

People and governance committee

“ The committee’s major areas of focus in 2023 were succession planning, executive and non-executive, as well as overseeing management’s embedding of our ‘Who we are’ culture frame. ”



Chair’s introduction

Dear fellow shareholders,

2023 was a particularly active year for the committee. The committee’s major areas of focus in 2023 were succession planning, executive and non-executive, as well as overseeing management’s embedding of our ‘Who we are’ culture frame, which encompasses bp’s values and behaviours.

Executive succession plans were reviewed during the year, covering not only succession options and development plans for the bp leadership team, but also emerging talent throughout the organization. Given the importance the board attaches to ensuring a strong pipeline of future leaders, the committee oversaw the launch of a new leadership development programme. This programme provides structured development opportunities for all employees, but focuses in particular on those with high executive potential, while also helping to advance our diversity, equity and inclusion (DE&I) ambitions.

The committee reviewed bp’s people-related priorities for 2023, which included the roll-out of the company’s ‘Who we are’ culture frame, and further enhancing workforce engagement to better inform board-level debate and decisions. Read more on [page 95](#).

Meetings and attendance

The committee met five times in 2023. The EVP people & culture regularly attended the meetings.

Non-executive directors	Five scheduled meetings
Helge Lund: member (July 2018), chair of the committee (September 2018)	5/5
Dame Amanda Blanc: member ^a	4/5
Paula Rosput Reynolds: member	5/5
Sir John Sawers: member	5/5

^a Dame Amanda was unable to attend the meeting in November due to a pre-existing commitment which the committee was notified of upon her appointment. She received accompanying material and had the opportunity to provide comments to the committee.

Looking ahead to 2024, the committee’s focus will remain on executive succession, the gradual refreshing of the board as non-executives reach the end of their tenure, and initiatives to develop and enhance bp’s culture.

The committee’s review of the effectiveness and further embedding of the ‘Who we are’ culture frame will provide valuable qualitative data about the company’s culture and areas where further focus is required.

Role of the committee

The committee seeks to ensure that the composition and structure of the board remains effective and also monitors the balance of skills, knowledge, experience and diversity required. The process for the nomination, induction and orderly succession of candidates for the board, the leadership team and the company secretary role are led by the committee, as is the annual review of the board’s performance.

Key responsibilities

The committee’s full terms of reference can be viewed at [bp.com/governance](https://www.bp.com/governance).

Helge Lund

Committee chair
8 March 2024

Workforce engagement programme

Under the board’s workforce engagement programme (WFEP), every non-executive director attends at least one session each year where they hear directly from 10-12 individuals from a section of the workforce.

To better inform the board’s discussions and decision making, the themes of the WFEP sessions were directly aligned with the board’s agenda for 2023. During the year, directors met with colleagues from our offshore wind team, the gas & low carbon energy business group, the US retail operating organization, Archaea Energy, *bp pulse* and our hydrogen businesses in the UK, Australia and Germany.

Participants shared insights on customers, competitors and the energy transition, and views on bp’s strategy, technology, market challenges, ways of working and culture. An anonymized summary of each session was reviewed by the committee, and key themes shared with the board.

In 2023 the committee also reviewed the workforce engagement mechanism and deemed the WFEP appropriate for the activities and structure of bp.

Activities during the year

Succession planning

Board succession planning

- Reviewed during the year the tenure, skills, experience and diversity of the existing board members and the succession plans for non-executive directors, including succession for the roles of senior independent director and chair of the remuneration committee.
- Following these reviews, the committee agreed the criteria for two roles to bolster the experience and interests of the board, covering industry, operational, manufacturing and remuneration experience, with a focus on representation from our key markets.
- Engaged MWM Consulting and Spencer Stuart in support of search activity for new board candidates, while the chief executive officer (CEO) succession committee engaged Egon Zehnder in support of the company's search for a CEO^a. Read more about the CEO succession committee on [page 97](#).

Executive succession planning

- Reviewed the leadership team succession planning scenarios over the short, medium and long-term, mapping the key skills and experience required to fulfil these positions for the continued implementation of bp's strategy and net zero ambition. **T** The robustness and effectiveness of the committee's emergency succession plans were evidenced by the swift appointments of Murray Auchincloss as interim CEO and Kate Thomson as interim chief financial officer (CFO) following the resignation of the former CEO in September 2023. Read more on Murray's appointment as CEO on [page 97](#).
- Leadership team succession planning is underpinned by a comprehensive talent review process. In being recognized as a succession candidate for the role of CFO, Kate Thomson underwent a rigorous evaluation, including an external third-party assessment, to identify the skills and qualities she could bring to an executive role. Following her appointment as interim CFO in September 2023, Kate demonstrated strong finance leadership confirming her suitability for the role of CFO and executive director of the board.

Key

- T** Information that supports TCFD Recommendations and Recommended Disclosures in relation to Governance (see [page 55](#))

- Reviewed the launch of new bp-wide leadership development initiatives, including a new programme with INSEAD aimed at supporting the progression of leaders with high-potential. The programme included specific pathways to promote diverse talent.
- Oversaw the development of high-performing individuals to accelerate the development of the skills needed to drive forward bp's transition. **T**

Culture

'Who we are'

- Received updates on how initiatives were contributing to embedding the 'Who we are' culture frame.
- Reviewed feedback received through the employee 'Pulse annual' employee survey.
- For information on the committee set up on an interim basis in 2023 to focus on culture oversight, see [page 97](#).

Workforce engagement

- Received reports on workforce engagement sessions and reviewed the effectiveness of the engagement mechanism. Read more on [page 94](#).
- Reviewed the results of the company's employee 'Pulse annual' employee survey and monitored progress against a defined set of 'Who we are' measures. These measures, underpinned by insights from the 'Pulse annual' employee survey, provided the committee with measurable insight into the adoption of bp's 'Who we are' culture frame and assisted the committee in understanding the sentiment of bp's workforce.

Board performance

Looking back on 2022

- Reviewed progress on previously agreed actions, including to improve the board's effectiveness and efficiency by reviewing pre-read templates to support prioritization of the board's focus areas and a refresh of forward calendar planning to optimise board members' time commitment.
- The actions identified by the board in concluding the prior year's performance were reviewed during 2023. Good progress has been made against these actions as evidenced by 2023's board review.
- In light of the three-year evaluation cycle, the committee decided that the 2023 evaluation be facilitated internally, with the next external review anticipated in 2024.

2023 board performance review

- The chair and company secretary led the internal evaluation of the board and its committees. This was supported by the use of a digital platform to better capture and

organize feedback and to define and track identified actions. The chair and company secretary also held one-to-one meetings with each non-executive director which covered their individual performance.

- A review of Murray's performance as interim CEO was led by the chair, with input from the senior independent director.
- The chair's performance review was led by the senior independent director.
- Feedback was consolidated and presented to the board in early 2024. The 2023 performance review concluded that the board and its committees continue to operate effectively. Alongside the ongoing renewal of the board to ensure it has the right balance of skills, experience and diversity to oversee the company's strategy and its execution, the review highlighted some actions to further enhance its effectiveness during 2024. With the appointment of Murray Auchincloss as the new permanent CEO in January 2024, the board will support his development and effectiveness, driving shareholder value and a further commitment to its oversight of bp's purpose and culture frame. Among the actions identified by the review, a detailed programme of strategy discussions to be held during 2024 is planned to help optimise capital investment proposals in an evolving macro environment.

Learning, development and induction

Induction

- On appointment, all directors receive a formal induction, tailored to their individual needs, skills and experience and which takes account of any committees they join.
- In March 2023 Hina Nagarajan and Satish Pai were appointed as independent non-executive directors to the board, as well as to the audit committee and safety and sustainability committee respectively, with induction programmes provided in advance of and following their appointments.
- These inductions included one-to-one meetings with members of the board and leadership team and with select members of senior management.
- Feedback is sought from directors undertaking their induction programmes to ensure they are continually updated and improved.

Training and development

- Beyond directors' initial induction, ongoing training and development is provided during the routine programme of meetings and board visits (e.g. the audit committee's visit to the security operations centre, where members learned first-hand about the operations of our digital security team).

^a None of the search agents have any connection with the company or individual directors, save that Egon Zehnder provides advice and support on bp's executive development programme and Spencer Stuart supports on executive recruitment.

People and governance committee continued

- Training is delivered through targeted knowledge sessions with internal or external subject-matter experts as well as online courses, with reading material provided through our secure board portal.
- During 2023 board members undertook online training on cyber security and ethics and compliance, including bp's code of conduct. A knowledge session was also provided by bp's trading & shipping business to certain directors.

Diversity

The board believes that, to deliver on our purpose and strategy, we must foster diversity of thought.

Diversity of the board

- The 2023 board DE&I policy was approved and recommended for adoption by the board at its meeting in February 2023.
- The DE&I policy included revisions to recognize broader forms of diversity and a commitment by the board to undertake DE&I training and development initiatives.
- The revised DE&I policy set, as a minimum, targets of at least 40% female representation on the board, at least one senior board position held by a woman and at least one member of the board from an ethnic minority background.
- The DE&I policy:
 - applies to the board and its committees and requires all aspects of diversity to be considered when reviewing composition, skills, experience and the overall balance of the board and its committees.

- aims to achieve better decision making and outcomes by bringing together people with differences of opinion and background, but who share a common ambition.
- complements bp's wider diversity policies and the group's values, code of conduct and sustainability frame. Read more at bp.com/governance.
- Appointments to the board during 2023 and up to the date of publication of this report considered the objectives of the DE&I policy and, as a result, our female representation in senior board positions has doubled and our ethnic minority representation on the board has tripled since 2022.
- As at 31 December 2023, the board exceeded the UK Listing Rules diversity benchmark targets, since more than 40% of the board are women, including our senior independent director, and three of our directors identify as being from a minority ethnic background (see [page 133](#)). bp's progress was also recognized in the FTSE Women Leaders Review: Achieving Gender Balance, published in February 2024.

Diversity of senior leaders

- The committee oversees executive succession planning and monitors its alignment with bp's DE&I ambitions and strategy.
- As at 31 December 2023, the composition of senior management, defined as the leadership team (being the first layer of management below board level) and the company secretary, in accordance with the

UK Corporate Governance Code 2018, and their direct reports comprised 51% women (2022 51%) and 26% Black, Asian and ethnic minority individuals (2022 25%).

- The committee oversees 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.
- The board is cognisant of the Parker Review objective for companies to set targets to 2027 for ethnic minority representation at senior management level. We have set diversity ambitions to 2025, which include our ambitions to achieve:
 - 30% of our group and senior leader roles in the US held by individuals from an ethnic minority background.
 - 15% of our group and senior leader roles in the UK held by individuals from an ethnic minority background.
- For numerical data on the ethnic background and gender identity or sex of bp's board and executive management, in line with the UK Listing Rules, see [page 133](#).

Diversity of the workforce

- DE&I remains a key part of bp's people strategy.
- The board is supportive of bp's employee-led business resource groups, which provide forums for employees to obtain support and networking opportunities around specific themes such as ethnicity, sexual orientation and social mobility (see [page 71](#)).

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								
Dame Amanda Blanc		●	●		●	●	●	●
Pamela Daley			●					●
Helge Lund	●	●	●		●	●	●	
Melody Meyer	●	●	●		●			
Tushar Morzaria		●	●			●		●
Hina Nagarajan		●	●	●	●	●		
Satish Pai	●	●	●	●	●	●		
Paula Rosput Reynolds	●	●		●		●		●
Karen Richardson		●	●	●		●		●
Sir John Sawers						●	●	
Johannes Teysen	●	●	●		●	●	●	

For further detail on the directors' climate change and sustainability experience, see the TCFD section on [page 56](#), and for the directors' biographies see [page 83](#).

In 2023 two additional interim committees were established. More detail on their roles and key responsibilities can be found below.

CEO succession committee

The board met immediately after the former CEO resigned in September 2023. Our existing succession plans were activated and the board appointed Murray Auchincloss as interim CEO within a few hours. Demonstrating the strength of our senior-level leadership and the rigour of our emergency succession plans, Kate Thomson was appointed as interim CFO one week later.

Following this, a new board committee was formed on an interim basis, focused on the selection of the next CEO. The committee led a thorough and highly competitive process for the identification, selection and appointment to the board of bp's next CEO. Helge Lund was committee chair, with Amanda Blanc, Tushar Morzaria and Johannes Teysen committee members.

The committee had a clear remit including the workstreams leading to the appointment of the CEO. A project plan was agreed and the timeframe and delivery of key workstreams were monitored.

With inputs from the board, the committee agreed the role profile and the proposed hiring approach, which included, but was not limited to, psychometric testing, interview and candidate submission content. This approach was then confirmed with the chosen search firm, Egon Zehnder.

Over a period of four months, the committee met regularly and interviewed a range of high-calibre internal and external candidates. Following robust due diligence on each candidate, the committee recommended a shortlist to be interviewed by the full board.

The process resulted in the board's unanimous agreement that Murray Auchincloss was the best candidate and the right leader for bp. Read more in the chair's letter on [page 4](#).

'Who we are' oversight committee

The 'Who we are' oversight committee was established on an interim basis by the board in 2023, to gain insight into management's progress towards embedding bp's 'Who we are' culture frame, with a specific emphasis on psychological safety and speaking up.

The committee reviewed management's approach to measuring bp's culture, including the analysis of 'Pulse live' and 'Pulse annual' employee surveys of cross-sections of bp's workforce and comparative benchmark data, as well as external best practice. Additionally, the committee considered the effectiveness of the company's code of conduct and associated policies and guidelines and the operation of the company's confidential speak-up programme. bp's people & culture and ethics and compliance management supported the committee's work and attended meetings.


The work of the committee was supplemented by individual engagement sessions with different parts of the workforce to hear directly about issues of relevance to the measurement of bp's culture. Our existing workforce engagement programme described on [page 94](#) provided the ideal framework for this, with engagement sessions focused on culture which have supported the committee's work.

The committee's activities have informed the board's assessment and monitoring of culture. Its work will additionally help to facilitate how the views of the workforce are considered in board discussions and decision-making. It is expected that the responsibilities of the 'Who we are' oversight committee will be absorbed by the people and governance committee.

Chaired by Helge Lund, the committee met twice in 2023. The other committee members were Amanda Blanc, Melody Meyer and Paula Rosput Reynolds.

Audit committee



The committee has regularly scrutinized key accounting issues and judgements made by management to monitor and assess the continued integrity of the group's financial reporting. 



Chair's introduction

Dear fellow shareholders,

I am pleased to present the committee's report for the year ended 31 December 2023.

The challenging macro environment and energy market volatility have been areas of focus for the committee this year, with close attention paid to energy price assumptions and the ongoing suitability of discount rates for impairment testing. The committee has regularly scrutinized key accounting issues and judgements made by management to monitor and assess the continued integrity of the group's financial reporting. Read more on [page 99](#).

The committee has monitored the approach and scope of the group's non-financial reporting framework, taking into account evolving environmental, social and governance (ESG) reporting. It also receives regular updates from management on the wider control environment, such as the controls in place for financial reporting, and examines the progress of remediating any deficiencies with input from bp's internal audit team and our external auditor, Deloitte.

The committee reviewed and monitored the principal risks allocated to it by the board for 2023, through a combination of business reviews and focused engagements, as well as regular updates from management, internal audit and Deloitte. Read more on [page 102](#).

Meetings and attendance

The committee met nine times in 2023. Regular attendees included the chief financial officer (CFO), SVP accounting, reporting and control, SVP internal audit, EVP legal, and the external auditor.

Non-executive directors	Eight scheduled meetings	One ad hoc meeting
Tushar Morzaria: member (September 2020), chair of the committee (May 2021)	8/8	1/1
Pamela Daley ^a : member	8/8	0/1
Paula Rosput Reynolds: member	8/8	1/1
Karen Richardson: member	8/8	1/1
Hina Nagarajan: member (March 2023)	7/7	1/1

^a One ad hoc meeting was arranged during December. As it took place outside of the scheduled committee calendar, which is agreed far in advance, Pamela was unable to attend due to a prior commitment. She received accompanying material and had the opportunity to provide comments to the committee.

Engaging with bp's workforce is important to us, and we were pleased to spend time with the accounting, reporting and control and internal audit teams in our technology and business centre in bp's Sunbury, UK office. Read more on [page 101](#). The committee continues to engage with other stakeholders where appropriate, including regulatory inspections when they occur.

Role of the committee

The committee monitors the effectiveness of the group's financial reporting, including ESG and climate-related financial disclosures, systems of internal control and risk management. It also monitors the integrity of the group's external and internal audit processes.

Key responsibilities

A summary of the committee's terms of reference is on [page 359](#) and the full terms of reference can be viewed at bp.com/governance. This report describes how bp has approached compliance with the provisions of the FRC's Audit Committees and the External Audit: Minimum Standard.

Tushar Morzaria

Committee chair
8 March 2024

Financial expertise

The board is satisfied that:

- Tushar Morzaria, the chair of the committee, has recent and relevant financial experience as required by the UK Corporate Governance Code 2018 and that he is competent in accounting and auditing in accordance with the FCA's Disclosure Guidance and Transparency Rules.
- The committee 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.
- As a US foreign private issuer, the committee meets the independence criteria provisions of Rule 10A-3 of the US Securities Exchange Act of 1934, and Tushar Morzaria can be regarded as an audit committee financial expert as defined in Item 16A of Form 20-F.

Activities during the year

Financial reporting and assurance

- Monitored the integrity of and reviewed the quarterly, half-year and annual financial statements and supporting materials, including key accounting judgements, and discussed these with management and the external auditor.
- Reviewed and challenged the application and appropriateness of significant accounting policies and financial reporting judgements, concluding that the financial statements appropriately addressed the key accounting judgements and estimates in respect of both the amounts reported and disclosures made. Examples are set out in the table below.
- Reviewed the affordability of proposed distributions (dividends and share buybacks) under bp's financial frame as part of the quarterly results process and reported to the board on the outcome of that review.
- Reviewed the company's going concern assumption and longer-term viability statement. 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. Read more on [page 135](#).
- Discussed and challenged financial reporting and internal controls processes and reviewed any control gaps identified and mitigating actions. Read more under the internal controls section on [page 102](#).
- Received a report from management on the verification process undertaken in respect of the *bp Annual Report and Form 20-F*, including non-financial disclosures such as the Task Force on Climate-related Financial Disclosures (TCFD). **T**

- Challenged management on the underlying assumptions used in the TCFD assessment. **T**
- Recommended to the board that the *bp Annual Report and Form 20-F* was fair, balanced and understandable. Read more on [page 135](#).
- Considered the FRC's proposed reforms as part of the FRC's 2023 consultation on the UK Corporate Governance Code.

Key

- T** Information that supports TCFD Recommendations and Recommended Disclosures in relation to Governance (see [page 55](#))

Examples of how key accounting judgements and estimates were considered and addressed, and how relevant accounting policies have been applied

Impact of climate change and the energy transition **T**

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 assumptions relating to impairment testing, recoverability of exploration assets and decommissioning provisions. Read more below.
- Reviewed how 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.

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.
- Read more in Note 1 regarding how bp applies carbon pricing in its impairment testing, sensitivity analyses estimating effects of changes in net revenue and changes in the expected timing of decommissioning.

Provisions

The group holds provisions primarily for decommissioning, environmental remediation **T** and litigation.

The most significant provision is for the future decommissioning of oil and natural gas production facilities and pipelines. Estimation uncertainty exists as most of these events are many years in the future. Assumptions are made by bp in relation to cost estimation, settlement dates, technology, legal requirements and discount rates. 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 for calculating provisions.

- Decommissioning provisions of \$12.4 billion were recognized on the balance sheet at 31 December 2023.
- The discount rate used by bp to determine the balance sheet obligation at the end of 2023 was a nominal rate of 4%, based on long-dated US government bonds; an increase of 0.5% from 2022.

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.

Judgement is also 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.
- 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 updated as set out on [page 30](#) and in 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 \$5.7 billion have been disclosed in Note 4.
- Exploration intangibles totalled \$4.3 billion at 31 December 2023.

Audit committee continued

Examples of how key accounting judgements and estimates were considered and addressed, and how relevant accounting policies have been applied	Audit committee activity	Conclusions/outcomes
<p>Pensions</p> <p>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.</p>	<ul style="list-style-type: none"> 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 and salary growth and mortality levels. 	<ul style="list-style-type: none"> At 31 December 2023, surpluses of \$7.9 billion and deficits of \$5.5 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 2022. 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.
<p>Investment in Aker BP</p> <p>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 is 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 2023 was dependent on the judgement that bp had significant influence over Aker BP.</p>	<ul style="list-style-type: none"> Considered whether bp continued to retain significant influence over Aker BP throughout 2023. 	<ul style="list-style-type: none"> bp retained significant influence, as defined by IFRS, over Aker BP throughout 2023.
<p>Investment in Rosneft</p> <p>bp's interest in Rosneft is measured at a fair value of nil.</p>	<ul style="list-style-type: none"> Reviewed the accounting considerations relating to bp's shareholding in Rosneft and other businesses with Rosneft in Russia, including the valuation of these investments. 	<ul style="list-style-type: none"> bp continues to determine that it does not have significant influence over Rosneft. bp considers that it is not currently possible to estimate any carrying value of the interest in Rosneft other than zero and that the accounting criteria for recognizing any dividend income have not been met.
<p>Derivatives★</p> <p>For 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.</p> <p>Judgement may be required to determine whether contracts to buy or sell commodities meet the definition of a derivative, in particular liquefied natural gas (LNG) contracts.</p>	<ul style="list-style-type: none"> 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. Received updates on accounting judgements on LNG and derivatives associated with hybrid bonds. 	<ul style="list-style-type: none"> bp has assets and liabilities of \$9.2 billion and \$7.1 billion, respectively, recognized on the balance sheet for level 3 derivative financial instruments at 31 December 2023, mainly relating to the activities of the trading & shipping function. bp's use of internal models to value certain of these contracts has been disclosed in Note 1. bp considers that contracts to buy or sell LNG do not meet the definition of a derivative under IFRS.

External audit

Auditor reappointment and independence

- Considered and agreed to recommend the reappointment of the external auditor to the board.
- Assessed the independence of the external auditor on an ongoing basis, taking account of the information and assurances provided by the external auditor, the level of non-audit fees, the timeline for rotation of the lead audit partner and the timeline for the re-tender of audit services. Read more under the oversight of audit fees and non-audit services section.
- The external auditor is required to rotate the lead audit partner every five years and other senior 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 six years (since 2018). It is anticipated that a re-tender will be completed by 2026 or sooner, in line with relevant guidelines that require a tender at 10 years. This will allow sufficient time for potential tendering firms and the company to assess non-audit services that could impair independence. The committee believes that the anticipated timeline for the re-tender of audit services is in the best interests of shareholders as it provides an appropriate balance between factors such as knowledge of controls and risks, maintaining audit quality, independence and objectivity and value for money.
- The company complies 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.

Assessment of quality and effectiveness

- Assessed audit quality and effectiveness through reports from the external auditor and management, and private meetings with the external auditor. The committee was satisfied that the audit team was providing the required quality of services, demonstrated the necessary commitment and ability and had provided constructive challenge to management. The committee received the following audit quality reports as part of its assessment:
 - **External auditor insights report** – summary of areas of opportunity for improvements to processes related to financial reporting or internal controls, management’s response to the recommendations identified, progress made against any prior year items and areas of focus for the year ahead.
 - **Management survey** – the survey sought views from key internal stakeholders on the external auditor’s performance, for which the main measurement criteria were: planning and scope, robustness of audit, independence and objectivity, quality of delivery, quality of people and service, and value-added advice. The survey also sought feedback on bp’s commitment to the audit. The overall score from the survey increased compared to the previous year with areas of strength noted including audit team judgement, integrity and attitude, as well as communication.
- Discussed improvement opportunities, including the benefits of further information on how the external auditor used technology in their audit.

Audit plan

- Reviewed the external audit plan, in particular the materiality level versus prior years and key audit risks relating to: impairment of oil and gas property plant and equipment assets; accounting for complex transactions; valuation of financial instruments with significant unobservable inputs; and management override of controls. As part of the external audit plan, received a report on audit quality, including actions taken to address the FRC’s annual report on the external auditor, as well as the inspection results of the external auditor’s quality control procedures.
- Approved the external audit plan, noting key scoping changes, resourcing, and received updates on delivery against the plan, as well as an update prior to year end on key audit risks. A summary of the audit approach, including audit risks, is set out in the independent auditor’s report on [pages 138-163](#).

Oversight of audit fees and non-audit services

- Reviewed the fee structure, resourcing and terms of engagement for the external auditor.
- Retained oversight of bp’s policy on non-audit services and the review and approval of non-audit services. The policy safeguards audit objectivity and independence through the prohibition of non-audit tax services being provided by the external auditor, the limitation of audit-related work which falls within defined categories, and by stating that the auditor may not perform non-audit services that are prohibited by the SEC, Public Company Accounting Oversight Board (PCAOB),



Sunbury, UK visit 2023

In November 2023 Tushar Morzaria and members of the committee visited the accounting, reporting and control (ARC) team at bp’s offices in Sunbury, UK for a showcase of their work on controls and reporting, including a simplified close approach to quarterly financial reporting. They engaged with members of the broader finance team during a floor walk, hearing their views and thoughts on a number of key topics.

The committee members also met with the internal audit senior leadership team to discuss in depth the proposed internal audit programme for 2024, as well as plans to further harness the use of data analytics. The visit was a great opportunity to build connections with the ARC and internal audit teams, and gain insight into key areas of focus planned for 2024.

Finally, they visited the security operations centre, where they learned first-hand about the operations of our digital security team.

Audit committee continued

International Auditing and Assurance Standards Board (IAASB) or the FRC.

- 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 are important. Approvals for individual engagements of pre-approved permitted services below certain thresholds are delegated to the SVP accounting, reporting and control or the CFO. Any proposed service not included in the permitted services categories must be approved in advance by either the committee chair or the committee prior to engagement.
- The committee, CFO and SVP accounting, reporting and 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 the principal accountant's fees and services on [page 360](#).
- The total non-audit fees paid to Deloitte for 2023 was \$3 million. The majority of these fees related to work of an assurance nature. See Note 36 for further information.
- Fees paid to the auditor for the year are set out in Note 36. The 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.

Internal audit and internal controls

Internal audit

- Appraised the performance of the SVP internal audit and agreed their objectives.
- Recommended the SVP internal audit's remuneration to the remuneration committee.
- Met privately with the SVP internal audit. The committee chair also met with the SVP internal audit on a regular basis.
- Continued to monitor and review the effectiveness and capabilities of internal audit during the year and concluded that the function had unrestricted scope, together with access to information and sufficient resources to fulfil its mandate.
- 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 2024.

- Received regular updates on findings during the year and challenged management's response and progress made on the closure of findings.
- Monitored progress against the internal audit plan and adjustments made during the year through updates from internal audit. Areas of focus included cyber security, digital product delivery and resilience, trading activities, aspects of the energy transition such as *bp pulse* and ethics and compliance controls.
- Oversaw the appointment in October 2023 and onboarding of the new SVP internal audit.
- Reviewed and approved the internal audit charter.
- Reviewed the implementation of recommendations from the 2022 external effectiveness review of the internal audit function, including the enhancement of data analytics.

Internal controls

- Discussed with management and the external auditor financial reporting and internal controls processes, reviewed any control gaps identified and monitored mitigating actions.
- Undertook a deep-dive on significant deficiencies and control environment, with a focus on IT user access and journal controls. The committee focused on mitigating measures, ongoing remediation work and challenged management on the timeline for the development of more enduring controls.
- Received a report from internal audit on its annual review of internal control and risk management, together with an assessment from management on the system of internal control.
- Reviewed the control and assurance framework for non-financial reporting (NFR), including ESG reporting and climate-related metrics, under the NFR framework, and challenged management as to whether bp had the most appropriate suite of NFR metrics for disclosures against bp's strategy, aims and ambition. **T**
- Reviewed the effectiveness of, and challenged management on, bp's system of internal control and risk management and concluded that these were effective. See the directors' statements on [pages 134-135](#) for further information on the basis for the conclusion on effectiveness and the nature of the review.

Risk

- Routinely reviewed and monitored principal risks allocated to it through a combination of business reviews and focused engagements, as well as updates from management, internal audit and the external auditor.

The principal risks allocated to the committee for monitoring in 2023 were:

- Prices and markets.
- Liquidity, financial capacity and financial, including credit, exposure.
- Insurance.
- Regulation.
- Trading and treasury trading activities.
- Reporting.
- The committee also shared responsibility for oversight of the following principal risks with the safety and sustainability committee and board:
 - Joint arrangements★ and contractors (shared with the safety and sustainability committee).
 - Ethical misconduct and non-compliance (shared with the board and safety and sustainability committee).
- Examples of committee principal risk activities, in addition to risks associated with reporting which are referenced above, included:
 - Reviewed cash flow forecasts, business affordability of distributions and the financial frame.
 - Reviewed and challenged the longer-term outlook for energy prices in line with bp's price assumptions for investment, including their consistency with the goals of the Paris Agreement compared with a broad range of external Paris-consistent scenarios. **T**
 - 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.
 - Undertook a jointly held review of non-operated joint ventures (NOJVs) risk with the safety and sustainability committee.
 - Undertook a review of insurance risk.
 - Received updates on the systems in place to assess fraud risk, the controls in place to manage and mitigate the identified risk and progress on the roll-out of additional controls.
 - Received an update on compliance with regulation together with additional briefings during the year on technical accounting updates and developing ESG reporting disclosures. **T**
 - Undertook two business reviews of the trading & shipping business and a deep-dive session on LNG.
- For more information on how we manage risk, see risk factors on [page 77](#), liquidity and capital resources on [page 340](#), and Note 29 Financial instruments and financial risk factors.

Safety and sustainability committee

// Site visits provide a valuable opportunity for committee members to experience the safety and sustainability culture within bp's operations first-hand. //



Chair's introduction

Dear fellow shareholders,

I am pleased to present the safety and sustainability committee report for the year ended 31 December 2023.

The committee continued to monitor the bp leadership team's drive to improve safety and environmental performance, with a particular focus in 2023 on the reduction of tier 1 and 2 process safety events★. This included deep-dives on specific areas of the business where safety risk is considered to have the potential to be significant or material.

As part of this work, two site visits were completed during 2023: one to the Permian Basin and Thunder Horse platform in the Gulf of Mexico in February, and the second to the Tangguh liquefied natural gas (LNG) site in West Papua, Indonesia in November. Site visits provide a valuable opportunity for committee members to experience the safety and sustainability culture within bp's operations first-hand. Read more on both visits on [page 104](#).

Tragically, three people lost their lives during 2023. A contractor was fatally injured at a bp wellsite in the Permian Basin in May 2023 after the forklift he was driving came into contact with an overhead powerline.

Meetings and attendance

The committee met six times in 2023. Regular attendees included SVP internal audit, EVP production & operations, EVP strategy, sustainability and ventures, SVP HSE and carbon, SVP safety and operational risk assurance, SVP sustainability and VP internal audit – safety and sustainability.

Non-executive directors

	Six scheduled meetings
Melody Meyer: member (May 2017), chair of the committee (November 2019)	6/6
Satish Pai: member (March 2023)	5/5
Sir John Sawers: member	6/6
Johannes Teyssen: member	6/6

Two additional fatalities occurred in our TravelCenters of America business, which we acquired in May 2023. One was in September 2023 as a result of employee violence, and the other in November 2023 when an employee was hit by a truck.

Our sincere condolences go out to the families and friends of those who have been lost. We continue to focus on learnings from safety events and to cascade these learnings through the business.

Role of the committee

The committee oversees the management of safety and sustainability matters, including relevant systems and processes, focusing on those which it considers to be most potentially material from time to time.

Key responsibilities

The committee's full terms of reference can be viewed at bp.com/governance.

Melody Meyer

Committee chair
8 March 2024

Activities during the year

Safety performance and assurance

- Received updates at every meeting from the EVP production & operations on key safety performance metrics from across all parts of the business, including process, personal and operational safety and non-operated as well as operated joint ventures★.
- Received reports at every meeting on major operational, security (including crisis management and business continuity) and cyber security incidents.

Sustainability T

- Received routine updates from the SVP, sustainability, including on:
 - Progress on implementation of bp's sustainability aims.
 - Sustainability reporting.
 - The sustainability frame, including deep-dives on advancing our net zero, people and planet aims.
 - The process and findings of the external auditor's limited assurance exercise over selected sustainability metrics.
 - Internal climate policy.

Internal audit

- Received regular updates on internal audit activity, and an annual report on systems of internal control and updates on the internal audit programme.

Risk

- Routinely reviewed and monitored principal risks allocated to it through a combination of business reviews and focused engagements, as well as updates from management.
- The principal risks allocated to the committee for monitoring in 2023 were:
 - Crisis management and business continuity.
 - Process safety, personal safety, and environmental risks.
 - Drilling and production.
 - Security.
 - Product quality.

Safety and sustainability committee continued

- The committee also shared responsibility for oversight of the following principal risks with the audit committee and board:
 - Joint arrangements★ and contractors (shared with the audit committee).
 - Digital infrastructure, cyber security and data protection (shared with the board).
 - Ethical misconduct and non-compliance (shared with the board and audit committee).

Principal risk deep-dives

- Reviewed and monitored the principal risks allocated to it through several deep-dive updates tabled throughout the year, for example covering risks related to wells, product quality, ethical misconduct and non-compliance, and non-operated joint ventures (NOJVs).
- Received deep-dive updates in relation to specific risk areas within the business. For example, a deep-dive was held on the bpx energy business, covering current risks, well control risk management, the Operating Management System★ (OMS) and progress against process and personal safety performance and improvement plans.
- Received further deep-dive updates regarding other significant or material events, including detail on actions being taken, for example in relation to:
 - Fatalities following a fire at a bp oil refinery in Toledo, US during 2022 (which was subsequently sold in 2023).
 - Progress made by the site operator in the reduction of flaring activity at an NOJV in Rumaila, Iraq.
 - The contractor fatality in the Permian Basin.
 - The employee fatalities at TravelCenters of America sites in 2023.
 - Regulatory compliance issues.
- Reviewed reports on significant risk events, probing management on investigations, remediating actions and the proactive cascading of learnings throughout the business.
- Received ethics and compliance reports on a quarterly basis.

Other matters

- Reviewed annual cash bonus (ACB) target adjustments.
- Reviewed and recommended to the remuneration committee, changes to the ACB framework relating to emissions reductions targets **T** (see [page 50](#)) and a structured framework for consideration of fatalities and how they should influence remuneration outcomes.



Permian Basin and Gulf of Mexico visit February 2023

Melody Meyer, chair of the committee, and Pamela Daley, member of the bp board, visited the Permian Basin and Thunder Horse platform in the Gulf of Mexico.

The trip to the Permian provided an opportunity to see how bp is seeking to reduce operational greenhouse gas emissions through its electrification strategy in the basin. The directors also heard about initiatives to eliminate routine flaring and to reduce tier 1

process safety events★. This provided both directors with an insight into the deep commitment to safety on-site.

The directors also visited the Thunder Horse production drilling quarters semi-submersible oil platform in the Gulf of Mexico, where directors engaged with the site team on the approach to safe and reliable operations within this joint venture with ExxonMobil.



Tangguh visit November 2023

The committee visited our major LNG site on the Indonesian island of Papua to meet the team and understand first-hand the safety and sustainability aspects of their operations.

The committee toured all three LNG trains and heard how safety learnings from Trains 1 and 2 had been implemented in Train 3. The visit also provided a valuable opportunity to engage with a broad variety of local stakeholders of the site. The committee:

- Met with Papuan colleagues who recently graduated from bp's technician training programme (70% of Tangguh LNG's workforce are from the local Papuan community).


- Met with the Tangguh Women's International Network (women make up 50% of the overall technician workforce that have graduated from bp's technician training programme).
- Visited the local village of Tanah Merah Baru to speak with community leaders, tour the school and get a first-hand view of Tangguh's community and sustainability initiatives.
- Visited Tangguh's mangrove plantation, where over 2,000 mangrove trees have been planted on site using recycled fertile soil from dredging activity, in addition to over one million trees planted in the local community.

Key

- T** Information that supports TCFD Recommendations and Recommended Disclosures in relation to Governance (see [pages 55 to 58](#))

Directors' remuneration report



During the year, bp's performance was robust – both operationally and financially... and there has been continued progress in bp's transformation to an integrated energy company. 



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. In determining the policy, the committee takes into account various factors, including wider workforce remuneration, structures and alignment of reward to performance, thus promoting the long-term success of the company. The committee also reviews workforce remuneration and monitors related policies, satisfying itself that incentives and rewards are aligned with bp's goals and culture.


Key responsibilities

A summary of the committee's terms of reference is on [page 359](#) and the full terms can be reviewed at bp.com/governance.

Key areas of focus in 2023

- **Change in leadership** – set the terms of appointment for the interim CEO for the period from 12 September 2023 to 17 January 2024 and interim CFO for the

period from 19 September 2023 to 2 February 2024. Determined the departure terms for the former CEO.

- **Workforce engagement** – engaged with the wider workforce on reward and wellbeing – for example, met with new hires to discuss their initial views on bp's reward structures.
- **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.
- **Sustainability measures** – discussed and agreed to the sustainability measures in annual and long-term performance scorecards. For example, after consulting with the safety and sustainability committee and taking into account feedback from shareholders, the remuneration committee set an alternative measure related to operational emissions for the 2024 annual bonus and 2024-26 long-term incentive plan award. 

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Meetings and attendance

The chair and the chief executive officer (CEO) attend meetings of the committee except for matters relating to their own remuneration. The CEO is consulted on remuneration of the chief financial officer (CFO), the leadership team and receives input from the committee on remuneration across the wider workforce. Both the CEO and CFO are consulted on matters relating to group's performance and the metrics adopted for each performance cycle.

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 they were eligible to attend, except one previous apology for a planned meeting.

	Six scheduled meetings	Two ad-hoc meetings
Non-executive directors		
Paula Rosput Reynolds: member (September 2017), chair of the committee (May 2018)	6/6	2/2
Dame Amanda Blanc ^a : member (January 2023)	5/6	2/2
Pamela Daley: member	6/6	2/2
Melody Meyer: member	6/6	2/2
Tushar Morzaria: member	6/6	2/2

^a Dame Amanda Blanc was unable to attend one planned meeting during 2023 due to a prior commitment. She received accompanying material and had the opportunity to provide comments to the committee.