

Our stakeholders

How we engage with our stakeholders

Throughout bp we engage with a wide variety of stakeholders on a regular basis. This engagement informs our thinking and decision making. Some examples of our engagement in 2020 are set out below.

Section 172 statement

In accordance with the requirements of section 172 of the Companies Act 2006 ('the Act'), the directors consider that, during the financial year ended 31 December 2020, they have acted in a way that they consider, in good faith, would

most likely promote the success of the company for the benefit of its members as a whole, having regard to the likely consequences of any decision in the long term and the broader interests of other stakeholders, as required by the Act.

→ See table on pages 82-83 for more information in support of this statement, including a description of the board's activities during 2020.

Employees

Monitoring employee sentiment

We use our 'Pulse' survey and weekly 'Pulse Live' surveys to gather feedback from employees, including their perceptions of work demands and leadership support. The employee engagement score is a key performance indicator for bp, see page 41.

Responding to feedback

When our 'Pulse Live' and Employee Assistance platforms showed increased anxiety in employees, our CEO Bernard Looney led a series of live webcasts, including one focused on reducing mental health stigma and encouraging employees to ask for help. We also increased the frequency of mental health awareness training for managers.

Keeping connected through webcasts

CEO Bernard Looney hosted regular 'Keeping Connected' webcasts to discuss important topics with members of the leadership team and subject matter experts such as our partner Equinor's EVP, New Energy Solutions, and our vice president health and wellbeing, Dr Richard Heron. The sessions included a live Q&A section where employees could ask questions, anonymously if desired, of the CEO and webcast guests.

→ See page 86 for more on how the board and senior management team engaged with stakeholders throughout the year.

Investors

Developing our new strategy, financial frame and investor proposition

Our decision to introduce a new strategy, financial frame and investor proposition, including a new distribution policy, benefited from extensive dialogue with our major shareholders.

ESG engagement

We engage frequently with our investors on environmental, social and governance (ESG) issues. This includes one-to-one conversations, participation at external events and group meetings, including with Climate Action 100+ representatives.

bp week

In response to feedback from investors and others, CEO Bernard Looney and his leadership team offered further insight into bp's new strategy and sustainability frame during bp week – three consecutive virtual capital markets days held in September 2020.

Society

Our biodiversity position

We developed our updated position with input and constructive challenge from international nature and conservation organizations and experts including Conservation International, Fauna & Flora International (FFI), UNESCO and IUCN. The position sets out new measures to help restore, maintain and enhance nature. In September we announced a five-year collaboration with FFI to help support the delivery of our new position, including our aim to achieve a net positive impact.

Our human rights policy

We updated our business and human rights policy in 2020 to address emerging human rights issues relevant to our industry, clarify our human rights commitments and communicate how bp's approach to managing human rights impacts has advanced. The update was supported by consultations with a wide range of NGOs, subject matter experts and investors.

Examples of engagement with other stakeholder groups

Customers

- Collaboration with original equipment manufacturers such as Ford, Renault, JLR and Volvo on future technologies.
- Global customer brand tracking.

Government and regulators

- Publication of *Our tax report 2019* – see bp.com/tax.
- Government lobbying – we actively advocated for regional carbon pricing schemes in the US, provided input to the EU methane strategy and supported the UK government's planned phase out of internal combustion engines.

Partners and suppliers

- Supplier workshops, including sessions focused on net zero, people and planet.
- University collaborations, including the Carbon Mitigation Initiative (CMI), an independent academic research programme based at Princeton University.

Decision making by the board

The board delegates authority for the executive management of bp to the chief executive officer, subject to defined limits. Ultimately, the board retains responsibility for – and regularly monitors – the execution of this delegation of authority, taking action to update it as required.

As part of the wider board corporate governance redesign, the board reviewed the delegation of authority, in part reflecting the need to ensure that it remained appropriate in light of bp’s new strategy, and the 2025 and 2030 targets and aims. The board’s new ways of working are explained on page 80 including certain matters that under the new corporate governance framework are reserved for the board as set out in its new terms of reference.

The execution of company strategy is undertaken by the CEO’s leadership team, under the day-to-day authority for the management of the company delegated to the CEO. Reflecting its governance responsibilities, the board satisfies itself that the CEO and the leadership team’s actions are in keeping with the direction it sets through receipt of management reports at each board meeting.

Matters reserved for the board and section 172

Issue faced and decision taken

Establishing a new purpose and strategy for bp

The board approved a new purpose for bp – reimagining energy for people and our planet – and a strategy to transition to an Integrated Energy Company and to meet the net zero ambition set out alongside bp’s purpose.



Reinvent bp

The board approved a reorganization of bp, retiring the existing model and replacing it with one that is more focused, more integrated and faces the energy transition head on. The reorganization will ultimately see around 10,000 employees leave bp.



Financial frame and distribution policy

The board approved a new and resilient financial framework, including a coherent approach to capital allocation and a new distribution policy.



More information on how the board had regard to the Section 172 factors

Section 172 factor	Key examples	Page
The likely consequences of any decision in the long term.	Reinventing bp: Our strategy	15
Interests of employees.	How the board has engaged with shareholders, the workforce and other stakeholders	86
	Sustainability: People and society	57
Fostering the company’s business relationships with suppliers, customers and others.	How we engage with our stakeholders	63
	Sustainability: Business ethics and accountability	61
Impact of operations on the community and the environment.	Managing our environmental impacts	57
	Sustainability: Safety	59-60
Maintaining a reputation for high standards of business conduct.	Role of the board	80
	Sustainability: Business ethics and accountability	61
Acting fairly between members of the company.	How the board has engaged with shareholders, the workforce and other stakeholders	86

In the context of the board's activities during 2020, the table below sets out some examples of board decision making in 2020 and how the directors have performed their duty under Section 172.

Section 172(1)a) to (f) matters considered, including stakeholder group(s) affected and feedback received

Workforce

In town halls and leadership meetings employees wanted to know how bp could do more to step up to the climate challenge and help society deal with these issues. It became clear that employees were seeking even stronger commitments to the climate change agenda by the company.

Community and environment

We consulted with communities, NGOs, academics and industry associations – even bringing some of bp's harshest critics into discussions about the future of the company, about environment, social and governance matters and the issues facing the world, drawing on their external expertise, input and challenge.

Investors

We talked with investors about their expectations of bp and heard of their desire for bp to continue to deliver operational excellence, to drive higher returns but also to set out a clear medium to long-term vision for a sustainable bp business in light of the energy transition.

Fostering business relationships

We received feedback from customers via the bp leadership team, conveying the importance of being able to react rapidly to changing demand.

The board considered the importance of skills evaluation to the delivery of cost reduction and the wider long-term strategic delivery of bp's aims.

They heard feedback from the CEO's 'Keeping Connected' webcasts with the workforce together with responses to bp's 'Pulse' surveys.

Considerations

- The wider society context following the impact of COVID-19 and the wider oil industry job losses.
- The importance of putting the safety of employees first.
- Companies should try to provide job assurance and consider the mental health impact of job insecurity.
- bp's reputation for high standards of conduct and the importance of honesty, fairness, and respect in the process.

In considering the proposed financial frame and distribution policy, the board had regard to:

- The resilience of bp's balance sheet for the long term.
- Delivering sustainable value to shareholders.
- The need for bp to invest adequately in the energy transition and low carbon, to support the new ambition and strategy.

How the board had regard to the feedback in its decision making

All the elements highlighted in Section 172 were central to the discussions as the board evaluated the purpose and strategy options – what are bp's beliefs and what does bp want to be? The discussions encompassed bp's role with respect to its shareholders, employees and society. It considered the value creation opportunities and the importance of leaning into the changing needs of customer demand for convenience and society's demand for renewables and lower carbon energy.

The change in purpose and strategy reflects bp's people's belief that we can create long-term value by helping solve one of society's biggest problems – climate change.

The decision was made with the long-term future and sustainability of bp in mind with clear 2025 targets, 2030 aims and a 2050 goal.

The board supported the reinvention of bp, with the associated headcount reduction that this implied.

Given the feedback received, although the board considered it was the right decision to go ahead, they sought assurances from the executive that:

- The redundancy process was fair, transparent and objective with an environment of honesty, trust and co-operation that put the care and wellbeing of our people at the heart of the process.
- The reduction in the workforce was conducted in a manner which protected bp's safe and reliable operations.
- Support for the life transition that redundancy brings is offered to the relevant employees.
- Discretionary enhanced redundancy terms could be offered.

■ In approving the new distribution policy the directors reflected that there may be some change in bp's investor base as some investors focus more on the short-term direct return that the dividend provides.

■ After considering all the various factors, the board concluded that a resilient dividend intended to remain fixed at 5.25 cents per ordinary share per quarter (subject to the board's decision each quarter), with a commitment to return at least 60% of surplus cash★ to shareholders through share buybacks (having reached \$35 billion net debt★ and subject to maintaining a strong investment grade credit rating), was in the best interest of the company, its shareholders as a whole and other stakeholder groups, as it enabled bp to offer sustainable value with increased investment in low carbon and non-oil and gas ventures.