

A comparative linguistic analysis of statements by the Chairman and Chief Executive Officer (CEO) in BP plc's published annual report of 2010.

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Abstract

This paper examines statements by the Chairman and CEO of BP plc from the company's 2010 annual report. Working on the premise that the reputational fallout from the Deepwater Horizon oil spill in April 2010 would have heightened the need for the company to engage in reader positioning through its annual report to protect and repair the company's legitimacy, it is suggested that differences would manifest in the approach to and strength of that positioning because the Chairman and CEO occupy different roles. Following M.A.K. Halliday's Systemic Functional Linguistics framework, a comparative register analysis was undertaken of the respective statements of the Chairman and CEO of BP plc from the company's 2010 annual report. This concentrates on relevant aspects of the interpersonal metafunction, Tenor and the experiential metafunction, Field. Reviewing the Tenor of each statement framed an examination of how the Chairman and CEO each present to the reader through their respective statements, i.e. the persona which comes across through lexicogrammatical choices and how this is likely to impact upon reader interpretations. Each persona was drawn through interpretation of stance, personalisation, social distance and standing. Reviewing the Field of each statement framed an examination of each statement's angle of representation through the characterisation of events/entities and elements of agency and affectedness. Particular consideration was given to how connections are made or avoided between participants through clausal structures, evidence of agency through transactional and non-transactional actor roles and agent deletion/de-emphasis through intransitive and passive grammatical constructions. The findings from this comparative register analysis were revisited and informed by corpus analysis of the two statements and of two additional larger-scale corpora constructed from Chairman and CEO statements extracted from the annual reports of 25 FTSE100 companies published in 2013. The findings suggest that readers' perceptions are shaped by the statements of the Chairman and CEO of BP plc in the company's 2010 annual report, but similarities and differences are apparent in the way this positioning is engineered. Broader corpus analysis suggests that these similarities and differences are not localised to BP plc.

Key words:

Voluntary reporting, legitimacy, reader positioning, systemic functional linguistics.

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Introduction

Historically, company annual reports were primarily comprised of financial statements but their communicative significance has grown and with it their narrative content (O'Regan, 2008). Average length has doubled since 1996 to 103 pages (Deloitte, 2012) amid recognition that financial statements alone cannot adequately capture a company's performance and prospects. Much of this is unregulated and given voluntarily, so writers have freedom to express themselves. This invites 'impression management' (Clatworthy and Jones, 2003) and so the potential for readers to be positioned into particular interpretations and ways of thinking.

This paper examines statements published by the Chairman and CEO of BP plc as key disclosures foregrounded within the company's 2010 annual report. It is plausible that the fallout from the Deepwater Horizon oil spill in April 2010 (hereafter referred to as Deepwater Horizon) would have heightened the need for reader positioning and that differences would manifest in the approach to and strength of positioning because the Chairman and CEO traditionally occupy different roles within the company. Whether and if so how readers are positioned is investigated through a comparative register analysis of the respective statements of the Chairman and CEO from BP plc's 2010 annual report following M.A.K. Halliday's Systemic Functional Linguistic framework. Whether the Chairman and CEO of BP plc took different approaches to this is further investigated through the comparative register analysis. Whether then such findings may apply more broadly across UK-listed companies is investigated through larger-scale corpus analysis.

Literature and rationale

Rachel Carson's seminal publication *Silent Spring* (1962) sought to raise public awareness of the devastating environmental effects of the worldwide use of the pesticide dichlorodiphenyltrichloroethane (DDT). This is commonly attributed with starting the environmental movement, at least in the USA, although Buhr (2002, p.59) citing a study by Neuzil and Kovarik (1996) claimed that "environmental and social controversies have been troubling the public for centuries". Whatever the origins, it seems that the level of recent media coverage devoted to environmental concerns, coupled with the higher placing of environmental matters on the political agenda, have precipitated much greater public awareness. This is corroborated by Dillard (2007) who claimed the criticality of environmental sustainability is more widely recognised by society; and by Dixon *et al* (2005) who maintained that environmental awareness, which can materially affect companies, has been growing for twenty years in tandem with membership levels of environmental pressure groups. Green activism in the UK has grown steadily from around 1970 with the inception and increasing memberships of organisations such as the Green Party, Greenpeace, Friends of the Earth and the World Wildlife Fund (Campbell, Craven and Shrives, 2003). Public opinion may be volatile but "environment concern is an enduring issue" and "environmental activism is increasingly diverse, widespread, effective and well-informed" (Gray and Bebbington 2001, p.33).

Organisations do not stand alone but are components of a larger social system upon which they are dependent for continuing support (Pfeffer and Salancik, 1978; Ashforth and Gibbs, 1990). Parsons (1956) argued that because organisations consume society's resources, resources for which presumably alternative uses could be found, then society necessarily evaluates how appropriate, useful and 'legitimate' an organisation's activities are with respect to those resources (Pfeffer and Salancik, 1978). Legitimacy denotes a state whereby the "means and ends" of an organisation "appear to conform to social norms, values and expectations" (Dowling and Pfeffer 1975; cited in Ashforth and Gibbs 1990, p.177). An organisation that has legitimacy justifies to society its continued right to resources and to exist (Maurer, 1971; Brown and Deegan, 1998), that its goals, activities and value system are congruent with society's expectations and thereby legitimate (Pfeffer and Salancik, 1978; Lindblom, 1994).

Societal norms, values and expectations are not fixed (Sethi, 1977) and organisations must be responsive to this. If a disparity exists between respective value systems - organisation and public - then that organisation's legitimacy will be under threat (Lindblom 1994). Failure to comply with societal expectations, i.e. between how society believes an organisation *should* act and how it is *perceived* that the organisation has acted, will inevitably lead to a 'legitimacy gap' (Deegan and Unerman, 2006). Adverse consequences follow with the restriction of, and in the worst cases withdrawal of community support (Deegan, 2007). Organisations may seek to counter legitimacy threats through communication strategies designed to "influence the public's perception towards their operations" and "influence corporate image or reputation" (Dixon *et al*, 2005, p.704; Deegan, 2002).

Managers will take action to build legitimacy, maintain legitimacy and thereby negate any threats to that resource, or repair legitimacy where the damage has already been done (Suchman 1995; Campbell *et al.*, 2002). Aims vary from demonstrating changed behaviour to correcting stakeholder misperceptions or simply changing the focus of attention (Warsame *et al.*, 2002:24). Whatever the specific aim, effective legitimisation strategies rely upon targeted disclosures of information to relevant publics (Deegan and Blomquist, 2006; Van Staden and Hooks, 2007). "Legitimacy is assumed to be influenced by disclosures of information and not simply by (undisclosed) changes in corporate actions" (Newson and Deegan 2002, p.185; Deegan 2007, pp.135-136), thus all legitimisation strategies are reliant upon communication (Deegan, 2007). With increasing calls for companies to demonstrate satisfactory performance vis-à-vis the environmental domain (Deegan, 2007), companies across many industry sectors are choosing to publish significant amounts of environmental information generally (Van Staden and Hooks, 2007) and arguably in response to specific legitimacy threats (see, for example, Guthrie and Parker, 1990, Patten, 1992 and Warsame *et al.*, 2002).

So, for a company to be 'socially legitimate' its business and conduct must appear to conform to the expectations of society (Suchman, 1995; Dowling & Pfeffer, 1975). A company's legitimacy will be under threat if a disparity exists between the respective value systems of the company and society (Lindblom, 1994). 'Deepwater Horizon' was hugely damaging to the environment and economy of the area effected and consequently BP plc which suffered significant reputational damage from negative media coverage, vast reparatory fines (BP plc put aside \$7.8bn to cover claims – BBC news online, 28/6/14), a record US criminal fine (BBC News Online, 15/11/12) and a lengthy ban on US federal contracts (BBC News Online, 13/8/13). This evidences a legitimacy threat.

Legitimacy theory maintains that a company will take action to repair legitimacy threats (Campbell *et al.*, 2002), with disclosures seen as a key mechanism by which a company can influence external perceptions (Deegan, 2007; Dixon *et al.*, 2005; Suchman, 1995). Much accounting research in this context has employed ‘content analysis’ (see Krippendorff, 2012) to derive a quantitative determination of relevant disclosure volumes based on word counts, sentence counts or page proportions (e.g. Campbell *et al.*, 2002; Brown and Deegan, 1998; Patten, 1992, etc.). Studies often assume that increased disclosure volumes equate to increased attention given by organisations to gaining, maintaining or repairing legitimacy as appropriate. This paper, however, takes a different approach. Assumptions are not predicated on disclosures volumes. Through close examination of selected disclosures - respective statements of the Chairman and CEO from BP plc’s Annual Report 2010 - lexico-grammatical choices will be revealed through which communicative meaning can be interpreted. Essentially this paper seeks to examine how each statement operates lexico-grammatically to shape readers’ perceptions.

BP plc has a unitary board system comprised of executive and non-executive directors who collectively manage the company on behalf of its shareholders. The UK Corporate Governance Code (2014) maintains that responsibilities should be clearly divided between a Chairman who runs the board and a separate CEO who runs the company (Mallin, 2013). The Chairman should be an independent outsider (Monks & Minow, 2004) who, with the non-executive directors, acts as a check on the authority of the executive (Solomon, 2013). It was anticipated therefore that differences would present between the Chairman and CEO in terms of ideologies conveyed and reader positioning. These form additional worthwhile points of investigation, specifically whether similarities and differences between the two statements are evident and whether those similarities and differences can be observed more broadly across UK-listed companies.

Method

BP plc was sampled specifically because of Deepwater Horizon, the anticipated threat which this caused to BP plc’s legitimacy and the assumption following the literature that BP plc’s managers would seek to respond to this threat and repair the company’s legitimacy through disclosures. It is recognised that disclosures are made through various mechanisms but for practical purposes the focus here was restricted to annual report statements. Previous studies have pragmatically relied upon annual reports as a readily available and comparable data source (Deegan and Unerman, 2006; Campbell 2004). For reasons of proximity to Deepwater Horizon the dataset for comparative register analysis, as informed by localised corpus analysis, comprised statements made by the Chairman (Text 1) and CEO (Text 2) from BP plc’s 2010 annual report.

Functional grammar focuses on explaining language use in terms of meaning (Hewings, 2006). M.A.K. Halliday’s Systemic Functional Linguistic framework provides a systematic way of describing and analysing the links between lexico-grammatical choice and sociocultural context (O’Halloran, 2006). It is suited to an investigation involving close text analysis to ascertain ideological bias (O’Halloran, 2006). Within Halliday’s framework linguistic communications are seen as simultaneously serving three metafunctions of meaning: interpersonal, which is concerned with social interaction and exchange of views; experiential, which is concerned with the representation or construal of events and experiences; and textual, which is concerned with conveying a coherent message through information flow and packaging (Coffin, 2006; Halliday and Matthiessen, 2004). These

functions of communication are realised by lexico-grammatical forms which reflect and construct three overarching aspects of a communicative event: tenor (interpersonal metafunction), field (experiential metafunction) and mode (textual metafunction) (Coffin, 2006). Lexico-grammatical modes of meaning are thus directly related to aspects of the social setting (O'Halloran, 2006).

Following Halliday's Systemic Functional Linguistic framework, a comparative register analysis was undertaken of both statements. This concentrated on relevant aspects of tenor and field as the metafunctions of most significance to this investigation.

Tenor is primarily concerned with social roles, relationships and attitudes (Coffin, 2006). Determining the tenor of each statement framed an assessment of how the Chairman and CEO each present to the reader, i.e. the *persona* which comes across through the lexico-grammar and how this is likely to impact upon reader interpretations. As non-interactive texts, each persona was made visible through interpretation of 'stance' (epistemic modality, deontic modality and attitude) (O'Halloran, 2006), personalisation and social distance (personalising pronouns, directives, colloquialisms, evaluative language) and standing (attribution, citation, evaluative language) (Coffin, 2006).

Field covers the topic or activity and affects the way grammar and lexis is used by, for example, influencing a writer's choice of grammatical processes and participants and the degree of technical lexis used (Coffin, 2006). Determining the field of each statement involved an assessment of angles of representation in each statement through the characterisation of events/entities and elements of agency and affectedness. In particular this examined how connections are made or avoided between participants through clausal structures, evidence of agency through transactional and non-transactional actor roles and agent deletion/de-emphasis through intransitive and passive constructions (Coffin, 2006).

It was recognised that this comparative register analysis, built from the author's subjective selection and interpretation of the material, cannot possibly be value free and so would inevitably be subject to partiality (O'Halloran, 2006). Whilst objectivity has been strived for, the author may have unwittingly selected parts of each statement which fit the author's argument or corroborate the author's interpretation whilst missing features which do not (Widdowson, 1995; cited in Coffin *et al.*, 2010, p.121). A concordancer can be used to find lexico-grammatical patterns of meaning objectively within a single text or across large corpora of texts. Corpus analysis would thus add rigour to the comparative register analysis by objectively pointing to regularities in each statement (O'Halloran, 2006) and so acting as a check against subjective over-interpretation (Coffin & O'Halloran, 2005). The two approaches – comparative register analysis and corpus analysis – are compatible because both see language as operating within particular contexts, in contrast to grammatical paradigms which isolate language from its use (Hewings, 2006).

Corpus analysis was thus undertaken of Texts 1 and 2 included in the comparative register analysis. Texts 1 and 2 were each uploaded separately to a concordance software package, 'MonoConc Pro', which generated lists of frequently occurring words for each text to facilitate the location of clustering and objectively render patterns of 'stance' more visible (Coffin and O'Halloran, 2005) for comparison with prior interpretations. In addition, attitudinal indicators were sought through consideration of co-text before and after frequently occurring words and searches for modals, personal pronouns and attitudinally charged terms

identified from the comparative register analysis. The comparative register analysis was then revisited and revised in light of the corpus analysis.

Larger scale corpus analysis would determine if similarities and differences could be observed more broadly across UK-listed companies or if the statements from BP plc's 2010 Annual Report are atypical. Two additional corpora were compiled from Chairman and CEO statements extracted from the 2013 annual reports of 25 UK-listed companies chosen alphabetically from the FTSE100 (subject to six exclusions where annual reports did not include individual statements by the Chairman and CEO). These were uploaded to the same concordance software package, 'MonoConc Pro', and word-frequency lists were compiled for 'Corpus 1 (Chairman)' and 'Corpus 2 (CEO)'. These lists were then compared and contrasted with the preceding data from Text 1 and Text 2.

Findings

The following findings are drawn from the comparative register analysis informed by corpus analysis of Text 1 and Text 2. Numbers given in brackets relate to line numbers for each text (see appendices).

Tenor

A writer's stance denotes commitment to a particular meaning (O'Halloran, 2006). The Chairman strongly positions readers through his stance, which is expressed through modality. When a sentence expresses a degree of likelihood it has epistemic modality (O'Halloran, 2006). Here, epistemic modality expresses certainty through the modal finite "will" (x11: 0.7083% of Text 1) and by modification of modal finites "should" and "will" by the modal adverb "never", tempered somewhat by occasional use of the less certain modal finite "can". When a sentence expresses permission, obligation or necessity it has deontic modality (O'Halloran, 2006). Here, deontic modality strongly expresses necessity and obligation through modal finites "will" (x4: 0.2576%), "would" and "must".

Positioning by the CEO through stance is comparatively diluted. Epistemic modality expresses varying degrees of certainty through a scale of modal finites from "will" (strong modality) to "may" and "can" (weaker modality), although "will" is most prominent (x12: 0.5602% of Text 2) and several instances of modification by the modal adverbs "never" and "not" add strength. Instances of deontic modal meanings are limited and so deontic modality is comparatively weak.

The Chairman's opening tone is conciliatory, although perhaps mindful of legal constraints is not apologetic. This should engineer some solidarity with potential readers, employees certainly, although arguably less so with respect to the target shareholder audience if their interests are more financial than social. The CEO's opening tone is similarly conciliatory. There is even an apology, albeit for the "grief felt by their families" (Text 2: 6) rather than for the "accident". This paragraph is relatively short so that less attention is given to Deepwater Horizon and is arguably less effective therefore in engineering solidarity with readers. However, the CEO may well have found solidarity with shareholders by turning his attention to the "corporate (financial?) crisis" (Text 2: 10), by outlining the steps taken to mitigate the financial damage to BP plc and by recognising BP plc's "fundamental purpose is to create value for shareholders" (Text 2: 164-165).

The Chairman's attitude is positive throughout concerning BP plc's role in dealing with the crisis. Successes are attributed to BP plc's interventions and potential negatives are turned into positives. The CEO's attitude is similarly positive. The negative of "divesting roughly half of our US refining capacity" (Text 2: 110-111) is explained away as refocusing on BP plc's competitive advantage (Text 2: 111-113) (with hindsight this seems like 'spin' given BP plc's lengthy ban re US federal contracts (BBC News online, 13/8/13)). The CEO's statement differs in its treatment of successes, the credit for which is shared, although reference to "Transocean" as the "rig's owner" (Text 2: 21-22) might be interpreted as a subtle attempt to deflect blame from BP plc. Would readers perceive "Transocean" as responsible for what occurs on its rig? Semantic prosody is evident in both statements through positively charged terms, positioning readers by showcasing BP plc in a good light. Counter-intuitively, the CEO report makes comparatively greater use of the negatively charged "not" (x6: 0.2801% cf. x2: 0.1288%).

The Chairman reveals his presence through the personal pronoun "I" and by directly addressing readers through second person pronouns "you/your" which mimic personal contact typical of conversation (Coffin, 2006), though not in demonstrably friendly/familiar terms. First person pronouns "we", "us" and "our" serve to 'include' readers. These markers establish closeness and solidarity but perversely the "you" declarative (Text 1: 118) separates BP plc from its shareholders. The language is direct and exhibits an unfamiliar, business-like style. There are no casual/colloquial words/phrases, no contractions. No friendly, informal acquaintance is implied between writer and reader. This serves to widen the proximity between writer and reader.

The CEO arguably employs "I" in more familiar terms with reference to personal anecdotes and feelings. Occasional colloquialism is also apparent and repeat references to "people" (x11: 0.5135%) emphasises human concerns. Intimacy is built in a conversational way through which the CEO's pseudo-familiar presence is revealed. Combined with extensive use of inclusive first person pronouns "we", "us" and "our" the CEO's statement exhibits a greater degree of "synthetic personalisation" (O'Halloran, 2006, p.30). This could position the reader on the CEO's side.

It was anticipated that the Chairman, "an independent outsider" (Monks & Minow, 2004, p.242), might identify more with readers and less with BP plc. However, through repetition of "we" the Chairman positions himself as a company insider. "We" is not used here in an inclusive sense; readers are kept at arm's length – "you/your".

Both Chairman and CEO carry 'standing' from their positions. Both are expert witnesses with inside knowledge which readers do not possess, extensive media coverage notwithstanding. Both take responsibility for their material; there is no reliance on others for supporting evidence. However, differences manifest in their language use. The Chairman's statement is formal and informative, not evaluative. The CEO's statement is less formal but as informative whilst exhibiting some evaluative aspects. Declarative statements by the Chairman are non-negotiable whereas the CEO is often less assertive, leaving some room for readers to negotiate.

Field

Given the intense public scrutiny it was anticipated that connections between participants might be avoided through intransitive clauses - to deflect responsibility away from BP plc - and foregrounding of participants might be avoided through passives. Both enable the removal of actors thereby avoiding representing connections in the world (O'Halloran, 2006). Both are evident, though used sparingly, in the CEO's statement. For example, the CEO avoids describing BP plc as agentive vis-à-vis Deepwater Horizon – through an intransitive structure (Text 2: 23-24) effectively the rig just sank with no external agent responsible. The CEO further avoids taking credit for the response through a short passive (Text 2: 24), not perhaps out of modesty but to avoid making a connection between the spill in the first place. Tactically these suppress the company's agency, mitigating potentially negative evaluations (Coffin, 2006). This approach contrasts with the Chairman who avoids intransitive clauses and passives and who clearly portrays the company as a transactional actor and so agentive in dealing with the spill and its aftermath (although not its cause!). The CEO's statement does not foreground BP plc as clearly and so takes less direct credit – this might have anticipated this in reverse given the Chairman (outsider) vs. CEO (insider) dynamic. Neither statement portrays BP plc as agentive with reference to the spill; BP plc's role here is deleted/de-emphasised through grammatical structures.

Both statements conform to the principle of end-weight whereby long/complex elements are placed at clause-end. Early placing of the main verb in clauses is a particular feature of conversation (O'Halloran, 2006; Biber *et al.*, 2009) and lends each statement a conversational quality. This adds to the feel of synthetic personalisation attributed above to the use of inclusive first person pronouns.

Broader corpus analysis

As word counts vary between each corpus there is little value in comparing absolute figures. Word-frequency percentage values provide relative measures for comparison:

	Text 1 (BP 2010 – Chair)	Text 2 (BP 2010 – CEO)	Corpus 1 (x25 2013 Chair)	Corpus 2 (x25 2013 CEO)
Key word	% of Corpus	% of Corpus	% of Corpus	% of Corpus
Will	0.9659	0.6069	0.4037	0.4118
Must	0.3863	0	0.0549	0.0253
Can	0.2576	0.3268	0.1215	0.0552
I	0.4507	0.5135	0.5526	0.2001
We	3.0908	3.0345	1.5088	1.9346
Our	1.2234	1.5406	2.1829	2.3716

Text 1 exhibits much higher modality than the 'norm' given by Corpus 1 through "will" (greater by a factor of x2.39), "must" (x7.04) and "can" (x2.12). Thus, Text 1 evidences stronger reader positioning than is the norm. Linked to the timing of Text 1 relative to Corpus 1 (2010 cf. 2013) the difference may be explained by a legitimacy-based motive, i.e. because of the threat posed by Deepwater Horizon Text 1 exhibits more focussed reader positioning to repair BP plc's legitimacy.

Text 2 and Corpus 2 present a similar picture for CEO statements through “will” (x1.47) and “can” (x5.92), and may be explained by the same legitimacy-based motive. Interestingly, “must” features more prominently in reports by Chairs (Corpus 1, 0.0549%) than by CEOs (Corpus 2, 0.0253%), the latter presenting as less assertive with reduced modality. The contrast is stark in comparing Text 1 which relies heavily on “must” for its strength of modality, particularly deontic (0.3863%), and Text 2 in which “must” does not feature (0% based on minimum count of ‘3’).

Authorial presence is revealed through “I” and “we”. Both Text 1 and Text 2 employ “we” significantly more than the norms established by Corpora 1 and 2. The writers may have felt the need to work harder to bring readers into close proximity to repair legitimacy. Text 1 is relatively close to the norm re “I” (0.4507% cf. 0.5526%). Text 2, however, employs “I” to a significantly greater extent (0.5526% cf. 0.2001%). This fits with earlier findings of intimacy/familiarity apparent in Text 2. This synthetic personalisation potentially has a positioning effect on readers which again might be explained by the need to repair BP plc’s legitimacy.

Conclusions

The findings from this investigation suggest that readers’ perceptions are shaped by the statements of the Chairman and CEO respectively from BP plc’s 2010 annual report, but that similarities and differences are apparent in the way this positioning is engineered and more broadly with reference to larger-scale corpora.

Both statements engineer strong reader positioning but do so in different ways. Each writer’s subjective presence is revealed, and readers are brought into close proximity, through extensive use of personal pronouns. The Chairman’s statement relies much more on stance than on synthetic personalisation. Conversely, the CEO report relies more on synthetic personalisation than on stance. The Chairman actually addresses the reader directly, mimicking conversation, but it is the CEO’s statement which exhibits more synthetic personalisation.

Both writers are keen to protect BP plc vis-à-vis Deepwater Horizon. The Chairman’s statement de-emphasises BP plc’s role by making the “accident” agentive and so responsible. The CEO’s statement suppresses BP plc’s agency through occasional use of intransitive and passive clauses. The Chairman’s statement clearly identifies BP plc as agentive in dealing with the crisis whereas the CEO’s report is more circumspect in taking credit. Both statements are attitudinally positive re BP plc’s role in dealing with the crisis, although the CEO’s statement differs in sharing attribution of successes. Both statements employ terms with positive polarity to assist in engineering a positive feel/attitude.

Future research which might add to this paper’s findings would be welcomed. It may be instructive to complete a full comparative register analysis across all three metafunctions, rather than restrict the focus to the salient aspects of two metafunctions as here, as the three metafunctions work together in articulation. A more detailed examination of collocations drawn from corpus analysis would add further depth to the interpretations made. Constraints of time and technical skill necessarily limited the broader corpus analysis to a comparison of word-frequencies – sophisticated grammatical tagging by a linguist would enable a more in-depth study of the broader corporate reporting picture. The method employed in this study

might be repeated longitudinally for a single company to see if changes might be observed over time given changes in personnel.

Word Count = 3,956 (excluding Abstract)

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Appendix 3b

Text 1 - Chairman's Statement

(formatted)

Text 1 – Chairman’s letter (formatted)

1 Chairman’s letter

2 Dear fellow shareholder

3 2010 was a profoundly painful and testing year. In April, a tragic accident on the
4 Deepwater Horizon rig claimed the lives of 11 men and injured others. Above all
5 else, I want to remember those men, and say that our thoughts remain with their
6 families and friends. BP’s priority is to ensure that the people who work for us, and
7 with us, return home safely. The accident should never have happened. We are
8 shocked and saddened that it did.

9 The spill that resulted caused widespread pollution. Our response has been
10 unprecedented in scale, and we are determined to live up to our commitments in the
11 Gulf. We will also do everything necessary to ensure BP is a company that can be
12 trusted by shareholders and communities around the world.

13 In the days after the accident in the Gulf of Mexico the company faced a complex
14 and fast-changing crisis. With oil escaping into the ocean, uncertainty grew around
15 our ability to seal the well and restore the areas affected. This was an intense
16 period, with the situation worsening almost daily. Our meeting with President
17 Obama on 16 June 2010 provided reassurance to the US government that BP
18 would do the right thing in the Gulf, and this marked a turning point. Through
19 diligence and invention, our teams stopped the flow of oil in July and completed
20 relief-well operations in September.

21 During these difficult days your board focused on three critical objectives.

22 First, we ensured the response team had the resources it required to stop the leak,
23 contain and clean up the damage, and provide financial support to those affected.
24 This was an unprecedented response to an industrial accident, with some 48,000
25 people involved at the height of the effort. We have set up a \$20-billion fund to show
26 our willingness and capacity to pay all legitimate claims for compensation. For the
27 long term, we have committed \$500 million to a 10-year independent research

28 programme that will examine the environmental impact of the oil spilled and
29 dispersants used. BP will continue to help restore the environment and economy of
30 the Gulf, however long that takes.

31 Second, we resolved to understand what happened on and below the Deepwater
32 Horizon, to apply the lessons learned and to make our findings available publicly.
33 BP's comprehensive internal investigation concluded that a sequence of failures
34 involving a number of different parties led to the explosion and fire.

35 We are implementing the report's recommendations. We have established a
36 powerful safety and operational risk function, and we have enhanced risk
37 management through the restructuring of our upstream business. We are also
38 conducting a wide-ranging review of when and how we outsource operations.

39 Third, we moved to secure the long-term future of BP and our capacity to meet our
40 financial responsibilities in the Gulf of Mexico. Decisive action was required here
41 because events in the US led to a crisis of confidence in BP within the financial
42 markets. In response, we made the difficult decision to cancel three dividend
43 payments. We do not underestimate the effect of this on small and large
44 shareholders alike. However, there is no doubt in my mind that this action steadied
45 and strengthened our position at a critical point.

46 I am pleased that we have been able to resume dividend payments promptly. The
47 dividend for the fourth quarter of 2010, to be paid in March 2011, is 7 cents per
48 share (US\$0.42 per ADS). The scrip dividend programme approved last year is in
49 operation once again, and this presents an opportunity to take the dividend in
50 shares or ADSs rather than cash. We intend to raise the level of the dividend as the
51 company's circumstances and performance improve.

52 During the year we further reinforced our financial position. Having taken a total
pre-
53 tax charge of \$40.9 billion in relation to the accident and spill, we announced our
54 intention to sell up to \$30 billion of assets. We have already secured almost \$22

55 billion. We intend to reduce the net debt ratio to within the range of 10-20%,
56 compared with our previously targeted range of 20-30%.

57 We have made significant changes to the board and I want to acknowledge Tony
58 Hayward and Andy Inglis, who have left the company. Tony stood down as group
59 chief executive on 1 October 2010. The board was saddened to lose someone
60 whose long-term contribution to BP was so widely admired. Andy Inglis stood down
61 on 31 October 2010. Andy was a strong leader of Exploration and Production and a
62 significant contributor to the board.

63 BP is fortunate to have an exceptional successor to the role of group chief
64 executive. Bob Dudley has spent his working life in the oil industry and has proved
65 himself a robust, successful leader in the toughest circumstances. I am delighted to
66 be working alongside a man of such substance and experience.

67 Douglas Flint will be standing down at the annual general meeting in April 2011,
68 having taken up a new role as chairman of HSBC Holdings plc. Douglas has chaired
69 our audit committee for the past year. DeAnne Julius will be standing down at the
70 same time, having joined the board in 2001. DeAnne has chaired the remuneration
71 committee since 2005 and is succeeded in that role by Antony Burgmans. Both
72 DeAnne and Douglas have been immensely valuable board members. We thank
73 them and wish them both well.

74 Boards must evolve if they are to engage effectively with new issues and
75 opportunities. We have acted to strengthen the board of BP to ensure we have the
76 right mix of skills, knowledge and experience as we work to achieve sustainable
77 success in a fast-changing world. In early 2010 we appointed Paul Anderson and
78 Ian Davis as non-executive directors. We have since made three further non-
79 executive appointments. Admiral Frank L 'Skip' Bowman is former head of the US
80 Nuclear Navy and was a member of the Baker Panel that reviewed safety at BP's
81 US refineries. We will benefit from his exceptional experience on safety matters and
82 his knowledge of BP. Brendan Nelson brings vast financial and auditing experience
83 from KPMG, where latterly he was vice chairman. He is eminently well qualified to

84 take over the chair of the audit committee following the annual general meeting.
85 Phuthuma Nhleko will bring deep experience of emerging markets, gained while he
86 was group president and chief executive officer of multinational telephony company
87 MTN Group.

88 Clearly, after a very troubled and demanding 12 months, BP is a changed company.
89 As a board we have much to do, and we are working with the executive team to
90 ensure successful implementation of a refocused strategy built on the pillars of
91 safety, trust and value creation. Foremost is the need to ensure the right checks and
92 balances are in place across the company. The full board will continue to maintain
93 close oversight of matters related to safety. And we will have even greater
94 engagement on the strategic implications of risk.

95 Looking ahead, we believe that a growing population and rising levels of prosperity
96 will create strong demand for energy. BP's ability to produce oil and gas from harsh
97 environments means we have a vital contribution to make here. We will also
98 continue to respond to climate change, and to the prospect of fossil fuels becoming
99 a smaller part of the energy mix. For these reasons, BP must continue to be a
100 leader in high-quality hydrocarbons today, while developing the intelligent options
101 we will all rely on tomorrow. Lower-carbon resources remain central to this long-
102 term strategy.

103 BP is able to help meet the world's growing need for energy, but we can only do this
104 if we have the trust of society. To achieve this, we must ensure that safety and
105 responsibility are at the heart of everything we do. We must show that we can be
106 trusted to understand and manage our risks. And we must demonstrate that we
107 respect the environment and the needs of local communities and society as a
108 whole.

109 The many strengths of BP are united in our remarkable people, who showed in 2010
110 that they can rise to the sternest challenge. I thank them for their efforts.

111 While we face substantial challenges, shareholders must be in no doubt – BP has

112 the determination and strength needed to restore its reputation and deliver long-
113 term shareholder value. Through its refocused strategy, the company is working to
114 become more agile and more competitive, with strong emphasis on realizing value
115 rather than building volume and scale. We will not be afraid to develop new and
116 innovative approaches that redefine the model of an international oil company, as
117 our recently announced partnerships with Rosneft and Reliance demonstrate.

118 I want to end by thanking shareholders for their support. You have been steadfast
119 through one of the most testing periods in BP's long history. We have learned many
120 lessons about ourselves over the past 12 months, and these will never be forgotten.
121 I believe we will emerge a stronger, wiser company with a very important role to
122 play, for many years to come.

123 **Carl-Henric Svanberg**

124 Chairman

125 2 March 2011

(Adapted from BP plc Annual Report 2010, pp.6-7)

Appendix 3f
Text 2 - CEO's Statement
(formatted)

Text 2 – Group Chief Executive Officer’s Letter

1 Group chief executive’s letter

2 Dear fellow shareholder

3 The tragic events of 2010 will forever be written in the memory of this company and
4 the people who work here. The explosion and fire on the Deepwater Horizon rig
5 shocked everyone within BP, and we feel great sadness that 11 people died. We
6 are deeply sorry for the grief felt by their families and friends. We know nothing can
7 restore the loss of those men.

8 The accident on 20 April 2010 turned into an unprecedented oil spill with deep
9 consequences for jobs, businesses, communities, the environment and our industry.
10 From this grew a corporate crisis that threatened the very existence of the company.
11 And it all started in a part of the world that’s very close to my heart. I grew up in
12 Mississippi, and spent summers with my family swimming and fishing in the Gulf. I
13 know those beaches and waters well. When I heard about the accident I could
14 immediately picture how it might affect the people who live and work along that
15 coast.

16 Yet, just days before the accident, I had been reflecting on the progress made by
17 BP. The company had put safe and reliable operations at the centre of everything,
18 and we had turned a corner on financial performance. Then came the unthinkable. A
19 subsea blowout in deep water was seen as a very, very low-probability event, by BP
20 and the entire industry – but it happened.

21 Following the accident, a search-and-rescue operation was carried out by the rig’s
22 owner, Transocean, together with BP and the US Coast Guard. This continued for
23 four days and covered 5,000 square miles. On 22 April 2010 the Deepwater Horizon
24 sank, and a major oil spill response was activated. At its peak this involved the
25 mobilization of some 48,000 people, the deployment of around 2,500 miles of boom
26 and the co-ordination of more than 6,500 vessels. Field operations brought together
27 experts from key agencies, organizations and BP. Thousands of our people flew in
28 from around the world and stayed and worked for weeks and months. Nearly 500

29 retirees from BP America called up to say they wanted to help. This was an
30 extraordinary response.

31 As the response developed, the problems grew in complexity and scale. Tackling
32 the leak on the seabed demanded groundbreaking technical advances and
33 dauntless spirit. We also found ourselves in the midst of intense political and media
34 scrutiny. We received incredible support and faced tremendous criticism, but our
35 priorities remained clear – provide support to the families and friends of those 11
36 men who died, stop the leak, attack the spill, protect the shore, support all the
37 people and places affected. We also committed to carry out an immediate and
38 detailed internal investigation.

39 As a responsible party, under the Oil Pollution Act, we knew we would face wide-
40 ranging claims and potential fines, but we resolved to go beyond what the law
41 required of us. We made swift payments to support local economies, and gave a
42 total of \$138 million in direct state grants during 2010, which included behavioural
43 health programmes. We set up the \$20-billion Deepwater Horizon Oil Spill Trust to
44 meet individual, business, government, local and state claims, and natural resource
45 damages. We provided \$500 million for the Gulf of Mexico Research Initiative,
46 which
47 is funding independent research to investigate impacts on affected ecosystems. And
48 we contributed to a \$100-million fund to support rig workers hit by the drilling
moratorium.

49 To meet our financial commitments, we announced the sale of up to \$30 billion in
50 assets and, by the end of 2010, had agreed to \$22 billion of disposals. We have
51 also cut back on discretionary capital spending and secured additional credit lines.
52 The sound underlying performance across our business continues to give us a solid
53 foundation, and speaks volumes for the inner strengths of BP and our people.

54 As part of our response, we took the decision to cancel further dividends in 2010.
55 While we know that many shareholders rely on their regular payments, we also had
56 to protect the company and secure its long-term future. The board of BP took this

57 decision with a heavy heart, but I believe it was the right thing to do in truly
58 exceptional circumstances.

59 Our investigation report was published on 8 September 2010, and found that no
60 single factor caused the accident. The report stated that decisions made by multiple
61 companies and work teams contributed to the accident, and these arose from a
62 complex and interlinked series of mechanical, human judgement, engineering
63 design, operational implementation and team interface failures.

64 We have accepted and are implementing the report's recommendations. We are
65 also sharing what we have learned with governments and others in our industry, and
66 we are co-operating with a series of other investigations, inquiries and hearings.

67 2010 stands as an inflexion point for BP and our industry, and it is right that we
68 should help lead the development of better ways to operate in deep water. Good
69 risk identification and management is integral to becoming safer, and we are
70 working with governments, service contractors and industry peers to take risk
71 management and equipment design to the next level. Within BP, we have
72 introduced more layers of protection and resilience, with our new safety and
73 operational risk function empowered to intervene in any operation. To enhance our
74 specialist expertise and risk management, we have re-organized our upstream
75 business into three divisions – Exploration, Developments and Production. To
76 encourage excellence in risk management throughout the organization, we are
77 reviewing how we incentivize and reward people. And to think hard about what was
78 previously unthinkable, we are looking further afield for insight and wisdom. I have
79 spent time with experts from the nuclear and chemicals industries, and I am
80 convinced that we in the energy industry have much to learn from them and others.
81 We must take what we learn and embed it deep in the fabric of our organization.

82 Part of BP's task right now is to show we can be trusted to handle the industry's
83 most demanding jobs, including exploration and production in deep water. Around
84 7% of the world's oil supplies come from this source, and we expect this will rise to
85 nearly 10% by 2020. We are one of only a handful of companies with the financial

86 and technological strengths needed to operate in these geographies. Before April
87 2010, BP had drilled safely in the deep waters of the Gulf of Mexico for 20 years.
88 The governments of Egypt, China, Indonesia, Azerbaijan and the UK have shown
89 confidence in our ability to operate safely at depths, having signed new deepwater
90 drilling agreements with us in the second half of 2010.

91 It is important to remember why companies such as BP have to take on the risks
92 they do. Around 40 years ago, international oil companies had access to the
93 majority of the world's oil reserves. Today these companies can access a much
94 smaller share. This still provides substantial opportunities for value creation, but
95 reaching many of those reserves requires us to overcome severe physical,
96 technical, intellectual and geopolitical challenges. Global energy demand continues
97 to rise, so the world needs BP and others to meet these challenges in an
98 environmentally sustainable way. In doing this, we can never eliminate every
99 hazard, but we can become an industry leader in understanding and limiting risk.
100 That's our goal.

101 Clearly, one of the consequences of the events of 2010 was a substantial loss of
102 value and returns for our shareholders. I am pleased that we have been able to
103 resume dividend payments, and our intention is to grow the dividend level in line
104 with the company's improving circumstances. We are now taking action to create
105 and realize greater value. We are increasing our investment in exploration, which is
106 one of our distinctive strengths.

107 We are gaining access to a wide range of new upstream resource opportunities, and
108 already have 32 project start-ups planned between now and 2016. We are taking an
109 even more active approach to buying, developing and selling upstream assets, with
110 a focus on maximizing returns rather than building volume. And we are divesting
111 roughly half of our US refining capacity, so we can focus downstream investments
112 on refining positions and marketing businesses where we have competitive
113 advantage. This builds on the success BP's Refining and Marketing business has
114 achieved in driving itself back to significantly improved performance and returns
115 over the past few years.

116 In short, BP is moving swiftly to address its weaknesses and build on its strengths.
117 While doing this we will not hesitate to go beyond the conventional business model
118 of an international oil company. Since 2003 we have had a strong alliance onshore
119 in Russia with TNK-BP. In January 2011 we announced our Arctic alliance with
120 Rosneft, which further shows our strategy in action. Pending completion, this is
121 expected to be the first major equity-linked partnership between a national and
122 international oil company, with an agreement with Rosneft to receive 5% of BP's
123 ordinary voting shares in exchange for approximately 9.5% of Rosneft's shares.
124 Under the agreement, Rosneft and BP will seek to form a joint venture to explore
125 and, if successful, develop three licence blocks in the South Kara Sea – an area
126 roughly equivalent in size and prospectivity to the UK North Sea. BP and Rosneft
127 have also agreed to establish an Arctic technology centre in Russia, which will work
128 with research institutes, design bureaus and universities to develop technologies
129 and engineering practices for the safe extraction of hydrocarbon resources from the
130 Arctic shelf.

131 In February 2011 we announced a second historic agreement. This will, subject to
132 completion, see BP and Reliance work together across the gas value chain in the
133 fast-growing Indian market. This major strategic alliance will combine BP's
134 deepwater capabilities with Reliance's project management and operations
135 expertise.

136 BP is also partnering with another organization, Husky Energy, to develop a further
137 important resource of energy – Canada's oil sands. These represent the second
138 largest reserves in the world after the oilfields of Saudi Arabia. We will work with
139 this
140 resource in a way that fits with our long-term responsibilities and objectives, using
141 steam assisted gravity drainage to extract the oil, and an efficient, integrated system
142 to transport it. Our approach will have a relatively small footprint and should not be
143 confused with opencast mining – we will not engage in mining. On a well-to-wheel
144 basis, greenhouse gas emissions from Canadian oil produced this way are expected
to be slightly higher than those from conventional crudes imported to North America.

145 Along with providing the hydrocarbons required over coming years, we are helping
146 to build the sustainable options needed to meet growing demand for lower-carbon
147 energy. Our natural gas operations will help to provide a lower-carbon bridge from
148 oil and coal to renewables. We are building a material business to produce biofuels
149 in Brazil, the US and the UK. We are becoming a leading player in wind energy. We
150 have a long-established solar business. And we have made substantial investments
151 in carbon-capture-and-storage technology. Lower-carbon resources are the fastest-
152 growing sector in the energy market, and BP intends to develop its portfolio in step
153 with this growth.

154 As to the immediate future, I expect 2011 to be a year of consolidation for BP, as we
155 focus on completing our previously announced divestment programme, meeting our
156 commitments in the US and bringing renewed rigour to the way we manage risk.
157 There will also be an increasing emphasis on value over volume, as we sharpen our
158 strategy and reshape the company for growth.

159 Looking back over recent days and months, our thoughts return to the men who lost
160 their lives, to those who were injured and to the communities hit hard by the spill. I
161 have heard people ask “Does BP ‘get it’?” Residents of the Gulf, our employees and
162 investors, governments, industry partners and people around the world all want to
163 know whether we understand that a return to business-as-usual is not an option. We
164 may not have communicated it enough at times, but yes, we get it. Our fundamental
165 purpose is to create value for shareholders, but we also see ourselves as part of
166 society, not apart from it. Put simply, our role is to find and turn energy resources
167 into financial returns, but by doing that in the right way we can help create a
168 prosperous and sustainable future for everyone. This is what people rightfully expect
169 of BP. This is what will inspire and drive us over the next 12 months and far into the
170 future.

171 **Bob Dudley**

172 Group Chief Executive

173 2 March 2011

(Adapted from BP plc Annual Report 2010, pp.10-11)