

## People and governance committee

**Helge Lund**  
Committee chair



Our focus has been to safely deliver organizational change as part of reinvent bp and develop a robust framework for talent management for both executive and non-executive succession. //

### Committee overview

#### Purpose of the committee

The people and governance committee seeks to ensure an orderly succession of candidates for directors, the leadership team and the company secretary. It oversees corporate governance matters, reviewing developments in law, regulation and evolving practice in this space. The committee reviews workforce policies and practices and monitors their consistency with bp's purpose, strategy and values.

#### Key responsibilities during 2021

- Oversee the development of a diverse pipeline for succession to the board and leadership team (across immediate, medium and long-term time horizons), taking into account the challenges and opportunities facing bp, its strategic priorities and the skills and expertise needed on the board in the future.
- Review the outside directorships/commitments/conflicts of the non-executive directors.
- Review workforce policies and practices, and in particular those that have an impact on talent and capability, diversity and inclusion and engagement and culture (including employee wellbeing).
- Conduct workforce engagement measures through a range of formal and informal channels. Review and report back to the board on workforce views and priorities in order to strengthen the 'employee voice' in the boardroom.
- Review and develop the board's corporate governance framework and monitor its compliance with corporate governance standards and practices while ensuring that it remains appropriate to the size, complexity, and strategy of bp.
- Review the board's diversity policy and the effectiveness of its implementation.

#### Meetings and attendance

The committee met four times in 2021 with all members attending each meeting.

#### Membership

Helge Lund	Member since July 2018 and chair since September 2018
Brendan Nelson	Member (Resigned 12 May 2021)
Paula Reynolds	Member
Sir John Sawers	Member

### Chair's introduction

I am delighted to present my report as chair of the people and governance committee. Our focus in 2021 has been across three areas: Overseeing the organizational change resulting from the Reinvent bp programme; providing guidance around a new leadership frame for bp and progressing the design and roll-out of a robust framework for talent management; and the continuing refresh of the board, ensuring we have the right skills, experience, and diversity around the board table to deliver our strategy.

**Helge Lund**  
Committee chair

### Activities during the year

#### Overseeing organizational change

As part of our oversight responsibility on work force engagement and culture we put in place new ground rules for engagement in line with applicable corporate governance rules. We also took a retrospective look at bp's reinvent journey to ensure that the organization had maintained its focus on safety in its successful delivery of a new structure, a new leadership team, and new ways of working (with the committee reviewing the processes and procedures in place for the adoption of agile working).

#### New leadership frame

We provided guidance on the new leadership frame further to an assessment of the core leadership principles and provided oversight on its submission to the board and implementation with a detailed section on page 90. We reviewed the new board governance framework to ensure that bp continues to maintain the highest standards of board and committee governance. Additionally, and as part of this work, we engaged an external provider to complete a detailed board effectiveness review with a detailed summary together with recommendations on page 102.

### Board succession planning

Karen Richardson and Johannes Teyssen joined the board on 1 January 2021. Dame Alison Carnwath stepped down from the board on 14 January 2021 and Dame Ann Dowling and Brendan Nelson stepped down on 12 May 2021 following the AGM. The new board members bring extensive financial, technological, transformation and energy industry experience to the board and ensure that a strong focus on strategic execution, safety and sustainability and connectivity to bp's core businesses and markets continues.

Under its new terms of reference, the committee has responsibility for identifying and articulating the objectives and criteria of any board appointment process. This is based upon requirements identified from a review of the experience, skills and diversity of background of the board and its committees. For executive directors, the committee gives consideration to existing succession plans.

The committee is responsible for engaging an independent executive search consultant, who assists in preparing shortlists of candidates, co-ordinating interviews and seeking references. In accordance with the board diversity, equity and inclusion policy (DE&I policy), the committee engages with external search firms who are able to align with bp's approach to diversity, equity and inclusion in identifying suitable individuals from diverse pools of candidates.

During 2021, the committee engaged with Egon Zehnder, MWM Consulting and Spencer Stuart in support of its ongoing search for new board candidates. Egon Zehnder and Spencer Stuart also provide advice and support on executive recruitment matters to bp.

It is expected that all members of the committee meet or speak with the shortlisted candidates and agree upon a recommendation which is put to the board for review, taking account of matters such as the candidate's existing appointments and associated time commitments as well as any actual or potential conflicts of interest.

### Diversity: board

In line with the transparency and accountability arms of the global framework, in July 2021 further to a recommendation by the people and governance committee, the board approved a DE&I policy which complements bp's wider diversity policies and which embraces the group's values, code of conduct and sustainability frame. The full DE&I policy is available online at [bp.com/corporategovernance](http://bp.com/corporategovernance).

Under the DE&I policy, the board commits to:

- Encourage a diverse and inclusive working environment in the boardroom, where everyone is accepted, valued and receives fair treatment according to their different needs and situations without discrimination or prejudice.

- Continue our journey towards greater diversity on the board across all dimensions, aspiring to achieve gender parity and greater representation of those with an ethnic minority background over time.
- Consider all aspects of diversity when reviewing the board's composition, its skills, experience and overall balance, including when conducting the annual board effectiveness review.
- Oversee the development of a diverse pipeline for succession to the board and monitor that all board appointments are subject to a formal, rigorous, and transparent procedure and that such appointments are based on merit and objective criteria taking into account (among other things) factors such as diversity of gender, age, educational and professional background, social, ethnic and geographical background and cognitive and personal strengths. Engage search firms who understand bp's values and approach to diversity, equity and inclusion and agree to comply with those values and approach in identifying suitable board candidates from diverse candidate pools.

Given changes to the composition of the board during 2021, bp currently has a board that is smaller than in previous years. Although work to add new and suitably qualified skills and experience to refresh its composition continues, at the end of 2021 the board had 10 members.

### Skills matrix

	Background and experience <sup>a</sup>							
	Energy markets	Operational excellence and risk management	Global business leadership and governance	Technology, digital and innovation	Climate change and sustainability	People leadership and organizational transformation	Society, politics and geopolitics	Finance, risk and trading
<b>Non-executive directors</b>								
Helge Lund	●	●	●		●	●	●	
Paula Rosput Reynolds	●	●				●		●
Tushar Morzaria		●	●			●		●
Melody Meyer		●	●	●	●			
Sir John Sawers						●	●	
Karen Richardson		●	●	●		●		●
Pamela Daley			●					●
Johannes Teyssen	●	●	●		●	●	●	

<sup>a</sup> The skills set out here are defined based on bp's internal assessment.

## People and governance committee continued

Through these 10 members, a range of personal strengths, industry expertise and nationalities is represented and further details on the skills and backgrounds of individual board members is set out in the board biography section on pages 84-87. From a gender perspective, the board is comprised of four female directors and six male directors, representing 40% female representation (2020 45%, 2019 42%). Two of the four main board committees are chaired by a female director, one of whom holds the position of senior independent director.

While the board aspires to achieve gender parity, progress against diversity targets is sensitive to the size of the board. In respect of other forms of diversity, one member of the board self-identifies as being from a non-white ethnic minority background. In accordance with the board's policy, the board as a whole aspires to have greater representation of those from an ethnic minority over time.

### Diversity: senior leaders

Our senior management, as defined in the Corporate Governance Code 2018 and their direct reports comprise 49% women (2020 43%) and 26% Black, Asian and minority ethnic (BAME individuals (2020 25%).

In reviewing the succession pipeline, the committee recognizes the challenges faced by women and those from minority groups, and particularly the additional issues they face in progressing to senior roles. The committee supports the work undertaken by management to support career progression of under-represented groups in a sector that has historically been male-dominated with limited diversity in other forms. Specifically, this includes the ambition to have females in 50% of the top 120 leader roles by 2025, our US minority ambition to have 20% of our group and senior leader roles held by minorities by 2025 and our UK ethnicity ambition to achieve 15% of our senior leader roles to be held by minorities.

### Diversity: employees

The committee recognizes that improving the diversity of senior leaders cannot be achieved without promoting diversity throughout the whole workforce. Diversity, equity and inclusion considerations remain key to the group's people strategy with a commitment to ensure that talented individuals are able to access fulfilling careers across all of bp's areas of operations regardless of their background.

The board, as a whole, is supportive of the group's employee-led business resource groups (BRGs) which centre around specific themes including, among others, ethnicity, sexual orientation, working parents and people with disabilities. BRGs provide support and networking opportunities for their members and are open for all employees to join in order to support the group's diversity and inclusion initiatives. The board is also supportive of awareness training sessions and 'huddles' including those hosted this year on neurodiversity and mental wellbeing.

During 2021, the chair of the committee held a feedback session with members of two BRGs focused on ethnic minority groups, the USAAN (US-based 'African American Network') and the PEN (UK-based 'Positively Ethnic Network'). This session formed part of the broader workforce engagement programme (details of which are set out on page 95) and brought together ethnic minority colleagues from across bp's operations and with a range of tenure from over 20 years' service to those who had recently joined through the graduate programme. A broad range of topics were discussed including how opportunities for ethnic minorities had improved over recent years. The feedback from this session was received by the people and governance committee and later reported to the whole board to deepen directors' insights into employees' views and experiences.

### Succession

Karen Richardson and Johannes Teyssen joined the board on 1 January 2021. Dame Alison Carnwath stepped down from the board on 14 January 2021 and Brendan Nelson and Dame Ann Dowling stepped down on 12 May 2021 following the AGM. The new board members bring extensive financial, technological, transformation and energy industry experience to the board and will ensure that a strong focus on strategic execution, safety and sustainability and connectivity to bp's core businesses and markets continues.

Under its terms of reference, the committee has responsibility for identifying and articulating the objectives and criteria of any board appointment process. This is based upon requirements identified from a review of the experience, skills and diversity of background of the board and its committees. For executive directors, the committee gives consideration to existing succession plans. The committee is responsible for engaging an independent executive search consultant, who assists in preparing shortlists of candidates, co-ordinating interviews and seeking references. In accordance with the DE&I policy, the committee engages with external search firms who are able to align with bp's approach to diversity, equity and inclusion in identifying suitable individuals from diverse pools of candidates. It is expected that all members of the committee meet or speak with the shortlisted candidates and agree upon a recommendation which is put to the board for review, taking account of matters such as the candidate's existing appointments and associated time commitments as well as any actual or potential conflicts of interest.

## Audit committee

**Tushar Morzaria**  
Committee chair



“  
The committee spent considerable time reviewing trading activities, including how this ‘integrator’ supports bp’s strategy and execution.”

### Committee overview

#### Role of the committee

The committee monitors the effectiveness of the group’s financial reporting (including climate-related financial disclosures), systems of internal control and risk management and the integrity of the group’s external and internal audit processes.

#### Key responsibilities

- Monitor and critically assess bp’s financial statements and financial information, including the integrity of the financial reporting and related processes, context in which statements are made, compliance with relevant legal and regulatory requirements and financial reporting standards, including TCFD.
- Assess the going concern assumption and the longer-term viability statement as to bp’s ability to continue to operate and meet its liabilities.
- Review and challenge the application and appropriateness of significant accounting policies and financial reporting judgements.
- Evaluate the risk to quality and effectiveness of the financial reporting process and, where requested by the board, advise whether the annual report and accounts are fair, balanced and understandable.
- Review the affordability of distributions to shareholders.
- Oversee the appointment, remuneration, independence and performance of the external auditor and the integrity of the audit process as a whole, including the engagement of the external auditor to supply non-audit services to bp.
- Review the effectiveness of the internal audit function, bp’s internal financial controls and its systems of internal control and risk management.
- Monitor the principal risks allocated to the committee by the board and review the mitigations proposed by management in respect of risks associated with bp internal financial controls and reporting responsibilities and such emerging risks that may fall within scope.
- Review the systems in place to enable those who work for bp to raise concerns about possible improprieties in financial reporting or other issues, and for those matters to be investigated.

#### Meetings and attendance in 2021

There were nine committee meetings in 2021. All members attended each meeting with the exception of Karen Richardson who was unable to attend one of the meetings. Regular attendees include the chief financial officer, SVP accounting reporting control, SVP internal audit, EVP legal and the external auditor.

#### Membership

Tushar Morzaria	Member since September 2020 and chair since May 2021
Pamela Daley	Member
Paula Reynolds	Member
Karen Richardson	Member since May 2021
Brendan Nelson	Member and chair - resigned from the board May 2021
Alison Carnwath	Member - resigned from the board January 2021

Tushar Morzaria is chair of the audit committee. See page 86 for his biography. The board is satisfied that he is the audit committee member with recent and relevant financial experience as provided for by the UK Corporate Governance Code and that he is competent in accounting and auditing in accordance with the FCA’s Disclosure and Transparency Rules. It considers that the committee as a whole has an appropriate and experienced blend of commercial, financial and audit expertise to assess the issues it is required to address, as well as competence in the oil and gas sector. The board has also determined that, as bp is a foreign private issuer, the audit committee meets the independence criteria provisions of Rule 10A-3 of the US Securities Exchange Act of 1934 and that Mr Morzaria can be regarded as an audit committee financial expert as defined in Item 16A of Form 20-F.

### Chair’s introduction

I am pleased to introduce my first report as audit committee chair. The committee has continued to assist the board in fulfilling its responsibilities, by monitoring the integrity of the group’s financial reporting and risk management systems and challenging management and the external auditor across a number of areas, including key accounting judgements and control matters.

Karen Richardson joined the committee following the AGM in May 2021. She brings broad financial and commercial experience to the committee. Brendan Nelson stepped down from the committee and the board at the AGM. I would like to thank him for his diligent leadership, constructive challenge and contribution to the committee over the last 11 years. Prior to standing down, a thorough handover was completed and I held meetings with the committee’s key stakeholders which, among other things, sought to identify possible areas for improvement. The outcome of these meetings was overwhelmingly positive, with stakeholders noting that the committee was working well. Some small improvements were implemented, including the quality of materials presented to the committee and placing additional emphasis on risk and control matters.

The committee spent considerable time reviewing trading activities, including how this ‘integrator’ supports bp’s strategy and execution. The committee also considered energy price volatility and how this risk was managed by the business, particularly in the US in February and in Europe and Asia in the latter half of the year.

Following the board’s decision to exit its shareholding in Rosneft, the committee has undertaken a preliminary review with the external auditor of the accounting implications arising from that decision. This included consideration of the implications for the going concern assumption, longer-term viability and resilience statements in the context of the current economic and geopolitical environment and to ensure the consistency of the disclosures in the annual report with this decision.

In 2022, the committee will monitor the progress in the UK of audit and corporate governance reform proposals by the UK government as well as the work being undertaken by the new International Sustainability Standards Board announced at COP26.

**Tushar Morzaria**  
Committee chair

### Activities during the year

#### How the committee reviewed financial disclosure


The committee reviewed the quarterly, half-year and annual financial statements with management, focusing on the:

- Integrity of the group's financial reporting process.
- Clarity of disclosure.
- Compliance with relevant legal and financial reporting standards.
- Application of accounting policies and judgements.

As part of its review, the committee received regular updates from management and the external auditor in relation to accounting judgements and estimates, including those relating to recoverability of asset carrying values and the impact of climate risk and opportunities.

In considering the *bp Annual Report and Form 20-F 2021*, the committee assessed whether the report was fair, balanced and understandable and also whether it provided the information necessary for shareholders to assess the group's position and performance, business model and strategy. In making this assessment, the committee examined disclosures during the year, discussed the requirements with senior management, confirmed that representations to the external auditor had been evidenced and reviewed reports relating to internal control over financial reporting. The committee reviewed the consistency of the narrative disclosures and financial statements with climate risks and opportunities. It received a report from management on the verification

process undertaken in respect of the annual report, including TCFD disclosures. The committee made a recommendation to the board, which in turn reviewed the report as a whole, confirmed the assessment and approved the report's publication.

 See page 110 for how the committee considered climate risks and opportunities in reviewing financial disclosure.

#### How accounting judgements and estimates were considered and addressed

The committee was briefed on a quarterly basis in 2021 on the group's key accounting judgements and estimates during the preparation of these financial statements, which were discussed with management and the external auditor.

The key accounting judgements and estimates are set out on pages 178-196. The committee also considered and addressed key accounting estimates and judgements relating to exploration and appraisal intangibles and pensions and other post-retirement benefits. See Financial statements – Note 1 for further information.

The committee is satisfied that the financial statements appropriately address the key accounting judgements and estimates in respect of both the amounts reported and disclosures made and in particular that they reflect the impact of the group's transition strategy.

#### How risks were reviewed

The principal risks allocated to the audit committee for monitoring in 2021 included those associated with:

**Trading and shipping activities:** including risks arising from shortcomings or failures in systems, risk management methodology, internal control processes or employees.

In reviewing this risk, the committee focused on external market developments and how bp's trading and shipping integrator had continued to enhance its control environment and policies to strengthen its compliance and control culture. This was particularly important in relation to the price volatility seen during 2021.

The committee further considered updates in trading and shipping's risk management programme, including compliance with regulatory developments, activities in response to cyber threats and efficiencies derived from more collaborative ways of working across bp and the use of digital technologies.

The committee also reviewed the continued impact of COVID-19 on operations and the control environment associated with trading activities, with particular reference to operational considerations associated with increased remote working.

**Compliance with business and regulations:** including ethical misconduct or breaches of applicable laws or regulations that could damage bp's reputation, adversely affect operational results and/or shareholder value and potentially affect bp's licence to operate.

The committee reviewed the group's programme of controls and contingencies for managing this risk, including enhanced approaches to monitor the risk in light of business evolution (such as an increase in venturing), as well as other internal and external trends.

**Digital and cyber security risk:** including user access controls, misuse of information and systems and disruption of business activity.

The committee reviewed ongoing developments in bp's digital environment, incorporating aspects of cyber security related to user access controls, the optimization of core services and the modernization of bp.

**Financial liquidity:** including the risk associated with external market conditions, supply and demand and prices achieved for bp's products which could impact financial performance.

The committee reviewed the key assumptions and underlying judgements used to manage the group's liquidity and capital investments (including appraisal, effectiveness and efficiency) and considered the impact of price volatility on available liquidity.

### Fair, balanced and understandable (FBU) reporting

#### Regular audit committee review

The committee received updates on key sections of the *bp Annual Report and Form 20-F 2021* early in the drafting process to provide sufficient time for comment and review.

#### Report on the financial control environment

The committee received updates on the control environment and integrity of the financial reporting process.

#### Verification and management assurance

The committee reviewed the assurance process in place for non-financial reporting (incorporating TCFD disclosures) and received

reports from internal audit and risk on the system of internal controls and risk management.

#### External auditor report

The committee received a report from the external auditor on the outcome of its audit work, highlighting the key audit matters set out in the independent auditor's report on pages 146-165.

#### Recommendation to the board

The committee made a recommendation to the board, which in turn reviewed the report as a whole and confirmed the assessment. The directors' statement can be found on page 142.

### How other reviews were undertaken

Other reviews undertaken in 2021 by the committee included the following, and in each case where the committee received segment and function reviews, each reported on strategy, performance, capability and risk management as well as on their first, second and third lines of defence policies as appropriate:

- bp ventures and Launchpad: including the purpose, capabilities, operating model, governance and performance of these entities.
- Lightsource bp: including strategy, performance, capital structures, governance and controls and financial and cashflow profiles.
- Tax: including strategy, performance, key drivers of the group's effective tax rate, the global indirect tax environment, the tax modernization programme and the evolving approach to management of key risks.
- Trading and shipping: including strategy, performance, capability and risk management.
- Effectiveness of investment: review of performance of projects with sanctioned capital over a certain threshold.
- Internal controls: assessments of management's plans to remediate the external auditor's control findings.

### How internal control and risk management was assessed

#### Internal audit

Internal audit provides key assurance to the committee on the group's governance, risk management and internal control. The SVP internal audit attends the meetings of the committee.

Internal audit has a five-year strategy setting out the goals and vision for the function and an update on progress was provided to the committee during the year. The committee also reviewed and approved the internal audit charter, which sets out the expectations for the function in accordance with the Chartered Institute of Internal Auditors' (IIA) guidelines.

The committee received quarterly reports on the findings of internal audit in 2021, setting out progress against the internal audit plan for the year, adaptations made to the plan as the year progressed and key audit findings, together with management's response.

The committee continued to monitor and review the effectiveness and capabilities of internal audit during the year. In assessing its effectiveness, the committee followed the guidance included in the Financial Reporting Council Guidance on Audit Committees which, in addition to approving the annual plan and reviewing reports on the same as mentioned above, included meeting privately with the SVP internal audit, and receiving feedback from other key stakeholders on the effectiveness of the function.

The committee concluded that internal audit had unrestricted scope, together with access to information and sufficient resources to fulfil its mandate.

Separately, the committee reviewed the independence and objectivity of the SVP internal audit, who has now served for seven years, in line with IIA best practice guidelines. The committee concluded that the SVP internal audit remained independent and objective. In reaching this conclusion, the committee considered feedback from key stakeholders, access to information

and the resources available and the response of management to the challenge received.

The committee also received a report from internal audit on its annual review of the system of internal control and risk management, together with an assessment from management on the system of internal control. Further information can be found in the risk management and internal control update on pages 142-143.

#### Non-financial reporting assurance framework

In the second half of the year, the committee discussed the control and assurance framework for non-financial reporting (NFR) included in the annual report and other documents published by bp under a broad range of regulatory and voluntary disclosure frameworks and standards, including TCFD. As these frameworks and standards evolve and investors and other stakeholders increasingly come to rely on these data points it is important that a suitable control and assurance framework is put in place. Management presented proposals for the development of the NFR assurance framework.

The committee considered the role of the second and third lines of defence, including how the internal audit plan would capture material metrics, and the role of external assurance. Those metrics relevant to TCFD 'comply or explain' disclosures were considered material. Internal audit completed an audit of certain metrics and TCFD disclosures and reported the outcome of its work to the committee.

The committee will monitor the implementation of the NFR assurance framework as part of its role in overseeing the system of internal control.

#### Training and briefings

The committee considered market updates and developments throughout the year. This included technical accounting updates from the SVP accounting reporting control on developments in financial reporting and accounting policy, as well as on accounting and disclosure changes that would be introduced as a result of the reorganization of the group. The committee also received briefings on specific topics, including risk governance and the audit and corporate governance consultation undertaken by the UK government during 2021.

The committee, together with the board, received an update on the non-financial disclosures included in the *bp Annual Report and Form 20-F 2021* and the assurance process underlying the same shortly after the year end.

### Site visit during the year

In October 2021, the committee conducted a visit to the trading & shipping integrator in London, UK, including presentations from the trading floor covering low carbon trading, European power and global biofuels.

Key areas of discussion during this site visit included the impacts of oil and gas price volatility, business development of global power trading and opportunities and risks associated with the transition to a low carbon economy.



Above: Tushar and Pamela speaking to colleagues on the trading floor.

### How the committee considered climate risks and opportunities

The committee's primary role in monitoring the effectiveness of bp's financial reporting, systems of internal control and risk management means that it is well placed to consider the risks and opportunities associated with climate change and the transition to a lower carbon economy. There are several ways in which the committee has considered climate risk and opportunities during the year, which are set out below.

In March 2021, the committee reviewed the Lightsource bp business and received an update on strategy, performance, capability and risk management as well as on its first, second and third lines of defence policies. The committee discussed the capital structures and process for investment decisions.

In July 2021, the committee conducted its annual review of energy price assumptions, covering the period 2022-50. The scope included oil, natural gas, refining margins and carbon prices within a broad range of scenarios. The committee reviewed and challenged the underlying assumptions provided by management, the changes from the prior year and their consistency with the goals of the Paris agreement compared to a broad spectrum of external Paris-consistent scenarios.

The energy price assumptions are used in investment appraisal assumptions and for determining impairments. The committee assessed the differing treatment of carbon emission costs under each judgement and management's best estimate of how future changes were likely to affect the future cash flows of the group. The committee

reviewed impairments and reversals during the year as part of its review of quarterly financial disclosures and, in February 2022, the committee reviewed the full year.

The committee reviewed the process for estimating decommissioning liabilities for our operations, in particular for oil and gas property, plant and equipment, and challenged the assumptions used in determining the same, including the anticipated time period over which decommissioning liabilities were expected to be incurred in respect of the pace of transition to a low carbon economy and the alignment to bp's aims and ambitions to 2030, particularly with respect to refineries. The committee also assessed the process for monitoring decommissioning reversion risk.

The committee considered the impact of energy prices, consistent with those noted above for investment appraisal and impairment, as part of its assessment of going concern and the longer-term viability statement.

In the latter half of the year, the committee reviewed bp ventures and Launchpad and received an update on how the investment portfolio was integrated into bp's strategy. Shortly after the year-end the committee reviewed management's scenario analysis and the inputs used to determine the resilience of our strategy to different climate scenarios.

Further details on the key accounting judgements can be found on pages 178-196. For more information on the resilience of our strategy see the Sustainability section on pages 61 to 64.

### FRC thematic review

The *bp Annual Report and Form 20-F 2020* was included in the Financial Reporting Council's (FRC) sample for its thematic review on the disclosure of alternative performance measures (APMs). The committee noted the findings from the thematic review, where bp's disclosures were considered to be examples of better practice and how further improvements could be incorporated into *bp's 2021 Annual Report*.

An FRC review provides no assurance that *bp's 2020 Annual Report* was correct in all material respects. The FRC's role was not to verify the information provided, but to consider compliance with reporting requirements. Its letters are written on the basis that the FRC (which includes the FRC's officers, employees

and agents) accepts no liability for reliance on them by bp or any third party, including but not limited to investors and shareholders.

### External audit

#### How the committee assessed audit risk

The external auditor set out its audit plan for 2021, identifying significant audit risks to be addressed during the course of the audit.

These included:

- Impairment and reversal of oil and gas property, plant and equipment values.
- Accounting for structured commodity transactions.
- Valuation of level 3 instruments in trading and shipping.
- Management override of controls.

A summary of the audit approach is set out in the independent auditor's report on page 147.

The committee received updates during the year on the audit process, including how the auditor had challenged the group's assumptions on the significant audit risks.

### How the committee assessed audit fees

The audit committee reviews the fee structure, resourcing and terms of engagement for the external auditor annually; in addition it reviews the non-audit services that the auditor provides to the group on a quarterly basis.

Fees paid to the external auditor for the year were \$58 million (2020 \$54 million), of which nil% was for non-audit and other assurance services (see Financial statements – Note 35). The audit committee is satisfied that this level of fee is appropriate in respect of the audit services provided and that an effective audit can be conducted for this fee. There were no non-audit or non-audit related assurance fees for the year (2020 \$1 million). Non-audit or non-audit related services consisted of other assurance services.

### How the committee assessed audit effectiveness

As part of its overall assessment of audit effectiveness, the committee considers reports from the external auditor and management (see below) on the audit process and quality procedures, together with responses to questions on the same, and the handling of key judgements. The committee also held private meetings with the external auditor during the year and the committee chair met separately with the external auditor and SVP internal audit at least quarterly.

The committee assessed the auditor's approach to providing audit services, taking account of the insights report and management survey, together with the reporting to the committee. The committee concluded that the audit team was providing the required quality in relation to the provision of the services. The audit team had shown the necessary commitment and ability to provide the services together with a demonstrable depth of knowledge, robustness, independence and objectivity as well as an appreciation of complex issues. The team had posed constructive challenge to management and the committee noted the quality of reporting provided to it.

## Audit quality reports received by the committee

**External auditor insights report:** the committee receives a summary of areas of opportunity for improvements to processes related to financial reporting or internal control identified as part of the audit process, management's response to the recommendations identified and progress made against any prior year items together with areas of focus for the forthcoming year.

**Management survey:** the survey sought views from key internal stakeholders and comprised questions across the following:

- (i) The external auditor's performance, for which the main measurement criteria were:
  - Planning and scope
  - Robustness of the audit process
  - Independence and objectivity
  - Quality of delivery
  - Quality of people and service.
- (ii) bp's commitment to the audit.

The overall score from the survey remained flat against the prior year, following an increase in 2020 versus 2019. However, strong improvements were seen across communication, international co-operation and knowledge of controls and risks.

## How the auditor reappointment and independence were assessed

The committee considers the reappointment of the external auditor each year before making a recommendation to the board. The committee assesses the independence of the external auditor on an ongoing basis, taking account of the information and assurances provided by the external auditor and the level of non-audit fees. The external auditor is required to rotate the lead audit partner every five years and other senior audit staff every five to seven years. No partners or senior staff associated with the bp audit may transfer to the group.

External audit services were last tendered in 2016 and the external auditor has been in role for four years (since 2018). It is anticipated that a retender will be completed by 2026 or sooner, in line with relevant guidelines. The committee believes that the anticipated timeline for the retender of audit services is in the best interests of shareholders. It provides an appropriate balance of factors such as the auditor knowledge of controls and risks, maintaining audit quality, independence and objectivity, and providing value for money.

The company is in compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

## How the committee had oversight of non-audit services

The audit committee is responsible for bp's policy on non-audit services and the approval of non-audit services. Audit objectivity and independence are safeguarded through the prohibition of non-audit tax services being provided by the external auditor and the limitation of audit-related work which falls within defined categories. bp's policy on non-audit services states that the auditor may not perform non-audit services that are prohibited by the SEC, Public Company Accounting Oversight Board (PCAOB), International Auditing and Assurance Standards Board (IAASB) or the UK Financial Reporting Council (FRC).

The audit committee approves the terms of all audit services as well as permitted audit-related and non-audit services in advance. The external auditor is considered for permitted non-audit services only when its expertise and experience of bp is important.

Approvals for individual engagements of pre-approved permitted services below certain thresholds are delegated to the SVP accounting reporting control or the chief financial officer. Any proposed service not included in the permitted services categories must be approved in advance either by the audit committee chair or the audit committee before engagement commences.

The audit committee, chief financial officer and SVP accounting reporting control monitor overall compliance with bp's policy on audit-related and non-audit services, including whether the necessary pre-approvals have been obtained.

The categories of permitted and pre-approved services are outlined in principal accountant's fees and services on page 362.

## Other matters

The committee reviewed the affordability of the distribution policy elements of the financial frame (covering dividend increases and share buybacks) as part of its review of the quarterly results. The committee considered bp's cash flow forecasts as it transitions to an international energy company and the risks associated with oil and gas price changes over the medium term.

The committee reviewed, and recommended to the board, updates to the risk framework and changes to the highest priority group risks. The committee reviewed its Terms of reference and minor updates were agreed, including making clear how the committee considers climate risks and opportunities. Further details can be found in the corporate governance framework on page 92.

An assessment of going concern was made as part of the quarterly results process. The committee also reviewed the longer-term viability statement. The going concern and longer term viability statements can be found on page 143.



## Examples of how accounting judgements and estimates were considered and addressed

### Key judgements and estimates in financial report

#### Audit committee activity

#### Conclusions/outcomes

### Impact of climate change and the energy transition

Climate change and the transition to a lower carbon economy may have significant impacts on the currently reported amounts of the group's assets and liabilities and on similar assets and liabilities that may be recognized in the future.

- Reviewed management's best estimate of oil and natural gas price assumptions for value-in-use impairment testing and investment appraisal.
- Reviewed management's assessment of recoverability of exploration intangibles.
- Reviewed management's assessment on decommissioning provisions.
- See how the committee considered climate risks and opportunities on page 110.

- Management's revised best estimate of oil and natural gas prices are in line with a range of transition paths consistent with the goals of the Paris climate change agreement.
- How bp applies carbon pricing in its impairment testing is disclosed in Note 1.
- Sensitivity analyses estimating the effect of changes in net revenue due to prices, production or carbon prices are disclosed in Note 1.
- Reasonable changes in the expected timing of decommissioning do not have a significant impact on the associated provisions.

### Provisions

bp's most significant provisions relate to decommissioning, environmental remediation and litigation.

The group holds provisions for the future decommissioning of oil and natural gas production facilities and pipelines at the end of their economic lives. Most of these decommissioning events are many years in the future and the exact requirements that will have to be met when a removal event occurs are uncertain. Assumptions are made by bp in relation to settlement dates, technology, legal requirements and discount rates. The timing and amounts of future cash flows are subject to significant uncertainty and estimation is required in determining the amounts of provisions to be recognized. There is also a risk that decommissioning obligations from previously divested assets revert to bp.

- Received briefings on decommissioning (including the process for managing the risk of decommissioning reversion), environmental, asbestos and litigation provisions. These included the requirements, governance and controls for the development and approval of cost estimates and provisions in the financial statements.
- Reviewed the group's discount rates for calculating provisions.

- Decommissioning provisions of \$16.7 billion were recognized on the balance sheet at 31 December 2021.
- The discount rate used by bp to determine the balance sheet obligation at the end of 2021 was a nominal rate of 2.0% – based on long-dated US government bonds – a reduction of 0.5% from 2020.

### Recoverability of asset carrying values

Determination as to whether and how much an asset, cash generating unit (CGU) or group of CGUs containing goodwill is impaired involves management judgement and estimates on uncertain matters such as future commodity prices, discount rates, production profiles, reserves and the impact of inflation on operating expenses.

Reserves estimates based on management's assumptions for future commodity prices have a direct impact on the assessment of the recoverability of asset carrying values reported in the financial statements.

- Reviewed policy and guidelines for compliance with oil and gas reserves disclosure regulation, including the group's reserves governance framework and controls.
- Reviewed the group's oil and gas price assumptions.
- Reviewed the group's discount rates for impairment testing purposes.
- Impairment charges, reversals and 'watch-list' items were reviewed as part of the quarterly due diligence process.

- The group's price assumption for Brent oil and for Henry Hub gas were increased in the short term and revised downward in the long-term as set out on page 32 and Note 1. Sensitivity analyses estimating the effect of changes in net revenue and discount rate assumptions have been disclosed in Note 1.
- Net impairment reversals/charges of \$4.1 billion as disclosed in Note 4.

## Key judgements and estimates in financial report

### Audit committee activity

### Conclusions/outcomes

#### Impact of COVID-19

The following areas involving judgement and estimates were identified as most relevant with regard to the impact of the COVID-19 pandemic and current economic environment: going concern, discount rate assumptions, oil and natural gas price assumptions, pensions and other post-retirement benefits, impairment of financial assets measured at amortized cost and income taxes.

- Received briefings on COVID-19 impacts as part of the quarterly due diligence process.
- Reviewed liquidity forecast assessments, performed to support the going concern assertion.
- Reviewed discount rates used for impairment testing and provisions.
- Reviewed management's best estimate of oil and natural gas price assumptions for value-in-use impairment testing.

- bp continues to be resilient despite current economic conditions. The committee is satisfied with management's assessment that the group can continue to operate as a going concern for at least 12 months from the date of approval of the financial statements.

#### Investment in Rosneft and Aker BP

Judgement is required in assessing the level of control or influence over another entity in which the group holds an interest. bp uses the equity method of accounting for its investment in Rosneft and Aker BP and bp's share of Rosneft's and Aker BP's oil and natural gas reserves are included in the group's estimated net proved reserves of equity-accounted entities.

The equity-accounting treatment of bp's 19.75% interest in Rosneft in 2021 was dependent on the judgement that bp had significant influence over Rosneft. bp announced on 27 February 2022 that it will exit its shareholding in Rosneft.

bp's interest in Aker BP is expected to fall to 15.9% following Aker BP's proposed transaction with Lundin Energy however bp expects it will continue to have significant influence over Aker BP.

- Reviewed the judgement on whether the group had significant influence over Rosneft during 2021 and expects to continue to have significant influence over Aker BP following completion of the Lundin Energy transaction.
- Considered IFRS guidance on evidence of participation in policy-making processes.
- Received reports from management which assessed the extent of significant influence, including bp's participation in decision-making.
- Reviewed the accounting implications of bp's announcement to exit its shareholding in Rosneft.

- bp retained significant influence over Rosneft throughout 2021 as defined by IFRS.
- As a result of bp's two nominated directors stepping down from the Rosneft board on 27 February 2022, bp has determined that it no longer has significant influence over Rosneft from that date. See Notes 1 and 37 for further information.
- The committee supported the judgement that bp will retain significant influence over Aker BP following the proposed Lundin Energy transaction and therefore has not classified the whole investment as an asset held for sale. See Note 1 and 2 for further information.

#### Derivatives

For its level 3 derivative financial instruments, bp estimates their fair values using internal models due to the absence of quoted market pricing or other observable, market-corroborated data. Judgement may be required to determine whether contracts to buy or sell commodities meet the definition of a derivative, in particular LNG contracts.

- Received regular reports on derivative accounting judgements.
- Received a briefing on the group's trading risks and reviewed the system of risk management and controls in place.
- Reviewed the control process and risks relating to the trading business.

- bp considers that contracts to buy or sell LNG do not meet the definition of a derivative under IFRS.
- bp has assets and liabilities of \$5.7 and \$7.6 billion, respectively, recognized on the balance sheet for level 3 derivative financial instruments at 31 December 2021 mainly relating to the activities of the trading and shipping function.
- bp's use of internal models to value certain of these contracts has been disclosed in Note 1.

## Safety and sustainability committee

**Melody Meyer**  
Committee chair



“  
The committee monitored and promoted safe, secure, and reliable operations during the continued impacts of the global pandemic in 2021, and had an expanded focus on embedding bp’s sustainability frame.”  
”

### Committee overview

#### Role of the committee

The role of the safety and sustainability committee (S&SC) is to oversee the execution and review the processes that are established and maintained by the leadership team to identify and mitigate significant non-financial risk. This role extends to the leadership team’s management of personal and process safety risks, security and cyber security risks, operational, environmental and social risks, ethics and compliance risks and modern slavery risk management. It also includes monitoring the effectiveness of the implementation of bp’s sustainability frame, including the implementation of bp’s net zero ambition and associated aims and targets. To support with this oversight, the S&SC receives assurance that processes to identify and mitigate such non-financial risks are appropriate in their design and effective in their implementation.

#### Key responsibilities of the S&SC

The S&SC terms of reference are available on bp’s website, its responsibilities include:

1. Monitoring and or testing:
  - bp’s performance in respect of safety and sustainability matters; and
  - the effectiveness of bp’s system of internal control for the safety and sustainability matters, including applicable management systems, policies, practices, processes, leadership and culture; informed by the receipt of performance and assurance reports.
2. Monitoring the management and mitigation of the principal risks allocated to the S&SC by the board and such emerging risks as the S&SC may determine fall within its scope from time to time.
3. Reviewing and testing management’s responses to relevant quarterly reports of group internal audit and the findings of selected safety investigations.
4. Reviewing bp’s modern slavery risk management, annual sustainability report and such other materials intended for disclosure or publication as may be allocated to it by the board from time to time.
5. Conducting such other oversight activities as may be allocated to it by the board from time to time.  
However, the S&SC is entitled to investigate all matters falling within its scope.

#### Meetings and attendance

There were six S&SC meetings in 2021. Four of these meetings were attended by the CEO and by the chair of the board. The SVP safety and operational risk (S&OR) attended every meeting. The SVP internal audit and/or his delegate and the EVP legal also attended meetings, as required. At the conclusion of each meeting the S&SC holds private sessions purely for its members, without management in attendance, to discuss any issues arising and the quality of the meeting. The CEO receives invitations to join the private meetings on an ad hoc basis. At least once a year the SVP internal audit is invited to a private meeting with the S&SC. The S&SC chair reports to the board after each meeting to ensure that the key matters arising at each S&SC meeting are brought to its attention.

#### S&SC members and appointment dates

Melody Meyer	Member since May 2017 and chair since November 2019
Professor Dame Ann Dowling	Member (resigned 12 May 2021)
Sir John Sawers	Member
Johannes Teyssen	(appointed 1 January 2021)

### Chair’s introduction

During 2021, the S&SC continued to monitor the work of the leadership team to drive continued improvement in overall safety and environmental performance, with a specific focus on reducing tier 1 process safety incidents. The committee monitored processes and performance in mitigating personal security and cyber security risks. Overall, I am pleased to report that bp maintained solid safety, environmental, and security performance while managing the continued impacts of the COVID-19 pandemic.

Early in 2021, the S&SC agreed a plan for monitoring the effectiveness and implementation of bp’s sustainability frame, which includes embedding many sustainability processes and aims into the operating management system (OMS) as it is a proven process for safety and environmental performance improvement.

In July, the S&SC received feedback on the executive outreach programme for the sustainability aims; collecting feedback from academics, corporate partners, government representatives, NGOs and investors. Overall this feedback was positive and the inputs were considered as the sustainability frame evolved.

From September, the S&SC assumed primary oversight responsibility for the quarterly review of ethics and compliance matters; with the full board continuing to receive ethics and compliance updates annually as part of its oversight responsibility of bp’s ethics and compliance programme. In December, after a full board evaluation of the risk framework, the S&SC high priority group risks were modified to ensure S&SC oversight of the board principal risks that are assigned to the committee. The S&SC terms of reference were updated and the role of the S&SC clarified with respect to the board’s oversight of climate-related risks and opportunities. For more information, see the corporate governance framework on page 92.

During the year the S&SC also held additional focused reviews on process safety improvements, cyber security drills, modern slavery, and took part in deeper dives with the full board on aim 3 and TCFD.

In 2022, while continuing to monitor the risks and performance in safety, security and sustainability, the committee will focus on the continued goal to eliminate tier 1 process safety incidents by 2025 and the implementation of bp’s net zero ambition and associated aims and targets. The S&SC will monitor bp’s work to provide input to the newly-formed International Sustainability Standards Board, which plans to establish a global baseline for sustainability-related disclosure standards that can inform decision-making on sustainability-related risks and opportunities. We also look forward to additional site visits in person in 2022.

**Melody Meyer**  
Committee chair

## S&SC's year in review

The S&SC and audit committee worked together, through their chairs and secretaries, to ensure that agendas did not overlap or omit coverage of any key risks during the year. The S&SC is entitled to ask for any independent advice and counsel on an unrestricted basis.

## Safety, system of internal control and risk management

The S&SC received specific reports from the business segments and functions, which include, but are not limited to, the safety and operational risk function, shipping, internal audit and group security.

The review of operational risk and performance forms a large part of the S&SC's agenda. Internal audit provided quarterly reports on its assurance work and its annual review of the system of internal control and risk management.

The S&SC also received regular reports from the CEO and SVP S&OR on operational risk, including regular reports prepared on the group's health, safety, security and environmental performance and operational integrity. These included meeting-by-meeting measures of personal and process safety, environmental and regulatory compliance, security and cyber risk, as well as quarterly reports from internal audit on its activity.

In addition, the SVP, internal audit regularly met in private with the chair and other members of the S&SC over the course of the year.

During the year the S&SC received separate reports on bp's management of risks relating to:

- Marine
- Wells
- Pipelines
- Explosion or release at our facilities
- Major security incidents
- Cyber security (process control networks)
- Ethics and compliance

The S&SC reviewed these risks and their management and mitigation in depth with relevant executive management. Additionally, the S&SC reviewed and approved the 2022 audit plan for the internal audit function.

The S&SC also has responsibility for reviewing bp's modern slavery risk management progress and has responsibility for considering focus areas for bp's future plans.

## Corporate reporting

The S&SC reviewed the bp sustainability report 2020. They also received an update from the external auditor with respect to their limited assurance of selected sustainability key performance indicators and reviewed the scope of 2021-related sustainability assurance.

## Embedding the sustainability frame

In 1Q 2021, the S&SC reviewed the sustainability frame, with sessions on getting to net zero, improving people's lives and caring for the planet. In September, the S&SC reviewed progress against aims 1 and 4 on net zero operations and reducing methane. This included plans for emissions management across flaring, operating efficiencies, such as spinning reserve monitoring, and methane measurement. Progress and forward plans on aim 16 enhancing biodiversity was also reviewed. In December, the S&SC endorsed sustainable emissions reduction targets for 2022 and reviewed sustainability implementation progress and plans for 2022. Read more about bp's approach to sustainability on pages 51 to 54.

## Virtual site visit

In April 2021 the S&SC members made a virtual site visit to Angola, one of bp's key centres for hydrocarbon exploration. Discussions during this visit covered a broad range of topics including the steps being undertaken to address tier 1 and tier 2 process safety events,

integrity and hazard recognition, the impact of COVID-19, the methane measurement project and social impact investment. The virtual site visit was also an opportunity for effective virtual engagement with the local staff in Angola.



# Directors' remuneration report

## Paula Rosput Reynolds

Committee chair



2021 was another challenging year. The pandemic lingered. Yet, bp people completed the most significant restructuring in the company's history, safely delivering strong operational results and a return to profitability. For all of this and their commitment to progressing the energy transition, we owe our thanks. //

## Committee overview

### Role of the committee

The role of the committee is to determine and recommend to the board the remuneration policy and to set chair, executive director and leadership team remuneration. It reviews workforce remuneration and monitors related policies, satisfying itself that incentives and rewards are aligned with bp's culture. In determining the policy, the committee takes into account various factors, including workforce remuneration structures, the policy to promote the long-term success of the company, and an approach to linking reward to performance.

### Key responsibilities

- Recommend to the board the remuneration principles and policies for the executive directors while considering remuneration and related policies for employees below the board and leadership team.
- Set and approve the terms of employment, remuneration, benefits and termination of employment for the executive directors, leadership team, chief internal auditor and the company secretary in accordance with the policy.
- Prepare the annual remuneration report for shareholders to show how the policy has been implemented.
- Approve the principles of any equity plan that requires shareholder approval.
- Ensure termination terms and payments to executive directors and the leadership team are fair.
- Receive and consider regular updates on workforce views and engagement initiatives related to remuneration, insights and data from pay ratios, potential pay gaps and workforce remuneration as appropriate.
- Maintain appropriate dialogue with shareholders on remuneration matters.

### Membership

Paula Rosput Reynolds	Member since September 2017 and chair since May 2018
Pamela Daley	Member
Melody Meyer	Member
Tushar Morzaria	Member (since January 2021)
Brendan Nelson	Member (retired May 2021)

### Meetings and attendance

The committee met six times during the year. All directors attended each meeting that they were eligible to attend.

In addition to the committee, the chair of the board and the chief executive officer (CEO) attend meetings of the committee except for matters relating to their own remuneration. The CEO is consulted on the remuneration of the chief financial officer (CFO) and the leadership team. The committee advises more broadly on remuneration across the wider employee population, which is chiefly the CEO's responsibility to set. Both the CEO and CFO are consulted on matters relating to the group's performance and changes to specific measures.

bp's EVP people and culture, SVP reward and wellbeing, and the committee's independent advisors attend meetings, other executives may attend where necessary. The committee consults other board committees on the group's performance and on issues relating to the exercise of judgement or discretion as necessary.

## Contents

Alignment with our strategy and investor proposition	119
2021 performance and pay outcomes	121
Executive directors' pay for 2021	122
2021 annual bonus outcome	122
2019-21 performance share plan outcome	123
Wider workforce in 2021	126
Stewardship and executive director interests	129
Chair and non-executive director outcomes and interests	132
Past directors	133
Other disclosures	135
Policy implementation for 2022	137

## Dear shareholder,

On behalf of the board, I am pleased to present our 2021 directors' remuneration report. As reflected elsewhere in this annual report, 2021 was another challenging year. The pandemic lingered. Yet, bp people completed the most significant restructuring in the company's history, safely delivering strong operational results and a return to profitability. For all of this and their commitment to progressing the energy transition, we owe our thanks.

## Overview of bp performance, and the remuneration outcomes arising for 2021

Every year, we seek to reward performance throughout the organization via an annual bonus plan. The 2021 bonus scorecard consists of three categories of measures, safety and sustainability, operational, and financial. The company met its safety targets which were in line with the preceding year. Emissions reductions were well in excess of target, reflecting a cumulative reduction of almost 5.6 million tonnes since 2017 when we first set goals for emissions reductions. While outcomes for availability and reliability for bp's hydrocarbon plants and refining operations were below target, the effects of the pandemic continued to make operations challenging in 2021. By contrast, our margin share from convenience and electrification exceeded target as our retail network continued to grow. Financial performance, as measured by free cash flow and cumulative cash cost reductions, was outstanding. Taking all of these measures into account, the formulaic outcome was 1.61 out of 2.0. Given the more than satisfactory achievements overall, the committee did not apply any discretion and the plan should pay out, unadjusted, at 80.5% of maximum. For our employees, this result will be a welcome outcome as last year the vast majority of our workforce received no bonus.

We also reward executives through the vesting of performance share awards. The 2019-21 awards were the last shares granted under the 2017 remuneration policy, and consist of three measures: relative total shareholder return (rTSR) weighted at 50%; return on average capital employed (ROACE) weighted at 20%; and strategic progress imperatives weighted at 30%. On a formulaic basis, neither the rTSR nor ROACE measures met threshold for vesting. Only the strategic progress measure was met, through a blend of quantitative assessments and qualitative judgements which are described later in this report on pages 123 and 124. The committee considered the outcome in the round, taking into account the external environment. Whilst there will be no vesting in respect of the financial measures, the committee recognizes the strong strategic progress made over the period and concluded that the formulaic outcome of 30% of the maximum was appropriate and there would be no application of discretion.

### Forward-looking committee decisions

When making pay decisions for the wider workforce for 2022, the leadership team has been especially sensitive to the wage trends being experienced across the globe. The committee realizes that these are inflationary times and endorsed a somewhat larger budget for pay increases for the wider workforce this year, confirming our long-held aim to align jobs with market rates. Within the UK, bp has matched increases in the real living wage which exceeds the national minimums, and remains a real living wage employer.

Bernard continues to lead the enterprise with a bold vision and has also demonstrated that his goal of 'performing while transforming' is being met. Given his continued strong performance for the company, we propose to adjust Bernard's salary by 4.25% in 2022, in line with the budget for the majority of the wider workforce in the UK.

Murray has also continued to grow and fully meet the challenges of the CFO role. He now leads as a seasoned CFO. You will recall that we set his pay upon appointment at a level significantly below that of his predecessor. We increased his salary in 2021 by a rate higher than that of the budget for the majority of the wider workforce in the UK, based on his performance and market comparables. We described our thinking in last year's report, and signalled that the 2021 increase was likely to be the first of two adjustments to move Murray's base salary to be more in line with that of his predecessor. We therefore propose to increase Murray's salary by 6.6% to £800,000 which, in our view, appropriately reflects his many contributions. This also aligns him competitively with CFOs across the FTSE 30 and with roles of similar complexity.

Our 2020 remuneration policy established flexibility to adjust performance measures and weightings in our bonus and performance share plans so we can respond to circumstances and tailor incentives. While we have deliberated on our performance measures during our recent meetings, we have determined that the measures and weightings used in our most recent scorecards (2021 bonus and 2021-23 performance shares) continue to align remuneration outcomes with the strategic imperatives. Therefore, we will not make adjustments to measures for the 2022 bonus or the 2022-24 performance share plan. Keeping goals constant should assist in evaluating our progress over the next several years.

### Shareholder and stakeholder engagement

In reaching the remuneration decisions described above, we have appreciated the input which we solicited and received from our largest shareholders and from selected shareholder representative bodies in the first quarter of 2022.

Over the last year we have also reflected on the counsel we have received from shareholders, with a particular focus on the need to improve transparency around our long-term incentive targets, the updates we provide on strategy, and the links to remuneration. With this in mind, we have taken strides to improve these disclosures and we hope you will find that your concerns have been addressed with the detail on pages 139 and 140.

### Wider workforce activities

bp aspires to offer a well-balanced, progressive and structured approach to reward, with appropriate variations by business area and location. We also find that the 'non-financial' reward elements are essential to a supportive culture, with the wellbeing of staff and family playing an increasingly prominent role in bp's employment proposition.

As part of the programme of board/workforce engagement, we held two engagement sessions with a cross-section of UK and global employees in 2021. In these, members of the committee heard views on remuneration matters and a broad range of other topics including job satisfaction, career development, the transformation and culture. In addition, as covered elsewhere on pages 95 and 96, other board members hosted a variety of engagement sessions with selected members of the workforce, throughout 2021.

Employees were candid and constructive, which gave us confidence in the outlook and culture of the company. They showed tremendous commitment and rose to the occasion during the pandemic. However, attitudes regarding career

and reward are changing in the aftermath and we must respond accordingly, evolving the reward structures, career opportunities and people processes which are described in more detail on page 126.

In last year's report we covered our aim to grant a one-off share award to every bp employee in 2021, vesting in 2025. This reflected our belief in investing for success broadly while aligning employees' longer-term interests with those of all shareholders. Having delivered on this ambition, we were delighted to see these awards win the ProShare Awards for Best International Share Plan and for Best Overall Performance in Fostering Employee Share Ownership for a company of over 50,000 employees. Our employees throughout bp have demonstrated their commitment to contribute towards the company's recovery and future performance; seeing the share price recover and the value of their shares increase is a source of optimism about the future.

### Other matters

For the most part this report looks back at the performance pay outcomes to the end of 2021 and is largely silent on the board's decision, announced on 27 February 2022, to exit its shareholding in Rosneft. The board believes that this decision is in the best long-term interests of all our shareholders. The changes to bp's financial reporting and finances will be determined in the first quarter of 2022 which may, in turn, affect some of the performance measures and targets that drive incentive pay outcomes for the entire organization. Therefore, at the end of 2022, the committee will carefully consider the impact of this decision, taken under extraordinary circumstances by the board itself, and we expect to make adjustments, where appropriate, to bring this into account.

Separately, I would like to acknowledge the many outstanding contributions Brendan Nelson made to our work prior to his retirement from the board last year. He was always a source of analytically sound and well-balanced advice and his presence is greatly missed. At the same time, we are fortunate to have Tushar Morzaria join the committee and bring a fresh perspective and new valuable insights to our deliberations.

As ever, we hope you find our report informative. We welcome feedback from you and, where there are material issues of disagreement, the chance to discuss those differences with an eye to finding common ground. In closing, we ask for your support of this directors' remuneration report, and the decisions described herein, at the forthcoming annual general meeting.

### Paula Rosput Reynolds

Chair of the remuneration committee  
18 March 2022