



April 2010

## Newton's response to the shareholder resolution which was filed at BP's annual general meeting 2010 on Canadian oil sands

### Resolution 25 - Shareholder resolution

*"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."*

Notice of BP Annual General Meeting 2010

### Newton's response

Newton's *energy supply* investment theme recognises that the world is short of energy supply options. There is a strong likelihood that energy prices, particularly transportation fuels, will increase. In order to ensure a continued supply of energy and to avoid a greater shift towards the use of coal within the energy mix, the world will need to embrace the development of less carbon intensive supply sources, including different oil extraction opportunities.

Newton recognises that investments in oil extraction involve associated environmental, social and economic risks, particularly with regard to a company's reputation. Newton believes in proactive engagement with the developers of the Canadian oil sands. It is essential that Newton understands these risks and ensures that it does not expose its clients to risk that is not commensurate with the potential reward.

In response to the shareholder resolution being filed at BP's 2010 AGM, Newton met with FairPensions, a non-government

organisation, which is co-ordinating the filing of the resolution. This provided Newton with the opportunity to understand the rationale for the filers' requests.

Newton also had extensive meetings with the company, including BP Canada's president, its chief executive and other senior members of staff to discuss the forthcoming shareholder resolution and the company's oil sands operations.

Following its analysis and engagement, Newton has decided to support management by voting *against* the resolution at the company's AGM. The rationale for this decision is outlined below:

- Newton believes that the relevant data for understanding the potential environmental impact of these projects, and the mitigation measures undertaken, is now publicly available
- BP has produced comprehensive data on its Sunrise project, including information on the price of carbon, the price of oil, water use, land use, local communities and associated market risks
- The company has well established policies and processes in place to conduct comprehensive environmental and social assessments, which are standard to all BP's project planning. Newton believes these policies and processes to be of a high quality
- The company has committed to producing a Canadian sustainability report in 2011, which will provide investors with continued oversight of BP's Canadian operations
- As worded, the resolution requests that the company discloses the commercial considerations that BP used in evaluating the projects. Newton believes that the disclosure of commercially, and potentially politically sensitive, information may not be in the interests of shareholders.

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