



UNIVERSITY OF GOTHENBURG  
SCHOOL OF BUSINESS, ECONOMICS AND LAW

# The Story of an Environmental Incident

A Case Study of BP's Quarterly Reports during 2010

*Master thesis in Auditing  
Department of Business Administration  
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## Preface

We would like to express a thank you to our supervisor Inga-Lill Johansson, who has helped us during the work with this thesis. We also want to thank our opponents, who under our seminars have given us helpful feedback, which have made it possible for us to improve our thesis. Finally we would like to thank Malin Podlevskikh Carlström at the Department of Languages and Literatures, who has eximanated the language in this thesis.

Writing this thesis has been educational and given us the opportunity to use our knowledge after four years at the University of Gothenburg in the School of Business, Economics and Law. To study a company's crisis information has been very interesting and instructive.

Gothenburg, June 2011

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## Abstract

**Master thesis in Auditing, Department of Business Administration, Gothenburg  
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**Title:** The Story of an Environmental Incident  
- A Case Study of BP's Quarterly Reports during 2010

**Background and problem discussion:** In the Gulf of Mexico on 20<sup>th</sup> of April 2010 there was a large environmental accident as an oil rig exploded and a huge oil spill occurred. An unforeseen event, such as an accident, may for example affect a company's reputation and financial situation. Over the past century a number of major oil spills leading to disastrous environmental consequences have occurred. If a catastrophe is caused by a company, they must respond to and communicate with their stakeholders if not to reduce the reputational capital. If they do not provide the right type of information quickly, it may aggravate the crisis for the company. In this paper the authors examine how the crisis information presented by a company in its quarterly reports change during the year an accident occurred.

**Aim:** The aim of this thesis is to find out how crisis information changes in companies' quarterly reports. The authors wanted to understand what kind of information and what amount of information companies present, how they are affected by laws and IFRS frameworks, and if the companies express that they take responsibility for the occurred event or not.

**Method:** The thesis is a case study of BP and their quarterly reports from 2010. The authors have made a content analysis of the quarterly reports and have focused on how a company described a crisis. Focus has been on aspects like the amount of information, if the company takes responsibility and how they refer to laws and regulations they have to follow.

**Empirical findings and conclusions:** BP wrote in all of their reports that they follow the laws and the standards required. After the accident they wrote about what responsibility they took by presenting information about the actions for restoration they made, such as paying for claims and costs caused by the oil spill. The information between the reports two to four did not differ much other than for some exceptions related to amounts and specific occurrences during each period. The first report was not influenced by the oil spill and was not directly comparable to the other three reports when it came to the change of information concerning the oil spill. The authors made the conclusion that BP took responsibility for the work after the accident but not for the accident itself. BP used personal pronouns when they wanted readers to notice positive information and they sometimes used a mitigated language and wrote negative information by using long and more complex sentences.

**Suggestions for further research:** Investigate the oil spill from medias point of view, or after a couple of years do another study about BP to see how the oil spill has affected the development of the company's financial situation during these years.

**Keywords:** BP, quarterly reports, content analysis, crisis, incident, accident, environmental.

## Definition of central terms and abbreviations

*Accident*: “Something that happens without anyone planning or intending it”<sup>1</sup>

*Catastrophe*: “A terrible event in which there is a lot of destruction, suffering or death”<sup>2</sup>

*Crisis*: “A situation in which there are a lot of problems that must be dealt with quickly so that the situation does not get worse or more dangerous”<sup>3</sup>

*Crisis information*: Information that a company gives during a crisis about the event

*Disaster*: “A sudden event such as a flood, storm or accident which causes great damage or suffering”<sup>4</sup>

*Incident*: “An event, especially one that is unusually, important or violent”<sup>5</sup>

*Interim financial report*: A report which contains either a complete set or an abridgement of financial statements for an interim period<sup>6</sup>

*Replacement cost profit*: “Replacement cost profit, also known as Current Cost of Supplies (CCS) profit, or replacement cost income, is an accounting practice for reporting profits in the oil industry.”<sup>7</sup>

<i>ARPRs</i> :	Annual Results Press Releases
<i>CEO</i> :	Chief Executive Officer
<i>CWA</i> :	Clean Water Act
<i>GAAP</i> :	Generally Accepted Accounting Principles
<i>GCCF</i> :	Gulf Coast Claims Facility
<i>GC-IMT</i> :	Gulf Coast Incident Management Team
<i>GCRO</i> :	Gulf Coast Restoration Organisation
<i>GRI</i> :	Gulf of Mexico Research Initiative
<i>IASB</i> :	International Accounting Standards Board
<i>IFRS</i> :	International Financial Reporting Standards
<i>IM</i> :	Impression Management
<i>MC252</i> :	The Mississippi Canyon 252 exploration well
<i>NFWF</i> :	National Fish and Wildlife Foundation
<i>OPA 90</i> :	Oil Pollution Act 90
<i>SCCT</i> :	Situational Crisis Communication Theory
<i>UAC</i> :	Unified Area Command

1 barrel of oil [US, petroleum]  $\approx$  158.99 liters<sup>8</sup>

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<sup>1</sup> Longman (2003)

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> IAS 34

<sup>7</sup> <http://www.wikinvest.com>, 2011-06-09

<sup>8</sup> <http://www.metric-conversions.org>, 2011-05-18

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# Chapter 1: Introduction

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*In the first chapter the authors focus on describing the background to the subject of this thesis. This is followed by a discussion of the problem, which leads to the research questions and further on to the purpose of the thesis. Finally, the scope and a short disposition of the thesis are presented.*

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## 1.1 Background

On 20<sup>th</sup> of April 2010 in the Gulf of Mexico an oilrig of Transocean, called Deepwater Horizon, exploded and caught fire which ultimately caused the rig to sink. Eleven people died, 17 were injured and the accident also caused a huge oil leak, which resulted in a disaster for nature and wildlife.<sup>9</sup>

During the twentieth century several environmental catastrophes have occurred, which have affected companies' reputations and financial positions. In 1989 the biggest oil spill ever in US waters occurred in the Exxon Valdez-accident, when a big tanker ran aground. The case, which severely damaged Exxon's reputation, was not solved until 2008 when it finally ended up in the U.S. Supreme Court.<sup>10</sup> Besides that the company had to pay for restoring the oil damages, which was a great loss for them, the company's stock exchange price also fell when the catastrophe occurred.<sup>11 12</sup> During the nineteen-fifties the Hooker Chemical and Plastic Corporation dumped chemical waste in Love Canal in the USA, which led to a big environmental scandal. The company was sued and in 1995 was forced to pay \$129 million and even though the area was considered decontaminated in 2004 most of it is still abandoned. Another example is the Harrisburg accident at the nuclear power station Three Mile Island in Pennsylvania, USA. In 1979 a combination of errors, such as technical errors, human mistakes and misleading indicators, led to a meltdown.<sup>13</sup> Since most of the radioactive substances which were released stayed within the plant, it did not lead to any big environmental damage. Limiting the effects of the event is not always easy in environmental catastrophes.<sup>14</sup> The restoration costs for this disaster became approximately \$973 million and the post production continued for almost 12 years.<sup>15</sup>

One does not have to go as far as to the United States, since several environmental accidents have occurred in Europe as well. On 17<sup>th</sup> of February 2011 the Icelandic vessel Godafoss ran aground in Norweigan waters of the Swedish west coast on its way to Denmark. Hundreds of tons of oil leaked out and today no one knows how huge these damages will be.<sup>16</sup> The shipping manager of the Icelandic shipping company Eimskip, which owns Godafoss, apologised for the accident, but later the officer responsible for insurance matters claimed the reactions to the oil spill were exaggerated.<sup>17</sup> He argued that Eimskip had followed all regulations and that they are a shipping company which takes responsibility.<sup>18</sup> Legally it is the Norwegian authorities who are responsible for giving permission for Godafoss to travel through Swedish waters, but an investigation has been initiated to clarify who is liable.<sup>19</sup>

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<sup>9</sup> [www.bp.com](http://www.bp.com), *Deepwater Horizon accident*, 2011-04-28

<sup>10</sup> Mulkern, C. A. (2010)

<sup>11</sup> Janzon, B. (2010)

<sup>12</sup> <http://ir.exxonmobil.com>, *Historical price lookup*, 2011-03-01

<sup>13</sup> Janzon, B. (2010)

<sup>14</sup> [www.ne.se](http://www.ne.se), *Harrisburgolyckan*, 2011-02-19

<sup>15</sup> [www.world-nuclear.org](http://www.world-nuclear.org), *Three Mile Island Accident*, 2011-03-02

<sup>16</sup> [www.svd.se](http://www.svd.se), *Rederichef beklagar oljespillet*, 2011-04-08

<sup>17</sup> <http://sverigesradio.se>, *Rederichef ber om ursäkt*, 2011-04-08

<sup>18</sup> Elofsson, Stefan. (2011)

<sup>19</sup> Bergil, Cecilia. (2011)

## 1.2 Problem discussion and research questions

When companies are under pressure, like during a crisis, the quality of the information may deteriorate if the companies are not willing to hand out all financial information. The reason for not handing out the information is the risk of harming the company's finances, reputation and market shares. The company has to choose between showing the negative optional financial information and not showing it. If they release the information it may hurt them directly and if they do not release it, it may affect them badly afterwards.<sup>20</sup> Unforeseen events, such as major disasters, affect companies. An environmental disaster has consequences for both the environment and the company. If the catastrophe is due to actions taken by the company, the trust from the stakeholders may be affected and the company can face a crisis due to which the stock price may fall. The trust a company has built up may be ruined in a very short time, which puts a great deal of pressure on the management if the company fails to handle unexpected events. The company will have to respond and act quickly to maintain or regain the trust, which has been damaged.<sup>21</sup> In order for the company to be able to achieve this, they have to communicate and create relationships with the stakeholders. In a crisis the demand for information increases drastically and it is important for the company to handle the flow of information. They have to respond rapidly to the incident and regularly provide new and accurate information. Bad information, which may be insufficient or incorrect, can aggravate the crisis for the company.<sup>22</sup>

Companies are good at claiming on their websites that they take responsibility for their actions. For example: *"We are committed to the safety and development of our people and the communities and societies in which we operate. We aim for no accidents, no harm to people and no damage to the environment"*.<sup>23</sup> Another company writes: *"The energy we supply helps to support economic growth and development. At our operations we aim to address social concerns and work to benefit local communities, protecting our reputation as we do business"*.<sup>24</sup> Making statements that you cannot live up to or that are incorrect, may affect the company badly and therefore it is very significant for companies to be honest in their statements.<sup>25</sup> Transocean, the owner of the sunken oilrig in the Gulf of Mexico, was a contractor to BP and at first BP tried to blame the accident on Transocean, but they soon realised they had to take responsibility as well.<sup>26</sup> If a crisis occurs it is important for a company to maintain their trust by communicating with their stakeholders especially, media, public and stockholders. High pressure is put on the company from stockholders, who wish to receive correct and sufficient information. The stakeholders are interested in the information the company gives in their financial reports and the company can use this as an opportunity to express their view of the event to the stakeholders.<sup>27</sup> It is important for the companies to live up to the demands of information if they want to keep their stakeholders' trust. For example the company might be harmed if the newspapers write about expected charges for damages, bankruptcy and other social aspects, which the company not has announced.<sup>28</sup>

Previous theses have been made about how a company's economy may be affected by their way of action during a crisis. In 2005 a thesis was written about what kind of strategies companies have when they publish written public information. The thesis focused on the information from the company's point of view and how the management think when they

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<sup>20</sup> Fiske, J. (2007)

<sup>21</sup> Skoglund, T. (2002)

<sup>22</sup> Larsson, L. (2008)

<sup>23</sup> www.bp.com, *Our values*, 2011-03-04

<sup>24</sup> www.shell.com, *Environment & Society*, 2011-02-03

<sup>25</sup> Skoglund, T. (2002)

<sup>26</sup> Lindahl, B. (2010)

<sup>27</sup> Delmoro, M., Tarek, C., Johansson, M. (2007)

<sup>28</sup> Boin, A et al. (2005)



publish information, depending on the company's strategic position. The authors draw the conclusion that companies often put their customers in focus in good times and concentrate on their stakeholders in bad times.<sup>29</sup> Authors in another thesis did also write about how a company communicates with their stakeholders and concluded that it is very important for the Chief Executive Officer (CEO) to be a good role model for the company because the CEO's decisions affect the company's financial success. The research also indicates the importance of thinking about how to communicate. The best way to communicate during a crisis in a company's financial reports is by using simple sentences, which gives the reader a straightforward message thus facilitating decision making.<sup>30</sup>

BP has been talking about "beyond petroleum" and has built up a reputation of being a responsible, social and conscious company. Authors in a thesis from 2004 described BP as a company taking responsibility concerning the environment and the social impact. An environmental scandal would lead to negative financial consequences but at the same time the company wants to keep the costs concerning these issues down. The authors of the thesis claimed that BP acted like this, since the company wanted to be remembered as a responsible company but many of these statements were only made for marketing.<sup>31</sup> The catastrophe in the Gulf of Mexico has damaged BP's reputation, which already was impaired after previous series of events.<sup>32</sup> Companies in the oil industry have due to competition drilled deeper in the waters and under more difficult conditions without really understanding the risks involved with these operations.<sup>33</sup> Postleb and Hennel wrote in a thesis how BP decided to show the costs and provisions related to the oil spill in the Gulf of Mexico in 2010. According to these authors BP is a good example of how difficult it may be to value provisions and companies may deliberately use this complex of problems to affect the accounting in a specific direction.<sup>34</sup>

The authors of this thesis wanted to see how a company decides to deliver news about an accident in their quarterly reports and whether the consequences of the crisis are mentioned in the reports. For example, the consequences could involve how much the company will be affected by a specific happening, when it comes to compensation for damages and costs for restoration after an accident.

Based on this background the authors formulated the following research questions:

- How does crisis information in companies' quarterly reports change during a crisis?
  - How does the amount of information change between the reports?
  - How do companies refer to legal and IFRS frameworks?
  - Are there any expressions of responsibility or of avoiding responsibility for the occurred events? If so, how does it change?

### 1.3 Aim

The aim of this thesis was to understand how a company's crisis information change in their reports by focusing on different aspects. The authors wanted to see if there were any differences between statements in the quarterly reports, if the company was consistent in the information they shared and how they were affected by regulations and laws. By investigating these questions the authors aimed to give guidance to shareholders, stakeholders and other

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<sup>29</sup> Bexelius, J., Thorell, J. (2005)

<sup>30</sup> Delmoro, M., Tarek, C., Johansson, M. (2007)

<sup>31</sup> Skoglund, E., Skelebrink, P. (2005)

<sup>32</sup> Mulkern, C. A. (2010)

<sup>33</sup> McNulty, S., Crooks, E. (2010)

<sup>34</sup> Postleb, K., Hennel, M. (2010)

interested about how a company may act concerning information if a crisis occurs. Additionally the authors strived to contribute to research within this area.

### 1.4 Scope

In this thesis the authors focused on one crisis and how it can affect a company's reporting through quarterly reports. The reason for only choosing one company was because it would be of great interest to get a closer view of a company's statements in their reports during a crisis. The authors are aware of the fact there might be several different aspects in crises, and every crisis is unique and therefore it may not be possible to compare all crises to each other.

### 1.5 Disposition

The following figure illustrates the disposition and working process of the thesis.

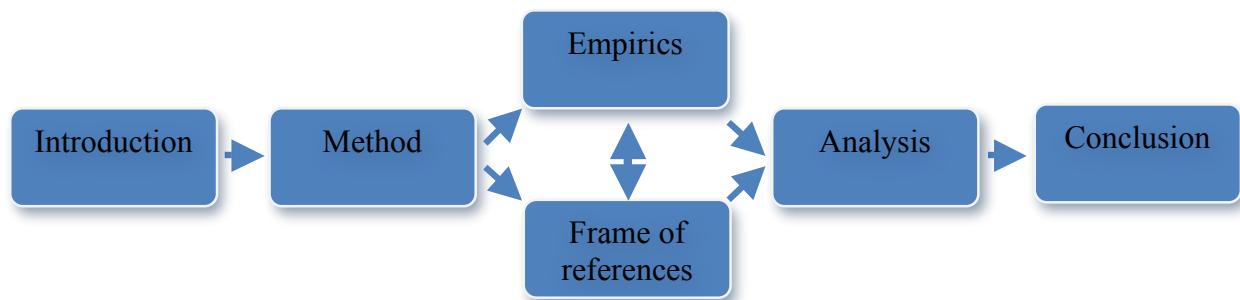


Figure 1: Disposition

#### Chapter 1: Introduction

*In the first chapter the background to the subject of this thesis was in focus, followed by the problem and the research questions. The authors wrote about the aim of the thesis, discussed the scope and presented a disposition of the thesis.*

#### Chapter 2: Method

*In this chapter a presentation of the research method and the case and data selection are made. This is followed by the research approach and the authors' discussion about source criticism.*

#### Chapter 3: Frame of reference

*In this part the authors present the frame of reference of the thesis. This chapter contains information about some previous studies, the legal framework and models connected to responsibility.*

#### Chapter 4: Empirics and analysis

*This chapter contains the empirical findings and the results are compared with the frame of reference and analysed.*

#### Chapter 5: Conclusion

*In this chapter the conclusions which can be drawn from the analysis are presented and the research question is answered and discussed, followed by the authors' suggestions for further research.*

## Chapter 2: Method

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*In this chapter a presentation of the research method and case selection is made. This is followed by information about the selection of data and the research approach. Finally, the authors discuss source criticism.*

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### 2.1 Research method

This thesis is based on an investigation of how crisis information can be presented in a company's quarterly reports and how the information may vary between these reports. The authors made a content analysis of one company to achieve a deeper view on how a company's quarterly reports are affected through a crisis. By studying a company's quarterly reports for the same year of the crisis and comparing these to each other, the goal was to find out how the information changes in the course of time and in the company's expression of responsibility.

### 2.2 Type of study

A study can be based on numbers and figures, where a variety of facts are collected and analysed. It can also attempt to create a deeper understanding of an event, by for example investigating words and narratives.<sup>35</sup> In this study the authors focused on a crisis's influence on one company and how the crisis was described by this specific company. The authors also answered the question about the amount of crisis information when they concluded how many pages, paragraphs and words there were written in contiguous text about the crisis in each quarterly report. This thesis was a descriptive study and answers the questions who, what, where, when and how much, and has not answered the question why. The authors based their study on secondary data of a company in crisis in order to see what kind of information about the crisis the company chose to present in their reports and how they presented it. Secondary data consists of already existing information or data, which someone else has gathered and arranged for another purpose.<sup>36</sup> To be able to present this thesis the authors did a content analysis of the information about the oil spill in BP's quarterly reports. A content analysis is according to Krippendorff "...a research technique for making replicable and valid inferences from text (or other meaningful matter) to the contexts of their use"<sup>37</sup>. Analysing data by making a content analysis can create an understanding for a special phenomenon.<sup>38</sup> The authors wanted to make a deeper analysis of information in the quarterly reports and thereby a content analysis became the applied type of study. The advantages of a content analysis are that it is possible to get a closer view of the chosen text and to study relationships in the text over time.<sup>39</sup> However, a content analysis can be very time consuming and can be a complex way of study texts since it may be difficult to make a computerized analysis.<sup>40</sup>

### 2.3 Case selection

As their case study, the authors chose to study how the Gulf of Mexico oil spill in 2010 affected the company BP. BP, one of the world's largest oil companies, fast became a very popular topic in media and they were exposed to a lot of criticism socially and increased financial demands. BP was accused for not handling the communication about the crisis in the right way. Pictures of BP's crisis centre were published which indicated that BP had manipulated the pictures as they wanted to appear to do more than they actually did at the

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<sup>35</sup> Blumberg, B et al. (2008)

<sup>36</sup> Blumberg, B et al. (2008)

<sup>37</sup> Krippendorff, K. (2004) p. 18

<sup>38</sup> Ibid.

<sup>39</sup> <http://writing.colostate.edu>, *Advantages of Content Analysis*, 2011-06-09

<sup>40</sup> <http://writing.colostate.edu>, *Disadvantages of Content Analysis*, 2011-06-09

moment. BP later confessed to these accusations.<sup>41</sup> Due to this and since the oil spill was of this magnitude BP became an interesting company for this case study.

## 2.4 Selection of data and literature

In this thesis the authors chose to follow BP with focus on BP's four quarterly reports, which BP has named quarterly results, during 2010. In order not to confuse the readers the authors chose, instead of using the word quarterly results, to use the word quarterly reports. The reasons for choosing these four reports were because the authors wanted to be able to compare BP's published information during the crisis and selected a shorter time period to be able to make a deeper analysis. Because the authors wanted to investigate the changes of information over time the study were only based on the quarterly reports and not on the annual report for 2010. To get a better comprehension for the crisis process the authors took part of BP's press releases from 20<sup>th</sup> of April and used them to explain the essential details of the evolvement of the oil spill. The authors searched for articles in different databases at the University of Gothenburg by using keywords such as information, crisis, quarterly reports, annual reports, company, oil, content analysis, economy and financial in different combinations in English and in Swedish. By reading the references in other theses the authors received some tips and ideas of books and articles, which were useful for this study. Other literature was found through the library catalogue at the University of Gothenburg, GUNDA. Because of the oil spill, BP had to follow the American regulations the Clean Water Act (CWA) and the Oil Pollution Act 90 (OPA) and in addition the IAS standards, since they report under IFRS. The authors chose to, besides the CWA and the OPA, only review the company according to IAS 34 and IAS 37 as they thought these standards were most relevant in order to understand the development of the crisis. Analysing the reports according to IAS 34 as it explains what information a company must report and IAS 37 since the company needs to make provisions based on claims.

## 2.5 Research approach

As an introduction the authors looked at previous studies to see what had been written before. The authors examined how much the selected company mentioned the crisis related to the oil spill in the Gulf of Mexico in their reports and what type of information they chose to present. While reading these reports the authors focus was on if there were any common grounds in the reports, or if there were any diversifications over time.

To be able to analyse the quarterly reports the authors chose to sort out the information, which directly or indirectly was written about the oil spill in the Gulf of Mexico. The selection of information regarding the accident was based on the pages BP referred to in their quarterly reports. The authors then made an assessment of what information on these pages that related to the accident and therefore could be relevant for this study. Since the accident took place during the second quarter, but some days before the first quarterly report had been published, that report only contained one part about the accident. Even though BP did not write much about the accident in the first quarterly report, the authors wanted to include all reports published after the accident. In addition, they thought it was significant to include this report in the analysis since the financial impact from the oil spill in this report was non-existent and therefore made it possible to see and compare how the accident during a year affected the company. The authors chose not to count references and texts in diagrams but instead they focused on continuous texts when selecting the quantity of information about the accident in the quarterly reports. All texts, which had been chosen based on the previous criteria, were consolidated in a Microsoft Office Word document, which later was entered into NVivo 9, an analysis software. NVivo 9 analysed the frequency of the words in the document which gave

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<sup>41</sup> Chaaban, S. (2010)

the authors a picture of the company's most frequently used words in connection to the accident. When counting the amounts of words and paragraphs about the accident, the authors used Microsoft Office Word and then all estimations were rounded up.

When producing the empiric and dividing the texts into different types of responsibilities or avoidance of responsibilities, the authors used the accounts in the *Impression Management* (IM) and *Situational Crisis Communication Theory* (SCCT). The authors also analysed the selected text according to the laws and standards the company is forced to follow. To get a deeper understanding and to be able to make comparisons before and after the accident, the authors also took into account financial information not included in the selected analysis material. The authors labelled the information in the reports and divided it into different accounts and thereafter they analysed the data and compared the results with the frame of reference. Every assessment was made based on the division of accounts from previous research. Finally the authors draw a conclusion about how a company can present information during a crisis and how it changes over time.

## 2.6 Source criticism

By only using information from BP the authors got a one side perspective and there is a possibility that the company chose to withhold information, which may affect the validity. Validity is a measurement of how well a measuring instrument calculates what it was intended to measure.<sup>42</sup> Reliability is a measurement of how accurate and trustworthy the measured values are.<sup>43</sup> The lack of sources could have affected the reliability in this thesis. To get a better perspective the authors' estimations were based on different previous researches, which are described in the frame of reference in the following chapter, when it came to how to value information. The authors have tried to create a higher confidence level in their estimations by using computer programs when analysing the word frequency and sentences. In the second part of the analysis each of the authors did a review by classifying the selected material into different accounts based on the studies in the frame of reference. In addition if the authors' opinions differed, together they compared and discussed these results to achieve a higher validity and reliability in the study.

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<sup>42</sup> [www.ne.se](http://www.ne.se), *Validitet*, 2011-02-16

<sup>43</sup> [www.ne.se](http://www.ne.se), *Reabilitet*, 2011-02-16

## Chapter 3: Frame of reference

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*In this part the authors give a presentation of the chosen frame of reference. The chapter contains information of previous studies, the legal framework and models connected to responsibility and crisis management.*

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### 3.1 Previous studies

In a study from 1993 Subramanian et al. investigated the readability of annual reports. They wrote about how users of the reports had difficulties understanding them. The chairman's letter to the stockholder was easiest to read, but even this section could be difficult to comprehend and the language could be repetitive and boring. Current and potential investors use the texts and the financial statements in the annual reports to help them make decisions. The study's objective was to analyse the writing style in the annual reports to test the relationship between readability and the performance of the company. They chose 60 annual reports from 1987 and 1988 from companies listed on the New York Stock Exchange. They studied the letters to the stockholders since they contain the management's review of the year before and also because that is the least technical part. The companies were divided into two groups, where one group contained companies who performed better, i.e. with net profit, and one group who performed worse, i.e. with net loss. Their study reached the conclusion that good performers used strong writing in their annual reports and these were easier to read compared to the annual reports from poor performers. Companies used short simple sentences when communicating good news while companies which declared bad news presented the information to their stockholders in letters that were difficult to read, using a passive voice and long sentences with complicated phrases.<sup>44</sup>

Brennan et al. wrote a paper about four different *impression management techniques* where they processed and refined the measurement of them. For doing this, they selected 21 examples from press releases presenting annual results (ARPRs) of companies in the UK from the year 2000. *Impression management (IM)* is about the courses of action someone takes when one tries to influence other people's image of information. Many different IM methods are used in companies' financial reporting, since the management chooses which information to present and how to present it so readers interpret the results the company has accomplished in a special way, for example positive information is often overstated while negative information often is disregarded or minimised. Since press releases to a large extent are unregulated there is a risk the managers choosing to present specific information so they may affect the readers' opinions. The four approaches applied in the study were *syntactic manipulation*, *rhetorical manipulation*, *attribution of organisational outcomes (meaning-orientated studies)* and *thematic manipulation (form-orientated studies)*. The *syntactical manipulation* in accounting narratives is about managers using a language to darken negative corporate performance, by presenting the information in a way which makes it more difficult to read. Methods for measuring readability could involve counting the length of sentences or counting the number of syllables. The *rhetorical manipulation* in accounting narratives does also involve the managers attempt to disguise negative performance using linguistic choices to influence the meaning of the information. The *attribution of organisational outcomes (meaning-oriented thematic studies)* found that management tend to attribute internal organisational factors responsible for positive results and to attribute responsibility to external factors for negative issues. *Thematic manipulation (form-orientated studies)* is about the use

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<sup>44</sup> Subramanian, R., Insley, R., Blackwell, R. (1993)



of positive and negative themes where different keywords are classified in positive and negative groups and the frequencies of words and sentences are analysed.<sup>45</sup>

Four different content analysis approaches were used in the paper to measure IM. The first one was a *thematic, form-oriented analysis*, which is based on the amount of information, different keywords and statements and where the text is analysed for specific topics. The second was an *analysis of selectivity of quantitative information*, which states that companies are selective in the choice of financial amounts they present in the press releases and choose to show the higher numbers available to present a better view. The third one was an *analysis of visual/presentation techniques to emphasize*, where it is assumed readers notice information which is emphasised more. The study included three different types of emphasis, which were the *location/positioning and visual presentation of disclosures*, *emphasis by repetition* and *emphasis by reinforcing disclosures*. It is considered that text presented earlier in press releases may be apprehended as more important because the company has chosen to place it in the beginning. Figures indicating positive information are more common in the beginning of the press releases compared with negative figures which companies chose to reveal in the main body of the texts. Repetition of information can either make it easier to understand financial information in reports or obstruct the reporting process. When a particular keyword is emphasised by the use of a qualifier reinforcement occurs. Finally, the fourth method examined the use of *performance comparisons*, where negative information presented in a neutral way may manipulate and create a false impression. The paper did only focus on the IM techniques used by the management and did not study the readers' perspective to see if IM affects the conception of the information communicated. However, the research showed that many IM methods were used at the same time in the press releases.<sup>46</sup>

## 3.2 Legal frameworks

### 3.2.1 IASB Framework<sup>47</sup>

The International Accounting Standards Board (IASB), is an independent, international organisation which sets accounting standards and works for improving the quality of international financial accounting. IASB is responsible for the accounting standards, International Financial Reporting Standards (IFRS), and for developing and promoting the application of the standards.<sup>48</sup> According to IASB's Conceptual Framework for Financial Reporting, which discusses the overall terms and principles for the formulation of financial reports, the information in the reports should be valuable for the users. Thereby, the events have to be essential, relevant and as correct as possible to be able to give a fair view of the company. It may be difficult to value some events and risks which thereby calls for caution. In accordance with generally accepted accounting principles there are different ways how prudent valuation can be estimated, which the IASB Framework also gives guidance on how to make these decisions.

### 3.2.2 IAS 34 – Interim Financial Reporting<sup>49</sup>

An interim period is a financial reporting period which is shorter than a full financial year. A company which prepares its interim financial reports in accordance with IFRS must apply the standard IAS 34 if they have chosen to present quarterly reports. The standard describes the layout of the interim reports and defines the minimum criteria of the content in the reports such as what items that have to be included and what principles for measurement that should

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<sup>45</sup> Brennan, N., Guillamon-Saorin, E., Pierce, A. (2009)

<sup>46</sup> Ibid.

<sup>47</sup> IASB Framework

<sup>48</sup> www.ifrs.org, *About the IFRS Foundation and the IASB*, 2011-03-03

<sup>49</sup> IAS 34

be used. The interim report is supposed to be a supplement to the information provided at the most recent financial year end. Information presented earlier does not have to be repeated; thereby the interim reports primarily include information related to events and circumstances that occurred after the previous report was published. Reliable and current interim reports increase stakeholders' possibility to understand a company's financial position, its cash flows and its ability to generate earnings. IAS 34 states that companies in their interim financial reports should include inter alia changes in estimates, changes in contingent liabilities and contingent assets, litigation settlements and impairment losses on assets. The company must also inform about other significant entries that affect the reports and about significant events that occurred after the end of the interim period. Showing important events and transactions is essential for a company since it helps users of the reports to understand the changes in a company's financial position.

### 3.2.3 IAS 37 – Provisions, Contingent Liabilities and Contingent Assets<sup>50</sup>

Companies which follow IFRS must handle their provisions, contingent liabilities and contingent assets according to the rules in IAS 37. IAS 37 classifies a provision as a debt which a company does not have enough knowledge about, especially when it comes to what time it should be paid or what the exact total amount of the debt will be. A provision has to be reported when a company has a commitment, based on a specific event. There also has to be a probability that this event reduces the company's financial assets when the company wants to dispose the debt and the amount of the debt also has to be calculated in a credible way.

When estimating the amount of a provision the company has to value the debt in the best possible way so the amount can be equal to what the company would have to pay for it at the balance sheet date or how much it would cost to sell it to an extern party at the same day. Some conditions must be reached when a company estimates the amount of the provision. The company needs to observe possible risks and uncertain happenings that may affect the evaluation without doing an unjustified large provision or value a debt too high. To achieve the best possible estimation of the value of the provision, the company has to review the reliability of the amount at the balance sheet day and adjust it, unless the debt amount is equal to the best valuation. Provisions must also be estimated to the exact value the day they arise if there is a too large difference between this value and the nominal value. Occurrences in the future must also be taken into consideration, like if there is going to be any changes in laws or in the technical area. Divestments gains shall not be included in these calculations. If there is a lower probability than 50 percent the company is not allowed to report these debts as provisions, instead they will be classified as contingent liability and be reported in the notes in the financial report. If the debt cannot be classified as a provision any more, it must be reversed. IAS 37 has some specific applications stating that a company is not allowed to make provisions for future operating losses, instead these assets must be impaired according to IAS 36 Impairment of Assets.

### 3.2.4 Clean Water Act<sup>51</sup>

*The Clean Water Act* (CWA), which the Federal Water Pollution Control Act Amendments of 1972 is more commonly referred to, regulates the release of pollutants into the waters of the United States. CWA includes different types of regulations with the purpose of minimising the pollutions in the waters, inter alia making guidelines for the discharge of wastewater for industries and describing how to handle contaminated runoff.<sup>52</sup> Section 311 [33 U.S.C. 1321] is about oil and hazardous substance liabilities, with the principal rule that it is prohibited to

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<sup>50</sup> IAS 37

<sup>51</sup> CWA, Section 311 [33 U.S.C. 1321]

<sup>52</sup> [www.epa.gov](http://www.epa.gov), *Introduction to the Clean Water Act*, 2011-04-05



discharge oil or other hazardous substances into the United States' water territory. However, there are exceptions and in order to be allowed to discharge pollutants into the water the discharger has to obtain a permit from the National Pollutant Discharge Elimination System (NPDES), which is managed by the United States Environmental Protection Agency (EPA).<sup>53</sup>

When there is a prohibited discharge the owner or operator of the source is responsible for the costs regarding removal of the oil or substance. For releases of hazardous substances the civil penalty is at a maximum \$1,000 per barrel of oil or up to \$25,000 per day of oil leaking into the water. If the company is considered to have acted with gross negligence, the penalty would cost at least \$100,000 and a maximum of \$3,000 per barrel of oil. The owner or operator is liable for these amounts unless the United States can show that the discharge was caused by deliberate negligence or intentional misconduct, then the owner or operator is liable for the total amount of removal costs. If the owner or operator can prove the discharge "*was caused solely by an act of God, an act of war, negligence on the United States Government, or an act or omission of a third party*"<sup>54</sup> he/she is not liable for the costs.

### 3.2.5 Oil Pollution Act 90

The *Oil Pollution Act* (OPA 90) was legislated in 1990 after the oil tanker Exxon Valdez had ran aground in March in 1989. The OPA 90 was initiated to address the problems concerning oil pollution discharge in waters controlled by the United States. The regulation was intended to improve the actions regarding financial responsibility and prevention for oil pollution spill. The OPA 90 increased the Federal government's ability to supervise the transportation of oil on water and thereby provided higher measures of environmental safety. It was achieved by creating new requirements for construction of vessels and higher demand was put on the crew of the vessels. Also the penalties for not following the rules were increased and the requirements for financial responsibility were broadened. Higher liability limits for oil spills were stipulated and new research and development programs were created. The OPA 90 did also establish compulsory contingency planning and broadened the enforcement authorities of the Federal government, improving the federal response capability. The Liability Trust Fund was created, which may contribute with up to \$1 billion per spill when the responsible party is unable or unwilling to pay.<sup>55</sup> The trust fund is financed by an oil tax, to be able to clean up the spills.<sup>56</sup>

One of the key provisions of the OPA 90 states that a party, which is responsible for a vessel or an establishment leaking oil or probably is going to start leaking, is responsible for damages caused by the discharged oil and the arisen costs for removal. If the responsible party can prove that the damages and removal costs were caused by a third party, that party will be held responsible. Liable parties at deepwater ports and onshore facilities have to pay up to \$350 million per oil spill and holder of leases for an oil rig offshore are liable for payments up to \$75 million per spill. They must also pay for the costs which result from the removal of the oil. Furthermore, offshore facilities have to regularly provide evidence for their possession of the financial responsibility of \$150 million. Planning and prevention activities were not only strengthened by presenting contingency plans for all areas of the United States, but also by demanding compiling response plans for a worst case scenario for individual tank vessels and facilities. Another requirement considered spill removal equipment and running inspections. For failing to inform a Federal agency about an oil incident the fine was

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<sup>53</sup> [www.epa.gov](http://www.epa.gov), *Summary of the Clean Water Act* 2011-04-05

<sup>54</sup> CWA, Section 311 [33 U.S.C. 1321] (f), *Liability for actual costs of removal*

<sup>55</sup> OPA 90, (33 U.S.C. 2701 note)

<sup>56</sup> [www.uscg.mil](http://www.uscg.mil), *National Pollution Funds Center. Oil Pollution Act of 1990 (OPA)*, Accessed 2010-03-23

increased from maximum \$10,000, to a maximum of \$250,000 for an individual, and \$500,000 for an organisation.<sup>57 58</sup>

### 3.3 Impression Management

People may try to place themselves in circumstances which are favourable for them and not only act passively to the social environment. People attempt to affect the environment so the surroundings will be seen as more beneficial and less threatening. This may also be applied to companies, since there are people working in the companies. People can be considered as actors on the stage of life and the interaction between them can be seen as a performance with other people as the audience. Schlenker and Weigold have become absorbed in the interpersonal processes applicable to *impression management* (IM) and regulation. The idea is based on the assumption that people consciously, or sometimes unconsciously, try to control and handle the information they present to their surroundings. This particularly concern information people provide about themselves and what they consider to be beneficial and in what way they try to make people to conceive the same perception. Effective communication requires information being adjusted to the receivers' apprehension and values. People construct explanations to different problems and account for them by using explanations advantageous for themselves in order to justify their actions that had violated the regulations. The more important the event is and the tighter the link between the event and the person is, the higher are the risks for sanctions and negative effects on the reputation. Then people tend to be more inclined to use self-profiting accounts or to ask for forgiveness for their conduct since this reduces the negative consequences and thereby accounts are helpful for the actor.<sup>59</sup>

There are different ways people may try to "explain or account for events"<sup>60</sup> and according to Schlenker and Weigold there are four different ways an actor can minimise the eventual negative consequences. Firstly, there are *defences of innocence*, where the actor either claims to be innocent and not involved in the episode or denies that the happening took place. The best option for the actor is if he/she accomplishes to get the audience to accept his/her defence of innocence since it offers total acquittal. Secondly, there are *excuses*, where the actor tries to reduce the personal link to an unwanted situation. The actor tries to shift the focus away from his/her responsibility for internal and controllable elements to external elements which are uncontrollable by throwing the blame on something else like misfortunes or complicated assignments. It is common that people try to formulate excuses adjusted to the facts in which they claim that the event was unintentional. Blaming others is considered to be a poor excuse which only creates negative consequences. On the other hand when the facts behind an excuse are believable the excuse will be accepted by the audience. Thirdly, there are *justifications*, in which the actor defends the happening either by trying to minimise the harm or trying to show the act was nothing but beneficial. Another kind of justification is trying to minimise the purpose of overstepping a permissible limit. Finally, there are *apologies*, where the actor offers an apology admitting that he/she did something wrong and expressing regret regarding the undesired event. Apologies have an important social role by acknowledging that directions have been violated and confessing interpersonal duties.<sup>61</sup>

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<sup>57</sup> OPA 90, (33 U.S.C. 2701 note)

<sup>58</sup> www.epa.gov, *Oil pollution Act Overview*, Accessed 2010-03-23

<sup>59</sup> Schlenker, B., Weigold, M. (1992)

<sup>60</sup> Ibid. p. 135

<sup>61</sup> Ibid.

### 3.4 Situational Crisis Communication Theory<sup>62</sup>

*Situational Crisis Communication Theory* (SCCT) is a model for how a company can protect its image and reputation by communicating correct information at the right time to their stakeholders after a crisis has occurred. A crisis is according to SCCT “*a sudden and unexpected event that threatens to disrupt an organization’s operations and poses both a financial and a reputational threat*”<sup>63</sup>. SCCT is based on experimental methods and by employing SCCT a company’s management may use different strategies to preserve a company’s reputation, which easily can be affected badly after a crisis. A previous crisis in a company may also influence stakeholders’ attitude toward a new crisis. SCCT is based upon the Attribution Theory which indicates that people make different conclusions about their own actions and someone else’s behaviour by using emotions such as anger and sympathy. A crisis can be classified into three different categories, *the victim cluster*, *the accidental cluster* and *the international cluster*. Natural disasters and rumours often count to the victim cluster while technical accidents belong to the accidental cluster and human error accidents and organisational misdeeds are included in the international cluster. Depending on in which type of cluster a crisis can be classified, the responsibility may variegate.

Many stakeholders by themselves try to find information about a company, therefore news in media have had great influence on how the public register a company after a crisis. Even other sources of information, like net blogs, can affect a company’s reputation after a crisis. Every company has built up a reputational capital which is a fund of trust attained by the stakeholders. Depending on how the stakeholders think about a company’s trade name after a crisis this reputational capital may be lost. There are some steps a company can follow if they want to handle a crisis in a good way. First, they have to care for their stakeholders and immediately give them important facts in order to prevent them from danger, for example if the company has sold a dangerous product. Later, the company can focus on how they have to act so they can maintain their reputation as unchanged as possible. According to SCCT there are three elements which can be a threat to a company’s reputation: *initial crisis responsibility*, *crisis history* and *prior relational reputation*. Depending on how a company express themselves, like for example which words they use and how they describe their plans of action the outcome of the affection on the reputation may vary.

A company can use different strategies for handling a crisis which in the SCCT is divided into two types, *primary crisis response strategies* and *secondary crisis response strategies*. The *primary strategies* include actions by a company such as *apologies*, *denial* and *excuses*. Apologies are when a company commits to their actions and tells the stakeholders they are sorry. The primary strategies do also include *compensations* to them who have been affected by this crisis, and using a *scapegoat*, which means the company accuses someone else for the crisis. Another approach for a company is to use the *secondary crisis response strategies* which involve three different aspects. At first a company can apply strategies of reminding the stakeholders what a great company they were before the crisis or they can use *ingratiation* in which they tell the stakeholders what the company has accomplished earlier and give credit to their stakeholders. Finally they can try to make the stakeholders realise the company also has suffered from this specific event. A company gets different responses from the stakeholders depending on which strategy they use. If a company denies a crisis they will try to convince the stakeholders that they do not have anything in common with the crisis and that they will not be affected badly because of the event. Another way for a company to handle a crisis is by apologising for the occurrence and saying that they will take full responsibility for bringing everything back to normal.

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<sup>62</sup> Coombs, Timothy

<sup>63</sup> Coombs, Timothy, p. 164 (2007)

## Chapter 4: Empirics and analysis

*This chapter presents the empirical findings and the results are compared with the frame of reference. At first, an overview of the chosen company is given and then the quarterly reports are analysed and discussed.*

### 4.1 About the company

BP began its history in 1870 through the Standard Oil Company and has its foundation in the Anglo-Persian Oil Company from 1909. It was not until 1954 the name British Petroleum was taken after many fusions between different oil companies. From year 2000 the company is only called BP and its foundation consists of a group of companies.<sup>64</sup> Today BP is one of the largest petroleum companies in the world and provides energy products such as “fuel for transportation, energy for heat and light, retail services and petrochemicals products for everyday items”<sup>65</sup>. BP consists of BP Exploration and Production Inc and other companies and is working under six different brands which are BP, Aral, Arco, Castrol, Wild Bean Cafe, and ampm. In the end of 2010 BP had 79,700 employees all over the world and they had products in six continents and 80 countries.<sup>66</sup> BP is the fourth largest oil company regarding the world’s largest refiners. Exxon is classified as the world’s biggest; with a crude capacity of 5,783 thousand barrels per calendar day, followed by Royal Dutch/Shell and Sinopec. BP has a capacity of 3.325 thousand barrels.<sup>67</sup> BP describes themselves as “progressive, responsible, innovative and performance driven”<sup>68</sup>. They aim to not affect the environment badly despite their hazardous company activities.<sup>69</sup> From October 2010 the Executive Director of BP is Bob Dudley who took over when the former Executive Director Tony Hayward stepped down after three years at the post.<sup>70</sup> BP has its headquarter situated in London, follows the IFRS accounting principles and uses the currency dollar in both their annual and quarterly reports.<sup>71</sup>

#### 4.1.1 BP from 2006 -2010

In diagram 1 information from the balance sheet is shown for the years 2006-2010. Between 2008 and 2010 total assets has increased which also have given BP a higher balance sheet total. Based on data in the diagram it can as well be deduced that the increase of total assets in 2010 also resulted in a higher level of debt-equity ratio which resulted in a deteriorated financial solidity compared to 2009.

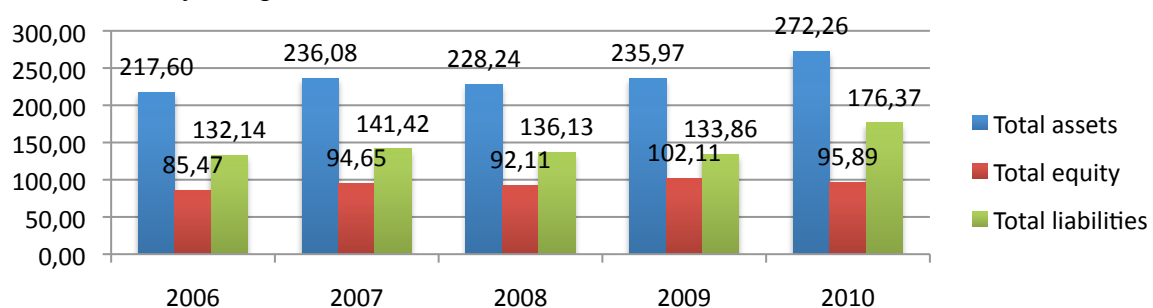


Diagram 1: Balance sheet information in \$ million<sup>72</sup>

<sup>64</sup> www.bp.com, *Our history*, 2011-02-01

<sup>65</sup> www.bp.com, *BP at a glance*, 2011-02-01

<sup>66</sup> www.bp.com, *BP at a glance*, 2011-04-21

<sup>67</sup> http://www.petrostrategies.org, *World's largest refiners*, 2011-03-08

<sup>68</sup> www.bp.com, *Our values*, 2011-03-04

<sup>69</sup> Ibid.

<sup>70</sup> www.bp.com, *Press releases 27 July 2010*, 2011-04-29

<sup>71</sup> BP Annual Report and Accounts 2010

<sup>72</sup> BP Annual Report and Accounts 2006-2010

In 2007 BP began implementing new safety recommendations in order to become a leader in process safety since they believe reliable and safe operations are important. The recommendations originate in the accident in Texas City in 2005.<sup>73</sup> In 2009 the average price of oil and gas sank compared to 2008 because of previous negative effect on the world economy where the demand of energy declined during this year. The oil price is according to BP's annual report dependent on the decisions OPEC, Organization of the Petroleum Exporting Countries, makes about production and on the economic expansion in the world. Compared to 2009 both the average price of oil and gas increased in 2010 and BP believed these prices will continue to rise during the following year. BP also expected a rise of energy demand of approximately 40 percent from 2010 to 2030.<sup>74</sup>

BP's profit has decreased during the last five years, shown in diagram 2. In 2006 the profit started at \$22,60 million and has declined every year thereafter, with a small exception in 2008, and finally in 2010 the lost became \$3,32 million.<sup>75</sup> The oil spill in the Gulf of Mexico led to costs which had major impact on the profit, which BP considered to be the main cause of the loss in 2010.<sup>76</sup>

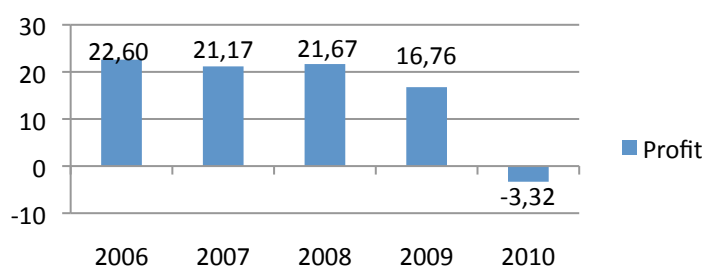


Diagram 2: Profit in \$ million<sup>77</sup>

#### 4.1.2 Previous incidents

On 23<sup>rd</sup> of March 2005 on a refinery of BP in Texas City, some explosions caused 15 peoples life and injured 170 people and due to this accident BP had to pay \$21.4 million in penalties in 2005.<sup>78</sup> Four years later they had to pay additional fines for their lack of safety and the total amount of penalties in 2009 was \$87 million, which is one of the largest fine amounts in the United States history ever.<sup>79</sup> One year later, in 2006, BP was involved in two other accidents in Alaska, one in March when around 4,800 barrels of oil leaked out and another in August which lead to a an oil leak of 199 barrels.<sup>80</sup> Compared to BP's previous accidents, the oil spill in the Gulf of Mexico became more noticed in BP's annual reports. In the beginning of the annual report from 2010, BP wrote a memorial letter were they expressed how sorry they were for the people who had died in this accident. The accident in Texas City and the accidents in Alaska were only mention later in the annual reports and the descriptions of these accidents were not as specific noticed as the Gulf of Mexico oil spill.<sup>81</sup> In the quarterly report published in 2005, BP first wrote about a tragic explosion in Texas City that had occurred and that they classified the happening as an incident, not as an accident. Neither did BP use the word "accident" in any of the other quarterly reports during 2005 or 2006. In addition, BP did not mention in their quarterly reports during 2005 the 15 people who died in the accident but

<sup>73</sup> BP Annual Report and Accounts 2007

<sup>74</sup> BP Annual Report and Accounts 2010

<sup>75</sup> BP Annual Report and Accounts 2006-2010

<sup>76</sup> BP Annual Report and Accounts 2010

<sup>77</sup> BP Annual Report and Accounts 2006-2010

<sup>78</sup> Tran, Mark. (2006)

<sup>79</sup> Houston TT-Reuters.(2009)

<sup>80</sup> BP Annual Report and Accounts 2006

<sup>81</sup> BP Annual Report and Accounts 2005-2010



they did mention it in the annual report. According to BP's first quarterly report in 2005, the accident in Texas had no significant financial impact, but in the second quarter, BP declared that the costs had risen by \$700 million because of the accident. In the second and third quarter in 2005 BP also mentioned that the production potential had been reduced due to the accident in Texas and BP also continued to write short paragraphs about Texas in the quarterly reports for 2006, but the two accidents in Alaska were never mention in those reports. BP only referred to these accidents in the annual report for 2006.<sup>82 83</sup>

#### 4.1.3 The Gulf of Mexico oil spill

In March 2010 President Obama decided, despite the risks, to allow BP to drill near the coast line in the Gulf of Mexico.<sup>84</sup> BP began drilling, what they called the Macondo well (MC252), on the oilrig Deepwater Horizon, owned by the company Transocean but leased by BP since a couple of years ago. BP owned 65% working interests and the rest were owned by two other joint venture partners.<sup>85</sup> On 20<sup>th</sup> of April hydrocarbons started to leak from the well which led to an explosion and finally the rig caught fire and eleven people died. Oil started to escape from the well into the ocean and caused one of the largest oil spills in history, which also lead to major damages to nature, wildlife, companies and other people who were dependent on the ocean.<sup>86</sup> In figure 2 below a map shows the exact place of the incident and which states that especially were affected by this oil leak. To be able to handle the oil leak about 40,000 people from five different states helped and they used more than 6,390 vessels. 825,000 barrels of oil liquid were picked up and approximately 261,400 barrels were burned from the surface of the sea during the second quarter in 2010.<sup>87</sup> Two relief wells were made nearby to stop the pressure from the Macondo well but it took several months before BP was able to stop the oil leak. It was not until 15<sup>th</sup> of July that they were able to cover the oil well and the work with the leak was completed on 19<sup>th</sup> of September.<sup>88</sup> After this accident BP has faced major claims for compensations for damages, both from the government and from the public.



Figure 2: Map over the accident area<sup>89</sup>

In their press releases BP estimated that the accident, until the 29<sup>th</sup> of September, had cost the company around \$11.2 billion, which for example included claims paid, federal costs and costs concerning the restoring of the accident.<sup>90</sup> The reasons for the accident were due to several mistakes, both technical and human. BP observed eight specific mistakes, inter alia that the hydrocarbon was not isolated by the cement used when filling the well, since there were weaknesses in the cement design. Another mistake was a misunderstanding about a

<sup>82</sup> BP p.l.c. Group results –First- fourth quarter 2005

<sup>83</sup> BP p.l.c. Group results –First- fourth quarter 2006

<sup>84</sup> TT-AFP. (2010) *Obama: Oljebolaget BP är ansvarigt*

<sup>85</sup> BP p.l.c. Group results – Fourth quarter and full year 2010

<sup>86</sup> BP. Deepwater Horizon Accident Investigation Report 2010

<sup>87</sup> BP p.l.c. Group results – Second quarter and half year 2010, p. 3

<sup>88</sup> www.bp.com, *Response timeline*, 2011-02-01

<sup>89</sup> www.bp.com, *Deepwater Horizon*, 2011-04.28

<sup>90</sup> www.bp.com, *Press releases 1 October 2010*, 2011-03-03

specific safety test, when BP and the crew thought it was correct despite the fact that it had failed.<sup>91</sup>

The accident in the Gulf of Mexico has not only damaged BP's reputation, it has also harmed the company financially. On 4<sup>th</sup> of January 2010 the stock exchange price was \$59.15, which was a small increase compared to the stock exchange price of \$57.97 at the end of 2009. During the last year the stock exchange price fluctuated and decreased by 50% after the accident in the Gulf of Mexico, but increased again later during the year and ended at \$44.17 on 31<sup>st</sup> of December.<sup>92</sup> Figure 3 shows a timeline over the events of the accident as well as the publication dates of the quarterly reports. In addition the reader can follow the fluctuations in the stock exchange price during 2010.

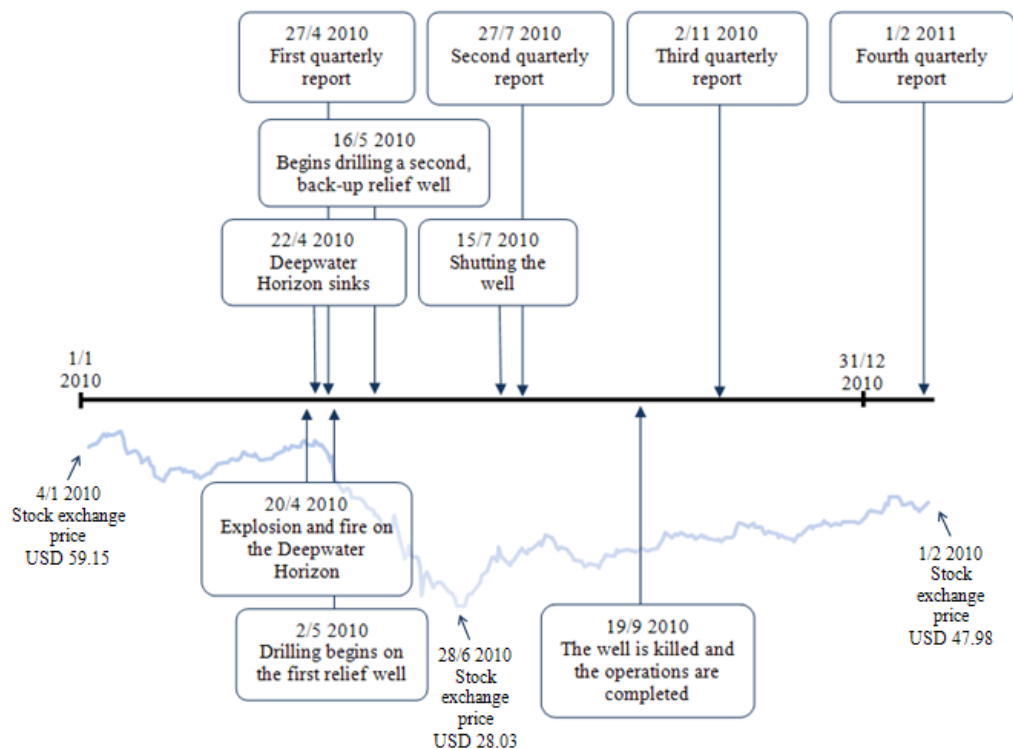


Figure 3: Timeline 2010<sup>93 94 95</sup>

#### 4.2 The change of the amount of information between the reports

Every report starts with a table over BP's replacement cost profit (loss) together with the dividend and all data are compared with the previous quarter as well as to the same quarter in 2009. Except from a short notice in the first quarterly report, the accident did not have any visible affect in this report. In the second to the fourth quarter BP named the costs and activities related to the accident as "Gulf of Mexico oil spill response". After the introduction in report two, three and four, the first main heading was "Gulf of Mexico oil spill". The contents and introductions under "Gulf of Mexico oil spill" were, on the other hand, not exactly the same in these quarters, instead they were adapted to specific happenings during each time period. The heading on page two in the first quarter was instead "Analysis of replacement cost profit before interest and tax and reconciliation to profit for the period", which in the other three reports, were the next heading after "Gulf of Mexico oil spill".

<sup>91</sup> Deepwater Horizon Accident Investigation Report 2011-03-08

<sup>92</sup> www.di.se, BP Plc, 2011-03-02

<sup>93</sup> www.bp.com' Response timeline, 2011-02-01

<sup>94</sup> www.di.se, BP PLC, 2011-03-02

<sup>95</sup> BP p.l.c. Group results –First- fourth quarter 2010

### 4.2.1 Quarter 1

The accident in the Gulf of Mexico occurred six days before the first quarterly report for 2010 was approved by the board of directors. BP did therefore only publish a short notice on page four in this report where they wrote: “*On 20 April 2010, the semi-submersible drilling rig Deepwater Horizon owned and operated by Transocean Limited caught fire in the US Gulf of Mexico and subsequently sank. The rig was drilling an exploration well on a BP deepwater lease. BP is committed to doing everything in its power to contain the environmental consequences of the incident.*”<sup>96</sup> The financial information in this report had not been affected by the oil spill and BP planned to make a dividend in June, of 14 cents per ordinary share. The paragraph in the first quarter amounted to approximately 0.5% pages of the total report.

### 4.2.2 Quarter 2

The second quarter started with the sentence: “*Following the explosion and subsequent sinking of the Transocean Holdings LLC operated Deepwater Horizon drilling rig in the Gulf of Mexico in April 2010, BP and US Government authorities have been conducting unprecedented oil spill response activities.*”<sup>97</sup> In addition, references were made on the first page to other pages, where BP wrote more about the Gulf of Mexico oil spill. Information, which was mentioned besides the accident on the first page, was especially financial information and important events during the quarter like the net cash and how the accident affected it and what the net debt, influenced by the accident amounted to. This was, on page two to five, followed by a wider description of the Gulf of Mexico oil spill, where more information about the happening was presented. BP declared that eleven people had lost their lives in the Gulf of Mexico accident and described that Transocean Holdings LLC was the operator of the rig drilling the MC252 well (The Mississippi Canyon 252 exploratory well), which BP with their 65% working interest leased and operated on. They described what investigations they had done to find out the cause of this accident. Further on, they illustrated the development of the accident by explaining the flow rate of the oil and in which legal proceedings due to the accident, they have been involved in. BP also informed what they had done to take responsibility, for example how many board meetings and committees they had since the accident occurred, what they were going to do to cover the well and how they, by drilling relief wells, would try to stop the oil leak. In addition, BP described that they had created the organisation *Gulf Coast Claims Facility (GCCF)*, with the purpose of evaluating the individual and business claims arising under OPA 90 after the Gulf of Mexico oil spill. In the second quarter the accident was mentioned already on page one and the number of pages concerning the Gulf of Mexico oil spill was around 11, which corresponds to 26.2% of the whole report. It consisted of 168 paragraphs, which contained approximately 10,620 words, and 5 tables, in which the consequences of the accident were described.

### 4.2.3 Quarter 3

On the front page in the third quarter there was no description of courses of actions about the accident. Instead BP wrote about what the “replacement cost profit” amounted to during the period as well as the amount for the total year, followed by the income statement related to the Gulf of Mexico oil spill. Furthermore, BP describes additional financial information where the oil spill from the accident had an impact, such for example in the posts effective tax rate and net cash, on the first page BP also referred to other pages where more was written about the oil spill. Page two in this report was left blank with the motivation “*this page is intentionally left blank*”<sup>98</sup>.

<sup>96</sup> BP p.l.c. Group results –First quarter 2010, p. 4

<sup>97</sup> BP p.l.c. Group results – Second quarter and half year 2010, p. 1

<sup>98</sup> BP p.l.c. Group results – Third quarter and nine months 2010, p. 2



Under the heading “Gulf of Mexico oil spill” BP explained that they had succeeded to cover the well on 19<sup>th</sup> of September 2010, and that no oil had managed to escape since 21<sup>st</sup> of July 2010, but some oil had been collected out of the ocean after that date. During the third quarter BP also designed a new function named “Safety and Operational Risk function”, with the aim for BP more easily to see how they follow the required standards. On 8<sup>th</sup> of September 2010 BP presented their own investigation report in which they found there was more than one factor that had caused the Gulf of Mexico oil spill. In the third quarter BP explained that they in June had created another new organisation, the *Gulf Coast Restoration Organisation* (GCRO), which together with the *Unified Area Command* (UAC) handles the activities after the oil spill. In addition, the *Gulf of Mexico Research Initiative* (GRI) was created, with the purpose of examining the consequences on the ocean and coastlines after the oil spill. In the *Deepwater Horizon oil spill trust* an escrow account of \$20 billion was created in August to pay for all costs related to the accident and will be completed during the next three and a half years. Further on, BP mentioned that on 23<sup>rd</sup> of August 2010 all individual and business claims would be handled by GCCF and not by BP itself. BP had in an additional table in the second and third quarterly report chosen to complement the information about the changes in provisions from July to September. In the third quarterly report the amount of pages slightly decreased to 10.5 pages, corresponding to 27.6% of the total report, 153 paragraphs with approximately 8,210 words and 6 additional tables.

#### 4.2.4 Quarter 4

The first paragraph in the fourth quarterly report showed BP’s replacement cost profit, followed by the income statement for the quarter and for the year. In the same part, BP also referred to pages providing additional information about the oil spill. In this quarter BP did not mention the incident’s effect on the net debt in the first section. BP announced in the next part under the heading “Gulf of Mexico oil spill”, that they were almost finished with the work of restoring damages caused by the accident and that they therefore had given up the Macondo well (previously mentioned as MC252 well). No more oil had been collected during this period and the restoration work after the accident decreased. BP also announced that almost all areas around the scene of the accident had been re-opened for fishing. In the fourth quarter BP once again referred to the previously mentioned organisations created after the accident. The information in the report about the accident contained almost 8,120 words, divided into 154 paragraphs and covered approximately 10 pages; 26.3% of the total report. The number of tables increased in the fourth report to the amount of 8, compared to the three previous quarters.

#### 4.2.5 Content comparison

On the first page most information about the accident was written in the second quarterly report compared to the other reports. In the second report BP did not mention the death of the eleven people on the first page, instead they wrote about it on the second page. When it came to the division of the headings, BP used the same definitions in quarter two and three while quarter four differed, as it focused more on inter alia financial information about claims and other costs. The heading *Principal risks and uncertainties* is missing in the first and fourth quarterly report, and in the third quarter BP only wrote a short paragraph about these risks and instead referred to the information in the second quarterly report. In this report approximately 6.5 pages is written under this heading. Three of these pages related directly to the accident in the Gulf of Mexico. Regarding the percentage change of the numbers of pages related to the oil spill, it decreased in the third quarter. However, relative to the total number of pages in the reports, the information increased.

The frame and the content of the text in report two, three and four were similar while the first report, as previously mentioned, differed. Many of the sentences in the second to the fourth reports were almost identical, except for some words or some figures. An example from quarter two: “BP p.l.c., BP Exploration & Production Inc. and various other BP entities (collectively referred to as BP) are among the companies named as defendants in more than 300 private civil lawsuits resulting from the 20 April 2010 explosions and fire on the semi-submersible rig Deepwater Horizon and resulting oil spill (the incident) and further actions are likely to be brought”<sup>99</sup>. This expression can be compared with another quotation from quarter four, when BP expressed themselves as follows: “BP p.l.c., BP Exploration & Production Inc. (BP E&P) and various other BP entities (collectively referred to as BP) are among the companies named as defendants in more than 400 private civil lawsuits resulting from the 20 April 2010 explosions and fire on the semi-submersible rig Deepwater Horizon and resulting oil spill (the Incident) and further actions are likely to be brought. BP E&P is lease operator of Mississippi Canyon, Block 252 in the Gulf of Mexico, where the Deepwater Horizon was deployed at the time of the Incident, and holds a 65% working interest”<sup>100</sup>.

These quotations above show how similar BP expressed themselves in some paragraphs of the reports. The first quarterly report differed from the other three in terms of quantity of information and the formulation of headings and contents in paragraphs mainly due to the accident in the Gulf of Mexico, because it did not, like the other three, have a marked influence on the headings, diagrams and text content. BP had the same information in several reports which demonstrates that they, according to IAS 34, tried to give the reader such a fair view as possible. However, BP also chose to apply other parts of the standard IAS 34 when they did not repeat information already published, for example under the heading “Principal risks and uncertainties”. According to IAS 34 a company must inform about happenings during the period and give necessary information, so that the readers of the report can get a fair view of the event. Since the oil spill is further back in time, BP had chosen to present other information in the more recently produced reports instead. BP chose in the last three reports to, instead of describing the consequences of the accident, focus on describing the occurrence followed by informing the readers what positive actions they had done to gain control over the situation. This approach is in accordance with the article written by Brennan et al. which states that companies may choose to write in a certain way to try influencing the readers. This can be regarded as a type of *rhetorical manipulation* because BP formulated themselves in a way which may complicate the information for the readers and make them notice only the positive actions the company has made.

#### 4.2.6 Word frequency

After analysing selected information about the oil spill in the quarterly reports in the text analysing program NVivo 9 the authors achieved a frequency outcome of the most commonly used words in BP’s reports. Except for words without a specific meaning or irrelevant information for the content, like “have” and “has”, “BP” was the most frequently used word, followed by “oil”, “cost” and “claims”.

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<sup>99</sup> BP p.l.c. Group results – Second quarter and half year 2010, p. 40

<sup>100</sup> BP p.l.c. Group results – Fourth quarter and full year 2010, p. 34

The frequency of the most common words according to NVivo 9 is shown below, in diagram 3.

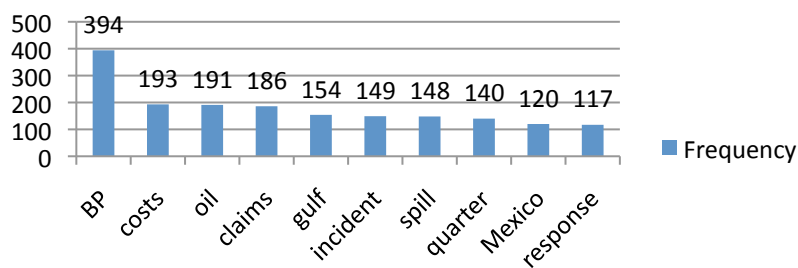


Diagram 3: Word frequency based on NVivo 9<sup>101 102</sup>

There is a relatively steady distribution between the words directly linked to the accident. “Claims” is one word that recurs many times but in the first quarter the word is not used in connection to the Gulf of Mexico oil spill. In the fourth quarter the same word was used almost twice as much (90 times), compared with quarter two and three (48 times each).

Except for the ten most frequent words chosen by NVivo 9, the authors chose some additional keywords they thought were relevant for the content analysis. Many of the words were similar to the words the text analysing program had counted as common, but had not ended up as the ten most frequent words. Diagram 4 shows the frequency of these words and in which quarterly report they were used the most.

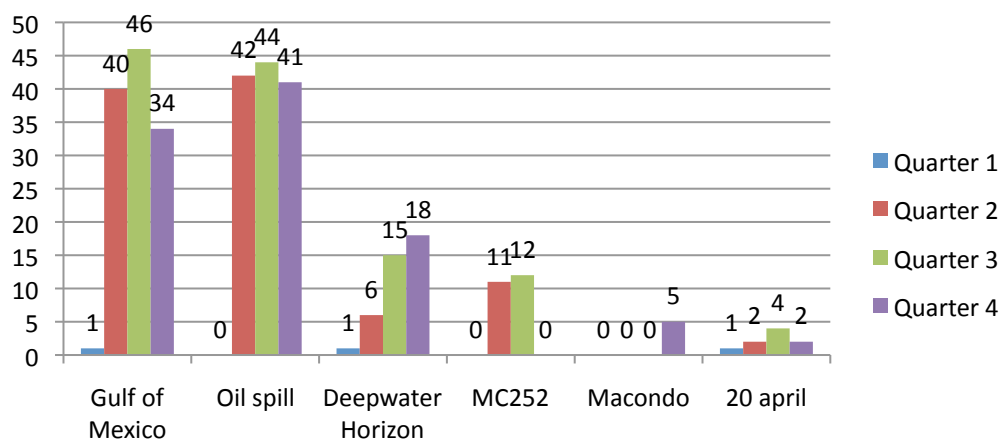


Diagram 4: Word frequency based on the authors selection<sup>103</sup>

In their first report BP mentioned “Gulf of Mexico”, “20 April” and “Deepwater Horizon” when they wrote about the accident and the longer the time since the accident occurred, the more names BP used for describing the disaster area. In the two following reports BP named the well as “MC252”, while the fourth quarter differed when they instead used the word “Macondo”, which had not been mentioned before in the three previous reports. The use of the word “Deepwater Horizon” did also increase in the third and fourth quarter. In the first quarter the expression had only been applied once compared to the fourth quarter where it was written in 18 different places in the report. In the first quarter BP mentioned the exact date of the accident, “20 of April”, but they did not write anything about the oil leak and therefore they did not use the word “oil spill” in that content. The word “oil spill” was otherwise frequently used during the remaining three quarters of 2010 but, on the other hand, the date of

<sup>101</sup> NVivo 9

<sup>102</sup> BP p.l.c. Group results –First- fourth quarter 2010

<sup>103</sup> Ibid.

the accident was only mentioned 8 more times in the three following reports, as shown in diagram 4. By using several different names and terms for the same thing, there is a possibility BP partly confuses the meaning of the written information so that readers cannot directly link the information to the same event. The reason can, according to Subramanian et al., be because companies choose to complicate sentences when they present negative information. BP's actions can also be comparable to Brennan et al.'s *syntactical information*, which states that managers may use a language to make negative information more complicated to read. When BP for the first time mentioned the Gulf of Mexico oil spill they used 56 words for this in the first quarterly report and classified the happening as an incident. The word "incident" was the most common word used by BP to describe the oil spill in the Gulf of Mexico. Another word BP used was "accident". Below diagram 5 shows the distribution of these two words during the different quarters. BP described the oil spill as an "accident" 10 times compared to "incident", which was mentioned 150 times in the contiguous text in the reports. In the second quarter these two words were the most frequent words compared to the other quarters, which may be explained by the fact that the majority of the pages written about the accident are in this reports. Further on, in the third and fourth quarter, the frequency of these words decreased, which also corresponds with the fewer pages published about the oil spills compared to the second quarter. BP did not have any other specific words for the oil spill, but in the last two reports they focused more on the actions taken after the accident as well as the damages related to the oil spill and referred instead to the location where the event occurred.

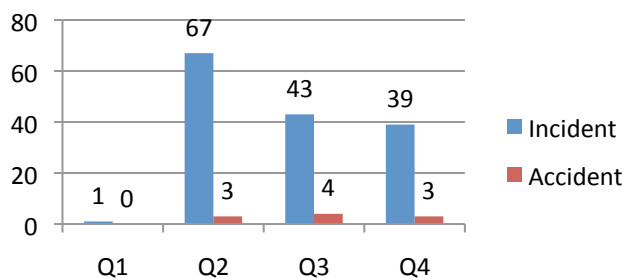


Diagram 5: Frequency per quarter<sup>104</sup>

In the second quarter the oil spill was mentioned under the heading "Legal proceedings", which was the last main heading in the quarterly reports and was called "the incident" with a lower-case letter, however, in the third and fourth quarter BP chose to start with a capital letter instead when they wrote about "the Incident". This cannot be compared to the first quarterly report since the heading "Legal proceedings" did not exist in that report. By typing words with capital letters BP put more weight on a word, which according to the study done by Brennan et al. can be a way to emphasise a specific keyword, so the readers will notice this information more clearly.

### 4.3 How BP refers to legal and IFRS frameworks

#### 4.3.1 IFRS

BP wrote that they follow IFRS in all reports. In addition, in the three first quarterly reports, BP also wrote that they apply IAS 34 according to what the guidelines in the standard requires when it comes to handing out information about essential events. In the fourth quarterly report BP did not write anything about IAS 34. To be able to give the readers a fair and transparent picture of the company BP specifically mentioned which pages they designed according to IAS 34 and on which pages BP's own selected information was presented. This information

<sup>104</sup> BP p.l.c. Group results –First- fourth quarter 2010

was only presented in the second quarterly report, not in quarter one, three and four. In all their interim reports BP provided information about events related to the period, after the previous annual report had been published. BP chose to mention the same information concerning the accident in several of the reports, even though information provided earlier does not have to be repeated in the quarterly reports, according to IAS 34. Since BP only held a 65% working interest in the well they thought they were not responsible for paying the entire cost resulting from the accident, but that the other working interest owners ought to pay as well, which they described in the second to the fourth quarterly reports. BP thereby had claims on these owners; however they could not include all of these debts because of IFRS, even though BP believed they would receive these payments from the joint venture partners in the future. During the second and the third quarter BP wrote a part about how BP's view differed from the view of IFRS, but they chose to apply the IFRS regulations. BP had, in the second quarter, billed their joint venture partners \$1,433 million. In the third quarter the amount increased to \$4,278 million, while in the fourth quarter BP could ensure parts of the claims with security as bills totalling \$6 billion were sent on 25<sup>th</sup> of January 2011.<sup>105</sup> However, BP did also inform that the partners would not pay until the investigation about the accident was completed.

Since BP chose to include complete financial statements in their quarterly reports they should, according to IAS 34, also follow IAS 1 Presentation of Financial Statements. A company which applies IAS 34 is, because of the standard obliged, to present certain financial information, which BP also has done when they have described the consequences of the accident. There are no restrictions as to the standard on how much information a company is allowed to present, however, there are requirements regarding the minimum amount on what at least must be presented. BP met these minimum requirements since they provided information about significant events that occurred during the period and how it had affected the business. By reading the information about the accident provided by BP, users of the quarterly reports can understand how BP had been affected financially and socially by the oil spill. The financial information in the quarterly reports related the Gulf of Mexico oil spill is noticed under headings, together with words such as "Gulf of Mexico oil spill response", "cost", "claims" or "provisions". Except for a balance sheet, an income statement and a cash flow BP had extra tables in quarter two to four where the effects of the accident were mentioned, inter alia when it comes to specific costs related to claims. In the third and the fourth quarter previously uncertain costs could be classified and reported as provisions, which BP chose to show in additional tables.

BP classified the Gulf of Mexico oil spill response as a non-operating item which means it is a type of cost that is not normally included in the operating business. The non-operating items are in all four of BP's reports presented in specific tables. The costs included in the Gulf of Mexico oil spill response affected the outcome of the non-operating items and the fair value effects during all quarters, except for the first quarter, when the Gulf of Mexico oil spill did not exist in these tables. The values of the non-operating items increased when the costs for the oil spill fell, which can be seen in diagram 6, since non-operating items as "Gulf of Mexico oil spill response" is included in profit (loss) for the period as well as in the replacement cost profit (loss). Gulf of Mexico oil spill response for the second quarter was \$32,192 million which included for example claims and cost for restoration after the accident. During the third quarter the Gulf of Mexico oil spill response amounted to \$7,656 million and a further \$1,010 Million for quarter four, which made a total of \$40,858 million for the Gulf of Mexico Oil spill response during 2010. During the first quarter BP made a profit, attributed

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<sup>105</sup> BP p.l.c. Group results – Fourth quarter and full year 2010, p. 28



to both the shareholders and to the replacement cost. In quarter two BP had a big loss because of high costs related to the Gulf of Mexico oil spill response, however the costs associated with the accident declined during the third and fourth quarter which resulted in a small profit instead of a loss, which is shown in diagram 6. The annual result for 2010 became a loss of \$3,72 million compared to 2009 when BP had a profit of \$16,58 million.

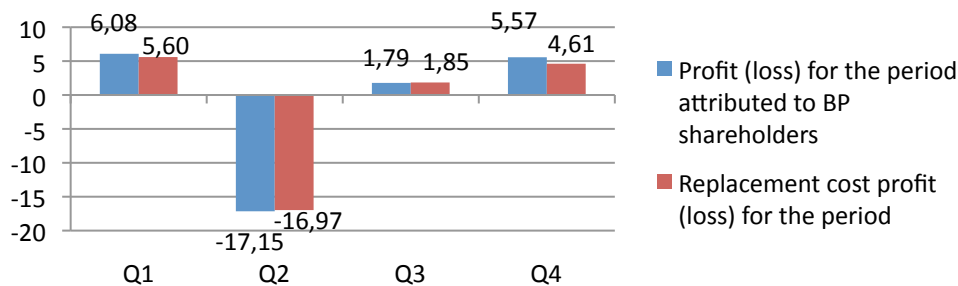


Diagram 6: Profit (loss) in \$ million<sup>106</sup>

Because of the accident, BP mentioned in their second quarterly report that the planned dividend from the first quarter no longer was valid, nor was any new dividend planned for the third quarter, but during the fourth quarter BP announced a dividend to be paid in March 2011. Cash expenditures related to the accident were not mentioned in the three first reports but amounted to \$5.4 billion during the fourth quarter and for the whole year to \$17.7 billion pre-tax. The contribution to the trust fund was also included in these amounts, with \$2 million the fourth quarter and \$5 million total. GCCF received 127,400 claims during the second quarter and 378,103 claims in the fourth quarter. BP did not specify the amount of business and individual claims they received during the third quarter but mentioned in the fourth quarter that the claims at the end of the year landed at a total amount of 468,869. To be able to handle financial requirements arisen after the accident, BP wrote, for the first time in the fourth quarter, they would make assets disposable to a value of \$30 billion and that they had created a program in which they tried to identify possible valuable assets so they could have the program finished in the end of 2011.

#### 4.3.2 IAS 37

BP referred to how they estimated amounts related to the Gulf of Mexico oil spill in quarter two, three and four but did not mention the standard IAS 37 in either of the reports. Many of BP's possible future costs were unsure so BP could not make certain estimations of the amounts the days the reports were published. One example from the second quarterly report concerning provisions and BP's connection to IAS 37 was: *“Although the provision recognized is the current best estimate of expenditures required to settle certain present obligations at the end of the reporting period, there are future expenditures for which it is not possible reliably to measure the obligation as noted under contingent liabilities below”*<sup>107</sup>. On 30<sup>th</sup> of June 2010 the provisions amounted to \$17,646 million, 30<sup>th</sup> of September \$16,405 million and at the end of the year they amounted to \$16,335 million regarding costs related to the accident. BP divided their provisions into current and non-current provisions. The total sum paid by the trust fund, so far, for individual and business claims was \$3.2 billion, which was mentioned in quarter four. However BP declared in the second report: *“The establishment of this escrow account does not represent a cap or floor on BP's liabilities and BP does not admit to a liability of this amount”*<sup>108</sup>. Further on BP expressed themselves almost identical as in the quote above in the two last reports under the heading “Other payables”.

<sup>106</sup> BP p.l.c. Group results –First- fourth quarter 2010

<sup>107</sup> BP p.l.c. Group results – Second quarter and half year 2010, p. 26

<sup>108</sup> Ibid. p. 27

The last quotation above shows the uncertainties in estimations and therefore BP could not value the future total amount of provisions related to the accident. This complies with IAS 37 in which there must be a predominant reliability for a provision to be counted, otherwise it may only be reported as a contingent liability. BP would violate IAS 37 if they reported these uncertain claims as provisions, because according to IAS 37 a company may not report claims that are too uncertain, however they could classify them as contingent liabilities. BP was clear about providing information regarding the uncertainties associated with provisions, in particular with the claims and the response costs related to the accident. They chose to submit their interim reports as complete financial reports which meant that BP, as IAS 34 states, also had to follow the other standards in full. BP did not specify the accounted amounts of the provisions which mean the readers cannot perceive what they included and where these amounts came from. IAS 37 describes how a company must provide several types of information regarding the size of provisions such as the amount at the beginning and end of each period, increases or decreases of existing provisions, new provisions and reversed amounts. Under IAS 37 it is correct to merge amounts concerning provisions of similar nature, which BP seems to have applied and they presented descriptions of provisions and contingent liabilities, which is in accordance with IAS 37. BP described that they could not estimate all future costs because they were uncertain, and thereby, BP followed what IASB's framework provides. The framework states that the information provided should be reliable and that it is also difficult to value certain assets and debts and therefore the valuation should be prudent to give a fair view of the company's financial situation.

#### 4.3.3 Clean Water Act

Because of the accident in the Gulf of Mexico, BP wrote in the second to the fourth quarter that they were required to pay fines and penalties under the *Clean Water Act* (CWA), an act not mentioned in the first quarter. They also informed that parties, such as federal agencies and citizens groups, can apply the CWA and get compensation from BP. The calculation of the charges related to the CWA was based on the amount of oil that had leaked out per barrel, which BP explained in the second quarter, and they expected the leak of hydrocarbons to be stopped during August. In addition, BP informed, in the second quarter, what the charge per barrel may amount to for a responsible party. If gross negligence has taken place, the penalties can amount to \$4.300 per barrel otherwise the maximum penalty is \$1.100 per barrel. However, in neither of the third or fourth quarterly report BP presented any amounts related to fines and penalties under the CWA. BP considered that, they still could make sufficiently reliable estimates for provisions related to the CWA in the last two quarters despite the uncertainties about how much oil that had leaked out. BP announced in the last three reports that they, in their calculations concerning the CWA, assumed it was not gross negligence regarding the accident. BP did therefore in these three quarters estimate provisions based on these conditions, but did not specify the exact amount for costs related to the CWA compared to other fines, penalties and litigations.

BP showed in their reports that they follow the CWA and was making reservations for the future amount they will have to pay and they were thorough to inform what the laws require and what it means for BP. According to the CWA, the holding company is responsible for all restorations costs incurred as a result of the accident. The penalties BP referred to are not the same amounts as the law prescribe, because BP's costs are higher than according to the CWA. BP presented different opinions but did not argue to convince the readers that these statements were true, for example when they chose not to classify the penalties pursuant to gross negligence.

#### 4.3.4 Oil Pollution Act 90

BP wrote in all the reports, except from quarter one, that they according to the *Oil Pollution Act* (OPA 90) were considered as a responsible party for the accident and the US Coast Guard claimed that BP and other responsible parties had to bear the costs arisen from the accident. In the second, third and fourth report BP wrote that many of their provisions depended on what the OPA 90 and CWA prescribe, at the same time as they followed the IASB Framework for how a provision should be calculated. Many of the claims for damages had been addressed to BP because of the OPA 90 and the company formed an escrow account of \$20 billion to try to cover for future costs that arise from the claims originated in the OPA 90.

BP had contingent liabilities in the second quarter because of the OPA 90, the CWA and as well as other obligations related to the accident. During the third quarter BP still had contingent liabilities because of the high uncertainty in terms of the amount of future claims related to inter alia the OPA 90. Until the third quarterly report was published, BP had basically paid all costs related to the oil spill incurred, up to the third quarter. Although the amounts of the arisen damages due to the OPA 90 were estimated according to IFRS, BP informed in the second and third quarterly report that these involved uncertainty and that the sum therefore could change during the year. In the fourth quarter some liabilities connected to the OPA 90, which earlier had been classified as contingent liabilities, transcended and could in a more secure way be estimated. Before, BP could not measure these liabilities but during the fourth quarter, BP could reliably estimate many of the individual, business and state claims under the OPA 90, which meant they could increase the funding to provisions with 4.7 billion. However, during this quarter there were still uncertainties about the Natural Resource Damage claims and these amounts had not been estimated but classified as contingent liabilities.

To be able to handle the claims for damages BP wrote in the second and the third quarter that they had established an escrow account of \$20 billion which was estimated to be finalised in 2013, with the goal to cover future claims for damages. BP announced in the third quarter that they, until August 2010, had paid \$3 billion to the escrow account, to which they would add another \$2 billion during the last quarter of 2010. The word “escrow account” was not used in the fourth quarter, instead BP referred to the “trust fund”. During the last quarter payments of \$5 billion had been made to this fund and in addition, BP will be contributing \$1.25 billion each quarter until the trust fund amount to \$20 billion. Further on, BP described more concrete what kinds of commitments the OPA 90 creates for BP as a company. BP did for example donate the profit, which arose when the oil was collected after the spill during the second quarter, to National Fish and Wildlife Foundation (NFWF), which follows the set of regulations under the OPA 90. The total contribution to NFWF amounted thus to \$10 million. BP was also responsible for paying the costs for restoring the environment around the accident area. During the third quarter, BP donated a further \$12 million to NFWF, but they did not mention that the reason for donating the money was due to the OPA 90. In the fourth quarter BP did not write anything about donations to NFWF.

The information BP presented is broadly the same during the last three quarters and is consistent with what the OPA 90 states, since the responsible party shall bear the costs associated with an oil leak if the responsible party cannot prove other parties also to be responsible. BP was also very clear and provided specific information when they referred to the OPA 90. There are no signs according to BP’s reports that they would not be able to pay for the costs related to the OPA 90 which would mean no money will be taken from the Liability Trust Fund, which is included in the OPA 90 and funded by oil taxes.



#### 4.4 Expressions of responsibility or of avoiding responsibility for the occurred event

In the first quarter BP mentioned that they would take responsibility for activities arisen from the accident, by expressing themselves as: “BP is committed to doing everything in its power to contain the environmental consequences of the incident”<sup>109</sup>. In the second quarter BP wrote that they would pay for all costs and claims incurred after the oil spill and that they were doing their own investigation to examine what caused the accident. Also the organisation GCRO was established during the second quarter to better be able to deal with the consequences of the accident. Furthermore BP described in the same quarterly report that they were doing everything in their power to stop the oil leak, compensate all damages and pay for the claims, especially those according to the OPA 90, in connection to the accident. Besides the money BP was required to pay according to the OPA 90, as they were considered as a responsible party, they also established a fund which, in the future, will amount to \$360 million for the Louisiana barrier island project because of liability under the CWA. This donation will fund a 10-year research program and investigate how the oil spill in the Gulf of Mexico has affected the marine and shoreline environment. They decided in the second quarter to cancel the previously planned dividend from the first quarter and they also announced that they not until the fourth quarter would consider whether any new dividend should be done or not. The previous mentioned escrow account of \$20 billion was established during this quarter. In the second and third quarter, BP handled information to third parties, who were entitled to recover this. During the third quarter, BP reported that they had covered the well and that they continued their restoration work after the oil spill and they also announced in this quarterly report that the new *Safety and Operational Risk function* had been created. BP announced that the performance reward for the employees would, during the fourth quarter, be based on “*performance in safety, compliance, process reliability and operational risk management*”<sup>110</sup>.

BP chose during the third quarter to join a non-profit organisation, which aims to improve the work output and reduce future oil leakage. They also chose to share certain information regarding the knowledge they gained from the accident and asked an external safety and crisis management firm for help to handle claims. In the third quarter, BP also mentioned the founding of the *Deepwater Horizon oil spill trust* and that they had made plans for how the GRI’s \$500 million would be used. Dividend was still not in question during the third quarter. Furthermore, BP mentioned in the third and fourth quarter the previously founded organisations, which together would facilitate the work after the accident. Even in the third and fourth quarterly reports BP wrote they because of the OPA 90 and the CWA were responsible for the costs incurred after the oil spill. In the third quarter BP disclosed that they were not alone in deciding about the costs incurred due to actions after the accident, but the *Unified Area Command (UAC)*, one of the organisations created to manage the activities after the oil spill, did also have power when it came to making decisions. However, in December, in the fourth quarter, BP announced that the UAC had transmitted to become the *Gulf Coast incident management team (GC-IMT)*. In the fourth quarter BP once again wrote that they would take responsibility for the restoration work after the oil spill and that they were working together with authorities and local officials. In addition BP was also working to improve security within their own organisation. Even in the final quarter BP contributed money to several nature funds of states affected by the leak.

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<sup>109</sup> BP p.l.c. Group results – First quarter 2010, p. 4

<sup>110</sup> BP p.l.c. Group results – Third quarter and nine months 2010, p. 3

The information BP had chosen to repeat in each of these reports were many times about what positive actions they had done and showed how they had taken responsibility, inter alia when they wrote about the law they had followed. Repetition may, according to IM, be a method a company can use when they want to emphasise information to readers, so that readers will focus more on these paragraph or sentences. Repetition may also be negative and complicate the understanding, but in this case, when BP chose to repeat several paragraphs between the reports, it made the authors notice this part more. The majority of the expressions regarding responsibility that BP provided had its basis in a law or regulation, such as the CWA or the OPA 90, which BP therefore had to comply with, which might indicate that BP was not showing much additional responsibility than what was required of them. As an example BP chose, as mentioned earlier, in the second quarter, to cancel the previously estimated dividend to be able to provide money to the \$20 billion escrow account. In the third quarter BP also mentioned that no dividend was in question, which could be interpreted as BP had chosen to make this decision themselves when it in fact was due to the OPA 90 that they had acted this way. BP did not classify themselves as responsible under the OPA 90, instead they wrote that the OPA 90 saw BP as a responsible party. If BP would, in all contents, have mentioned the cancelled dividend because of the OPA 90, readers may not draw the same conclusion; that BP by themselves had made this decision. This may indicate BP used *rhetorical manipulation* since the choice of words affects readers' comprehension.

After receiving information from their own investigation, BP saw what had caused the accident. They considered those errors to be helpful in the future, in form of guidelines, for BP and other oil companies, which could be a sign of taking responsibility. In the third quarter BP wrote "*Many of the findings and recommendations of the investigation are considered to be relevant to the wider oil industry as well as BP*"<sup>111</sup>. BP referred to their website, [www.bp.com](http://www.bp.com), in the third report for further information about this investigation but this was not mentioned in the fourth report. They used simple language in the quotation to show that they had taken responsibility and what they had accomplished which, according to Subramanian et al., is one way a company tends to express itself when they present positive information. BP chose, for example in the third quarter, to express themselves: "*The Mississippi Canyon 252 exploration well (MC252 well) was killed and permanently sealed on 19 September 2010*"<sup>112</sup>. This is another example of how BP apply short sentences when presenting good information, according to Subramanian et al.: "*We have completed the plugging and abandonment (P&A) of the first of the two relief wells that were drilled as part of the subsea response*"<sup>113</sup>. Dedicating the information to themselves by using a personal pronoun instead of directly relating to the company name, as they in the most cases had done, see diagram 7, can according to Brennan et al.'s *attribution of organisational outcomes* be a way for a company to attribute themselves this positive content. The authors have in diagram 7 noticed that BP chose, for the vast majority, to refer to the company name "BP" and not "we". The application of the word "we" did only occur in certain contexts. In the second quarterly report BP applied the personal pronoun "we" when they talked about what they did to handle the accident as "...we have mobilized..." and "...we are working..."<sup>114</sup>. They used short and simple sentences in most contexts to emphasise to what positive things they tried to accomplish. Further, in the third quarter the use of "we" decreased. Out of the few number of times the word "we" appeared in the third quarterly report, it was used once on the first page and twice in the opening part under the first heading "Gulf of Mexico oil spill". Also the majority of these were applied in positive situations. During the fourth quarter, the use of

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<sup>111</sup> BP p.l.c. Group results – Third quarter and nine months 2010, p. 3

<sup>112</sup> Ibid. p. 3

<sup>113</sup> Ibid. p. 3

<sup>114</sup> BP p.l.c. Group results – Second quarter and half year 2010, p. 3

“we” increased in comparison to the third quarter, reaching the highest figure during the four quarters. In the fourth quarter the word “we” was used especially on the third page when BP for example wrote “...we have completed the substantial majority of subsea oil spill response activity...” and “...we have completed the plugging and abandonment (P&A) of the Macondo well...”<sup>115</sup>

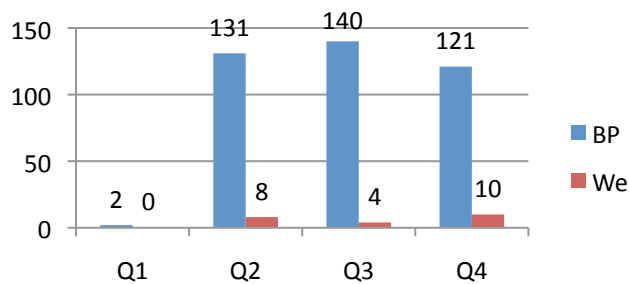


Diagram 7: Frequency per quarter<sup>116</sup>

In general, BP was in its quarterly reports relatively neutral in the texts and avoided too emotive words. An example of this was when BP wrote about “Operational risks” in the second quarter, where they wrote “The risks associated with the Gulf of Mexico incident could heighten the consequence of the other risks to which the group is exposed”.<sup>117</sup> This indirectly explained to readers that an accident may have some impact on the company’s financial position. BP admitted, under the heading “Principal risks and uncertainties” in the second quarter, the effect of the incident on the company’s risk profile. The same was admitted in the third quarter when they referred to what was written in the second quarter under “Principal risks and uncertainties”. In addition, BP stated in the fourth quarter: “We will continue to identify further assets that may be strategically more valuable to others than to BP as we complete the programme”<sup>118</sup>. This can according to Subramanian et al.’s study, which states that companies use longer and more complicated sentences when describing negative information, indicate that BP had a need to obtain liquid assets but that they themselves wanted to make it sound like they did it to create value for others.

In the short paragraph in the first quarter Transocean was mentioned as the operator of the rig and in the introductory part of the second quarterly report BP wrote: “The rig, operated by Transocean Holdings LLC, was drilling the Mississippi Canyon 252 exploration well (MC252 well) in respect of which BP Exploration & Production Inc. is the named party on the lease and operator with a 65% working interest”<sup>119</sup>. That Transocean was the operator of the rig is also mentioned on the second page under the heading “Gulf of Mexico oil spill” and further back under the heading “Legal Proceedings” in the second quarter. During the third and the fourth quarter, BP did not emphasise the information about Transocean and they only mentioned them as owner under the heading “Legal proceedings”. According to IM this can be interpreted as a type of account, namely *defences of innocence*, from BP’s side. BP first chose to point out that it was Transocean, the owner of the oil rig, and then wrote how much their working interest was in the rig and which thereby could be apprehended as BP partly was innocent. As a reader, focus lays at the beginning of sentences and according to Brennan et al.’s division of the different methods that can be used in an analysis of information, this can be seen as an *analysis of visual/presentation techniques to emphasize*. This means that

<sup>115</sup> BP p.l.c. Group results – Fourth quarter and full year 2010, p. 3

<sup>116</sup> BP p.l.c. Group results – First- fourth quarter 2010

<sup>117</sup> BP p.l.c. Group results – Second quarter and half year 2010, p. 33

<sup>118</sup> BP p.l.c. Group results – Fourth quarter and full year 2010, p. 4

<sup>119</sup> BP p.l.c. Group results – Second quarter and half year 2010, p. 2

emphasised information gets more attention from a reader and in the quote above the authors perceive, according to this theory, "*operated by Transocean Holdings LLC*," as emphasised information.

BP pointed out in the second quarter that there were certain factors that could interfere with their response work, which were beyond their control. One such factor was the weather, and another was that the drilling of relief wells at that depth had never been put into practice before, which made it difficult to estimate if they would be successful or not and how long the process would take. Even in quarters three and four BP discussed the weather impacts associated with the drilling of the relief wells. An example of how BP tried to keep a line of retreat open was: "*Similarly, the clean-up operations are on an unprecedented scale and it may take longer and cost more than expected to complete this work and the long-term environmental impact of the spill, of the clean-up operations and of the use of dispersants may differ from the group's present expectations*"<sup>120</sup>. This may indicate that BP created a potential defence by throwing the blame on external factors or by declaring that the problem itself was unique as there were no past events directly comparable to the events they were dealing with. According to IM, companies may try to minimise damages following a negative event by using different types of accounts and, therefore, the information in the quote above may be an expression of *excuse* as BP wanted to explain themselves if something would go wrong or take too much time. Thereby BP can instead blame the failures on these factors before something bad has happened. This type of behaviour can, according to SCCT, also be classified as an *excuse* in the *primary crisis response strategies*.

BP would not have been able to carry through the dividend in the second and third quarter because it would have affected the \$20 billion escrow account negative. BP also saw that the accident had led to something good because it can help other companies to avoid errors in the future. BP did not write anything in either of the reports which, according to the authors, could be classified as a *justification* based on the definitions in IM. BP did not write that they were sorry for the incident, instead, they took responsibility for the work after the accident in all of the reports, which according to SCCT can be seen as part of an *apology* as BP met one of the two criteria required for this. However, BP did not apologise for the accident itself and thereby it cannot be fully classified as an apology. A lot of information in the pages produced about the accident involved various claims and other costs related to the oil spill and what BP did to compensate for them. Regarding claims and costs related to the accident in the last three quarterly reports the amount of information did not differ much in terms of content; instead, the amounts became more specific since more claims were certain as time passed. BP promised to pay those who had been affected by the accident, which may indicate, pursuant to SCCT, a kind of *compensation* in the *primary crisis response strategies*.

In all four reports BP chose, as previously mentioned, to classify the oil spill as an accident or an incident. It is difficult for readers to determine whether there was a crisis or not, because BP chose to use words mitigating the oil spill by using the words "incident" and "accident". BP never chose to call the oil spill in the Gulf of Mexico a catastrophe, disaster or crisis, even if the media saw it as a catastrophe. However, BP mentioned that their reputation had been adversely affected and that the financial demands constantly increased in form of claims based on laws or other conditions. Even if readers through BP's financial information can understand that this had a negative effect on the company, BP did not confirm this by classifying it as a crisis, although a crisis according to SCCT is defined as an unexpected event that is a threat to the organisation. BP spoke in part against themselves, when they

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<sup>120</sup> BP p.l.c. Group results – Second quarter and half year 2010, p. 33

talked about an incident but that it had affected BP's other plans that were not related to the accident. *"Although BP has set up a new Gulf Coast Restoration Organization to manage the group's long-term response to the incident, key management and operating personnel will need to continue to devote substantial attention to respond to the incident and to address the associated consequences for the group, leaving them less time to devote to executing our strategic plans"*<sup>121</sup>. BP excused themselves if these strategies would not be very successful as the accident was very time consuming for the company. The quotation above is taken from the heading "Principal Risks and uncertainties" in quarter two. The accident did, according to BP, affect their reputation negative which they wrote in the quarterly reports, two, three and four. BP expressed themselves most clearly in the second quarterly report stating: *"The incident has damaged BP's reputation and brand, with adverse public and political sentiment evident. This could persist into the longer term, which could impede our ability to deliver long-term growth"*<sup>122</sup>. In the third and fourth report they only wrote about the reputational influence in one place, under the heading "Cautionary Statement", while in the second quarter, it was mentioned in several places and different contexts. The credit rating had also deteriorated and BP described further, under "Principal risks and uncertainties" in the second quarter, the potential risks the accident in the Gulf of Mexico could bring in other areas of their business. According to SCCT, companies may choose not to associate themselves with a negative event, and instead, indirectly deny the crisis impact because they do not want to damage the company's reputation. *"Furthermore, we have taken a charge of \$32.2 billion in the second quarter and these potential liabilities may continue to have a material adverse effect on the group's results of operations and financial condition"*<sup>123</sup>. BP did not want to admit they were adversely affected by the accident but tried to neutralise the situation by only writing that it may affect them, which can be an additional example of how BP chose to use mitigating words. This can be compared to Brennan et al.'s *thematic manipulation* where some words can be more significant than others and have a more negative or positive meaning in different contents.

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<sup>121</sup> BP p.l.c. Group results – Second quarter and half year 2010, p. 34

<sup>122</sup> Ibid. p. 5

<sup>123</sup> Ibid. p. 34



## Chapter 5: Discussion, conclusions and further research

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*In this chapter the conclusions, which can be drawn from the analysis, are presented and the research questions are answered and discussed. Finally the authors give suggestions for further research in the area.*

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### 5.1 How does the amount of information between the reports change?

All four of BP's quarterly reports, except from some headings and paragraphs missing in the first quarter, were designed in the same way, which the authors thought made the reports easier to read and to follow the progress over time. In the last three quarterly reports BP closely followed the course of event after the oil spill which occurred in the Gulf of Mexico on 20<sup>th</sup> of April 2010. The board of directors approved the financial information in the first quarterly report at 26<sup>th</sup> of April, six days after the accident occurred, and the information in this report did therefore only contain one paragraph about the oil spill. The other three reports discussed the oil spill and its consequences in more detail and had roughly the same proportion of quantity written about the accident, but the content of the information between these reports varied. BP used the same type of language through all four reports and in the last three quarters they began with informing the readers about the latest news concerning the oil spill and what response work BP currently was doing to minimise the harm from it. In the beginning, the information was more a description of the happening in where the company described the urgent problems arising from the accident, to contain more information about what kind of responsibility the company took and what kind of financial effects that had occurred. As time passed after the accident the financial information became more concrete, which BP illustrated in the third and fourth quarter by using tables of specific financial information related to the accident. The information in contiguous texts decreased while the number of tables increased in the later reports, which according to the authors could be because they had more exact figures on what the costs would amount to, and thereby, according to standards such as IAS 37, had sufficient reliability to count these amounts. Neither did BP repeat all important information they already had presented in earlier reports, which is in accordance with IAS 34.

The authors noticed that the keywords with the highest frequency given by NVivo 9 can summarise what occurred in the Gulf of Mexico oil spill. There is no marked change shown over time concerning the frequency of the analysed words according to the authors, only some divergent words. A major change over time regarding the frequency of words was the word "claim", which almost doubled from the third to the fourth quarter. From this result parallels can be drawn that more claims had arisen during the fourth quarter and that several of the former costs related to claims had become more secure.

### 5.2 How do companies refer to legal and IFRS framework?

BP was, in its reports, distinct to show that they follow the laws and standards required of them and BP often referred to these regulations in their reports. The references to the laws in the reports did not directly differ between the reports, with the exception of the first quarterly report, which had a different approach due to the fact that the content in that report had not been affected by the Gulf of Mexico oil spill. In addition, they used similar sentences in all the reports to a large extent and almost identical expressions when referring to the laws. BP was particularly distinct in the reports two, three and four, when they presented the provisions and they referred to the OPA 90 and the CWA, and explained why they chose to make provisions or not, according to IAS 37. However, BP was vague about informing exactly what the different amounts the provisions consisted of, so readers cannot immediately determine the costs related to a specific law or regulation, for example the damages under the CWA. The

financial situation BP had landed in, required close attention to the rules in IAS 37 since they had a number of uncertain debts related to the oil spill, which they had to estimate and make provisions for in quarter two, three and four. They did not specifically refer to IAS 37 instead BP wrote about provisions. In the three first quarters BP chose to specifically state that they followed IAS 34 and the requirements of IFRS framework and standards. The costs for the Gulf of Mexico oil spill response peaked during the second quarter and declined during the remaining quarters. These costs affected the profit for the company, which diagram 6 showed, as the company made a loss in the second quarter. The way BP chose to express themselves in the reports and the comparisons between these reports show what BP believed represented a fair view of the event. This is in accordance with the IFRS framework, which states that the information should reflect what has happened so that readers understand it correct.

### **5.3 Are there any expressions of responsibility or of avoiding responsibility for the occurred events in the information about the crisis? If so, how does it change?**

BP promised early in all of their reports that they would take responsibility for the consequences after the accident, but never for the accident itself. They stated that they would pay all claims arisen due to the oil spill and other costs related to it and restore the environment. In the first two reports, compared to the last two, BP chose several times to declare that it was Transocean who was the operator of the rig. A parallel which can be drawn is that BP stopped mentioning this as they managed to gain more control over the situation because the well no longer leaked oil. Thereby, the application of “we” increased in their opening chapters in the later reports and they could convey more positive information. Companies are good at expressing positive information for example by using personal pronouns as “we” and that companies often complicate sentences when they are presenting negative information. In the last three quarterly reports BP chose to make excuses in case of unforeseen events, an example being if weather conditions changed during their restoration work, so they not have to take the consequences, which the authors see as BP disclaimed their responsibility in these cases.

BP did not specifically blame anyone else in any in of the quarterly reports but they did point out that the other joint venture partners also bear responsibility for the event and they therefore had billed them for costs relating to the accident. The amount sent to the joint venture partners increased during the last three reports and BP informed that they would not receive any money from these partners until they knew exactly what had caused the accident. The increase of the amount showed, that the responsibility BP put on the other joint venture partners changed as the costs increased during the last three reports, since larger and larger amounts were set down. BP’s own investigation showed that many errors and shortcomings had led to the oil spill and that they took responsibility for some of these failures and they wrote in three of the reports that they joined and created various organisations and donated money to nature and wildlife projects. The responsibility BP showed often had its ground in a law or standard, and BP did not show many clear examples of self-based responsibility taking in the reports. They wrote, without referring to any law or standard, that the lessons they had learned after the accident could help others, which the authors see as a sign of responsibility from BP, as this action may help others companies to prevent a similar oil leak.

## 5.4 How does crisis information in companies' quarterly reports change during a crisis?

The authors conclude that there was a little change over time between quarters, with the exception of the previously mentioned first quarter, which was not directly affected by the crisis. The changes the authors could see were that the financial information was clearer and more concrete in the later reports, while BP chose to take more credit for the positive events they had managed to achieve in connection to the restoration work. Compared to information published in the first quarter the authors conclude that BP markedly had been affected financially by the oil spill and that there are still considerable uncertainties regarding the amount of damages and costs, which means this oil leak will have an adverse impact of BP's business even in the future.

A company shall in its reports express themselves so that the readers get a true and fair view of the event according to IFRS framework; however, the interpretation of what is a fair view may differ. BP chose to announce that they had, according to the rules in the CWA, not acted gross negligent. An accident caused by a company should not be allowed to lead to such consequences as this oil leak did, since a company should have security in its procedures and routines to be able to prevent anything of this magnitude to occur. The authors therefore conclude that BP must have meant that there were also external factors leading to the accident and that BP was not responsible alone for the causes of the oil spill. What is classified as gross negligence is a matter of definition and what BP has assumed when they reached the conclusion that they had not acted grossly negligent is not clear from BP's quarterly reports. The CWA does not refer to any definition of what gross negligence constitutes of, but only which implications it would lead to if this has happened. If a company's conduct instead would have been classified as they had acted grossly negligent the evaluation under the CWA would have been different. BP would in that case have had to face higher claims, which would have affected their financial position even more negatively and thus affected the reports.

The authors noticed the accident had, and will have, a major negative impact on BP's finances as time goes by, but so far BP seems to have the financial control to be able to handle the claims which currently are put on them. Also, increased costs due to unexpected events during this time period for, inter alia damages and restoration costs, show that companies have landed in problematic situations. The authors only studied the crisis information from one company's point of view based on a research question with three sub questions and therefore there might be several other perspectives that could be investigated to be able to create a more fair view of changes in crisis information. This thesis also supports certain conclusions Subramanian et al. came to as BP complicated the negative information and emphasised the positive. Moreover, this study indicates that BP in many cases chose to apply Brennan et al.'s IM techniques, *rhetorical manipulation* as they chose to, in different ways, express themselves so readers' apprehensions change.

BP never called the oil spill a catastrophe or a crisis, only an incident or an accident, compared to media, which often classified the oil spill as a catastrophe. The authors believe an event, such as BP's oil leak, in which they needed help from approximately 40,000 people, may not be classified as an incident or an accident according to the common definitions of these words. When companies in the quarterly reports provide information about the negative effects on the reputation, the credit rating and the results, is according to SCCT, an expression for companies in crisis. If the authors therefore would label the event according to SCCT's definition of a crisis as well as Longman's definition, the situation in the Gulf of Mexico would therefore have been classified as a crisis as the event occurred unexpectedly and it also



affected BP's reputation and finances. The way BP acted can, according to IM and SCCT, be an example for how companies during quarterly reports want to mitigate the affection of a specific happening.

Another conclusion, drawn by the authors, is that readers need to be observant of what exactly is written and carefully read and interpret the information, since the information may be seen differently after it has been read more than once. Companies may want to complicate the negative information so that readers may not immediately succeed to understand the meaning. The authors therefore hope that these inferences will help future readers of reports to be more critical and not to miss important details of the crisis information companies present.

## 5.5 Further research

Suggestions for further research:

- It would be interesting to study the crisis from another perspective and examine media's picture of the disaster to be able to compare the changes in crisis information between these. The reason mainly being because BP published manipulated pictures, which the authors mentioned earlier in the background.
- Another alternative would be to study BP's annual reports and press releases and by analysing them follow the development of the crisis and compare them to see if, and how, the results differ.
- Compare this crisis with another crisis to see if there are any differences between them as well as the accident connected to BP when it comes to crisis information.
- Make a new study of BP in a couple of years to follow up on the financial impact due to the accident, when claims and other costs related to the accident have become more certain.
- Investigate what information companies choose to present. Talk to companies to get an idea of how they think when they design and present the voluntary paragraphs in the quarterly reports.

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