand	**Weighted average exercise price $**	Number of options[a b] thousand	Weighted average exercise price $
Outstanding	**113,206**	**9.62**	286,725	7.71
Exercisable	**86,211**	**10.89**	127,290	10.01
Dilutive effect	**5,570**	**n/a**	23,169	n/a

[a] Numbers of options shown are ordinary share equivalents (one ADS is equivalent to six ordinary shares).
[b] At 31 December 2014 the quoted market price of one BP ordinary share was $6.35 (2013 $8.10).

In addition, the group operates a number of equity-settled employee share plans under which share units are granted to the group s senior leaders and certain other employees. These plans typically have a three-year performance or restricted period during which the units accrue net notional dividends which are treated as having been reinvested. Leaving employment will normally preclude the conversion of units into shares, but special arrangements apply for participants that leave for qualifying reasons. The number of shares that are expected to vest each year under employee share plans are shown in the table below. The dilutive effect of the employee share plans at 31 December included in the diluted earnings per share is also shown.

Share plans	**2014**	2013
	Number of shares[a]	Number of shares[a]
Vesting	**thousand**	thousand
Within one year	**78,467**	35,442
1 to 2 years	**91,993**	120,056
2 to 3 years	**80,966**	115,387
3 to 4 years	**28,564**	14,231
4 to 5 years	**222**	123
	280,212	285,239
Dilutive effect	**99,917**	95,014

[a] Numbers of shares shown are ordinary share equivalents (one ADS is equivalent to six ordinary shares).

There has been a net increase of 31,318,880 in the number of potential ordinary shares in relation with employee share-based payment plans between 31 December 2014 and 17 February 2015.

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10. Property, plant and equipment

$ million

	Land and land improvements	Buildings	Oil and gas properties[a]	Plant, machinery and equipment	Fixtures, fittings and office equipment	Transportation	Oil depots, storage tanks and service stations	Total
Cost								
At 1 January 2014	**3,375**	**3,027**	**187,691**	**48,912**	**3,176**	**13,314**	**9,961**	**269,456**
Exchange adjustments	**(284)**	**(105)**		**(1,737)**	**(93)**	**(44)**	**(871)**	**(3,134)**
Additions	**315**	**183**	**18,033**	**2,008**	**258**	**1,049**	**521**	**22,367**
Acquisitions	**31**	**22**		**252**	**3**			**308**
Transfers			**993**					**993**
Deletions	**(22)**	**(66)**	**(6,203)**	**(620)**	**(313)**	**(500)**	**(565)**	**(8,289)**
At 31 December 2014	**3,415**	**3,061**	**200,514**	**48,815**	**3,031**	**13,819**	**9,046**	**281,701**
Depreciation								
At 1 January 2014	**550**	**1,141**	**97,063**	**20,378**	**1,970**	**8,833**	**5,831**	**135,766**
Exchange adjustments	**(5)**	**(46)**		**(989)**	**(56)**	**(27)**	**(550)**	**(1,673)**
Charge for the year	**84**	**156**	**11,728**	**1,833**	**267**	**343**	**448**	**14,859**
Impairment losses	**15**		**6,304**	**625**		**179**	**504**	**7,627**
Impairment reversals			**(19)**			**(83)**		**(102)**
Deletions	**(5)**	**(54)**	**(3,901)**	**(489)**	**(198)**	**(312)**	**(509)**	**(5,468)**
At 31 December 2014	**639**	**1,197**	**111,175**	**21,358**	**1,983**	**8,933**	**5,724**	**151,009**
Net book amount at 31 December 2014	**2,776**	**1,864**	**89,339**	**27,457**	**1,048**	**4,886**	**3,322**	**130,692**
Cost								
At 1 January 2013	3,279	2,812	171,772	45,200	3,346	13,436	9,629	249,474
Exchange adjustments	(4)	(26)		(235)	5	(55)	(36)	(351)
Additions	120	286	14,272	4,386	299	51	625	20,039
Acquisitions				8				8
Transfers			4,365					4,365
Deletions	(20)	(45)	(2,718)	(447)	(474)	(118)	(257)	(4,079)
At 31 December 2013	3,375	3,027	187,691	48,912	3,176	13,314	9,961	269,456
Depreciation								
At 1 January 2013	514	1,023	87,965	18,628	2,119	8,409	5,485	124,143
Exchange adjustments	(6)	(1)		(61)	7	(28)	(7)	(96)
Charge for the year	37	129	10,334	1,616	278	347	502	13,243
Impairment losses	10	20	611	525		160	35	1,361
Impairment reversals			(209)			(17)		(226)
Transfers			365					365
Deletions	(5)	(30)	(2,003)	(330)	(434)	(38)	(184)	(3,024)
At 31 December 2013	550	1,141	97,063	20,378	1,970	8,833	5,831	135,766
Net book amount at 31 December 2013	2,825	1,886	90,628	28,534	1,206	4,481	4,130	133,690

Assets held under finance leases at net book amount included above					
At 31 December 2014	**3**	**135**	**295**	**244**	**677**
At 31 December 2013	7	187	265	4	463
Assets under construction included above					
At 31 December 2014					**26,429**
At 31 December 2013					27,900

[a] For information on significant estimates and judgements made in relation to the estimation of oil and natural reserves see Property, plant and equipment within Note 1.

11. Capital commitments

Authorized future capital expenditure for property, plant and equipment by group companies for which contracts had been signed at 31 December 2014 amounted to $15,635 million (2013 $13,705 million).

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12. Goodwill and impairment review of goodwill

		$ million
	2014	2013
Cost		
At 1 January	**12,851**	12,804
Exchange adjustments	**(278)**	46
Acquisitions	**73**	44
Deletions	**(164)**	(43)
At 31 December	**12,482**	12,851
Impairment losses		
At 1 January	**670**	614
Impairment losses for the year		56
Deletions	**(56)**	
At 31 December	**614**	670
Net book amount at 31 December	**11,868**	12,181
Net book amount at 1 January	**12,181**	12,190

Impairment review of goodwill

		$ million
Goodwill at 31 December	**2014**	2013
Upstream	**7,819**	7,812
Downstream	**3,968**	4,277
Other businesses and corporate	**81**	92
	11,868	12,181

Goodwill acquired through business combinations has been allocated to groups of cash-generating units that are expected to benefit from the synergies of the acquisition. For Upstream, goodwill is allocated to all oil and gas assets in aggregate at the segment level. For Downstream, goodwill has been allocated to Lubricants and Other.

For information on significant estimates and judgements made in relation to impairments see Impairment of property, plant and equipment, intangibles and goodwill within Note 1.

Upstream

		$ million
	2014	2013
Goodwill	**7,819**	7,812
Excess of recoverable amount over carrying amount	**26,077**	6,811

The table above shows the carrying amount of goodwill for the segment and the excess of the recoverable amount over the carrying amount (the headroom).

In 2014, the recoverable amount is calculated using a fair value less costs of disposal approach, whereas a value-in-use approach was used in 2013. The change in valuation technique was made in order to more accurately reflect the recoverable amount, based on our view of assumptions that would be used by a market participant. Both the fair value less costs of disposal and value-in-use calculations are based on the cash flows expected to be generated by the projected oil or natural gas production profiles up to the expected dates of cessation of production of each producing field, based on current estimates of reserves (for value in use) and reserves and risked resources (for fair value less costs of disposal). The fair value calculation is based primarily on level 3 inputs as defined by the IFRS 13 Fair value measurement hierarchy. As the production profile and related cash flows can be estimated from BP s experience, management believes that the estimated cash flows expected to be generated over the life of each field is the appropriate basis upon which to assess goodwill and individual assets for impairment. The estimated date of cessation of production depends on the interaction of a number of variables, such as the recoverable quantities of hydrocarbons, the production profile of the hydrocarbons, the cost of the development of the infrastructure necessary to recover the hydrocarbons, production costs, the contractual duration of the production concession and the selling price of the hydrocarbons produced. As each producing field has specific reservoir characteristics and economic circumstances, the cash flows of the fields are computed using appropriate individual economic models and key assumptions agreed by BP management. Capital expenditure, operating costs and expected hydrocarbon production profiles are derived from the business segment plan adjusted for assumptions reflecting the current price environment. Estimated production volumes and cash flows up to the date of cessation of production on a field-by-field basis are developed to be consistent with this. The production profiles used are consistent with the reserve and resource volumes approved as part of BP s centrally controlled process for the estimation of proved and probable reserves and total resources. Intangible assets are deemed to have a recoverable amount equal to their carrying amount. Consistent with prior years, the 2014 review for impairment was carried out during the fourth quarter.

The key assumptions used in the fair value less costs of disposal calculation are oil and natural gas prices (see Note 1), production volumes and the discount rate (see Note 1). The sensitivity of the headroom to changes in the key assumptions was estimated. Due to the non-linear relationship of different variables, the calculations were performed using a number of simplifying assumptions, including assuming a change to the variable being tested only, therefore a detailed calculation at any given price may produce a different result.

It is estimated that if the oil price assumption for all future years was approximately 15% below the current assumption for 2020 and beyond, this would cause the recoverable amount to be equal to the carrying amount of goodwill and related non-current assets of the segment. It is estimated that there is no reasonably possible change in the price assumption for natural gas that would cause the recoverable amount to be equal to the carrying amount of goodwill and related non-current assets of the segment.

Estimated production volumes are based on detailed data for each field and take into account development plans agreed by management as part of the long-term planning process. The average production for the purposes of goodwill impairment testing over the next 15 years is 847mmboe per year

12. Goodwill and impairment review of goodwill continued

(2013 597mmboe per year). It is estimated that if production volume were to be reduced by approximately 5% for the whole period, this would cause the recoverable amount to be equal to the carrying amount of goodwill and related non-current assets of the segment.

It is estimated that if the post-tax discount rate was approximately 10% for the entire portfolio this would cause the recoverable amount to be equal to the carrying amount of goodwill and related non-current assets of the segment.

Downstream

$ million

			2014			2013
	Lubricants	**Other**	**Total**	Lubricants	Other	Total
Goodwill	**3,264**	**704**	**3,968**	3,518	759	4,277

Cash flows for each cash-generating unit are derived from the business segment plans, which cover a period of two to five years. To determine the value in use for each of the cash-generating units, cash flows for a period of 10 years are discounted and aggregated with a terminal value.

Lubricants

As permitted by IAS 36, the detailed calculations of the Lubricants unit s recoverable amount performed in the most recent detailed calculation in 2013 were used for the 2014 impairment test as the criteria in that standard were considered satisfied: the headroom was substantial in 2013; there have been no significant changes in the assets and liabilities; and the likelihood that the recoverable amount would be less than the carrying amount at the time was remote.

The key assumptions to which the calculation of value in use for the Lubricants unit is most sensitive are operating unit margins, sales volumes, and discount rate. The values assigned to these key assumptions reflect past experience. No reasonably possible change in any of these key assumptions would cause the unit s carrying amount to exceed its recoverable amount. Cash flows beyond the two-year plan period were extrapolated using a nominal 3% growth rate.

13. Intangible assets

$ million

			2014			2013
	Exploration and appraisal expenditure[a]	**Other intangibles**	**Total**	Exploration and appraisal expenditure[a]	Other intangibles	Total
Cost						
At 1 January	**21,742**	**3,936**	**25,678**	24,511	3,739	28,250
Exchange adjustments		**(175)**	**(175)**		(5)	(5)
Acquisitions		**455**	**455**			

Additions	**2,871**	**394**	**3,265**	4,464	336	4,800
Transfers	**(993)**		**(993)**	(4,365)		(4,365)
Deletions	**(1,897)**	**(342)**	**(2,239)**	(2,868)	(134)	(3,002)
At 31 December	**21,723**	**4,268**	**25,991**	21,742	3,936	25,678
Amortization						
At 1 January	**877**	**2,762**	**3,639**	1,077	2,541	3,618
Exchange adjustments		**(72)**	**(72)**		(2)	(2)
Charge for the year	**3,029**	**304**	**3,333**	2,710	267	2,977
Impairment losses		**50**	**50**	253	85	338
Transfers				(365)		(365)
Deletions	**(1,527)**	**(339)**	**(1,866)**	(2,798)	(129)	(2,927)
At 31 December	**2,379**	**2,705**	**5,084**	877	2,762	3,639
Net book amount at 31 December	**19,344**	**1,563**	**20,907**	20,865	1,174	22,039
Net book amount at 1 January	**20,865**	**1,174**	**22,039**	23,434	1,198	24,632

[a] For further information see Intangible assets within Note 1 and Note 6.

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14. Investments in joint ventures

The following table provides aggregated summarized financial information relating to the group s share of joint ventures.

			$ million
	2014	2013	2012
Sales and other operating revenues	**12,208**	12,507	12,507
Profit before interest and taxation	**1,210**	1,076	778
Finance costs	**125**	130	113
Profit before taxation	**1,085**	946	665
Taxation	**515**	499	405
Profit for the year	**570**	447	260
Other comprehensive income	**(15)**	38	(52)
Total comprehensive income	**555**	485	208
Non-current assets	**11,586**	11,576	
Current assets	**2,853**	3,095	
Total assets	**14,439**	14,671	
Current liabilities	**2,222**	2,276	
Non-current liabilities	**3,774**	3,499	
Total liabilities	**5,996**	5,775	
Net assets	**8,443**	8,896	
Group investment in joint ventures			
Group share of net assets (as above)	**8,443**	8,896	
Loans made by group companies to joint ventures	**310**	303	
	8,753	9,199	

Transactions between the group and its joint ventures are summarized below.

						$ million
Sales to joint ventures		**2014**		2013		2012
Product	**Sales**	**Amount receivable at 31 December**	Sales	Amount receivable at 31 December	Sales	Amount receivable at 31 December
LNG, crude oil and oil products, natural gas	**3,148**	**300**	4,125	342	4,272	379

						$ million
Purchases from joint ventures		**2014**		2013		2012
Product	**Purchases**	**Amount payable at 31 December**	Purchases	Amount payable at 31 December	Purchases	Amount payable at 31 December

LNG, crude oil and oil products, natural gas, refinery operating costs, plant processing fees	**907**	**129**	503	51	1,107	116

The terms of the outstanding balances receivable from joint ventures are typically 30 to 45 days. The balances are unsecured and will be settled in cash. There are no significant provisions for doubtful debts relating to these balances and no significant expense recognized in the income statement in respect of bad or doubtful debts. Dividends receivable are not included in the table above.

15. Investments in associates

The following table provides aggregated summarized financial information for the group s associates as it relates to the amounts recognized in the group income statement and on the group balance sheet.

$ million

	Income statement Earnings from associates after interest and tax			Balance sheet Investments in associates	
	2014	2013	2012	**2014**	2013
Rosneft	**2,101**	2,058		**7,312**	13,681
TNK-BP			2,986		
Other associates	**701**	684	689	**3,091**	2,955
	2,802	2,742	3,675	**10,403**	16,636

The associate that is material to the group at both 31 December 2014 and 2013 is Rosneft. In 2013, BP sold its 50% interest in TNK-BP to Rosneft and increased its investment in Rosneft. The net cash inflow in 2013 relating to the transaction included in Net cash used in investing activities in the cash flow statement was $11.8 billion. From 22 October 2012, the investment in TNK-BP was classified as an asset held for sale and, therefore, equity accounting ceased. Profits of approximately $738 million and $731 million were not recognized in 2013 and 2012 respectively as a result of the discontinuance of equity accounting.

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15. Investments in associates continued

Since 21 March 2013, BP has owned 19.75% of the voting shares of Rosneft. Rosneft shares are listed on the MICEX stock exchange in Moscow and its global depositary receipts are listed on the London Stock Exchange. The Russian federal government, through its investment company OJSC Rosneftegaz, owned 69.5% of the voting shares of Rosneft at 31 December 2014.

BP classifies its investment in Rosneft as an associate because, in management s judgement, BP has significant influence over Rosneft; see Note 1 Interests in other entities Significant estimate or judgement: accounting for interests in other entities. The group s investment in Rosneft is a foreign operation, the functional currency of which is the Russian rouble. The reduction in the group s equity-accounted investment balance for Rosneft at 31 December 2014 compared with 31 December 2013 was principally due to the weakening of the Russian rouble compared to the US dollar, the effects of which have been recognized in other comprehensive income.

The fair value of BP s 19.75% shareholding in Rosneft was $7,346 million at 31 December 2014 (2013 $15,937 million) based on the quoted market share price of $3.51 per share (2013 $7.62 per share).

The following table provides summarized financial information relating to the group s material associates. This information is presented on a 100% basis and reflects adjustments made by BP to the associates own results in applying the equity method of accounting. BP adjusts Rosneft s results for the accounting required under IFRS relating to BP s purchase of its interest in Rosneft and the amortization of the deferred gain relating to the disposal of BP s interest in TNK-BP. The adjustments relating to Rosneft have increased the reported profit for 2014, as shown in the table below, compared with the equivalent amount in Russian roubles that we expect Rosneft to report in its own financial statements under IFRS. Consistent with other line items in the income statement, the amount reported for Rosneft sales and other operating revenue is calculated by translating the amounts reported in Russian roubles into US dollars using the average exchange rate for the year.

			$ million Gross amount
	2014	2013	2012
	Rosneft	Rosneft	TNK-BP[a]
Sales and other operating revenues	**142,856**	122,866	49,350
Profit before interest and taxation	**19,367**	14,106	8,810
Finance costs	**5,230**	1,337	168
Profit before taxation	**14,137**	12,769	8,642
Taxation	**3,428**	2,137	1,958
Non-controlling interests	**71**	213	712
Profit for the year	**10,638**	10,419	5,972
Other comprehensive income	**(13,038)**	(441)	26
Total comprehensive income	**(2,400)**	9,978	5,998
Non-current assets	**101,073**	149,149	
Current assets	**38,278**	48,775	
Total assets	**139,351**	197,924	
Current liabilities	**36,400**	43,175	
Non-current liabilities	**65,266**	83,458	
Total liabilities	**101,666**	126,633	

Net assets	**37,685**	71,291
Less: non-controlling interests	**663**	2,020
	37,022	69,271

[a] BP ceased equity accounting for TNK-BP on 22 October 2012.

The group received dividends of $693 million from Rosneft in 2014, net of withholding tax (2013 dividends of $456 million from Rosneft and 2012 dividends of $709 million from TNK-BP).

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15. Investments in associates continued

Summarized financial information for the group s share of associates is shown below. Income statement and other comprehensive income information shown below includes data relating to associates classified as assets held for sale during the period prior to their classification as assets held for sale.

									$ million BP share
			2014			2013			2012
	Rosneft[a]	**Other**	**Total**	Rosneft	Other[b]	Total	TNK-BP	Other	Total
Sales and other operating revenues	**28,214**	**9,724**	**37,938**	24,266	12,998	37,264	24,675	11,965	36,640
Profit before interest and taxation	**3,825**	**938**	**4,763**	2,786	908	3,694	4,405	906	5,311
Finance costs	**1,033**	**7**	**1,040**	264	11	275	84	16	100
Profit before taxation	**2,792**	**931**	**3,723**	2,522	897	3,419	4,321	890	5,211
Taxation	**677**	**230**	**907**	422	213	635	979	201	1,180
Non-controlling interests	**14**		**14**	42		42	356		356
Profit for the year	**2,101**	**701**	**2,802**	2,058	684	2,742	2,986	689	3,675
Other comprehensive income	**(2,575)**	**10**	**(2,565)**	(87)	2	(85)	13	(6)	7
Total comprehensive income	**(474)**	**711**	**237**	1,971	686	2,657	2,999	683	3,682
Non-current assets	**19,962**	**2,975**	**22,937**	29,457	3,148	32,605			
Current assets	**7,560**	**2,199**	**9,759**	9,633	2,477	12,110			
Total assets	**27,522**	**5,174**	**32,696**	39,090	5,625	44,715			
Current liabilities	**7,189**	**1,614**	**8,803**	8,527	2,114	10,641			
Non-current liabilities	**12,890**	**921**	**13,811**	16,483	1,053	17,536			
Total liabilities	**20,079**	**2,535**	**22,614**	25,010	3,167	28,177			
Net assets	**7,443**	**2,639**	**10,082**	14,080	2,458	16,538			
Less: non-controlling interests	**131**		**131**	399		399			
	7,312	**2,639**	**9,951**	13,681	2,458	16,139			
Group investment in associates	**7,312**	**2,639**	**9,951**	13,681	2,458	16,139			

Group share of net assets (as above)						
Loans made by group companies to associates		**452**	**452**		497	497
	7,312	**3,091**	**10,403**	13,681	2,955	16,636

[a] On 1 October 2014, Rosneft adopted hedge accounting in relation to a portion of highly probable future export revenue denominated in US dollars. Since 1 October 2014, foreign exchange gains and losses arising on the retranslation of borrowings denominated in currencies other than the Russian rouble and designated as hedging instruments have been recognized initially in other comprehensive income, and will be reclassified to the income statement as the hedged revenue is recognized over the next five years.

[b] An amendment has been made to the amount previously disclosed for Sales and other operating revenues.

Transactions between the group and its associates are summarized below.

$ million

Sales to associates		**2014**		2013		2012
Product	**Sales**	**Amount receivable at 31 December**	Sales	Amount receivable at 31 December	Sales	Amount receivable at 31 December
LNG, crude oil and oil products, natural gas	**9,589**	**1,258**	5,170	783	3,771	401

$ million

Purchases from associates		**2014**		2013		2012
Product	**Purchases**	**Amount payable at 31 December**	Purchases	Amount payable at 31 December	Purchases	Amount payable at 31 December
Crude oil and oil products, natural gas, transportation tariff	**22,703**	**2,307**	21,205	3,470	9,135	932

The terms of the outstanding balances receivable from associates are typically 30 to 45 days. The balances are unsecured and will be settled in cash. There are no significant provisions for doubtful debts relating to these balances and no significant expense recognized in the income statement in respect of bad or doubtful debts. Dividends receivable are not included in the table above.

BP has commitments amounting to $6,946 million (2013 $6,077 million) in relation to contracts with its associates for the purchase of crude oil and oil products, transportation and storage.

The majority of the sales to, purchases from, and commitments in relation to contracts with associates relate to crude oil and oil products transactions with Rosneft.

16. Other investments

				$ million
		2014		2013
	Current	**Non-current**	Current	Non-current
Equity investments[a]		**420**		291
Repurchased gas pre-paid bonds	**254**	**153**	276	408
Contingent consideration	**9**	**56**	186	292
Other	**66**	**599**	5	574
	329	**1,228**	467	1,565

[a] The majority of equity investments are unlisted.

BP entered into long-term gas supply contracts which are backed by gas pre-paid bonds. In 2010, BP was unsuccessful in the remarketing of these bonds and repurchased them. The outstanding bonds associated with these long-term gas supply contracts held by BP are recorded within other investments, with the related liability recorded within other payables on the balance sheet. The fair value of the gas pre-paid bonds is the same as the carrying amount, as the bonds are based on floating rate interest with weekly market re-set, and as such are in level 1 of the fair value hierarchy.

At both 31 December 2014 and 2013 the group had contingent consideration receivable, classified as an available-for-sale financial asset, in respect of the disposal of the Devenick field in 2013.

Other non-current investments at 31 December 2014 of $599 million relate to life insurance policies (2013 $574 million). The life insurance policies have been designated as financial assets at fair value through profit and loss and their valuation methodology is in level 3 of the fair value hierarchy. Fair value gains of $41 million were recognized in the income statement (2013 $4 million loss and 2012 $70 million gain).

17. Inventories

		$ million
	2014	2013
Crude oil	**5,614**	10,190
Natural gas	**285**	235
Refined petroleum and petrochemical products	**8,975**	15,427
	14,874	25,852
Supplies	**3,051**	2,735
	17,925	28,587
Trading inventories	**448**	644
	18,373	29,231
Cost of inventories expensed in the income statement	**281,907**	298,351

The inventory valuation at 31 December 2014 is stated net of a provision of $2,879 million (2013 $322 million) to write inventories down to their net realizable value. The net charge to the income statement in the year in respect of inventory net realizable value provisions was $2,625 million (2013 $195 million charge).

Trading inventories are valued using quoted benchmark bid prices adjusted as appropriate for location and quality differentials. As such they are predominantly categorized within level 2 of the fair value hierarchy.

18. Trade and other receivables

$ million

	2014		2013	
	Current	**Non-current**	Current	Non-current
Financial assets				
Trade receivables	**19,671**	**166**	28,868	183
Amounts receivable from joint ventures and associates	**1,558**		1,213	47
Other receivables	**7,863**	**1,293**	6,594	2,725
	29,092	**1,459**	36,675	2,955
Non-financial assets				
Gulf of Mexico oil spill trust fund reimbursement asset[a]	**1,154**	**2,701**	2,457	2,442
Other receivables	**792**	**627**	699	588
	1,946	**3,328**	3,156	3,030
	31,038	**4,787**	39,831	5,985

[a] See Note 2 for further information.

Trade and other receivables are predominantly non-interest bearing. See Note 27 for further information.

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19. Valuation and qualifying accounts

$ million

	2014		2013		2012	
	Accounts receivable	**Fixed asset investments**	Accounts receivable	Fixed asset investments	Accounts receivable	Fixed asset investments
At 1 January	**343**	**168**	489	349	332	643
Charged to costs and expenses	**127**	**438**	82	4	240	196
Charged to other accounts[a]	**(24)**	**(2)**	(4)	4	7	18
Deductions	**(115)**	**(87)**	(224)	(189)	(90)	(508)
At 31 December	**331**	**517**	343	168	489	349

[a] Principally exchange adjustments.

Valuation and qualifying accounts comprise impairment provisions for accounts receivable and fixed asset investments, and are deducted in the balance sheet from the assets to which they apply.

For information on significant estimates and judgements made in relation to the recoverability of trade receivables see Impairment of loans and receivables within Note 1.

20. Trade and other payables

$ million

	2014		2013	
	Current	**Non-current**	Current	Non-current
Financial liabilities				
Trade payables	**23,074**		28,926	
Amounts payable to joint ventures and associates	**2,436**		3,576	47
Other payables	**11,832**	**2,985**	11,288	4,235
	37,342	**2,985**	43,790	4,282
Non-financial liabilities				
Other payables	**2,776**	**602**	3,369	474
	40,118	**3,587**	47,159	4,756

Trade and other payables are predominantly interest free. See Note 27 for further information.

21. Provisions

$ million

	Decommissioning	**Environmental[a]**	**Litigation and claims**	**Clean Water Act penalties**	**Other**	**Total**
At 1 January 2014	**17,205**	**3,454**	**4,911**	**3,510**	**2,880**	**31,960**

Exchange adjustments	**(489)**	**(18)**	**(12)**		**(122)**	**(641)**
Acquisitions	**8**				**13**	**21**
New or increased provisions	**2,216**	**561**	**1,290**		**1,101**	**5,168**
Write-back of unused provisions	**(60)**	**(92)**	**(27)**		**(252)**	**(431)**
Unwinding of discount	**202**	**19**	**12**		**24**	**257**
Change in discount rate	**778**	**21**	**14**		**9**	**822**
Utilization	**(682)**	**(1,098)**	**(1,449)**		**(565)**	**(3,794)**
Deletions	**(458)**				**(6)**	**(464)**
At 31 December 2014	**18,720**	**2,847**	**4,739**	**3,510**	**3,082**	**32,898**
Of which current	**836**	**927**	**1,420**		**635**	**3,818**
non-current	**17,884**	**1,920**	**3,319**	**3,510**	**2,447**	**29,080**
Of which Gulf of Mexico oil spill[b]		**1,141**	**3,954**	**3,510**		**8,605**

[a] Spill response provisions are now included within environmental provisions as they are no longer individually significant.

[b] Further information on the financial impacts of the Gulf of Mexico oil spill is provided in Note 2.

The decommissioning provision comprises the future cost of decommissioning oil and natural gas wells, facilities and related pipelines. The environmental provision includes provisions for costs related to the control, abatement, clean-up or elimination of environmental pollution relating to soil, groundwater, surface water and sediment contamination. The litigation and claims category includes provisions for matters related to, for example, commercial disputes, product liability, and allegations of exposures of third parties to toxic substances. Included within the other category at 31 December 2014 are provisions for deferred employee compensation of $553 million (2013 $602 million).

For information on significant estimates and judgements made in relation to provisions, including those for the Gulf of Mexico oil spill, see Provisions, contingencies and reimbursement assets within Note 1.

22. Pensions and other post-retirement benefits

Most group companies have pension plans, the forms and benefits of which vary with conditions and practices in the countries concerned. Pension benefits may be provided through defined contribution plans (money purchase schemes) or defined benefit plans (final salary and other types of schemes with committed pension benefit payments). For defined contribution plans, retirement benefits are determined by the value of funds arising from contributions paid in respect of each employee. For defined benefit plans, retirement benefits are based on such factors as the employees pensionable salary and length of service. Defined benefit plans may be funded or unfunded. The assets of funded plans are generally held in separately administered trusts.

22. Pensions and other post-retirement benefits continued

For information on significant estimates and judgements made in relation to accounting for these plans see Pensions and other post-retirement benefits within Note 1.

The primary pension arrangement in the UK is a funded final salary pension plan under which retired employees draw the majority of their benefit as an annuity. This pension plan is governed by a corporate trustee whose board is composed of four member-nominated directors, four company-nominated directors, including an independent director and an independent chairman nominated by the company. The trustee board is required by law to act in the best interests of the plan participants and is responsible for setting certain policies, such as investment policies of the plan. The UK plan is closed to new joiners but remains open to ongoing accrual for current members. New joiners in the UK are eligible for membership of a defined contribution plan.

In the US, a range of retirement arrangements is provided. Historically this has included a funded final salary pension plan for certain heritage employees and a cash balance arrangement for new joiners, but with effect from 2015 all employees who are members of the final salary pension plan accrue benefits only under a cash balance arrangement. Retired US employees typically take their pension benefit in the form of a lump sum payment. The plan s assets are overseen by a fiduciary investment committee composed of seven BP employees appointed by the president of BP Corporation North America Inc. (the appointing officer). The investment committee is required by law to act in the best interests of the plan participants and is responsible for setting certain policies, such as the investment policies of the plan. US employees are also eligible to participate in a defined contribution (401k) plan in which employee contributions are matched with company contributions. In the US, group companies also provide post-retirement healthcare and life insurance benefits to retired employees and their dependants; the entitlement to these benefits is usually based on the employee remaining in service until retirement age and completion of a minimum period of service.

In the Eurozone, there are defined benefit pension plans in Germany, France, the Netherlands and other countries. In Germany and France, the majority of the pensions are unfunded, in line with market practice. In Germany, the group s largest Eurozone plan, employees receive a pension and also have a choice to supplement their core pension through salary sacrifice. For employees who joined since 2002 the core pension benefit is a career average plan with retirement benefits based on such factors as employees pensionable salary and length of service. The returns on the notional contributions made by both the company and employees are set out in German tax law. Retired German employees take their pension benefit typically in the form of an annuity. The German plan is governed by a legal agreement between BP and the works council.

The level of contributions to funded defined benefit plans is the amount needed to provide adequate funds to meet pension obligations as they fall due. During 2014 the aggregate level of contributions was $1,252 million (2013 $1,272 million and 2012 $1,275 million). The aggregate level of contributions in 2015 is expected to be approximately $1,250 million, and includes contributions in all countries that we expect to be required to make contributions by law or under contractual agreements, as well as an allowance for discretionary funding.

For the primary UK plan there is a funding agreement between the group and the trustee. On an annual basis the latest funding position is reviewed and a schedule of contributions covering the next five years is agreed. The funding agreement can be terminated unilaterally by either party with two years notice. The minimum funding requirement therefore represents seven years of future contributions, which amounted to $4,720 million at 31 December 2014. This amount is included in the group s committed cash flows relating to pensions and other post-retirement benefit plans as set out in the table of contractual obligations on page 212. There are no such minimum funding requirements after this seven-year period, and the obligation is taken into account in the determination of the amount of any pension plan surplus recognized on the balance sheet.

Contributions in the US are determined by legislation and are supplemented by discretionary contributions. All of the contributions made into the US plan in 2014 were discretionary and no statutory funding requirement is expected in the next 12 months.

There was no minimum funding requirement for the US plan, and no significant minimum funding requirements in other countries at 31 December 2014.

The obligation and cost of providing pensions and other post-retirement benefits is assessed annually using the projected unit credit method. The date of the most recent actuarial review was 31 December 2014. The group s principal plans are subject to a formal actuarial valuation every three years in the UK, with valuations being required more frequently in many other countries. The most recent formal actuarial valuation of the UK pension plans was as at 31 December 2011 and a valuation as at 31 December 2014 is currently under way. A valuation of the US plan is carried out annually.

The material financial assumptions used to estimate the benefit obligations of the various plans are set out below. The assumptions are reviewed by management at the end of each year, and are used to evaluate the accrued benefit obligation at 31 December and pension expense for the following year.

									%
Financial assumptions used to determine benefit obligation		UK			US				Eurozone
	2014	2013	2012	**2014**	2013	2012	**2014**	2013	2012
Discount rate for plan liabilities	**3.6**	4.6	4.4	**3.7**	4.3	3.3	**2.0**	3.6	3.5
Rate of increase in salaries	**4.5**	5.1	4.9	**4.0**	3.9	4.2	**3.4**	3.4	3.4
Rate of increase for pensions in payment	**3.0**	3.3	3.1				**1.8**	1.8	1.8
Rate of increase in deferred pensions	**3.0**	3.3	3.1				**0.7**	0.7	0.7
Inflation for plan liabilities	**3.0**	3.3	3.1	**1.6**	2.1	2.4	**2.0**	2.0	2.0

Financial assumptions used to determine benefit expense		UK			US				Eurozone
	2014	2013	2012	**2014**	2013	2012	**2014**	2013	2012
Discount rate for plan service cost	**4.8**	4.4	4.8	**4.6**	3.3	4.3	**3.9**	3.5	4.8
Discount rate for plan other finance expense	**4.6**	4.4	4.8	**4.3**	3.3	4.3	**3.6**	3.5	4.8
Inflation for plan service cost	**3.4**	3.1	3.2	**2.1**	2.4	1.9	**2.0**	2.0	2.0

The discount rate assumptions are based on third-party AA corporate bond indices and for our largest plans in the UK, US and the Eurozone we use yields that reflect the maturity profile of the expected benefit payments. The inflation rate assumptions for our UK and US plans are based on the difference between the yields on index-linked and fixed-interest long-term government bonds. The Eurozone inflation rate assumption is based on the central bank inflation target. In other countries we use one of these approaches, or advice from the local actuary depending on the information available. The inflation assumptions are used to determine the rate of increase for pensions in payment and the rate of increase in deferred pensions where there is such an increase.

22. Pensions and other post-retirement benefits continued

The assumptions for the rate of increase in salaries are based on the inflation assumption plus an allowance for expected long-term real salary growth. These include allowance for promotion-related salary growth, of up to 1.0% depending on country.

In addition to the financial assumptions, we regularly review the demographic and mortality assumptions. The mortality assumptions reflect best practice in the countries in which we provide pensions, and have been chosen with regard to the latest available published tables adjusted where appropriate to reflect the experience of the group and an extrapolation of past longevity improvements into the future. BP s most substantial pension liabilities are in the UK, the US and the Eurozone where our mortality assumptions are as follows:

									Years
Mortality assumptions	UK			US			Eurozone		
	2014	2013	2012	**2014**	2013	2012	**2014**	2013	2012
Life expectancy at age 60 for a male currently aged 60	**28.3**	27.8	27.7	**25.6**	24.9	24.9	**24.7**	24.4	24.3
Life expectancy at age 60 for a male currently aged 40	**30.9**	30.7	30.6	**27.4**	26.4	26.3	**27.3**	26.9	26.9
Life expectancy at age 60 for a female currently aged 60	**29.4**	29.5	29.4	**29.1**	26.5	26.4	**28.7**	28.5	28.5
Life expectancy at age 60 for a female currently aged 40	**31.8**	32.2	32.1	**30.9**	27.3	27.3	**31.1**	30.7	30.6

Pension plan assets are generally held in trusts. The primary objective of the trusts is to accumulate pools of assets sufficient to meet the obligations of the various plans. The assets of the trusts are invested in a manner consistent with fiduciary obligations and principles that reflect current practices in portfolio management.

A significant proportion of the assets are held in equities, owing to a higher expected level of return over the long term of such assets with an acceptable level of risk. In order to provide reasonable assurance that no single security or type of security has an unwarranted impact on the total portfolio, the investment portfolios are highly diversified.

The current asset allocation policy for the major plans is as follows:

	UK	US
Asset category	%	%
Total equity (including private equity)	**70**	**60**
Bonds/cash	**23**	**40**
Property/real estate	**7**	

The group s main pension plans do not invest directly in either securities or property/real estate of the company or of any subsidiary. Some of the group s pension plans use derivative financial instruments as part of their asset mix to manage the level of risk.

For the primary UK pension plan there is an agreement with the trustee to reduce the proportion of plan assets held as equities and increase the proportion held as bonds over time, with a view to better matching of the asset portfolio with the pension liabilities. There is a similar agreement in place in the US.

BP s principal plans in the UK and US do not currently follow a liability driven investment approach, a form of investing designed to match the movement in pension plan assets with the movement in projected benefit obligations over time.

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22. Pensions and other post-retirement benefits continued

The fair values of the various categories of assets held by the defined benefit plans at 31 December are presented in the table below, including the effects of derivative financial instruments. Movements in the fair value of plan assets during the year are shown in detail in the table on page 139.

					$ million
	UK[a]	US[b]	Eurozone	Other	Total
Fair value of pension plan assets					
At 31 December 2014					
Listed equities developed markets	**16,190**	**3,026**	**415**	**420**	**20,051**
emerging markets	**2,719**	**293**	**45**	**47**	**3,104**
Private equity	**2,983**	**1,571**	**2**	**26**	**4,582**
Government issued nominal bonds	**642**	**1,535**	**753**	**604**	**3,534**
Index-linked bonds	**892**		**9**		**901**
Corporate bonds	**4,687**	**1,726**	**541**	**340**	**7,294**
Property	**2,403**	**7**	**51**	**69**	**2,530**
Cash	**1,145**	**134**	**85**	**191**	**1,555**
Other	**112**	**63**	**72**	**38**	**285**
	31,773	**8,355**	**1,973**	**1,735**	**43,836**
At 31 December 2013					
Listed equities developed markets	17,341	3,260	414	499	21,514
emerging markets	2,290	308	32	52	2,682
Private equity	2,907	1,432	2	4	4,345
Government issued nominal bonds	549	1,259	717	541	3,066
Index-linked bonds	787		12	57	856
Corporate bonds	4,427	1,323	597	385	6,732
Property	2,200	6	57	77	2,340
Cash	855	135	120	158	1,268
Other	160	55	64	49	328
	31,516	7,778	2,015	1,822	43,131
At 31 December 2012					
Listed equities developed markets	15,659	3,622	307	537	20,125
emerging markets	1,074	341	37	52	1,504
Private equity	2,879	1,468	3	4	4,354
Government issued nominal bonds	544	904	532	510	2,490
Index-linked bonds	491		9	69	569
Corporate bonds	3,850	1,255	398	368	5,871
Property	1,783	5	54	85	1,927
Cash	1,000	87	170	151	1,408
Other	66	105	200	47	418
	27,346	7,787	1,710	1,823	38,666

a

Bonds held by the UK pension plans are all denominated in sterling. Property held by the UK pension plans is in the United Kingdom.

[b] Bonds held by the US pension plans are denominated in US dollars.

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22. Pensions and other post-retirement benefits continued

	UK	US	Eurozone	Other	$ million 2014 Total
Analysis of the amount charged to profit before interest and taxation					
Current service cost[a]	494	356	72	87	1,009
Past service cost[b]		(33)	20	1	(12)
Settlement[c]		(66)			(66)
Operating charge relating to defined benefit plans	494	257	92	88	931
Payments to defined contribution plans	30	214	11	54	309
Total operating charge	524	471	103	142	1,240
Interest income on plan assets[a]	(1,425)	(317)	(70)	(80)	(1,892)
Interest on plan liabilities	1,378	458	255	115	2,206
Other finance expense	(47)	141	185	35	314
Analysis of the amount recognized in other comprehensive income					
Actual asset return less interest income on plan assets	1,269	768	119	31	2,187
Change in financial assumptions underlying the present value of the plan liabilities	(3,188)	(1,004)	(1,845)	(350)	(6,387)
Change in demographic assumptions underlying the present value of the plan liabilities	42	(264)	(20)	(9)	(251)
Experience gains and losses arising on the plan liabilities	(41)	13	(86)	(25)	(139)
Remeasurements recognized in other comprehensive income	(1,918)	(487)	(1,832)	(353)	(4,590)
Movements in benefit obligation during the year					
Benefit obligation at 1 January	30,552	11,002	7,536	2,443	51,533
Exchange adjustments	(1,993)		(1,040)	(256)	(3,289)
Operating charge relating to defined benefit plans	494	257	92	88	931
Interest cost	1,378	458	255	115	2,206
Contributions by plan participants[d]	39		4	7	50
Benefit payments (funded plans)[e]	(1,231)	(865)	(83)	(119)	(2,298)
Benefit payments (unfunded plans)[e]	(10)	(238)	(370)	(24)	(642)
Acquisitions		6			6
Disposals			(18)		(18)
Remeasurements	3,187	1,255	1,951	384	6,777
Benefit obligation at 31 December[a f]	32,416	11,875	8,327	2,638	55,256
Movements in fair value of plan assets during the year					
Fair value of plan assets at 1 January	31,516	7,778	2,015	1,822	43,131
Exchange adjustments	(1,958)		(257)	(161)	(2,376)
Interest income on plan assets[a g]	1,425	317	70	80	1,892
Contributions by plan participants[d]	39		4	7	50
Contributions by employers (funded plans)	713	354	110	75	1,252
Benefit payments (funded plans)[e]	(1,231)	(865)	(83)	(119)	(2,298)