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A BP affiliated company

# **Sarbanes-Oxley Compliance and Remediation Management**

**Walter Hufford**

**Environmental Business Portfolio Manager**

# About BP

- 102,900 people in 100 countries across 6 continents
- Exploration in 26 countries
- 27,800 service stations, 21 refineries
- 18.6 Billion barrels of oil and gas equivalent
- 13 Million customers each day
  
- \$285 Billion in sales (2004) - \$15.4 Billion profit

# About Remediation Management

- 180 people managing over \$350 Million annual spend for environmental worldwide. Over 1600 full time equivalent (FTE) vendors/contractors are working on this effort daily.
- Includes 4000 retail/distribution sites and over 200 large sites including refineries, manufacturing, mine waste, nuclear, sediments.
- Projects range in size from single storage tanks to complex 200 mile long sites.
- Reports directly through the CFO of BP.

# Reporting Requirements Are Intricate

- US Generally Accepted Accounting Principals (GAAP) Financial Reporting Standard (FRS-12)
- UK GAAP
- International Financial Reporting Standards (IAS-37)
- The goal is transparency

# Provisioning

- Provision is the “best estimate” to conclude the present obligation
- Where the provision involves several potential outcomes, the obligation is weighted by all possible outcomes and their associated probabilities
- Projections early in the life cycle of the project have the highest uncertainty and widest range of outcomes

# Harmonization

- Provision for environmental liabilities where a legal or constructive obligation exists
- There is a probable outflow of resources to satisfy the obligation and
- A reliable estimate of outflow to satisfy the obligation can be made

# Vetting the numbers

- A multi-disciplined “team” approach including:
  - Technical – internal and external experts
  - Legal – internal and external counsel
  - Management
  - Financial – Finance, Control and Auditing group
  - External Auditors – E&Y et al

# Ongoing Reviews

- Team reviews new developments monthly
  - Internal
  - External – Service providers are required to provide projected allocations and project updates
- Periodic reviews of provision
  - Updates the provision during 3Q
  - Other material changes are made during year on an exception basis



# Value Added with Compliance

- Global Harmonization of function
- Improve process and communications, employee empowerment
- Consistent with BP policy of transparency – giving stakeholder awareness of process

# Summary of Remediation Management

- Remediation Management will complete Sarbanes Oxley implementation during 2005
- Global harmonization of function
- Transparency for stakeholder awareness

# Don't fear the legislation



# Opportunities for success



# Discussion

