

CONTRIBUTING TO WEALTH MANAGEMENT

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Thank you very much for that introduction. It's good to be here this afternoon to have this chance to discuss some of the important issues that were raised by George Soros and others this morning.

I'm going to talk about three things – Firstly, roles and responsibilities; secondly the optimum conditions for business; and thirdly, given those roles and responsibilities, and the conditions that are best for business, what can companies legitimately and appropriately do to foster conditions that are conducive to the responsible and transparent management of wealth.

I'm talking as a part of BP's management team in Azerbaijan. Clearly, BP has a leading role in Caspian energy developments as operator of the ACG, BTC and Shah Deniz projects. But if you take the BTC project as an example, BP is just one of 11 partners in this consortium. In the related Shah Deniz and South Caucasus gas pipeline project BP is one of six partners. In AIOC BP has ten partners.

Where the BTC project is concerned we're also working with international financial institutions such as the IFC, the EBRD and a number of state-controlled export credit agencies. In all of these projects we're partnering local state-owned companies. And everything we do in the Caspian region – and practically everywhere else we operate – only takes place after extensive negotiations with host governments and is based on licenses rather than outright ownership.

I say all this to remind us that we're not free agents, we are always working in partnership with others with whom we travel. We're not in a position to dictate anything. We can't solve issues on our own. And I can speak only on behalf of BP.

Also, how we behave in the Caspian in terms of resource management is part of a global pattern of behavior. Details may vary according to local circumstances. But in Angola, Azerbaijan, China, Colombia, Indonesia, South Africa, Trinidad to name a few emerging societies where the wealth we help to create has developmental implications, we work from a core set of policies - which we call 'What We Stand For.'

These policies are global in concept, reach and application. They are not particular to any one country.

What companies are: It's important to keep in mind what companies are. International companies do, indeed, have huge resources, wide-ranging expertise and cutting-edge technology at their disposal. But they're not omnipotent. There are clear limits to corporate influence - and one of them, in our view, relates to how governments spend the

money that we help them generate.

I'll discuss this in more detail later, but at this point I'd like to stress one thing.

BP, and global companies like it, have no democratic mandate. No one anywhere has elected us to do anything. We don't take office underpinned by a plurality or a raft of campaign pledges. The only voters we have are shareholders - and they, above all, look for performance and value for money when they invest.

One way they can gain value is through reputation. Now reputation matters to companies. It affects performance. It affects share price. It helps to attract and keep good employees. The loss of it can destroy businesses. But at the end of the day companies are commercial concerns - not political parties or government or a charity or a cause.

Optimum conditions for business: So, in the interests of shareholders, what kind of conditions would we like to see prevailing in the countries in which we operate?

(This applies to the management of the wealth we help to create.)

- We believe in open, meritocratic societies in which ideas and knowledge move freely within a clear system of law and intellectual property rights.
- Open, law-based societies imply other things. Open markets so we can apply our skills on the basis of efficient allocation of capital. A liberal trade regime. Development that benefits communities rather than individuals. Equitable tax rules and fair and enforceable regulations.
- More often than not such societies are stable - and stable societies, in our view, provide the best conditions for long term economic development.

Corruption does not favour business performance, let alone wealth management or human rights or poverty alleviation. Corruption is anti-competitive, and we like to compete on a level playing field.

In the post-Cold War world business is seen by many as one of the main means of delivery in the drive to alleviate poverty. That is a change for the better. But there's no consensus yet about how far business can or should go in intervening in societies, prescribing solutions or widening their responsibilities.

What international companies can do: But there are things an international company like BP can legitimately and appropriately do to influence and improve a situation.

For example: We can take a lead. We can set clear standards and make sure they are followed by our partners and contractors. We can account for our operations locally as well as internationally. We can try to influence behind the scenes. We can take part in public policy debates.

The importance of trust: A key objective is to build trust.

Clearly, the present era is not overly characterized by trust - of governments or capitalism or large companies. That has important implications for everyone. Capital investment depends on trust and confidence in the present and the future, and such investment is clearly critical to future prosperity and development - in the Caucasus as much as anywhere else.

For the successful corporation nowadays trust doesn't emerge and grow only from delivering particular figures quarter by quarter, but also from the satisfaction of all the different people and organizations with which it interacts. To put it another way - corporate trust stems from the ability of others to rely on a company's judgment.

Social investment in communities is one part of building trust. BP's experience is that corporate social investment has real impact when it is linked directly to our operations and investment. That is, when it is local, run locally - often by third parties reporting to our business units - and subject to an external assurance process.

A clear example is the community and environmental investment programmes we are initiating in Azerbaijan, Georgia, Turkey, alongside our major offshore and pipeline projects. Over the next 2 years we and our partners will commit US\$35m to community projects focused on delivering sustainable benefits to our neighbours.

Social investment – corporate commitment to the community - is far less successful when it moves into territory that is the clear responsibility of government - such as the provision of education or water or power.

These are open-ended commitments. Companies only fail when they make them. Companies are not elected. They won't be thanked. In fact everyone will be quick to blame them.

What companies can do is to foster an environment where such services are provided. They can kick-start new ideas and approaches.

Why transparency matters: Being transparent in all of this - saying quite openly what we're doing and why we're doing it - is crucial. As BP's Group Chief Executive, John Browne, has said, "transparency is part of the process of sound governance - with clear accountabilities, proper and effective controls, checks and balances and an explicit analysis and management of risks."

No one company, of course, can bring about change on its own. So transparency, as we see it, should be a common effort. Governments have a great role to play. And so do companies acting together.

Open disclosure of information can also be a crucial tool to help ensure that the wealth we create in many different societies goes to the benefit of the widest possible number of people.

But it goes beyond that. Openness allows us to show that in all we do - in caring for the environment, for example, or in making social investments or in working with others - we're upholding our defined values of performance and innovation and our core beliefs. That matters to shareholders and employees every bit as much as to campaigning groups or governments.

Values in action: These cannot be empty words. They must have solid actions associated with them. Let me give a few examples:

- Worldwide, we've banned political contributions and facilitation payments and committed ourselves to uphold the Universal Declaration of Human Rights.
- We've introduced international-standard HSE employment practices on a global basis.
- Everywhere we operate, including Azerbaijan, Georgia and Angola, we seek transparency in financial reporting. In fact, in Azerbaijan for instance, we're supporting – alongside Eurasia Foundation – a programme to introduce international standards of accounting practice to several government departments.
- We have placed our agreements with the government (HGAs and PSAs) in the public domain on the internet – this was done with the full support of our partners and the government. We have made public all payments to the government, and will continue to do so in addition to publishing reports on our environmental and safety performance.
- In many countries we're working with our state-controlled partners to establish a reporting framework that will allow us to report all payments we make in a way that meets our commitment to data disclosure and transparency while fully respecting legal and contractual obligations. Our Regional Review report, available on our public website, www.caspiandevlopmentandexport, includes information on signature bonuses paid to date, and a revenue forecast.
- In the Caspian we've established a panel of independent experts whom we have asked to monitor and report publicly on our social and ethical performance.
- We're playing a supporting role in the Extractive Industries Transparency Initiative (EITI). This is a voluntary initiative sponsored by the UK government which brings together governments and companies and is intended to culminate in an international agreement. We've been very pleased with the level of commitment shown by the Azeri government to this initiative.
- And we've committed ourselves to capacity building - for example, by helping government ministries in emerging societies to grow their expertise.

Conclusions: Let me sum up by drawing some general conclusions about the contributions that companies such as BP can make to the better management of the

wealth they help to create.

Firstly, from how we work and how we apply our values. It's about behaviour - delivering what we promise.

By being more transparent, by setting standards, by treating people fairly, the better able we will be to engage with developing societies and contribute to their development. And build trust.

Secondly, how we apply the skills we have.

BP typically invests for the long term - 30-40 years in the Caspian and Russia and elsewhere. As such we have a real stake in the health of the societies in which we invest. So we must contribute - through answers to challenges, not excuses or denials.

We're expected to take a lead and to use our skills to offer better choices, and we're prepared to do so - whether the issue is climate change or corruption.

And thirdly, we can also contribute by demonstrating that international companies are global organisations - that we practice meritocracy. And take a global approach.

This approach, of course, is dictated by self-interest. We're not an aid agency or a charity. Our purpose is to create wealth on behalf of our shareholders. But we think self-interest should be enlightened.

Our investments will thrive if the societies in which we invest also thrive.

Thank you very much.