

The board's focus

Board activities

The board and its committees met regularly in 2021, as well as on an ad hoc basis, as required by business needs. Despite the challenges and global travel restrictions that carried on from 2020 into 2021, the board continued to embrace the opportunities identified during the earlier stages of the pandemic. These included more frequent use of hybrid meetings and other productivity and efficiency gains that could be derived given the reduced demands of global travel. Despite these benefits, board members recognized that the optimum meeting format was in-person, as this maximized opportunities for interaction among board members, and also with the bp leadership team and the workforce more generally.

The ways of working we put in place in 2020 also carried on through 2021. Board meeting agendas continued to be structured along four distinct pillars: strategy, performance, people and governance, with the overarching focus being on monitoring strategic progress and performance as bp transforms into an integrated energy company.

Primary tasks of the board during 2021 included:

- **Oversight of strategic progress:**

The board continued to monitor and oversee the activities and performance of bp's leadership team in delivering against the targets and aims that we communicated to the market in 2020. This was the second year of strategy execution since bp announced its transformative net zero ambition.

- **People:**

Throughout the year, the board reflected on key reinvent bp activities delivered in 2020 and 2021, including design and selection, health and wellbeing, management of change and employee engagement. The board was also consulted in the development of bp's new leadership framework, which seeks to enhance leaders' understanding of bp's expectations of them.

- **Value generation for shareholders:**

In the second quarter, the board approved an increase in the resilient dividend of 4% per ordinary share and in addition, the commencement of share buybacks from first half surplus cash flow, taking into account factors including the cumulative level of and outlook for surplus cash flow, the cash balance point and maintenance of a strong investment grade credit rating.

1 Strategy

Building on work undertaken to establish bp's purpose and strategy in 2020, the board's approach was informed by output from the 2020 board effectiveness review. This was underpinned by the strength of relationship with the CEO and his leadership team to monitor and oversee progress against the targets and aims set out in 2020. This was undertaken through a comprehensive schedule of thematic deep-dives and business reviews including the following:

- Convenience & mobility, with particular focus on electrification and next generation mobility.
- Resilient hydrocarbons and options to high-grade the portfolio while lowering emissions.
- The value of integration in creating value as bp participates across the value chain, de-risking cash flows and customer success.
- Low carbon energy and the acceleration of bp's participation in the renewables sector, with particular focus on wind and solar.
- Other strategic reflections since the September 2020 capital markets day.

Through these engagements, the board supported and provided guidance to management. For more information see Decision-making by the board on page 97.

Sustainability continued to be a key area of focus for the board in 2021. The board reviewed the environment, social and governance landscape, noting the importance of steps that management was taking to deliver the sustainability framework, announced in September 2020. The importance of defining what bp stands for in sustainability and embedding this across the organization, while engaging with stakeholders was underscored. It was against this backdrop that the board approved an update to our sustainability framework, with five further aims to help improve people's lives and another five aims to care for our planet. Early in 2022, following on from board discussions during the fourth quarter of 2021, the board approved changes to bp's aims. Further information on these changes can be found on page 51.

Early in 2021, demonstrating the new governance framework in action, the board supported a request from management to bid for up to 3GW (1.5GW net to bp) of offshore wind capacity in the UK's Offshore Wind Round 4, together with EnBW (through a 50/50 joint venture). This project aligns with bp's net zero ambitions, including bp's aims to have increased its annual low carbon investment to around \$5 billion a year by 2030, as well as achieving 50GW of developed renewables to final investment decision by 2030, contributing 1.5GW.

2 Performance

The board reviewed project, operational and safety performance throughout the year, as well as a retrospective look at the full-year delivery against plan. The company's financial performance, liquidity, credit position and associated financial risks were closely and regularly monitored by the board.

Inputs that assisted the board in discharging its oversight of performance included reports from the CEO and CFO, quarterly and full-year results, and the annual plan and associated capital allocation commitments.

How the board works

Our purpose

Reimagining energy for people and our planet

1 Strategy

Establishing
Monitoring

2 Performance

Metrics & information
Monitoring
Supporting & challenging

3 People

Diversity
Competency
Succession

4 Governance

Risk management
Controls
Conflicts, ethics and integrity

Culture

Values

With regard to distributions, underpinned by the underlying performance of our business, an improving environment and confidence in our balance sheet, the board approved an increase of our resilient dividend by 4% per ordinary share and in addition, the commencement of share buybacks in the second quarter from first half surplus cash flow, taking into account factors including the cumulative level of and outlook for surplus cash flow, the cash balance point and maintenance of a strong investment grade credit rating. The board also approved at the time of our third quarter results that, based on bp's current forecasts, at around \$60 per barrel Brent and subject to the board's discretion each quarter, bp expected to be able to deliver buybacks of around \$1.0 billion per quarter and have capacity for an annual increase in the dividend per ordinary share of around 4% through 2025.

As required under the UK Corporate Governance Code, the board carried out a robust assessment of bp's emerging and principal risks. Following this assessment, the board approved a new framework for the oversight of principal risks by the board and its committees. The new approach creates a clearer linkage between bp's underlying risk profile and its principal risks.

On internal controls, the board assessed the effectiveness of the group's system of internal control and risk management as part of the process through which it reviews and ultimately, approves the *bp Annual Report and Form 20-F*. No specific areas were identified in this assessment. The board concluded that the

group's system of internal control continued to be resilient. The board also concluded that the overall design of the group's system of internal control generally meets external expectations of components to be included in internal control frameworks. In arriving at these conclusions, the board took into account reports from group risk and internal audit, as well as deep-dives and business reviews undertaken by the board and its committees during the year. For more information on bp's system of risk management see *How we manage risk* on page 73. Information about bp's system of internal control is on page 142.

3 People

Throughout 2021, the board, through its people & governance committee, discussed key people priorities. This included bp's journey to reinvent bp, a continued focus on employee engagement and management's early thinking on how bp will develop high performing, inspiring leaders under a proposed leadership framework that is being developed by management.

The board received direct updates during the year on reinvent bp as well as leadership development and succession planning. It was recognized that bp's talent management arrangements would need to evolve as the organization continues to deliver against its stated net zero ambitions and aims. This included the recruitment of new talent from outside the organization, to drive growth and innovation in pivotal areas such as digital, mobility and convenience and low carbon energy.

The board considered and approved the adoption of the 'alternative arrangements' method as its workforce engagement mechanism for 2021. To help inform board discussions and decisions and in line with these arrangements, board members engaged directly with the workforce in various events as set out on page 95.

Diversity continued to be a key area of focus during 2021. As stated in the board's terms of reference which became effective in January 2021, the board developed and approved a new board diversity, equity and inclusion policy. The policy contains statements which align to the requirements of the UK Corporate Governance Code alongside aspirational targets for board diversity. A copy of the policy is available on our website, bp.com/governance.

4 Governance

During 2021, the board embedded the governance framework that it established in 2020. For more information on this framework, see page 92. Under the leadership of the board chair and the people & governance committee, an externally facilitated evaluation of the board was conducted in 2021. For more information on the board evaluation, see page 102.

Board activities and governance framework continued

Role of the board

The board's role is to promote the long-term sustainable success of the company, generating value for its shareholders, while having regard to its other stakeholders, the impact of its operations on the communities within which it operates and the environment.

The board has established four committees, some of which have roles that are prescribed under the UK's Corporate Governance Code, with the aim of supporting the board in fulfilling its responsibilities. These are the safety and sustainability committee, audit committee, people and governance committee and remuneration committee.

The terms of reference for the board (including matters reserved for the board) and the board committees together with the role profiles of the chair, CEO and senior independent director can be found on bp.com/investors.

Delegation and matters reserved

The board delegates day-to-day management of the business of the company to the CEO, save for those matters which are reserved for the board's approval and cannot be delegated. The matters reserved include:

- Entry into new countries
- Cessation of all or any material part of bp's operating activities in a country
- Changes to the company's capital structure
- Distributions
- Changes to the company's code of conduct.

The board reviews and approves capital expenditure over \$3 billion for resilient hydrocarbons and over \$1 billion for all transition or low carbon investments*. In addition, it reviews any significant inorganic acquisition that is exceptional or unique in nature.

Annual review

Following an annual review of the governance framework, amendments were made to reflect evolving trends externally as well as bp's own governance needs.

The main amendment was to make clear reference to climate-related risks and opportunities in light of the increasing profile and significance of such risks and opportunities in bp's strategy and the formal introduction of requirements to make climate related financial disclosures consistent with the Task Force on Climate-Related Financial Disclosure (TCFD) recommendations and recommended disclosures on a 'comply or explain' basis. The amendments enhance bp's corporate governance framework addressing such risks and opportunities explicitly rather than implicitly. This transparency of the complementary accountabilities of the board, its committees and the CEO is in line with bp's aim 9 to be recognized as an industry leader for the transparency of our reporting.

