In particular, the board is required to understand more deeply the governance requirements during 2018 that have now come into effect. Looking outwards, there were changes to UK legislation and governance principles to be published later this year. Details of these changes will be included in a revised set of board and certain changes to our ways of working have already been made.

Governance and remuneration processes
We have spent considerable time evaluating the work of the board and its committees, for which we also brought in external expertise to facilitate our discussions. This was a very valuable exercise and resulted in a number of recommendations that I am considering with the board, and certain changes to our ways of working have already been made. Details of these changes will be included in a revised set of board governance principles to be published later this year.

Looking outwards, there were changes to UK legislation and governance requirements during 2018 that have now come into effect. In particular, the board is required to understand more deeply the engagement it has with both our people and with our wider community of stakeholders. As a board, we fully support this – it builds on the work we already do, and we will continue to evolve and enhance this engagement and provide more detail next year.

Our oversight of the significant risks (such as operational, compliance and cyber security) facing BP continues. Both the audit committee and the safety, ethics and environmental assurance committee (SEEAC) continue to review these in depth and receive assurance from management as to how they are understood and mitigated to the level of risk acceptable to the board. In this regard, I want to once again pay tribute to the exceptional service over many years of Alan Boeckmann and Admiral Frank Bowman on the SEEAC and welcome Nils Andersen to the role of SEEAC chair. Brendan Nelson continues to chair the audit committee and brings enormous financial and regulatory experience and expertise to the role. I also want to thank Sir John Savers for all his work chairing the geopolitical committee. John brings unique insight and experience to his role and the committee does important work overseeing significant political and related risks in key geographies where BP operates.

The nomination and governance committee continues to review the skills that we need while always considering diversity and the need for independent thinking and challenge. The committee will also continue to review the size of the board to confirm that it is appropriate with a good mix of skills, experience and knowledge and the ability to maintain appropriate oversight of the executive team and provide constructive challenge and support.

Executive remuneration remains a significant issue and we appreciated the strong support that was given to our remuneration report at last year’s AGM. This was the second year in which our three-year policy, developed following extensive engagement with shareholders, was in effect. Paula Reynolds is working with the remuneration committee in implementing that policy this year and to develop the new three-year policy for which shareholder approval will be sought in 2020. Paula is currently in the process of reducing her directorship commitments with other companies during 2019 to ensure that she can retain her strong focus on chairing the remuneration committee.

You will see from Paula’s report on page 83 that the committee continues to exercise appropriate discretion in relation to executive remuneration. From 2019 we are linking BP’s progress towards one number of our employees, including executive directors.

Engaging with stakeholders
Remuneration is just one issue where I believe dialogue is invaluable, and I will continue to encourage the board to meet with a range of stakeholders, including investors, partners, and our people, and gain first-hand experience of BP’s businesses and operations around the world. Over the past year, board members visited BP operations in the US, UK and Oman and individual members also took opportunities to visit BP sites when travelling and pursuing their other interests and business activities. Personally, I have already visited our operations in several countries including in the UK, the US, China, Oman and the Netherlands. I look forward to making many more visits this year and sharing my observations and reflections in due course.

Finally, I am grateful to Bob, the executive team, our employees and my colleagues on the board for all of their hard work, their commitment to BP and for the way that they have so warmly welcomed me into the company. I am excited for our future.
BP governance framework

The board operates within a system of governance that is set out in the BP board governance principles. These principles define the role of the board, its processes and its relationship with executive management. This system is reflected in the governance of the group’s subsidiaries.

Owners/shareholders

BP board

Strategy/group risks/annual plan

Group chief executive

Group chief executive’s delegations

Executive management

Board and committee attendance

Non-executive directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Board</th>
<th>Audit committee</th>
<th>SEEAC</th>
<th>Joint audit/SEEAC</th>
<th>Remuneration committee</th>
<th>Geopolitical committee</th>
<th>Nomination and governance committee</th>
<th>Chairman’s committee</th>
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<tbody>
<tr>
<td>Carl-Henric Svanberg</td>
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<td>Nils Andersen</td>
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<td>Paul Anderson</td>
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<td>Frank Bowman</td>
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<td>Alison Carnwath</td>
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<td>Pamela Daley</td>
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<td>Ian Davis</td>
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<td>Ann Dowling</td>
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<td>Helge Lund+</td>
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<td>Melody Meyer</td>
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<td>Brendan Nelson+</td>
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<td>John Sawers+</td>
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</table>

Nils Andersen missed a board meeting due to a pre-existing external commitment.
Alan Boeckmann missed meetings of the board due to unforeseen personal circumstances.
Pamela Daley missed a board meeting due to a pre-existing external commitment.
Melody Meyer missed a board meeting due to other commitments.
Paula Reynolds missed a board meeting due to a pre-existing external commitment.
John Sawers missed a board meeting due to other commitments.

Executive directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Board</th>
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<tbody>
<tr>
<td>Bob Dudley</td>
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<tr>
<td>Brian Gilvary</td>
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### Board activity in 2018

#### Role of the board
The board is responsible for the overall conduct of the group’s business. Directors have duties under both UK company law and BP’s Articles of Association. The primary tasks of the board in 2018 included:

<table>
<thead>
<tr>
<th>Active consideration and direction of long-term strategy and approval of the annual plan</th>
<th>Monitoring of BP’s performance against the strategy and plan</th>
<th>Ensuring that the principal risks and uncertainties to BP are identified and that systems of risk management and control are in place</th>
<th>Board and executive management succession</th>
</tr>
</thead>
</table>

#### Strategy
During the year the board provided input on the group’s strategy to senior management. This included a two-day strategy session in September where it examined developments in the wider environment and debated strategic themes relating to BP’s segments, key functions and the impact of the lower carbon transition on the group’s business model. The board discussed the transition to a lower carbon world frequently during the year.

The board also held several long-term strategy sessions covering upstream, downstream and the future plans for the integrated supply and trading function that supports them.

It received regular reports on the progress and implementation of the strategy – through updates from management and by means of a strategic performance scorecard which is discussed at each board meeting.

The board monitored the company’s performance against the annual plan for 2018 and approved the forward framework for the annual plan for 2019.

The board reviewed the *BP Energy Outlook*, updated in February 2018, which looks at long-term energy trends and projections for world energy markets.

#### Performance and monitoring
The board reviews financial and operational performance at each meeting. It receives regular updates on the group’s performance for the year across a range of metrics as well as the latest view on expected full-year delivery against external scorecard measures. Updates are also given on various components of value delivery for BP’s business. Regular reports presented to the board include:

- Chief executive’s report.
- Group performance report.
- Group financial outlook.
- Effectiveness of investment review.
- Quarterly and full-year results.
- Shareholder distributions.

The board reviews the quarterly and full-year results, including the shareholder distribution policy. The 2018 annual report was assessed in terms of the directors’ obligations and appropriate regulatory requirements.

The board monitors employee opinion via an annual ‘pulse’ survey which includes measurement of how the BP values are incorporated into culture around our global operations.

#### Risk
The board, either directly or through its monitoring committees, regularly reviews the processes whereby risks are identified, evaluated and managed.

Activities include:
- Assessing the effectiveness of the group’s system of internal control and risk management as part of the review of the *BP Annual Report and Form 20-F 2017*.
- Identification and subsequent allocation of risks to the board and monitoring committees (the audit, SEEA and geopolitical committees) for 2018, and confirmation of the schedule for oversight.

The board reviewed the group risk of cyber security in 2017 – with the audit committee and SEEAC assessing elements of cyber security risk in their work programme for the year. The allocation of the group cyber security risk to the board (with additional monitoring by the audit and SEEA committees) remains unchanged for 2019. The group risks allocated to the committees for review over the year are outlined in the reports of the committees on pages 75-86. Further information on BP’s system of risk management is outlined in How we manage risk on page 53. Information about BP’s system of internal control is on page 110.

#### Succession
The board, in conjunction with the nomination and governance and chairman’s committees, reviews succession plans for executive and non-executive directors on a regular basis. The board needs to ensure that potential candidates are identified and evaluated as current directors reach the end of their recommended term of office, including in the event of a director leaving unexpectedly.

The board employs executive search firms when it concludes that this is an effective way of finding suitable candidates. In 2018 Egon Zehnder assisted in the search for non-executive directors. Egon Zehnder has no other connection with the company or individual directors.

- Paul Anderson stood down from the board at the 2018 AGM.
- Alison Carnwath was elected as a director at the 2018 AGM.
- Helge Lund and Pamela Daley joined the board in July 2018 as non-executive director and chairman designate, and non-executive director, respectively.
- Carl-Henric Svanberg stepped down as non-executive director and chairman of the board effective 31 December 2018, succeeded by Helge Lund with effect from 1 January 2019.
- Alan Boeckmann and Frank Bowman will stand down from the board at the 2019 AGM.
**Skills and expertise**
In order to carry out its duties on behalf of shareholders, the board needs to manage its overall membership and continuously maintain its knowledge and expertise to benefit the business. It does this through four activity sets:

<table>
<thead>
<tr>
<th>Succession planning to ensure future diversity and balance</th>
<th>Diversity including skills, experience, gender, ethnicity and tenure</th>
<th>Training including site visits and induction of new directors</th>
<th>Evaluation</th>
</tr>
</thead>
</table>

**Diversity**
BP recognizes the importance of diversity, including gender, at the board and all levels of the group. We are committed to increasing diversity across our operations and have a wide range of activities to support the development and promotion of talented individuals, regardless of gender and social and ethnic background.

The board operates a policy that aims to promote diversity in its composition. Under this policy, director appointments are evaluated against the existing balance of skills, knowledge and experience on the board, with directors asked to be mindful of diversity, inclusiveness and meritocracy considerations when examining nominations to the board. Implementation of this policy is monitored through agreed metrics. During its annual evaluation, the board considered diversity as part of the review of its performance and effectiveness.

At the end of 2018, there were five female directors (2017: 3, 2016: 3) on our board of 14. Our nomination and governance committee actively considers diversity in seeking potential candidates for appointment to the board.

The board looked at gender and wider diversity across the group as part of its annual review of HR, capability and talent management.
BP continues to take action to address the broader issue of diversity within the group.

**Independence**
Non-executive directors (NEDs) are expected to be independent in character and judgement and free from any business or other relationship that could materially interfere with exercising that judgement. It is the board’s view that all NEDs are independent.

The board is satisfied that there is no compromise to the independence of, and nothing to give rise to conflicts of interest for, those directors who serve together as directors on the boards of other entities or who hold other external appointments. The nomination and governance committee keeps the other interests of the NEDs under review to ensure that the effectiveness of the board is not compromised.

Ian Davis is proposed for re-election notwithstanding he will be in his tenth year as a non-executive director. Following careful consideration, the board believes that Ian continues to provide constructive challenge and robust scrutiny of matters that come before the board. Accordingly, the board is satisfied that Ian continues to demonstrate the qualities of independence in carrying out his role as senior independent director.

**Appointment and time commitment**
The chairman and NEDs have letters of appointment. There is no term limit on a director’s service, as BP proposes all directors for annual re-election by shareholders.

While the chairman’s letter of appointment sets out the time commitment expected of him, those for NEDs do not set a fixed-time commitment, but instead set a general guide of between 30-40 days per year. The time required of directors may fluctuate depending on demands of BP business and other events. They are expected to allocate sufficient time to BP to perform their duties effectively and make themselves available for all regular and ad hoc meetings. The board believes that, notwithstanding the NEDs’ other appointments, they have sufficient time to fulfil their BP duties.

Executive directors are permitted to take up one board appointment at an external listed company, subject to the agreement of the chairman.
Fees received for an external appointment may be retained by the executive director and are reported in the directors’ remuneration report (see page 87). Neither the chairman nor the senior independent director are employed as an executive of the group.

Training and induction
To help develop an understanding of BP’s business, the board continues to build its knowledge through briefings and site visits. In 2018, the board continued to receive training on ethics and compliance.

NEDs are expected to visit at least one business a year as part of their learning programme. In 2018, the board as a whole visited operations at the Khazzan gas field in Oman. Members of the SEEAC and other directors also visited the Cooper River petrochemicals plant in the US and the Thunder Horse platform in the Gulf of Mexico.

Newly appointed NEDs follow a structured induction process. In 2018, Helge Lund, Alison Carnwath and Pamela Daley all participated in the induction programme, which includes one-to-one meetings with management and the external auditors and other management who support the board and committees. Pamela Daley’s induction is set out below as an example.

Director induction programme

I deeply appreciate the quality of the BP induction programme and the BP team’s dedication to educating me.

Pamela Daley
Non-executive director

Pamela Daley, appointed in 2018, followed a tailored induction process. The programme of topics included:

**Board and governance**
- BP’s board governance model, directors’ duties, interests and potential conflicts.

**Business introduction**
- Alternative energy
- BP’s business
- BP’s performance relative to competitors
- Downstream (refining, marketing and lubricants)
- Integrated supply and trading (IST)
- Lower carbon transition
- Strategy
- Financial planning
- Upstream (exploration, development, production, overview of our operations)

**Functional input**
- Communications and corporate reporting
- Ethics and compliance
- External audit
- Finance
- Human resources, including capability and reward
- Legal, including litigation
- Safety
- Treasury
- Tax

**Audit committee specific**
- Reporting and disclosure
- Business ‘deep dives’ including IST risks and compliance and procurement
- Cyber security and trading regulations.

Board evaluation
BP undertakes an annual review of the board, its committees and individual directors. The chairman’s performance is evaluated by the chairman’s committee and his evaluation is led by the senior independent director. The evaluation operates on a three-year cycle, with one externally led evaluation followed by two subsequent years of internal evaluations carried out using a questionnaire prepared by an external facilitator.

Activity following prior year evaluation
Actions arising from the 2017 evaluation and how these were addressed included:

- **Ongoing focus on capital allocation**: the board continued to develop and deepen its understanding of the capital allocation process and the way in which investment decisions were taken.
- **Longer term vision and strategy**: the board held three ‘deep dive’ discussions to explore the group’s longer-term vision and strategy, including challenges in BP’s core businesses as well as the transition to a lower carbon economy.
- **Employee views on safety and culture**: the board developed a greater understanding of employee views within the group, particularly through review of more detailed data from the annual Pulse Survey, by using the Technology Advisory Council (TAC) reports and through site visits, town halls and employee engagement forums.
- **International advisory board**: the board reviewed the relationship between the board, the geopolitical committee and the international advisory board (IAB). Directors were invited to IAB dinners to hear the debate on broader issues.

2018 evaluation
The evaluation was undertaken through a questionnaire facilitated by an external consultant (Independent Audit) and individual interviews between the consultant and the chairman and each director and other executives. The results of the evaluation and feedback from the interviews were collectively discussed by the board and will be incorporated into a revised version of the board governance principles that will be published later this year.
NEDs visit at least one business every year to help deepen their operational understanding. In 2018, the board visited the Khazzan gas field in Oman and the International Centre for Advanced Materials (ICAM), of which BP is a significant sponsor, at the University of Manchester. Members of the SEEAC and other directors visited upstream and downstream operations in the Gulf of Mexico and South Carolina respectively. The board met local management and were briefed at each visit and subsequently provided their feedback to the appropriate committee and to the board.

A number of non-executives took the opportunity to engage directly with the local workforce as described below.

**Cooper River, US**

In September members of the SEEAC and other directors visited Cooper River, BP’s petrochemicals plant in South Carolina. Board members met with site leaders and discussed business emergency continuity planning, safety, risk and operating culture at the plant. They also heard about new sustainability-related technologies.

**Thunder Horse, US**

SEEAC and the audit committee chair visited Thunder Horse in July. Their trip included a half-day session with the Gulf of Mexico upstream leadership team followed by a day offshore. The regional president led the site visit and facilitated thorough discussion of working practices, the risks and challenges faced on site and management of those risks. The visit demonstrated the safety culture on board the rig.

**Workforce engagement**

Melody Meyer visited the Muscat office in March to meet with women from BP Oman, as part of an empowering women in business event. She advocated helping and supporting women saying, “we all have a part to play in this, we can help ensure our female colleagues’ voices are heard.” Melody highlighted the need to focus on driving value, creating advantage from change, showing respect and valuing contribution.

Melody also conducted a town hall at our Houston office in July and Paula Reynolds led a BP woman’s international network event at BP’s London head office in December.

**Manchester, UK**

In May the board attended the ICAM, where they met with leading academics to better understand how investment in research is helping advance fundamental understanding and use of materials across a variety of energy and industrial applications.

**Houston, US**

Alongside the SEEAC visit in July, members of the board also spent time in the Houston office, following the damage caused by Hurricane Harvey in 2017. They spent time with BP’s US-based integrated supply and trading team and learned about the execution of business continuity planning following Harvey. They visited key group monitoring, communication and response centres across multiple businesses.
Shareholder engagement

Institutional investors
The company operates an active investor relations programme. The board receives feedback on shareholder views through results of an anonymous investor audit and reports from management and those directors who meet with shareholders each year. In 2018 the chair of the remuneration committee undertook extensive engagement on the application of the remuneration policy prior to the AGM in May (see the remuneration committee report on page B3). Helge Lund also held one-to-one meetings with 14 major institutional investors during the last quarter of the year prior to him becoming the chairman.

Senior management regularly meets with institutional investors through road shows, group and one-to-one meetings, events for socially responsible investors (SRIs) and oil and gas sector conferences throughout the year.

In April, the chairman and all board committee chairs held an annual investor event. This meeting enabled BP’s largest shareholders to hear about the work of the board and its committees and for investors to share their views directly with NEDs.

More information
See bp.com/investors for investor and strategy presentations, including the group’s financial results and information on the work of the board and its committees.

Shareholder engagement cycle 2018

Q1
- Fourth quarter and full year 2017 results and strategy update
- Investor roadshows with executive management – fourth quarter and full year 2017 results
- BP Energy Outlook presentation
- US SRI meetings on remuneration
- Investor meetings on remuneration, continuing into Q2
- BP Annual Report 2017 launch
- BP Sustainability Report 2017 launch
- BP Technology Outlook launch

Q2
- Chairman and board committee chairs meetings
- UKSA (retail shareholders’) meeting with the chairman
- First quarter 2018 results presentation
- Annual general meeting
- Advancing the Energy Transition launch
- BP Statistical Review of World Energy launch

Q3
- Second quarter 2018 results presentation
- Investor roadshows with executive management following 2Q results

Q4
- Third quarter 2018 results presentation
- Upstream investor day in Oman

Retail investors
BP held a further event for retail investors in conjunction with the UK Shareholders’ Association (UKSA) in 2018. The chairman and head of investor relations gave presentations on BP’s annual results, strategy and the work of the board. Shareholders’ questions were focused on BP’s activities and performance.

AGM
Voting levels increased in 2018 to 67.3% (of issued share capital, including votes cast as withheld), compared to 50.8% in 2017 and 64.3% in 2016.

All resolutions were passed at the meeting. Each year the board receives a report after the AGM giving a breakdown of the votes and investor feedback on their voting decisions to inform them on any issues arising.

UK Corporate Governance Code compliance
BP complied throughout 2018 with the provisions of the 2016 UK Corporate Governance Code except in the following aspects:

D.2.2 The remuneration of the chairman is not set by the remuneration committee. Instead, the chairman’s remuneration is reviewed by the remuneration committee which makes a recommendation to the board as a whole for final approval, within the limits set by shareholders. This wider process enables all board members to discuss and approve the chairman’s remuneration, rather than solely the members of the remuneration committee.

BP remains cognizant of the new UK Corporate Governance Code and will report accordingly in our 2019 Annual Report and Form 20-F. A copy of the UK Corporate Governance Code is available at frc.org.uk.

International advisory board
BP’s international advisory board (IAB) advises the chairman, group chief executive and the board on geopolitical and strategic issues relating to the company. This group meets once or twice a year and between meetings IAB members remain available to provide advice and counsel when needed.

Membership of the IAB in 2018 comprised Lord Patten of Barnes, Josh Bolten, President Romano Prodi, Dr Ernesto Zedillo, John Key and Dr Javier Solana. The chairman, chief executive and Sir John Sawers attend meetings of the IAB. Issues discussed in 2018 included the global economy, developments in the Middle East, political events in Latin America and the political and economic outlook in the US. The IAB discussed the UK’s potential exit from the European Union at both of its meetings during 2018.