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14th February 2012

Dear Gavin

Thank you for your letter dated 9th February 2012 to Bob Dudley in which you ask for comments on the interest in Block 20 awarded to BP by Sonangol in December 2011. We received your letter late on Friday 10th February asking for a response by Monday 13th February. Mr. Dudley has asked me to respond on BP's behalf and I trust you will understand that we have responded as quickly as possible - if a day later than your suggested deadline.

With regard to your concern that certain contributions in respect of this Block are going to Sonangol rather than to the Angolan Treasury, please note that BP is making these contributions to Sonangol because it is required to under Angolan law.

The Angolan Petroleum Activities Law, which regulates oil exploration and production, mandates that Sonangol, as the *Concessionaire*, and the oil companies it associates with, "*cooperate with government authorities in public actions for the promotion of the country's economic and social development.*" The production sharing contracts which are approved at the highest level of government (the National Assembly), establish the categories and amount of expenditures necessary in order to fulfill this mandate. In keeping with the Angolan law, the Block 20 production sharing contract imposes certain social project spending requirements on its participants. The *Petroleum Activities Law* also provides that bonuses are paid to the Concessionaire and that these "*revert in full in favour of the State through the Treasury Single Account.*" Furthermore, as a state enterprise, Sonangol is legally subject to scrutiny by government auditors.

With regard to your statements about the lack of information about the payments, companies have different disclosure requirements based on their size and the corresponding difference in materiality thresholds that apply to them. BP often discloses information relating to social projects we are involved in. As you probably know, we have instituted many academic and social programmes in Angola that have produced tangible results. You can see the details of these programmes as well as stakeholder feedback on the efficacy of these programmes on our website, at <http://www.bp.com/sectiongenericarticle.do?categoryId=9036068&contentId=7066951>.

Whether Sonangol or the Angolan authorities should disclose how they are planning to use the money, is a sovereign matter. Given the rapid growth of the Angolan oil sector and the need to enhance local technological skills and knowledge, BP believes that the planned Sonangol Research and Technology Centre is necessary. As the Angolan national oil company and regulator, Sonangol is well-positioned to assess the requirements of the planned Centre.

We are indeed aware of the statement on the findings of the IMF's sixth mission to Angola, reported on 24th January 2012. It states that the authorities are investigating the large cumulative residual observed in the fiscal accounts for 2007-2010 and that, while the investigation continues, preliminary data indicate that quasi-fiscal operations undertaken by the state oil company on behalf of the government, financed out of oil revenues but not recorded in the budgetary accounts, can explain a large part of the discrepancy. Although it is not for us to comment on this situation, we would suggest to wait until the more comprehensive analysis is produced later in the year before drawing any conclusions.

With regards to the Dodd-Frank Act and the proposed EU directives, BP's position on this matter is clearly stated in our letters to the SEC dated 11th February 2011 and 8th July 2011 which are available from the SEC website, at <http://www.sec.gov/comments/s7-42-10/s74210.shtml>. The position outlined in those letters is also consistent with the position that BP has been taking with European regulators in relation to the draft Accounting & Transparency directives that were published in October 2011.

There are some who seek to portray Extractive Industry companies as campaigning against revenue transparency regulations in the US and the EU. For BP, charter member of the EITI and committed to transparency, we seek to strengthen the regulations by making them more efficient, by avoiding unnecessary costs, and more effective, through the adoption of a disclosure model that delivers meaningful and relevant information.

We have a strong interest in promoting accountability and good governance wherever we operate. Not only is this in line with our principles, but also it makes good business sense; our operations tend to have very long-term, often multi-generational horizons. Good governance, the rule of law, and positive

relations with our local stakeholders are very important factors in ensuring we are able to deliver a return on our investment for our shareholders.

Improving transparency is an effective tool in promoting these objectives so we support the introduction of disclosure rules for payments to governments. However, as has been made clear in our letters to the SEC and the position we have been taking with EU regulators, we are concerned about the effectiveness and proportionality of the proposals as currently drafted.

I wish to thank you for the opportunity to comment on your briefing prior to its publication. We would be interested to receive a copy of this report when published.

Yours truly
Dev Sanyal

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