

People and governance committee

“ Our focus in 2022 has been on succession, overseeing the design and roll-out of a structured framework for talent management and development, while also identifying and nominating for appointment three new non-executive directors to join the board. ”

Helge Lund
Committee chair



Chair's introduction

Dear fellow shareholders,

As chair of the people and governance committee, I am pleased to report on the committee's work in 2022. The committee dedicated a significant amount of its time to executive succession planning, agreeing a framework to review and develop our highest potential talent and to nurture bp's future leadership.

As part of the board's ongoing renewal, it also set and agreed the search criteria for new non-executive members of the board,

culminating in the identification and selection of three new non-executive directors during the year.

Turning to 2023, the committee has supplemented its membership through the addition of Amanda Blanc. The committee will continue to focus its attention on succession, in particular, the development of a strong leadership cadre to address the opportunities presented by the energy transition.

Purpose of the committee

The people and governance committee seeks to ensure that the composition and structure of the board remains effective by monitoring the balance of skills, knowledge, experience and diversity that it needs to have represented amongst its directors in support of the strategy. It involves the nomination, induction, evaluation and orderly succession of candidates for directors, the leadership team and the company secretary.

The committee also oversees corporate governance matters, reviewing developments in law, regulation and practice and their practical impact for bp.

Meetings and attendance

The committee met six times in 2022, with all members attending each meeting.

- Meeting attended
- Did not attend

Helge Lund
Member (July 2018) and
chair of the committee
(September 2018)
●●●●●●

Paula Reynolds
Member
●●●●●●

Sir John Sawers
Member
●●●●●●

Diversity

>40%

board members identify as female

Key areas of focus in 2022

Executive succession – the committee reviewed the company's talent model, its development initiatives and succession management approach, in addition to discussing the short and long-term pipeline of potential executive leaders.

Board succession – a priority for the committee was to review the tenure and mandate of its non-executive directors, as well as the experience, knowledge and skills that they bring in support of an effective dynamic, enhancing the strategic discussion in the boardroom.

Workforce – the committee reviewed the results of bp's annual 'Pulse' survey and engaged throughout the year on the roll-out of the company's new beliefs, which we refer to as 'Who we are'.

Board effectiveness – the committee oversaw the implementation of the recommendations arising from the 2021 externally facilitated board effectiveness review. It also oversaw the process for the 2022 internally managed effectiveness review.

Key responsibilities

- **Talent pipeline:** Oversee the development of a diverse pipeline for executive succession (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 in the future.
- **Evaluation:** Embedding the recommendations made following internal and external board effectiveness reviews.
- **Interests:** Review the outside directorships/commitments/conflicts of the non-executive directors.
- **Policies:** Review workforce policies and practices, including those that may have an impact on talent and capability, diversity and inclusion, engagement and ensuring consistency with bp's purpose, strategy and values.
- **Workforce:** Monitor workforce engagement levels through a range of formal and informal channels in order to bring the 'employee voice' into the boardroom.
- **Governance framework:** 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.
- **Inclusion and diversity:** Review the board's diversity, equity and inclusion policy and the effectiveness of its implementation.

Activities during the year

Succession planning

Executive succession planning

The committee oversaw the design and roll-out of a new framework to provide for more structured development of bp's executive talent – focusing on the identification and development needs of internal talent that can compete for roles across the bp leadership team over the short, medium and longer term. Our investment in bp's future leaders using this

framework includes the creation of individual development plans and structured career pathways. This allows for broader experience and insight to be obtained by this talent pool, accelerating their readiness and increasing their internal visibility. The model that has been rolled out encompasses engagement with the board as a whole and individually, as well as opportunities to build relationships in informal environments around board meetings and visits across the businesses.

Board succession planning

Amanda Blanc joined the board on 1 September 2022. The appointments of Satish Pai and Hina Nagarajan were also announced in 2022 and took effect from 1 March 2023.

The table on page 101 describes the different stages of our recruitment process for these three new non-executive directors identified and nominated to join the board. It sets out the search criteria defined by the committee for each role at the start of the process and the skills and experience the board believes that they each bring to bp.

During 2022 the committee engaged with Egon Zehnder, MWM Consulting and Spencer Stuart in support of its ongoing search for new board candidates. Egon Zehnder provides advice and support on bp's executive development programme and Spencer Stuart support on executive recruitment. MWM Consulting has no other connection with the company. There are no connections between these search agents and individuals directors.

Workforce engagement

The committee reviewed both the results from the company's annual 'Pulse' survey and the plan regarding the roll-out of the company's new beliefs, which we refer to as 'Who we are'. Our Pulse survey captures our employees' thoughts on what it is like to work at bp and gives the opportunity to feedback on key issues and the committee was encouraged that the results showed the highest ever pride in the company – as well as the strongest response rate since it

began. Another focus for the committee in 2022 was to review the plans to raise awareness and understanding of 'Who we are' and the underlying values, beliefs and principles foundational to bp within the frame. In 2023, the committee will continue to monitor the culture within bp and how the practices and behaviours within our new beliefs are being reinforced. For more information, see workforce engagement on page 94.

Induction and training

All newly appointed directors receive a formal induction (see page 96). These induction programmes usually commence before appointment and are typically completed within the first three months of a director's appointment. Feedback is sought from the director each time a programme is completed to ensure it is continually updated and improved.

In addition to the induction process, further training and development is provided through online training, material provided through our secure board portal, targeted knowledge sessions and educational sessions with local management during site visits by the board or its committees.

Diversity of the board

The board believes that to deliver on our purpose and strategy, we must foster diversity of thought and an environment where everyone can bring their best and true selves to work. It is therefore pleasing that the board already meets the UK listing rule diversity benchmark target (as at 31 December 2022 and at the date of publication of this report) for at least 40% of the board comprises women, at least one of the senior board positions is a woman and at least one director is from a minority ethnic background, continuing the progress made in 2021.

The P&GC's consideration of climate-related issues

Some examples from the year ended 31 December 2022

Performance objectives

- Reviewed people capability plans, analyzing the skills and experience required for bp to deliver its strategy, including the skills identified by management that bp needs to improve the capability of its people and, as required, to acquire new knowledge across key business areas and disciplines, including across the transition growth engines.

Monitoring, implementation and performance

- Reviewed the expansion of bp's executive succession planning framework which aims to identify the skills and experience bp needs to deliver our strategy and net zero ambition.

People and governance committee continued

After a review by the committee, the board has approved changes to its diversity, equity & inclusion (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.

While the board aspires to achieve gender parity, progress against diversity targets is sensitive to the size and tenure of the board. In respect of other forms of diversity, three members of the board self-identify as being from a minority ethnic background (2021: one director). Diversity of the board remained a consideration as part of the identification and selection of new directors in 2022, with an additional female director, Amanda Blanc, appointed in 2022.

Diversity of senior leaders

The composition of senior management (as defined in the Corporate Governance Code 2018) and their direct reports comprise 51% women (2021 49%) and 25% Black, Asian and minority ethnic individuals (2021 26%). 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. 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 have 15% of our senior leader roles to be held by minorities.

Diversity of the workforce

Diversity, equity and inclusion remain a key part of the group's people strategy. The board as a whole is supportive of the group's employee-led business resource groups (BRGs) which provide forums for employees to obtain support and networking opportunities around specific themes such as ethnicity and sexual orientation.

Skills matrix

	Background and experience							
	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
Non-executive directors								
Amanda Blanc		●	●		●	●	●	●
Pamela Daley			●					●
Helge Lund	●	●	●		●	●	●	
Melody Meyer	●	●	●		●			
Tushar Morzaria		●	●			●		●
Hina Nagarajan		●	●	●	●	●		
Satish Pai	●	●	●	●	●	●		
Paula Reynolds	●	●		●		●		●
Karen Richardson		●	●	●		●		●
Sir John Sawers						●	●	
Johannes Teysen	●	●	●		●	●	●	

Non-executive director recruitment process

Stage 1 – Identify criteria

The committee determined the criteria for each appointment, considering the tenure, experience, skills and diversity of the existing board members, and what it believes that bp needs in support of the strategic direction set by the board.

Search 1

Criteria to inform role specification

Experienced global business leader, well networked and connected to key institutions, customers and other stakeholders.

Search 2

Criteria to inform role specification

CEO-level candidate with proven operational excellence, safety and manufacturing experience, ideally from a multinational company in a similar sector to bp.

Search 3

Criteria to inform role specification

FMCG and emerging markets candidate with proven B2C experience, deep knowledge and understanding of key new markets for bp and consumer markets more broadly.

Stage 2 – Initial engagement

Candidate lists meeting the criteria were compiled by the search consultants and reviewed by the committee. Individuals were identified for initial engagement and to gauge their interest in a board role.

Stage 3 – Shortlist meetings

Following confirmation of interest, a shortlist of candidates was agreed who were then invited to meet with the chair. Based on feedback from these meetings, preferred candidates met with the other committee members, as well as the CEO.

Stage 4 – Candidate selection

Feedback from these individual candidate meetings with the members of the committee and the CEO was aggregated and discussed. Appointment recommendations were then made to the board subject to due diligence, satisfying independence criteria, and capacity to take on the role.

Search 1 recommendation

Amanda Blanc

Having held a number of executive leadership positions the committee believed that Amanda's experience of leading insurance businesses in the UK and Europe and her deep connections throughout the UK's business and investment communities, allied to a strong interest in the energy transition would further enhance the board's ability to support bp as it transforms into an integrated energy company.

Search 2 recommendation

Satish Pai

With over 30 years' experience in engineering and management roles, the committee believed the board would benefit from Satish's broad experience in operations and technology management in both resources and energy industries and the company would further benefit from his strong digital capability.

Search 3 recommendation

Hina Nagarajan

Having spent over 30 years in the FMCG industry, the committee believed the board would benefit from Hina's deep and wide-ranging experience in customer-focused FMCG businesses, an area of increasing importance for bp, together with her proven track record in business transformation and development in complex emerging markets.

Stage 5 – Induction

The final stage is to provide the new directors with a comprehensive induction. See page 96 for an overview.

Audit committee

“ The committee has sought to understand the stressors and resilience of the business to volatile energy prices, with four updates received during the year. ”

Tushar Morzaria
Committee chair



Chair's introduction

Dear fellow shareholders,

I am pleased to introduce the committee's report for 2022 – which reflects a challenging year from a macro perspective.

The volatility in energy market prices has continued to be a key area of focus, building on stress testing undertaken at the end of 2021. The committee has sought to understand the stressors and resilience of the business to volatile energy prices, with four updates received during the year. In addition, the committee has carefully reviewed the impact of energy prices on the LNG portfolio★ and the associated accounting treatment.

Earlier in the year, the committee reviewed the accounting treatment of Rosneft, following the board's decision that bp would exit its shareholding as announced on 27 February 2022. An assessment of the going concern status and longer-term viability following this decision was also made and the committee concluded there was minimal impact of this decision.

Following a successful roll-out of the non-financial reporting assurance framework for the *bp Annual Report and Form 20-F 2021*, the committee received a briefing on updates to the framework and discussed with management ways to enhance the framework over time to achieve a similar level of assurance to financial reporting for material metrics.

The five-yearly external effectiveness review of the internal audit function was completed during the year. The outcome of the review was overwhelmingly positive with further enhancements identified in the use of technology and digital tools.

The committee will monitor the implementation of the UK government's audit and corporate governance reform consultation and the FRC consultation on minimum standard for audit committees during 2023. The committee will continue to review the development of ESG reporting frameworks that may impact our reporting.

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.

Meetings and attendance

There were 10 committee meetings in 2022. All members attended each meeting with the exception of Pam Daley who was unable to attend one meeting due to a prior commitment. Regular attendees include the chief financial officer, SVP, accounting reporting control, SVP, internal audit, EVP, legal and the external auditor.

● Meeting attended

○ Did not attend

Tushar Morzaria
Member (September 2020) and chair of the committee (May 2021)
●●●●●●●●●●

Paula Reynolds
Member
●●●●●●●●●●

Karen Richardson
Member
●●●●●●●●●●

Pamela Daley
Member
●●●●●●●●●○

Key areas of focus in 2022

Liquidity risk and credit risk – the committee reviewed management's response to increased volatility of energy prices at key points during the year. The wider macroeconomic environment has also led to increased credit exposures.

Rosneft accounting treatment – following bp's decision to exit its shareholding in Rosneft, the committee reviewed and challenged management's accounting judgements in respect of Rosneft.

LNG market and accounting treatment – the committee reviewed the overall LNG market, bp's response and the fair value of these contracts.

Non-financial reporting – reviewed the assurance framework in place for non-financial reporting, in particular related to climate disclosures.

Internal audit external effectiveness review – oversaw the selection of the external reviewer and discussed the outcome of the assessment with management.

Macroeconomic environment – the committee monitored the impact of increased energy market volatility on inflation and interest rates and related supply chain impacts. This included, in addition to credit risk referred to above, decommissioning liabilities and the impact of sanctions related to the Russia-Ukraine war.

Tushar Morzaria is chair of the audit committee. See page 82 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.

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 the Task Force on Climate-related Financial Disclosures (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 improprieties in financial reporting or other issues, and for those matters to be investigated.

How risks were reviewed

The risk factors allocated to the committee for monitoring in 2022 are set out below. In addition to the specific areas identified below, the committee received quarterly reports from internal audit on their work associated with each of the risk factors.

 For a definition of the risk factors, see pages [73-75](#)

Prices and markets: The committee reviewed cash flow forecasts and business performance. Each quarter the committee assessed the affordability of distributions and the financial frame. It also reviewed the longer-term outlook for energy prices in line with bp's price assumptions for investment – see the committee's consideration of climate-related issues on page 107 for further information.

Accessing and progressing hydrocarbon resources and low carbon opportunities: The committee reviewed the methodology behind oil & gas reserves disclosures, holding a deep dive with the business on its outlook to 2030 and key areas for development. It reviewed the financial risks around the business case for a follow-on investment in bp's Empire Wind development and recommended the follow-on investment to the board.

Liquidity, financial capacity and financial, including credit, exposure: the committee received four updates during the year on liquidity and credit risk. It also reviewed off-balance sheet commitments and reviewed the longer-term viability statement at year end, together with the going concern basis of accounting at the full and half-year ends.

Joint arrangements and contractors: A jointly held review was undertaken with the safety & sustainability committee to assess the management of this risk.

Digital infrastructure, cyber security and data protection: The committee received updates on the control environment related to financial controls each quarter. It reviewed and challenged progress on the remediation of significant deficiencies with input from internal audit and the external auditor.

Insurance: a review was undertaken and management's plan to mitigate this risk was challenged by the committee.

Ethical misconduct and non-compliance: the committee received updates on the system in place to identify and prevent fraud risk and progress on the roll-out of additional controls. It also received updates on management's disclosure committee meetings in connection with the quarterly results and any areas of compliance or fraud risk related to the results.

Regulation: the committee received an update on compliance with regulation together with additional briefings during the year on the implementation of evolving sanctions regimes in response to Russia's invasion of Ukraine.

Trading and treasury trading activities: the committee undertook two reviews of the trading & shipping business, including a floor walk of the trading floor in Houston.

Reporting: The committee reviewed and challenged the quarterly results, including key accounting judgements and the system of internal control over financial reporting. The committee reviewed the annual report (see page 104) and reviewed the assurance process of the same, together with receiving updates from the external auditor. A review was undertaken of the non-financial reporting assurance framework and the key non-financial metrics. The outcome of this review was the development of a project plan to enhance the assurance framework in response to an anticipated increase in regulatory requirements over time.



In action

Visiting audit and ARC teams

The audit committee visited bp's Sunbury campus in the UK and met with the internal audit and accounting, reporting and control (ARC) leadership teams. The committee discussed the internal audit 2023 planning process and how emerging and enduring risks are considered in the allocation of audits. The ARC leadership team provided an overview of the team's work to modernize the control environment through automation and analytical tools and support for new business areas (including acquisitions). The committee also met with the technical accounting and external reporting teams.

Audit committee continued

The committee's agendas are focused around the following core areas. Key considerations during the year for each core area are set out below.

Topic	Items discussed
Financial results, external audit and Annual Report	<p>Reviewed the quarterly, half-year and annual financial statements and supporting materials, focusing on the:</p> <ul style="list-style-type: none"> • 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. • The consistency of the disclosures with climate risks and opportunities. • Whether, in considering the above factors, the <i>bp Annual Report and Form 20-F</i> was fair, balanced and understandable. <p>Key accounting judgements were reviewed and discussed with management and the external auditor. The committee challenged management on the recoverability of asset carrying values and climate risks and opportunities. 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.</p> <p>The committee was satisfied that the financial statements appropriately addressed 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, see key accounting judgements on pages 108-109.</p> <p>Recommended to the board that the <i>bp Annual Report and Form 20-F</i> was fair, balanced and understandable.</p> <p>Discussed financial reporting and internal controls processes, reviewed any control gaps identified and mitigating actions. Deep dive on significant deficiencies and control environment, with a focus on IT and journal controls. The committee focused on mitigating measures and challenged management on the timeline for the development of more enduring IT and journal controls. It received a report from management on the verification process undertaken in respect of the annual report, including non-financial disclosures, such as TCFD.</p> <p>Reviewed and tested the external audit plan, in particular the materiality level versus prior years and key audit risks relating to energy price outlook and audit coverage. Approved the external audit plan and received an update prior to year end on key audit risks.</p> <p>Determined that the quality and effectiveness of the external audit was of the required standard, noting the improved quality score versus the prior year and continued constructive challenge of management. Areas for further improvement to the external audit process were identified, see external auditor on pages 106-107.</p>
Corporate reporting	<p>Reviewed correspondence from the FRC and SEC related to financial reporting, see pages 105-106 for further information.</p> <p>Considered the going concern basis of accounting together with the longer-term viability statement and the input and assumptions. Reviewed the impact of the board's decision to exit the shareholding in Rosneft and the alignment of assumptions used between the longer-term viability statement and TCFD assumptions. Determined and recommended to the board that it was appropriate to adopt the going concern basis of accounting and the longer-term viability of the company in accordance with Provision 31 of the UK Corporate Governance Code.</p> <p>Challenged management on the underlying assumptions used in the TCFD assessment and comply or explain basis of reporting against the TCFD Recommendations and Recommended Disclosures.</p>
Internal audit	<p>Reviewed the internal audit plan and alignment to risk factor coverage. Received updates on audits undertaken and adjustments made to the plan. Undertook a deep dive on the internal audit planning process for 2023.</p> <p>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 the opposite page.</p> <p>Challenged management on the systems of internal control and risk management and concluded that these were effective.</p> <p>Reviewed and approved the internal audit charter.</p> <p>Oversaw the external effectiveness review of the internal audit function and the outcome of the same (see page opposite).</p> <p>Reviewed the independence and objectivity of the SVP, internal audit and succession plans for this role, see page opposite.</p>
Business and function reviews	<p>Trading & shipping – two business reviews during 2022, with a focus on the management of principal risks allocated by the board to the committee. A floor walk was undertaken at the Houston office covering business areas related to gas, LNG and US power trading.</p> <p>Production & operations (P&O) – review of the strategy, principal risks and recent internal audit findings and management actions. A floor walk was undertaken with the P&O finance team. For details of the committee's consideration of climate-related issues, see page 107.</p> <p>Internal audit and accounting, reporting and control – see page 103.</p>
Risk	<p>The committee monitored the principal risks allocated to it by the board for 2022 through a mixture of business reviews, updates from management, internal audit and the external auditor, as well as deep dives on specific principal risks, see page 103 for further information.</p>

Internal control

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 system of internal control.

Key matters reviewed by the committee

Regular updates from internal audit on the key findings during the year, progress against the internal audit plan and adjustments made to the plan during the course of the year. The committee challenged management's response and progress made on the closure of findings. Areas of interest for the committee included findings related to trading and treasury trading activities and crisis management and business continuity.

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.

Internal audit effectiveness

An external effectiveness review was undertaken during the year following the last external review in 2017 and the committee's own review in 2021. The process is set out below. The outcome of the review was overwhelmingly positive with further enhancements identified in the use of technology and digital tools.

In addition to the external effectiveness review, the committee approved the annual plan and reviewed reports from internal audit. It also met privately with the SVP, internal audit, and

received 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.

The committee reviewed the independence and objectivity of the SVP internal audit, who has served for longer than 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, together with the outcome of the external effectiveness review. The committee discussed the succession plans for this role and the anticipated timeframe.

Non-financial reporting assurance framework

The committee reviewed the control and assurance framework for non-financial reporting (NFR) published by bp under a broad range of regulatory and voluntary disclosure frameworks and standards, including TCFD, following the introduction of the NFR framework in 2021. Following updates from management on regulatory developments over the course of the last year, the committee challenged management on the underlying assurance processes and whether bp had the most appropriate suite of metrics for disclosures against bp's strategy and aims and ambitions.

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.

The committee also received briefings on specific topics, including risk governance and the audit and corporate governance consultation outcome published by the UK government during 2022.

Regulatory correspondence

FRC request for information

The company received a request from the Financial Reporting Council (FRC) for information relating to segmental reporting of the gas & low carbon energy segment in the *bp Annual Report and Form 20-F 2021*. The committee reviewed the correspondence and proposed response, the outcome of which was the inclusion in this *bp Annual Report and Form 20-F 2022* of enhanced disclosures relating to the management of the gas & low carbon businesses and how reportable segments have been determined (see our financial reporting segments and business groups on pages 12 and 13, and Financial statements – Note 5).

An FRC review provides no assurance that the *bp Annual Report and Form 20-F 2021* 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.

Internal audit external effectiveness review process

Selection of external reviewer

- Tender process conducted by procurement team.
- Recommendation to audit committee chair.
- PwC selected to undertake review.
- Scope and objectives of review finalized based on guidelines from institute of internal auditors.

Review fieldwork undertaken

- Assessment against IIA standards.
- Stakeholder interviews and surveys, incorporating NEDs, management and internal audit staff.
- Review audit files.
- Benchmarking against other internal audit functions.

Reporting

- Discussing outcome of review with chairs of the audit committee and safety and sustainability committee.
- Presentation of findings and recommendations to a joint session of the audit and safety and sustainability committees.
- Discussion of findings and recommendations by both committees with a focus on items where the function could be further enhanced.

Outcome

- Internal audit function performing well.
- Committees appreciated the adaptability of the function, particularly during the COVID-19 pandemic.
- Recommendations, such as the enhancement of data analytics to be taken forward by the function.
- A well-planned onboarding process for the successor to the current SVP, internal audit should be put in place.

Audit committee continued

FRC thematic review

The *bp Annual Report and Form 20-F 2021* was included in the FRC's sample for its thematic review of TCFD disclosures and climate in financial statements. The committee noted the findings from the thematic review, where some of bp's disclosures were considered to be examples of better practice and how further improvements could be incorporated into the *bp Annual Report and Form 20-F 2022*.

SEC review

The Securities and Exchange Commission reviewed the *bp Annual Report and Form 20-F 2021* and raised a number of comments including ones relating to the disclosures in the report relating to Russia's invasion of Ukraine and oil and gas reserve disclosures, to which bp responded. As a result, bp agreed to include additional line items in the oil and gas reserve disclosure in this *bp Annual Report and Form 20-F 2022*.

External audit

How the committee assessed audit risk

The external auditor set out its audit plan for 2022, identifying significant audit risks. These included:

- Impairment (including reversals) of oil and gas property, plant and equipment values.
- Accounting for structured commodity transactions.
- Valuation of level 3 instruments in trading and shipping and revenue recognition.
- Decommissioning provisions.

The committee discussed with the auditor the scope of the audit and the overall coverage against profit, revenue and property, plant and equipment metrics, alongside the potential impact of volatility of energy prices on the materiality level. 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.

A summary of the audit approach is set out in the independent auditor's report on page 153.

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 \$52 million (2021 \$58 million), of which less than 1% was for non-audit and other assurance services (see Financial statements – Note 36). 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. Non-audit or non-audit related services consisted of other assurance services.

How the committee assessed audit quality and effectiveness

As part of its overall assessment of audit quality and effectiveness, the committee requested reports from the external auditor and management (see below) on the audit process, quality procedures and the handling of key judgements. The committee also held private meetings with the external auditor during the year and committee members met separately with the external auditor at least quarterly. The committee chair also met with SVP, internal audit on a regular basis. The committee considered its interactions with the external auditor and the regular reporting received in relation to the quarterly results.

The committee assessed the auditor's approach to providing audit services, taking account of the external auditor insights report and management survey. 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.

In challenging management, the committee was impressed by the external auditor's engagement with management on LNG cargo contract performance and decommissioning discount rates. The committee received a presentation on the external auditor's use of technology in their audit process and opportunities for further enhancements to the audit.

Reports received by the committee as part of its assessment of audit quality

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.
- Value added advice.

(ii) bp's commitment to the audit.

The overall score from the survey increased compared to the prior year, with strong improvement in engagement, independence and team capability. Reductions in scores for use of technology and constructive recommendations were discussed by the committee with the external auditor.

How the auditor's 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 re-tender will be completed by 2026 or sooner, in line with relevant guidelines, for the 2028 audit. The committee believes that the anticipated timeline for the re-tender 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 376.

Other matters

The committee reviewed the affordability of the distribution policy elements of the financial frame (covering dividend 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 its terms of reference and no material updates were identified. An assessment of going concern was made as part of the half and full-year results process. The committee also reviewed the longer-term viability statement. The going concern and longer-term viability statements can be found on page 150.

The audit committee's consideration of climate-related issues

Examples from the year ended 31 December 2022

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 a range of risks and opportunities associated with climate change and the transition to a lower carbon economy, together with the oversight of the assurance process for certain climate-related items. There are several ways in which the committee has considered climate risk and opportunities during the year, which are set out below.

Empire Wind follow-on investment decision	Reviewed the cost base, capability and expertise of the team and joint venture partner, recruitment and risks and opportunities related to opex and capex.
TCFD	Reviewed the TCFD compliance assessment. Considered the alignment of the TCFD assumptions with the WBCSD Scenario Catalogue and other reporting assumptions (going concern/longer-term viability). The committee reviewed management's scenario analysis and the inputs used to test the resilience of our strategy to different climate scenarios.
Oil & gas reserves	Deep dive on our oil & gas reserves portfolio and the conclusion of management's estimation process for the purposes of the disclosure within the <i>bp Annual Report and Form 20-F</i> .
Production & operations business review	Deep dive on financial risks and risks to strategy in achieving 2025 targets and 2030 aims.
Low carbon impairment discount rate	Assessed the underlying assumptions and overall level proposed by management versus wider benchmarking and the view of the external auditor, Deloitte.
Carbon Tracker report	Received an update from management on the implementation of suggested enhancements to disclosures contained in the Carbon Tracker climate accounting and audit alignment assessment.
Energy price assumptions	Considered management and the external auditor's view of the reasonableness of assumptions compared to a broad spectrum of other published price forecasts. 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.
Impairments	Reviewed the consistency of impairment assumptions, including discount rates and prices, in light of the 2030 aims. Reviewed impairment tests of key assets.
Decommissioning	Reviewed and challenged management on the underlying assumptions, particularly around inflation and discount rates, and the timeframe of the transition to a low carbon economy.
Non-financial reporting framework	Reviewed the controls in place for non-financial reporting disclosures and agreed the level of assurance required over key non-financial, including climate-related, metrics, see page 105 for further information.

 For more information on the resilience of our strategy, see pages [54](#) to [61](#)

Audit committee continued

Examples of how accounting judgements and estimates were considered and addressed

Key judgements and estimates in financial report

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.

Audit committee activity

- 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 107.

Conclusions/outcomes

- 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 and challenged the group's discount rates and inflation rates used for calculating provisions.

- Decommissioning provisions of \$12.3 billion were recognized on the balance sheet at 31 December 2022.
- The discount rate used by bp to determine the balance sheet obligation at the end of 2022 was a nominal rate of 3.5% – based on long-dated US government bonds – an increase of 1.5% from 2021.

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.

Judgement is required to determine whether it is appropriate to continue to carry intangible assets related to exploration costs on the balance sheet.

- Reviewed policy and guidelines for compliance with oil and gas reserves disclosure regulation, including the group's reserves governance framework and controls.
- Reviewed and challenged the group's oil and gas price assumptions.
- Reviewed and challenged the group's discount rates for impairment testing purposes including for low carbon energy assets.
- Impairment charges, reversals and 'watch-list' items were reviewed as part of the quarterly due diligence process.
- Received the output of management's annual intangible asset certification process used to ensure accounting criteria to continue to carry the exploration intangible balance are met.

- The group's price assumption for Brent oil and for Henry Hub gas were increased as set out on page 28 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 /charges of \$3.8 billion (excluding Rosneft related impairments) as disclosed in Note 4.
- Exploration intangibles totalled \$4.2 billion at 31 December 2022.

Key judgements and estimates in financial report

Pensions

Accounting for pensions and other post-retirement benefits involves making estimates when measuring the group's pension plan surpluses and deficits. These estimates require assumptions to be made about uncertain events, including discount rates, inflation and life expectancy.

Audit committee activity

- Reviewed and challenged the group's assumptions used to determine the projected benefit obligation at the year end, including the discount rate, rate of inflation, salary growth and mortality levels.

Conclusions/outcomes

- At 31 December 2022, surpluses of \$9.3 billion and deficits of \$5.2 billion were recognized on the balance sheet in relation to pensions and other post-retirement benefits.
- The method for determining the group's assumptions remained largely unchanged from 2021. The values of these assumptions and a sensitivity analysis of the impact of possible changes on the benefit expense and obligation are provided in Note 24.

Investments in Rosneft, Aker BP and Azule Energy

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 Aker BP and bp's share of 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 15.9% interest in Aker BP in 2022 was dependent on the judgement that bp had significant influence over Aker BP.

bp's interest in Rosneft, following loss of significant influence, is measured at a fair value of nil.

The initial valuation of the Azule Energy joint venture involved judgement over future commodity prices, discount rates, production profiles and reserves.

- Reviewed the judgement on whether the group retained significant influence over Aker BP following completion of the Lundin Energy transaction.
- Reviewed the accounting implications of bp's announcement to exit its shareholding in Rosneft and other businesses with Rosneft in Russia, including the valuation of these investments.
- Reviewed the accounting impacts of and the judgments made for, the formation of the Azule Energy joint venture.

- bp retained significant influence over Aker BP throughout 2022 as defined by IFRS.
- As a result of bp's two nominated directors stepping down from the Rosneft board on 27 February 2022, bp determined that it no longer had significant influence over Rosneft from that date.
- bp considers that it is not currently possible to estimate any carrying value of the interest in Rosneft other than nil and that the accounting criteria for recognizing any dividend income have not been met.
- bp recognized a pre-tax charge in 2022 relating to its investments in Rosneft and other businesses with Rosneft in Russia of \$25.5 billion. See Note 1 for further information.
- bp recognized an initial net investment in Azule Energy of \$4.9 billion and a net gain on disposal of \$2.0 billion.

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 and impacts of commodity price volatility on derivative valuations, in particular in relation to the LNG portfolio.
- 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 \$8.8 and \$7.0 billion, respectively, recognized on the balance sheet for level 3 derivative financial instruments at 31 December 2022 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

// The committee was pleased to work with the bp leadership team to monitor the continued progress on safe, secure, reliable and sustainable operations across the business. //

Melody Meyer
Committee chair



Chair's introduction

Dear fellow shareholders,

On behalf of the committee, I am pleased to present our report for the year ended 31 December 2022.

During the year, the committee monitored the work of the leadership team to drive improvement in overall safety and environmental performance, with a specific focus on reducing tier 1 and 2 process safety events★.

Despite overall strong safety performance, tragically, four people lost their lives while at work for bp. In February 2022, a contractor driving for Aral in Germany, lost his life in a vehicle collision. In April 2022, a specialist tank contractor lost his life in an explosion while repairing a tank at an Aral retail site in Germany. In September 2022, two bp employees lost their lives in a fire at our Toledo refinery in the US. We take action to share and embed lessons learned across the organization to mitigate against the risk of future accidents and drive improvements in safety.

The committee and audit committee worked jointly, allowing them to better understand and review bp's non-operated joint venture★ risk exposure and how the associated risks are being managed.

Throughout the year, the committee was also proactive in engaging with the business through its visits to the Gelsenkirchen refinery in Germany, the Glen Lyon floating production, storage and offloading vessel in the North Sea, and the security operations centre in Houston (see pages 94 and 111). The committee looks forward to additional site visits in 2023 to see first-hand how the company is putting safety and performance into practice.

Melody Meyer
Committee chair

Role of the committee

The committee oversees the leadership team's identification, management and mitigation of significant non-financial risk. This extends to personal and process safety risks, security and cyber security risks, operational, environmental and social risks, ethics and compliance risks and modern slavery risk management.

The committee also monitors the effectiveness of the implementation of bp's sustainability frame, including the progress being made by management in the delivery of our net zero ambition and associated aims and targets. To support this oversight role, the committee receives assurance that processes to identify and mitigate such non-financial risks are appropriate in their design and effective in their implementation.

Meetings and attendance

There were six committee meetings in 2022. All members attended each meeting. At the conclusion of each meeting the committee holds private sessions for its members, without management in attendance, to discuss any issues arising and meeting quality. The CEO receives ad hoc invitations to private sessions and the SVP, internal audit is invited at least once per year.

● Meeting attended

○ Did not attend

Melody Meyer
Member (May 2017) and
chair of the committee
(November 2019)

●●●●●●

Sir John Sawers
Member

●●●●●●

Johannes Teysen
Member

●●●●●●

Key areas of focus in 2022

Safety – continued to oversee safety and environmental performance, with a specific focus on reducing tier 1 and 2 process safety incidents, advising the remuneration committee on safety outcomes for 2022 and the setting of safety and sustainability measures for the group's reward plans.

Site visits – engaged with local management through site visits to the Glen Lyon floating production, storage and offloading vessel in the North Sea, the Gelsenkirchen refinery in Germany, and the security operations centre in Houston.

Oversight of principal risks – reviewed the company's strategies to mitigate the principal risks associated with cyber security and safety and operational risks.

Key responsibilities

- Monitor and/or test: bp's performance in respect of safety and sustainability matters; and the effectiveness of bp's system of internal control for safety and sustainability matters, including applicable management systems, policies, practices, processes, leadership and culture, informed by regular review of performance and assurance reports.
- Monitor the management and mitigation of principal risks allocated to the committee by the board and such emerging risks as the committee may determine fall within its scope from time to time.
- Review learnings from key incident investigations.
- Review bp's modern slavery risk management, the bp sustainability report and such other materials intended for disclosure or publication as may be allocated to it by the board from time to time.
- Review and test management's responses to relevant quarterly reports of group internal audit and the findings of selected safety investigations.
- Conduct such other oversight activities as may be allocated to it by the board from time to time.

The committee is entitled to investigate all matters falling within its scope. For full committee terms of reference go to [bp.com](#).

Activities during the year

The review of operational risk and performance forms a large part of the committee's agenda, and it received regular reports from the business covering key risks within operations, security and cyber.

The committee attended a cyber security knowledge session, where they were briefed on the extent of bp's cyber threat and improvements being made to tooling and capability to maintain the health of cyber security barriers. This session was supplemented by the committee's visit to the

security operations centre in Houston, see the case study (right) for more information.

Oversight of principal risks

The committee reviewed reports from the leadership team on their review, management and mitigation of the principal risks assigned to the committee, including related to marine, wells, product quality, pipeline, explosion or release at bp facilities, major security incident, cyber security and ethics and compliance.

During the year, the committee held focused reviews on compliance, process safety and maintenance improvements, cyber security drills and modern slavery, and worked jointly with the audit committee to review bp's non-operated joint venture risk exposure.

The committee also received a report on how the company is reducing risk of marine incident, be it via the examples of transportation of bulk hydrocarbons, stability of floating production assets, or integrity of marine vessels. Safety at bp is underpinned by the group's operating management system★ and the committee reviewed the section of the framework supporting the management of marine risk.

The committee also discussed an in-depth report on bp's product quality risk, and the actions taken to manage and mitigate it.

Ethics and compliance remained a focus in 2022, and the committee reviewed the strategic objectives designed to mitigate the risk of major compliance incidents. The committee also reviewed the new ethics and compliance code of conduct and associated risk-based training and made a recommendation to the board to adopt it as of 1 January 2023, see page 66.

Sustainability

The committee considered reports on bp's delivery against aim 3, related to carbon intensity reduction, and aim 17, related to water positivity. See page 45 for information on all aims. In relation to aim 17, the committee discussed the benefits, challenges and roadmap for implementation in light of the global issue of water stress and scarcity.

Under aim 13, bp's approach to develop a fair wage in countries where bp has employees was reviewed. The committee also reviewed how bp was managing labour rights and modern slavery risk across all of bp's operations.

In partnership with the remuneration committee, input was provided on the measures and targets relating to safety performance for executive and leadership team incentive plans to ensure they arrived upon outcomes that were well reasoned and well supported.



In action

Glen Lyon visit ^⑤

In April 2022, committee members visited Glen Lyon floating production, storage and offloading facility, located 130km west of Shetland. The visit provided an opportunity to speak with the 130-person crew and observe first-hand the asset's design and complex subsea structure. Discussions provided insight into the operational and safety challenges our people experience, particularly after being unexpectedly stranded due to weather overnight.



In action

Securities operations centre (SOC) visit ^⑤

In September of 2022, members of the committee, along with most of the bp board, visited the SOC to get a first-hand view of how the SOC identifies and stops cyber threats across bp's global digital footprint, 24x7. Board members took away a clearer understanding of how digital security works across the company to reduce any potential impact of attacks by monitoring billions of daily events correlated with cyber and business intelligence to keep bp safe.

S&SC's consideration of climate-related issues ^①

Examples from the year ended 31 December 2022

Monitoring, implementation and performance

- Received updates regarding progress on each of bp's sustainability aims, including important trends and insights in relation to each of the aims.
- Conducted a review of aims 3 and 17.
- Considered sustainability assurance findings.

- Received updates on the progress on our sustainability frame (which includes our net zero ambition and aims) via reports from the EVP, strategy, sustainability & ventures.
- Consulted with the remuneration committee on emissions measures to be incorporated into annual performance scorecards. See the directors' remuneration report on page 112.

★ See glossary on page 389

Directors' remuneration report

// 2022 was a year of strong strategic progress, operational and financial performance for bp, against a challenging backdrop. //

Paula Rosput Reynolds

Chair of the remuneration committee



Role of the remuneration 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. The committee 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 wider workforce remuneration, and structures the policy to align reward to performance, thus promoting the long-term success of the company.

Key responsibilities

- Recommend to the board the remuneration principles and policies for the executive directors and leadership team while considering remuneration and related policies for the employees below the board.
- Set and approve the terms of engagement, 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 to shareholders to outline policy implementation.
- Approve the principles of any equity plan that requires shareholder approval.
- Ensure termination terms and payments to executive directors and the leadership team are appropriate.
- Receive and consider regular updates on workforce views and engagement initiatives related to remuneration, insights and data from pay ratios and potential pay gaps as appropriate.
- Maintain appropriate dialogue with shareholders on remuneration matters.

Membership

Paula Rosput Reynolds

Member since September 2017 and chair since May 2018

Amanda Blanc

Member (since January 2023)

Pamela Daley

Member

Melody Meyer

Member

Tushar Morzaria

Member

Meetings and attendance

The chair and the CEO attend meetings of the committee except for matters relating to their own remuneration. The CEO is consulted on the remuneration of the CFO, the leadership team and more broadly on remuneration across the wider workforce. Both the CEO and CFO are consulted on matters relating to the group's performance.

bp's EVP, people & culture, SVP, reward, external advisors and 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.

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

Remuneration committee consideration of climate-related issues 1

Examples from the year ended 31 December 2022

Monitoring, implementation and performance

Discussed and agreed the climate measures in annual performance scorecards. For example after consulting with the safety and sustainability committee, the remuneration committee set the weighting for sustainable emissions reductions★ measures for annual bonus awards, as well as the long-term incentive plan ESG measures designed to align with bp's strategy.

Key areas of focus in 2022

Remuneration policy – undertook a thorough and robust engagement process with investors and other stakeholders to gather insights and feedback relevant to the policy-setting process.

Workforce engagement – engaged with the wider workforce on reward and wellbeing, for example met with front-line representatives from the bp retail business, and reviewed management's responses to cost-of-living pressures for bp employees globally.

Remuneration outcomes – monitored in-flight progress of equity and bonus awards, and evaluated salary and benefits against peer group comparators, considering adjustments where appropriate.

Reporting – reviewed the directors' remuneration report and the UK gender and ethnicity pay gap report.