

Chairman's letter



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Dear fellow shareholder,

In 2017, the global economy continued to be strong and to grow while concerns around the geopolitical environment increased. For BP, as a global business, this was the backdrop to our operations.

Against this background we have had a strong year. A year in which there was delivery and growth across all our businesses as Bob describes later in his letter. This was achieved with continued strong focus on safety. It's an impressive performance from a great team. They are now fully into their stride and are performing very well.

All of this gave us confidence to continue the dividend at 10 cents per ordinary share through 2017 and shareholders can still take dividends in shares rather than cash. In the fourth quarter we restarted share buybacks to offset the dilutive effects of the scrip shares.

It remains the board's policy to grow sustainable free cash flow and distributions to shareholders.

So, a strong year and an important first year in the delivery of the commitment we made in 2016 to shareholders. So, I'd like to take stock and reflect on where BP is now and the progress that we've made over the past eight years.

BP's path

We were faced with a crisis in 2010 that could have threatened the very being of the company. A crisis that should never have happened. It required resolute action on many fronts to see us through and it is a great tribute to everyone in BP that the foundations were laid for our recovery.

This involved doing things differently and thinking differently. We had to act simultaneously on many fronts. We had to address the issues in the US while restructuring our investments in Russia – and all the while ensuring that we had a clear strategy for delivering value for our shareholders. All of this in a world that is looking towards a transition to lower carbon.

In addressing these challenges, BP showed a deep resilience. With the leadership of Bob and his team the whole organization was engaged with the board playing a full role.

It is from this resilience that we have been able to set a clear strategy with goals out to 2021. A strategy which will grow BP and be responsive to the many changes that are happening in the world around us.

Our challenge for the future

Our goals aim to balance society's need for more energy with our clear ambition of playing our part in the transition to a lower carbon world. We are investing for the future in both hydrocarbons and in technologies which will be important in that transition. The world is changing quickly, quicker than we have seen before. There is no one solution and no one right way ahead. Our approach is clearly aimed at being flexible and responsive.

Whatever scenario we look at, whether from BP or the IEA, there will need to be investment to ensure that sufficient hydrocarbons are available during the transition for the years to come. The world will continue to need supplies of hydrocarbons. We need the understanding and trust of society to make these investments to meet this global demand. Renewables cannot be developed quickly enough to meet the increasing need for energy.

This is not a choice between two investment approaches, both are needed for the world to be able to grow. Our strategic priorities address this. We are committed and we demonstrate that commitment in reports that we will soon publish.

Remuneration

Executive remuneration remains a clear issue of focus for shareholders and society. I would like to thank our shareholders for the support which you gave to our new remuneration report at the 2017 AGM. This was an important step forward in regaining your confidence. As is clear from Dame Ann Dowling's letter later in this report, we are implementing this policy in a considered way. As is the case with the way remuneration works, there are awards maturing which are governed by our previous policy. We have carefully considered the impact of these. Working with the executives, the committee has exercised appropriate discretion to reflect your experience as shareholders over the past three years.

Ann will be standing down from this committee at the AGM after three years in the chair. I would like to thank her for all the work that she has done in leading the committee through some very difficult times. Paula Reynolds will take the chair of this committee.

The board

The board has continued to work with Bob and his team on many issues relating to our strategy, our oversight of the risks that BP faces and our understanding of the evolving challenges of the lower carbon transition.

Our oversight of these risks is principally carried out through the work of our committees. However there are certain risks, such as cyber security, where it is important that it is considered by the board.

As a board we know that we can only bring long-term value to our shareholders if we understand the needs of and serve the communities in which we work. We need to listen to and be responsive to the voices of those communities and of our own employees.

Membership of the board continues to evolve. Paul Anderson will be retiring at the AGM in May. Paul joined the board two months before the Deepwater Horizon accident. He has very deep experience of the energy industry and has been a major source of advice and counsel to me and to the board over these years. Paul has made a great contribution to the board and its committees over some difficult times. I thank him on my own behalf and on behalf of the board.



\$7.9 bn

total dividends distributed to BP shareholders

5.7%

ordinary shareholders annual dividend yield★

5.7%

ADS shareholders annual dividend yield

Melody Meyer was elected to the board at the 2017 AGM. Melody has an extensive career in global oil and gas at Chevron. The board is proposing that Dame Alison Carnwath be elected as a director at the 2018 AGM. Alison has extensive financial experience both as an executive and non-executive. She has worked with global organizations and will bring a broad range of skills to the BP board and to the audit committee which she will join upon appointment. Both these appointments emphasize the board's commitment to diversity. This will continue to enhance independent thinking and healthy challenge.

Our purpose

BP has a clear purpose. Our role is to produce energy which can power economic growth and lift people out of poverty. We need to do this in a way that responds to the ambition of a world for a low carbon future. We have made considerable progress in 2017. It has been a great year, but we must not be complacent. We are in a competitive environment in a quickly changing world and our business needs to be ready to meet those demands.

Bob and his team have once again done an excellent job in steering BP through this year and setting a course for the future. Thank you to Bob and the team, to my colleagues on the board and to all our employees for all their work during the year. My thanks also go to you our shareholders for your support of BP.

I will be standing down during 2018 at some time after the May AGM and as I look back I feel good about the company. It's in a great position to grow. I am sure that I will have the opportunity to thank you for the support you have given me in due course.

Carl-Henric Svanberg
Chairman
29 March 2018

Above: Visiting Aker's Tranby technology centre near Oslo.

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