

**USS Comment on Oil Sands Shareholder Proposal**  
**at the BP AGM, 15 April 2010**

**Resolution 25 Shareholder Proposal Regarding Report on Sunrise SAGD Project:**

*“That in order to address our concerns for the long term success of the Company arising from the risks associated with the Sunrise SAGD Project, we as shareholders of the Company direct that the Audit Committee or a Risk Committee of the Board commissions and reviews a report setting out the assumptions made by the Company in deciding to proceed with the Sunrise Project regarding future carbon prices, oil price volatility, demand for oil, anticipated regulation of greenhouse gas emissions and legal and reputational risks arising from local environmental damage and impairment of traditional livelihoods. The findings of the report and review should be reported to investors in the Business Review section of the Company’s Annual Report presented to the Annual General Meeting in 2011.” Source: BP Notice of AGM, 2010*

*This shareholder proposal requests that the BP board commission and review a report setting out the assumptions made by the Company regarding: (i) future carbon prices; (ii) oil price volatility; (iii) demand for oil; (iv) anticipated regulation of GHG emissions; (v) legal and reputational risks arising from local environmental damage; (vi) impairment of traditional livelihoods when deciding to proceed with the Sunrise Project. The proposed report would be presented to the annual general meeting in 2011.*  
*Source: Glass Lewis*

**USS and Oil Sands**

As a responsible and active investor, Universities Superannuation Scheme (USS) has been assessing the implications of oil sands for a number of years. Indeed, in 2009, USS and another European pension fund coordinated a fact finding visit for investors to an oil sands site, and met with representatives of companies, an NGO, and the Government of Alberta (including the Premier of Alberta) to discuss the issues associated with oil sands.

The issues associated with the extraction and use of oils sands are complex, and factor in the need to provide for global energy requirements, and address local environmental and social impacts, and global climate policy. All these issues are interrelated. USS therefore views oil sands as the interplay between three issues – operational / site management (within the control of the companies involved), climate policy (outside the control of the company but nonetheless inextricably linked to oil sands), and energy policy (again, outside the control of the companies, but an area where they have influence). All three areas are of interest to long term investors like USS and require attention.

**The BP Shareholder Resolution**

The key focus of the shareholder resolution facing BP was the production of a report, and provision of information to shareholders on the company’s decision making processes, and the data used to reach those decisions.

In order to assess the merits of the proposal and understand BP’s position regarding the resolution and the information it requested, USS has undertaken the following:

- USS attended a presentation to shareholders by the President and CEO of BP Canada and a BP Board member specifically on the proposed Sunrise project and BP’s operations in Alberta. This included coverage of the economics of the Sunrise project, assumptions and scenarios on the oil price, and the cost of carbon used in the decision making process.
- USS has met with representatives of both the Board and BP’s Executive and discussed issues associated with the BP’s oil sands operations.
- Discussions have been held with the Company Secretary regarding the resolution and the company’s response to it.
- The fund has participated in a further teleconference with President and CEO BP Canada to discuss outstanding concerns related to the resolution.

USS has also reviewed the information provided on BP's internet site (<http://www.bp.com/oilsands>) including:

- The Board's response in the notice of the BP AGM.
- A "Frequently Asked Questions" document on oil sands and BP's operations.
- The presentation given to shareholders by the President and CEO BP Canada.

USS has also sought the proponent's views to better understand the rationale for submitting the resolution and participated in conference calls with other investors discussing the item. USS spoke with FairPensions (the UK campaign group for ethical investment of pension funds which is backing the resolution), and reviewed the proponent's response to BP's statement within its Notice of the AGM. The fund has also reviewed the response made by BP to the proponent's response and independent proxy research provided for investors on the AGM resolutions.

### **USS Voting Action**

Taking into account the long-standing work that USS has undertaken on oil sands, climate change and engagement with the company; and given the information that USS received in relation to the resolution from the company (both in terms of written comment and in direct discussion), the proponents, and from independent research providers, USS is of the view that whilst there are still outstanding issues associated with the exploitation of oil sands, BP has substantially fulfilled the requests made in the shareholder resolution. Accordingly, USS voted in support of management, and cast its vote against Resolution 25.

USS RI Team  
15.4.10