

# Transforming

## Corporate governance

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Since 2017 when the partnership with bp began, Lightsource bp has more than doubled its global presence, from five to 14 countries. It's also grown its development pipeline from 1.6 to 17GW.

## Introduction from the chairman



// 2020 tested bp's governance processes like no other year. Board members, like many colleagues across bp, have achieved and learned a lot together through our new way of working – and there's much that we will continue. I am grateful for the flexibility, commitment and clear-sightedness of my board colleagues in 2020 – it bodes well for the years ahead. //

**Helge Lund**  
Chairman

### New strategy

As a board, our responsibilities include determining bp's purpose and strategy, monitoring its culture and seeking assurance that these are aligned with our values. For bp, 2020 was a year in which we felt this responsibility especially keenly. With the board's support, bp adopted a new purpose – reimagining energy for people and our planet, which aligns bp's capabilities and aspirations with the needs of society.

2020 was also the year bp's new CEO, Bernard Looney, commenced his role. As well as formally launching our new purpose, Bernard set out a net zero ambition, new strategy, financial frame and investor proposition. These actions were taken with the full support of the board following a process of careful debate, and the board is confident that they respect bp's culture and values.

The change that was immediately most consequential for many people within bp was a restructure that will see close to 10,000 colleagues leave bp. It was difficult saying goodbye to people who helped make our organization what it is today – and the board was united with the leadership team in determining that the process should be conducted fairly and respectfully.

That process is now largely complete, and I believe, as does the board, that bp is now leaner, flatter and nimbler – better able to fulfil our new purpose, ambition and strategy.

### COVID impact on working of the board

Change on this scale would be challenging in any company at any time. So, I want to pay tribute to my board colleagues for their contribution during such a difficult period. It is to their credit that we very quickly adapted to a new way of working together – with our many meetings since March held entirely virtually.

Indeed, the COVID-19 pandemic justified more regular meetings with bp's leadership – so early in the pandemic we instituted weekly calls to keep abreast of bp's response to the pandemic and how the team was taking account of the needs and expectations of all our stakeholders.

### Maintaining bp's culture

Since joining bp, I have always been impressed at the strength of the company's culture – open, co-operative, collaborative and performance-focused. Rather than weaken that culture, I believe that the pandemic has strengthened it further – and has proved its value. bp would not have achieved all it did in 2020 without such a strong culture. We have been careful that the changes introduced throughout the year are respectful of it, and consistent with bp's values of safety, respect, excellence, courage and one team.

### Board composition

In 2020 we welcomed Tushar Morzaria, Karen Richardson and Johannes Teyssen to the board. They each have skills, experience and a diverse mindset that is closely aligned to the strategic direction we have set for bp.

We also said goodbye to friends who have served bp with distinction over many years – Nils Andersen, Brian Gilvary, Sir Ian Davis, Dame Alison Carnwath and, of course, Bob Dudley. bp has been fortunate to have them, and we will miss them.

I was delighted that Paula Reynolds agreed to take over from Sir Ian Davis as senior independent director following the AGM 2020, and that Melody Meyer was able to take over the important role of chairing the safety and sustainability committee after Nils Andersen stepped down from the board. Tushar Morzaria will take over as chair of the audit committee after the AGM in May, following an extensive handover from Brendan Nelson, who will then retire.



In the coming year, one of my priorities will be to ensure that the board remains at an appropriate size, with strong composition, and with diversity of both thought and skills in support of the strategic direction we have set.

### Diversity

The process of reinventing bp provided opportunities to enhance bp's diversity in other ways, too. Though we have more to do in all areas, we have made particular progress on gender diversity at senior levels. In 2020, we increased female board representation from 42% to 45%; increased female executive committee representation from 15% to 31%; and met the Hampton-Alexander and Parker review targets for 2021.

### New governance framework

To complement bp's new strategic direction, we have introduced a new governance framework, covering bp's board-level corporate governance and facilitating a stronger board focus on strategy, performance, people and governance, with the committees each playing a critical role in support. The emphasis on strategy and its execution is especially important – I believe it to be where the board can deliver most value at this time, encouraging and working closely with the leadership team as they drive forward our strategic progress, safety, financial and operational performance.

The governance framework redefines the committees' roles. Our newly-titled safety and sustainability committee rightly gains an enhanced focus on sustainability, but with no let-up on our core and overriding priority – safety, while our people and governance committee gains an enhanced focus on our single most important asset – our people. These committees and the insights they provide to the board very much support its effectiveness.

### Conclusion

2020 tested bp's governance processes like no other year. Board members, like many colleagues across bp, have achieved and learned a lot together through our new way of working – and there's much that we will continue. I am grateful for the flexibility, commitment and clear-sightedness of my board colleagues in 2020 – it bodes well for the years ahead.



**Helge Lund,**  
Chairman  
22 March 2021

### Compliance with the UK Corporate Governance Code

Throughout 2020, bp applied the principles and complied with all the provisions of the 2018 UK Corporate Governance Code.

## Board of directors

As at 22 March 2021



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### Helge Lund

Chairman

#### Appointed

Board: 26 July 2018; Chairman: 1 January 2019

#### Nationality

Norwegian

#### Outside interests

Chairman of Novo Nordisk AS; Operating Advisor to Clayton Dubilier & Rice; Member of the Board of Trustees of the International Crisis Group; Member of the European Round Table of Industrialists

#### Career summary

Helge Lund was appointed chairman of the bp board on 1 January 2019. He served as chief executive of BG Group from 2015 to 2016, when it merged with Shell. He joined BG Group from Equinor (formerly Statoil) where he served as its president and chief executive officer for 10 years from 2004. Prior to Equinor, Helge was president and chief executive officer of the industrial conglomerate Aker Kvaerner, and has also held executive positions in the Norwegian industrial holding company, Aker RGI, and the former Norwegian power and industry company, Hafslund Nyscomed. He worked as a consultant with McKinsey & Company and served as a political advisor for the parliamentary group of the Conservative party in Norway. Prior to joining bp, he was a non-executive director of the oil service group Schlumberger from 2016 to 2018, and Nokia from 2011 to 2014. He served as a member of the United Nations Secretary-General's Advisory Group on Sustainable Energy from 2011 to 2014.

#### Skills and experience

Helge's distinguished career as a leader in the oil and gas industry and his open-minded and forward-looking approach is vital as he leads the board in its oversight of delivery of bp's new strategy. He has deep industry knowledge and global business experience – not only in the oil and gas industry but also in pharmaceuticals, healthcare and construction. His innovative leadership of the board drives cohesion and a strong environment for constructive challenge and oversight as bp works to transform into an Integrated Energy Company.

#### Committee membership key

- Chairman
- (A) Audit committee
- (S) Safety and sustainability committee
- (R) Remuneration committee
- (P) People and governance committee



### Bernard Looney

Chief executive officer

#### Appointed

5 February 2020

#### Nationality

Irish

#### Outside interests

Fellow of the Royal Academy of Engineering; Fellow of the Energy Institute; Mentor for the FTSE 100 Cross-Company Mentoring Executive Programme; Non-executive director of Rosneft

#### Career summary

Bernard Looney was appointed chief executive officer in February 2020. He previously ran bp's Upstream business from April 2016 and has been a member of the company's executive management team since November 2010. As chief executive, Upstream, Bernard was responsible for bp's oil and gas exploration, development and production activities worldwide. In this role, Bernard oversaw improvements in both process and personal safety performances, and production grew by 20%. He led access into new countries, high-graded the portfolio and created innovative new business models. In earlier Upstream executive roles, he was responsible for all bp-operated oil and gas production worldwide and for all bp's drilling and major project activity. Bernard joined bp in 1991 as a drilling engineer and worked in operational roles in the North Sea, Vietnam and the Gulf of Mexico.

#### Skills and experience

Bernard has spent his career at bp and has demonstrated dynamic leadership and vision as he has progressed through various roles within bp. During his 10 years as a leader of Upstream, Bernard saw the segment through one of the most difficult periods in bp's history, helping transform the organization into a safer, stronger and more resilient business. He was instrumental in a number of workforce-based initiatives to promote a diverse and inclusive environment. Bernard set out bp's new strategy in 2020 and is guiding the company through its transformation.



### Murray Auchincloss

Chief financial officer

#### Appointed

1 July 2020

#### Nationality

Canadian

#### Outside interests

Board member of Aker BP ASA; Member of The 100 Group Main Committee

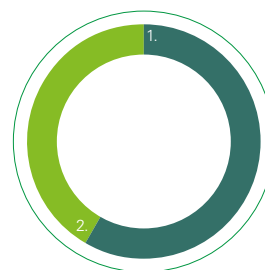
#### Career summary

Murray Auchincloss qualified as a chartered financial analyst in the US, leading on to a wide range of tax and financial roles, first for Amoco and then for bp after the two organizations merged in 1998. Murray has worked in both the US and UK, in a range of roles including chief financial officer, Upstream, and chief financial officer, North Sea. He was commercial director for the North American Gas business and, as head of the chief executive's office for three years, managed all aspects of that office.

#### Skills and experience

Murray's financial expertise, experience and knowledge make him a trusted advisor and bp group leader. His broad experience of working across the group has provided him with deep insight into bp's assets and businesses. Murray has a degree in commerce from the University of Calgary, Canada, and qualified as a chartered financial analyst at the University of West Virginia, US. His drive to modernize is improving bp's financial teams, controlling costs and continuing to deliver transparent financial disclosures to investors and markets.

## Board gender diversity



1. Male	7
2. Female	5



### Pamela Daley

Independent non-executive director

#### Appointed

26 July 2018

#### Nationality

American

#### Outside interests

Director of BlackRock, Inc.; Director of SecureWorks, Inc.

#### Career summary

Pamela Daley joined General Electric Company (GE) in 1989 as tax counsel and held a number of senior executive roles in the company, overseeing a wide range of corporate transactions and serving as senior vice president and senior advisor to the chairman in 2013, before retiring from GE. Pamela has served as a director of BlackRock since 2014 and of SecureWorks since 2016. She was a director of BG Group plc from 2014 to 2016 until its acquisition by Shell. She was a director of Patheon N.V. from 2016 to 2017 until its acquisition by Thermo Fisher and, prior to that, she was a partner at Morgan, Lewis & Bockius, a major US law firm, where she specialized in domestic and cross-border tax-oriented financings and commercial transactions.

#### Skills and experience

Pamela is a qualified lawyer with significant management insight obtained from previous senior positions held at companies that operate in highly regulated industries. Pamela has a wealth of experience in global business and strategy gained from over 20 years in an executive role at GE. She also has experience in the UK oil and gas industry from her time served on the BG Group plc board. Pamela contributes important insight to the audit committee from her previous executive experience. In 2019, she joined the remuneration committee, where her understanding of employee and investor perspectives brings value.



### Professor Dame Ann Dowling

Independent non-executive director

#### Appointed

3 February 2012

#### Nationality

British

#### Outside interests

Deputy vice-chancellor and emeritus professor of Mechanical Engineering at the University of Cambridge; Non-executive director of Smiths Group plc

#### Career summary

Professor Dame Ann Dowling is a deputy vice-chancellor and emeritus professor of mechanical engineering at the University of Cambridge where her research includes fluid mechanics, acoustics and combustion. She has held visiting posts at MIT and at Caltech. Dame Ann is a fellow of the Royal Society and the Royal Academy of Engineering and a foreign associate of the US National Academy of Engineering, the Chinese Academy of Engineering and the French Academy of Sciences. She was an advisor at Rolls-Royce until 2015. Dame Ann was President of the Royal Academy of Engineering from September 2014 to 2019. In December 2015 she was appointed to the Order of Merit.

#### Skills and experience

Professor Dame Ann is an internationally respected leader in engineering research and the practical application of new technology in industry. Her contribution in these fields has been widely recognized by universities around the world. Her academic background provides valuable balance to the board and brings a different perspective to the safety and sustainability committee of which she is a member, particularly as developments in technology continue to accelerate. Her work in this area is supplemented by her chairing the company's technology advisory council.



### Melody Meyer

Independent non-executive director

#### Appointed

17 May 2017

#### Nationality

American

#### Outside interests

President of Melody Meyer Energy LLC; Director of the National Bureau of Asian Research; Trustee of Trinity University; Non-executive director of AbbVie Inc.; Non-executive director of NOV, Inc.

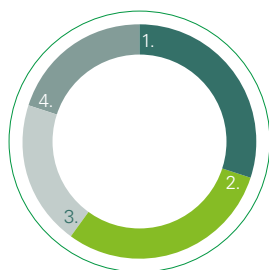
#### Career summary

Melody Meyer started her career in 1979 with Gulf Oil which later merged with Chevron Corporation, where she remained until her retirement in 2016. During her career with Chevron, Melody held several key leadership roles in global exploration and production, working on a number of international projects and operational assignments. Melody was the executive sponsor of the Chevron Women's Network and continues as a mentor and advocate for the advancement of women in the industry. Melody is a C200 member, and has received several awards and accolades throughout her career including being recognized as a 2009 Trinity Distinguished Alumni, with the BioHouston Women in Science Award by Hart Energy as an Influential Woman in Energy in 2018, by Women Inc as 2018 Most Influential Corporate Board Directors, and Outstanding Director by 2020 Women on Boards. She serves on McKinsey Women in Energy Advisory Board and co-leads Women Corporate Directors in Houston.

#### Skills and experience

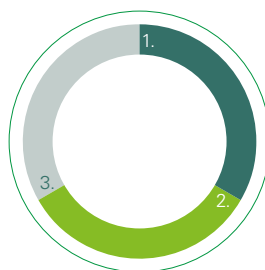
Melody brings a world-class operational perspective to the board, with a deep understanding of the factors influencing safe, efficient and commercially high-performing projects in a global organization. Her long and illustrious career in the oil and gas industry is predicated on a dedication to excellence, safety and performance improvements. She has expertise in the execution of major capital projects, technology, R&D, creation of businesses in new countries, strategic and business planning, merger integration and safe and reliable operations.

### Non executive directors' tenure



1. <1 year	3
2. 1-3 years	3
3. 4-6 years	2
4. 7+ years	2

### Board nationality



1. UK	4
2. US	4
3. Non UK/US	4

## Board of directors continued

As at 22 March 2021



A R

### Tushar Morzaria

Independent non-executive director

#### Appointed

1 September 2020

#### Nationality

British

#### Outside interests

Group Finance Director of Barclays PLC; Member of The 100 Group Main Committee; Chair of the Sterling Risk Free Reference Rates Working Group

#### Career summary

Tushar Morzaria is a chartered accountant with over 25 years of strategic financial management, investment banking, operational and regulatory relations experience. He is currently Group Finance Director of Barclays PLC, the British universal banking and financial services company, where he is a member of the Barclays board and executive committee. Tushar joined Barclays from JP Morgan in 2013, where he held various senior roles including the CFO of its Corporate & Investment Bank at the time of the merger of the investment bank and the wholesale treasury/security services business.

#### Skills and experience

Tushar's position as Group Finance Director of Barclays PLC gives him a breadth of knowledge and insight into financial, tax, treasury, investor relations and strategic matters which will benefit bp as Tushar assumes the role of audit committee chair at the conclusion of bp's annual general meeting on 12 May 2021. He has strong experience in delivering corporate change programmes while maintaining a focus on performance.



A P R

### Brendan Nelson

Independent non-executive director

#### Appointed

8 November 2010

#### Nationality

British

#### Outside interests

Non-executive director of NatWest Markets plc

#### Career summary

Brendan Nelson is a qualified chartered accountant. He was made a partner of KPMG in 1984. He served as a member of the UK board of KPMG from 2000 to 2006, subsequently being appointed vice chairman until his retirement in 2010. At KPMG International he held a number of senior positions including global chairman, banking and global chairman, financial services. Brendan has extensive financial experience, having been a non-executive director of The Royal Bank of Scotland Group p.l.c. where he also served as chairman of the group audit committee, until April 2019 and National Westminster Bank p.l.c. until December 2018.

Brendan previously served as a member of the Financial Services Practitioner Panel for six years and was chairman of the audit committee of the Institute of Chartered Accountants of Scotland from 2005 to 2008 and later became President of the Institute of Chartered Accountants of Scotland from 2013 to 2014.

#### Skills and experience

Brendan has completed a wide variety of audit, regulatory and due-diligence engagements over the course of his career. He played a significant role in the development of the profession's approach to the audit of banks in the UK, with particular emphasis on establishing auditing standards. His role as a member of the Financial Reporting Review Panel enabled him to further contribute to the profession.

This wide experience makes him ideally suited to chair the audit committee and to act as its financial expert. He brings related input from his role as the chair of the audit committee of a major bank. His specialism in the financial services industry allows him to contribute insight into the challenges faced by global businesses by regulatory frameworks.

As previously announced, Brendan will retire from the board at the conclusion of bp's annual general meeting on 12 May 2021.



### Karen Richardson

Independent non-executive director

#### Appointed

1 January 2021

#### Nationality

American

#### Outside interests

Director of Artius Acquisition Inc.;  
Director of Exponent Inc.

#### Career summary

Karen Richardson was Vice President of Sales at Netscape Communications Corporation from 1995 to 1998 before embarking on several senior executive roles at E.piphany from 1998 to 2003 and was Chief Executive Officer between 2003 and 2006. In 2011 she became a non-executive director of BT plc where she served for seven years and between 2016 and 2019 Karen was a director of Worldpay Inc. (Worldpay Group plc). Karen is currently a director of Artius Acquisition Inc., a special purpose acquisition company, and, since 2013, Exponent Inc., the engineering and scientific consulting company. Karen has a Bachelor of Science degree in Industrial Engineering from Stanford University and was awarded distinctions from the Stanford Industrial Engineering Department and the American Institute of Industrial Engineers.

#### Skills and experience

Karen has over 30 years' experience in the technology industry. She brings exceptional knowledge of digital, technology, cyber and IT security matters from her career working with innovative companies in Silicon Valley. As bp works to transform into an Integrated Energy Company, Karen has the skills, experience and diversity to further enhance the board's ability to support and oversee the delivery of bp's strategy.

From the conclusion of the 2021 annual general meeting, Karen will become a member of the audit committee.



**R A P**

### Paula Rosput Reynolds

Senior independent director

#### Appointed

Board: 14 May 2015; Senior independent: 27 May 2020

#### Nationality

American

#### Outside interests

Non-executive director and Chair Designate of National Grid plc; Non-executive director of General Electric Company; Chair of the Seattle Cancer Care Alliance

#### Career summary

Paula Rosput Reynolds commenced her energy career at Pacific Gas & Electric Corp in 1979 and spent over 25 years in the energy industry. She has held a number of executive positions during her career, including CEO of Duke Energy Power Services, Chairman, President and CEO of AGL Resources as well as Chairman and CEO of Safeco Corporation and Vice Chairman and Chief Restructuring Officer of AIG. Paula was a non-executive director of TransCanada Corporation and CBRE Group, Inc until May 2019, having been appointed in 2011 and 2016 respectively. Between 2011 and 2020 Paula was a non-executive director of BAE Systems PLC. Paula was awarded the National Association of Corporate Directors (US) Lifetime Achievement Award in 2014.

#### Skills and experience

Paula has had a long career leading global companies in the energy and financial sectors. Her experience with international and US companies, including several restructuring processes and mergers, gives her insight into strategic and regulatory issues, which is an asset to the board. Her wider business experience and understanding of the views of investors are well suited to her being the chair of bp's remuneration committee and senior independent director.



**S P**

### Sir John Sawers

Independent non-executive director

#### Appointed

14 May 2015

#### Nationality

British

#### Outside interests

Visiting Professor at King's College London; Senior Adviser at Chatham House; Senior Fellow at the Royal United Services Institute; Global Adviser at the Council on Foreign Relations; Governor of the Ditchley Foundation; Director of the Bilderberg Association, UK; Executive Chairman of Newbridge Advisory Limited

#### Career summary

Sir John Sawers spent 36 years in public service in the UK, working on foreign policy, international security and intelligence. He was chief of the Secret Intelligence Service, MI6, from 2009 to 2014 and prior to that spent the bulk of his career in the Diplomatic Service, representing the British government around the world and leading negotiations at the UN, in the European Union and in the G8. After he left public service, Sir John was chairman and general partner of Macro Advisory Partners, a firm that advises clients on the intersection of policy, politics and markets from February 2015 to May 2019. He then set up his own firm, Newbridge Advisory, to carry out similar work. Sir John was appointed Knight Grand Cross of the Order of St Michael and St George in the 2015 New Year Honours for services to national security.

#### Skills and experience

Sir John's deep experience of international political and commercial matters is an asset to the board in navigating the geopolitical issues faced by a modern global company. Sir John's unique skill set made him an ideal chair of bp's geopolitical committee and he will continue to advise the board on these matters as the chair of the newly established geopolitical advisory council.



**S**

### Dr Johannes Teyssen

Independent non-executive director

#### Appointed

1 January 2021

#### Nationality

German

#### Outside interests

CEO and Chairman of the management board of E.ON SE (until 31 March 2021); Chairman of the Supervisory Board of Innogy SE.; Member of the Shareholders' Committee of Nord Stream AG; Member of the Presidential Board of the Federation of German Industries

#### Career summary

Johannes began his professional career at VEBA AG in 1989. There he held a number of leadership positions across Legal Affairs and Key Account Sales. In 2000 VEBA became part of E.ON and in 2001 Johannes became a member of the Board of Management of the E.ON Group's central management company in Munich. In 2004, he was also appointed to the Board of Management of E.ON SE in Düsseldorf and later went on to become Vice Chairman in 2008 and CEO in 2010. He was President of Eurelectric from 2013 to 2015 and the World Energy Council's Vice Chair responsible for Europe between 2006 to 2012. Johannes was a member of the Supervisory Board of Deutsche Bank AG between 2008 and 2018 and is currently a member of the Presidential Board of the Federation of German Industries and the Shareholders' Committee of Nord Stream AG.

#### Skills and experience

Johannes brings exceptional experience and deep knowledge in the sector and its continuing transformation. His skill set further diversifies and strengthens the overall demographic and attributes of the board as a whole. His experience in the energy sector further enhances the board's ability to support and oversee the delivery of bp's new strategy. Johannes has a doctorate in law from the University of Göttingen.



### Ben J S Mathews

Company secretary

#### Appointed

7 May 2019

Ben joined bp as a company secretary in May 2019. He is chairman of the Association of General Counsel and Company Secretaries of the FTSE 100 (GC100) and the co-chair of the Corporate Governance Council of the Conference Board. Ben is also a Fellow of the Institute of Chartered Secretaries and Administrators. Former appointments include Group Company Secretary of HSBC Holdings plc and Rio Tinto plc.



## Leadership team

As at 22 March 2021

The leadership team represents the principal executive leadership of the bp group. Its members include bp's executive directors (Bernard Looney and Murray Auchincloss whose biographies appear on page 74) and the senior management listed on these pages.

### *business groups*



#### Emma Delaney

EVP, customers & products

##### Leadership team tenure

Appointed 1 July 2020

Emma previously served on bp's executive team starting on 1 April 2020.

##### Nationality

Irish

##### Other board memberships

None

##### Career

Emma has spent 25 years working in bp, both in the Upstream and the Downstream, most recently as interim chief executive officer Downstream from 1 April 2020 and prior to that as regional president for West Africa. She has held a variety of senior roles including Upstream chief financial officer for Asia Pacific and head of business development for gas value chains. In Downstream she held roles in retail and commercial fuels and planning.

### *integrators*



#### William Lin

EVP, regions, cities & solutions

##### Leadership team tenure

Appointed 1 July 2020

##### Nationality

American

##### Other board memberships

William is a non-executive director of Pan American Energy Group that operates in Argentina.

##### Career

William served as chief operating officer, Upstream regions before joining the leadership team. He has worked in bp for 25 years having spent most of his career working abroad in different countries. Previous senior roles include vice president – gas development and operations for Egypt, regional president for Asia Pacific and head of the group chief executive's office. William managed the successful start-up of the Tangguh LNG facility during his time in Indonesia.

### *enablers*



#### Geoff Morrell

EVP, communications & advocacy

##### Leadership team tenure

Appointed 1 July 2020

##### Nationality

American

##### Other board memberships

None

##### Career

Geoff moved to London in 2017 to take over group communications and external affairs. He spent the prior six years leading bp America's communications and government relations teams and was instrumental in rebuilding bp's reputation following the Deepwater Horizon incident. Before joining bp, Geoff spent four years at the Pentagon, serving as chief spokesperson for the US Department of Defense under presidents Bush and Obama. He previously worked as a journalist, including as a White House correspondent for ABC News.



**Dev Sanyal**

EVP, gas &amp; low carbon energy

**Leadership team tenure**

Appointed 1 July 2020

Dev previously served on bp's executive team starting on 1 January 2012.

**Nationality**

British and Indian

**Other board memberships**

Dev is a non-executive director of Man Group plc, a member of the board of overseers of The Fletcher School of Law and Diplomacy at Tufts University and a member of the energy advisory board of the Government of India.

**Career**

Dev has been a member of the executive team since 2011, firstly as executive vice president, strategy and regions, and since 2016, as chief executive alternative energy and executive vice president, regions. Dev joined bp in 1989 and has worked in London, Athens, Istanbul, Vienna and Dubai across various segments. Previous senior roles include CEO of bp Eastern Mediterranean, CEO of Air bp and group treasurer. He played a key role in bp navigating its way through the aftermath of the 2010 Deepwater Horizon incident.

**David Eyton**

EVP, innovation &amp; engineering

**Leadership team tenure**

Appointed 1 July 2020

David previously served on bp's executive team starting on 1 September 2018.

**Nationality**

British

**Other board memberships**

None

**Career**

David joined the executive team in 2018 as group head of technology. He joined bp in 1982 with a degree in engineering and has held several positions in petroleum engineering, commercial and business management. Previous senior roles include managing Wytch Farm, Trinidad Gas and Gulf of Mexico Deepwater Developments. He was awarded a CBE (Commander of the British Empire) by Queen Elizabeth II for his contributions to UK engineering and energy. David is a Fellow of the UK Royal Academy of Engineering.

**Gordon Birrell**

EVP, production &amp; operations

**Leadership team tenure**

Appointed 1 July 2020

Gordon previously served on bp's executive team starting on 12 February 2020.

**Nationality**

British

**Other board memberships**

None

**Career**

Before being appointed to his new role, Gordon was chief operating officer for production, transformation and carbon. In his bp career, Gordon has spent time in various leadership, technical, safety and operational risk roles, including four years as bp president Azerbaijan, Georgia and Turkey. Gordon is a Fellow of the UK Royal Academy of Engineering.

**Carol Howle**

EVP, trading &amp; shipping

**Leadership team tenure**

Appointed 1 July 2020

**Nationality**

British

**Other board memberships**

None

**Career**

Before taking on her current role, Carol ran bp Shipping and was the chief operating officer for IST oil. She has more than 20 years' experience in the energy industry, many in integrated supply and trading. Previous roles include chief operating officer for natural gas liquids, regional leader of global oil Europe and finance. Carol also served as the head of the group chief executive's office.

**Giulia Chierchia**

EVP, strategy &amp; sustainability

**Leadership team tenure**

Appointed 1 July 2020

**Nationality**

Belgian and Italian

**Other board memberships**

None

**Career**

Giulia joined bp from McKinsey, where she was a senior partner. She led the global downstream oil and gas practice and was a key member of the chemicals and electricity, power and natural gas practices. She begins this role with more than 10 years' experience in the energy sector, including helping companies shape their strategies for the energy transition.

**Kerry Dryburgh**

EVP, people &amp; culture

**Leadership team tenure**

Appointed 1 July 2020

**Nationality**

British

**Other board memberships**

Kerry sits as a non-executive director for the United Kingdom Strategic Command

**Career**

Kerry was previously head of HR for the Upstream and has held a series of senior HR positions. She was a key driver behind the Upstream people transformation during 2015-2017. Kerry previously ran HR in bp's Shipping, IST and corporate functions teams. She brings experience from other sectors in Europe and Asia, having worked at both BT and Honeywell before joining bp.

**Eric Nitcher**

EVP, legal

**Leadership team tenure**

Appointed 1 July 2020

Eric previously served on bp's executive team starting on 1 January 2017.

**Nationality**

American

**Other board memberships**

None

**Career**

Eric sat on the executive team as group general counsel from 2017. He played a key role in forming the Russian joint venture TNK-BP and settling Deepwater Horizon claims. He began his career as a litigation and regulatory lawyer in Wichita, Kansas. He joined Amoco in 1990 and over the years has held a wide variety of roles, both in the US and elsewhere.

# Board activities

## Role of the board

bp's success is dependent upon effective and entrepreneurial leadership by the board, establishing its purpose, strategy and values and doing so within a framework of prudent and effective controls, which enable risks to be assessed and managed. The board is responsible to bp's owners for promoting the long-term sustainable success of the company, generating value for its shareholders, while having regard to its other stakeholders, the impact of its operations on the communities within which it operates, and the environment.

### Primary tasks of the board in 2020 included

Defining and establishing a new purpose and strategy, while assessing and monitoring whether they were consistent with bp's culture and values.

In light of the significant operational challenges presented by the COVID-19 pandemic, establishing a rhythm of board meetings to ensure that the leadership team was supported, providing guidance to the CEO to ensure that shareholder and other stakeholder interests were taken into account, while maintaining safe and reliable operations.

Monitoring the activities and performance of bp's leadership team, obtaining assurance about the delivery of 2025 and 2030 targets and aims and the sustainability frame within which they operate.

Designing and establishing the board's new corporate governance framework, including the delegations of authority under which it operates.

Assessing and monitoring the principal risks and emerging risks of bp, having considered feedback from the committees of the board.

### Ways of working

New ways of working were put in place during 2020 alongside the changes to the design of the board's corporate governance framework. Meeting agendas were structured along four distinct pillars: strategy, performance, people, and governance, with the overarching focus being on the development of bp's new strategy in support of its transition to an Integrated Energy Company.

The board and its committees met regularly during the year, as well as on an ad hoc basis, as required by business needs. Attendance is shown in the table on page 84. Although the board and its committees were able to hold physical meetings in the early part of the year, once COVID-19-related restrictions and controls were introduced, most meetings took place virtually. Throughout the year, the board and its committees continued to engage effectively through the use of technology. Key areas covered during 2020 under each of these pillars are set out on the next page.

## Strategy

During 2020 the board worked closely with the incoming chief executive officer (CEO) and his leadership team, establishing a new purpose and strategy for bp. bp's purpose is to reimagine energy for people and our planet, with an ambition to become a net zero company by 2050 or sooner, and to help the world get to net zero. This new purpose recognizes:

- The world is on an unsustainable path – its carbon budget is running out.
- Energy markets have begun to shift towards low carbon and renewables.
- Oil and gas produced safely and efficiently will continue to perform a vital role for the world and our business, but over the longer term, demand for both oil and gas will be challenged.
- bp can contribute to the energy transition the world wants and needs and create value in doing so.

The delivery and execution of the strategy that supports this new purpose is made possible through a resilient financial framework, including a new approach to capital allocation. In 2020 the board determined a new distribution policy, which will support us in facing an increasingly uncertain world, allow us to strengthen the balance sheet, invest in our resilient and valuable hydrocarbons business, and invest adequately into the energy transition. A new distribution policy was approved by the board, comprising a reset and resilient dividend and a firm share buyback commitment, see page 22.

Associated with the new strategy, the board also agreed a number of tactical divestments, including the disposal of its petrochemicals business. Alongside this, new business opportunities were progressed, for example the formation of a strategic partnership with Equinor, to develop offshore wind energy in the US, see page 21.

Against the backdrop of the board's activities during 2020 described in this section, the table on pages 82 and 83 sets out some examples of board decision making in 2020 and how the directors have performed their duty under Section 172.

## Performance

The board reviewed project, operational and safety performance throughout the year, as well as the latest view on full-year delivery against plan and the implications for the group's scorecard measures. Equally, in light of the challenging macro-economic environment facing the sector, the company's financial performance, liquidity, credit position and associated financial risks were closely and regularly monitored by the board. In this way and through the regular interactions that were taking place during the year, the board was able to satisfy itself that bp was performing while transforming.

Reports supplementing the role played by the board included:

- CEO and chief financial officer (CFO) reports.
- Group financial outlook.
- The annual effectiveness of investment review.
- Quarterly and full-year results.
- Shareholder distributions.
- The annual plan and associated capital allocation commitments.

On risk oversight, the board, assisted by its committees, also regularly reviewed its principal and emerging risks, including the process through which they are identified, evaluated and managed. Linked to this, the high-priority risks were reviewed in 2020, giving the directors the chance to seek assurance as to how those risks were prioritized and being managed.

On internal controls, the board also assessed the effectiveness of the group's system of internal control and risk management as part of the process through which it reviews and, ultimately, approves the *bp Annual Report and Form 20-F*. No specific areas of significant deterioration were identified in this assessment. The board concluded that the group's system of internal control continued to be resilient. The board also concluded that the overall design of the group's system of internal control generally meets external expectations of components to be included in internal control frameworks. In arriving at these conclusions, the board took into account reports from group risk and internal audit, as well as reviews undertaken by the board and its committees during the year. In conducting reviews during the year, the board and its committees considered the impact of remote working on the control environment, among other key factors.

For more information on bp's system of risk management see *How we manage risk* on page 64. Information about bp's system of internal control is on page 127.

## People

The board, through the former nomination and governance committee, continued to focus on reviewing its own composition, skills, experience and diversity, as well as that of the bp leadership team. Ultimately, new board appointments were made during the year, most notably with the retirement of the CEO, Bob Dudley, and CFO, Brian Gilvary, succeeded by Bernard Looney and Murray Auchincloss, respectively.

Tushar Morzaria was appointed to the board and its audit committee with effect from September 2020. Karen Richardson and Dr Johannes Teyssen were appointed to the board with effect from 1 January 2021. Johannes was also appointed to the safety and sustainability committee with effect from the same date. A new leadership team under the CEO came into being on 1 July 2020.

Through the new people and governance committee, the process for executive succession planning, talent management and development is being redesigned. People insights – particularly the reinvention of bp and its impact on the organization – were presented to the board and this committee by the CEO and EVP, people & culture, providing information on matters relating to people strategy, employee engagement, diversity and people processes and policies. To help inform board discussions and decisions, board members also engaged directly with the workforce in structured events, see page 87.

## Governance

The board established a new corporate governance framework, which is more closely aligned with bp's new purpose and also reinforces the effectiveness of the internal control framework. For more information on the new corporate governance framework see page 88.



# Decision making by the board

The board delegates authority for the executive management of bp to the chief executive officer, subject to defined limits. Ultimately, the board retains responsibility for – and regularly monitors – the execution of this delegation of authority, taking action to update it as required.

As part of the wider board corporate governance redesign, the board reviewed the delegation of authority, in part reflecting the need to ensure that it remained appropriate in light of bp’s new strategy, and the 2025 and 2030 targets and aims. The board’s new ways of working are explained on page 80 including certain matters that under the new corporate governance framework are reserved for the board as set out in its new terms of reference.

The execution of company strategy is undertaken by the CEO’s leadership team, under the day-to-day authority for the management of the company delegated to the CEO. Reflecting its governance responsibilities, the board satisfies itself that the CEO and the leadership team’s actions are in keeping with the direction it sets through receipt of management reports at each board meeting.

More information on how the board had regard to the Section 172 factors		
Section 172 factor	Key examples	Page
The likely consequences of any decision in the long term.	Reinventing bp: Our strategy	15
Interests of employees.	How the board has engaged with shareholders, the workforce and other stakeholders	86
	Sustainability: People and society	57
Fostering the company’s business relationships with suppliers, customers and others.	How we engage with our stakeholders	63
	Sustainability: Business ethics and accountability	61
Impact of operations on the community and the environment.	Managing our environmental impacts	57
	Sustainability: Safety	59-60
Maintaining a reputation for high standards of business conduct.	Role of the board	80
	Sustainability: Business ethics and accountability	61
Acting fairly between members of the company.	How the board has engaged with shareholders, the workforce and other stakeholders	86

## Matters reserved for the board and section 172

### Issue faced and decision taken

#### Establishing a new purpose and strategy for bp

The board approved a new purpose for bp – reimagining energy for people and our planet – and a strategy to transition to an Integrated Energy Company and to meet the net zero ambition set out alongside bp’s purpose.



## Reinvent bp

The board approved a reorganization of bp, retiring the existing model and replacing it with one that is more focused, more integrated and faces the energy transition head on. The reorganization will ultimately see around 10,000 employees leave bp.



## Financial frame and distribution policy

The board approved a new and resilient financial framework, including a coherent approach to capital allocation and a new distribution policy.



In the context of the board's activities during 2020, the table below sets out some examples of board decision making in 2020 and how the directors have performed their duty under Section 172.

### Section 172(1)a) to (f) matters considered, including stakeholder group(s) affected and feedback received

#### Workforce

In town halls and leadership meetings employees wanted to know how bp could do more to step up to the climate challenge and help society deal with these issues. It became clear that employees were seeking even stronger commitments to the climate change agenda by the company.

#### Community and environment

We consulted with communities, NGOs, academics and industry associations – even bringing some of bp's harshest critics into discussions about the future of the company, about environment, social and governance matters and the issues facing the world, drawing on their external expertise, input and challenge.

#### Investors

We talked with investors about their expectations of bp and heard of their desire for bp to continue to deliver operational excellence, to drive higher returns but also to set out a clear medium to long-term vision for a sustainable bp business in light of the energy transition.

#### Fostering business relationships

We received feedback from customers via the bp leadership team, conveying the importance of being able to react rapidly to changing demand.

The board considered the importance of skills evaluation to the delivery of cost reduction and the wider long-term strategic delivery of bp's aims.

They heard feedback from the CEO's 'Keeping Connected' webcasts with the workforce together with responses to bp's 'Pulse' surveys.

#### Considerations

- The wider society context following the impact of COVID-19 and the wider oil industry job losses.
- The importance of putting the safety of employees first.
- Companies should try to provide job assurance and consider the mental health impact of job insecurity.
- bp's reputation for high standards of conduct and the importance of honesty, fairness, and respect in the process.

In considering the proposed financial frame and distribution policy, the board had regard to:

- The resilience of bp's balance sheet for the long term.
- Delivering sustainable value to shareholders.
- The need for bp to invest adequately in the energy transition and low carbon, to support the new ambition and strategy.

### How the board had regard to the feedback in its decision making

All the elements highlighted in Section 172 were central to the discussions as the board evaluated the purpose and strategy options – what are bp's beliefs and what does bp want to be? The discussions encompassed bp's role with respect to its shareholders, employees and society. It considered the value creation opportunities and the importance of leaning into the changing needs of customer demand for convenience and society's demand for renewables and lower carbon energy.

The change in purpose and strategy reflects bp's people's belief that we can create long-term value by helping solve one of society's biggest problems – climate change.

The decision was made with the long-term future and sustainability of bp in mind with clear 2025 targets, 2030 aims and a 2050 goal.

The board supported the reinvention of bp, with the associated headcount reduction that this implied.

Given the feedback received, although the board considered it was the right decision to go ahead, they sought assurances from the executive that:

- The redundancy process was fair, transparent and objective with an environment of honesty, trust and co-operation that put the care and wellbeing of our people at the heart of the process.
- The reduction in the workforce was conducted in a manner which protected bp's safe and reliable operations.
- Support for the life transition that redundancy brings is offered to the relevant employees.
- Discretionary enhanced redundancy terms could be offered.

■ In approving the new distribution policy the directors reflected that there may be some change in bp's investor base as some investors focus more on the short-term direct return that the dividend provides.

■ After considering all the various factors, the board concluded that a resilient dividend intended to remain fixed at 5.25 cents per ordinary share per quarter (subject to the board's decision each quarter), with a commitment to return at least 60% of surplus cash ★ to shareholders through share buybacks (having reached \$35 billion net debt ★ and subject to maintaining a strong investment grade credit rating), was in the best interest of the company, its shareholders as a whole and other stakeholder groups, as it enabled bp to offer sustainable value with increased investment in low carbon and non-oil and gas ventures.

### Independence

Non-executive directors (NEDs) are expected to exercise independent judgement and to be free from any business or other relationship that could materially interfere with it. This independence is crucial in bringing constructive challenge to the CEO and the leadership team at board meetings, while providing support and guidance to promote meaningful discussion and, ultimately, informed and effective decision making.

The board regularly reviews the independence of its NEDs, as advised by the company secretary, and takes action to identify and manage conflicts of interests, including those that may arise from significant shareholdings. This process helps to ensure that the influence of third parties does not compromise or override independent judgement.

Directors are required to provide sufficient information to allow the board to evaluate their independence prior to and following their appointment. As a consequence of regular reviews throughout the year, the board has satisfied itself that there were no matters giving rise to any conflict of interests or which compromised the independence of the NEDs. It has therefore concluded that all bp NEDs are independent.

Professor Dame Ann Dowling continues to serve on the board notwithstanding that she has served beyond nine years as a NED. Following careful consideration, the board believes that Ann continues to provide constructive challenge and robust scrutiny of matters that come before the board and the committee on which she serves. She has only served with the current executive directors for a year and the overall average tenure of the board is below the FTSE 100 average. In addition, in 2018 the board undertook significant refreshment of its composition. Accordingly, the board is satisfied that Ann continues to demonstrate the qualities of independence in carrying out her duties.

### Appointment and time commitment

The chairman, senior independent director and other NEDs each have letters of appointment and do not serve, nor are they employed, in any executive capacity. There is no fixed term limit on a director's service; however, in line with good governance practice, bp proposes all directors for annual re-election by shareholders.

Unlike the chairman's letter of appointment, the NEDs' letters of appointment do not set a fixed time commitment. NEDs are expected to allocate appropriate time to effectively discharge their duties. The time required of NEDs fluctuates depending on the demands of bp business and other events. The COVID-19 pandemic, as well as the oversight by the board of the energy transition and associated workload, required the NEDs to spend considerably more time fulfilling their responsibilities towards bp during 2020, than in previous years. This included NEDs dedicating additional time through regular calls with the leadership team to remain informed and help guide the executive through unprecedented times.

The NEDs' external time commitments are regularly reviewed, ensuring that, even in the exceptional circumstances of a global pandemic, the NEDs are able to allocate appropriate time to bp. The review process is managed by the company secretary, considering NEDs' outside appointments and commitments, including relevant factors such as complexity of company and industry, in particular highly regulated sectors, and issues impacting these other companies. The board has concluded that, notwithstanding the NEDs' other appointments, they are each able to dedicate sufficient time to fulfil their bp duties.

Executive directors are normally permitted to take up one board appointment at an external company, subject to the agreement of the chairman and after consultation with the company secretary. Bernard Looney and Murray Auchincloss each hold one non-executive directorship, shown on page 74. Prior to retiring from the board in June 2020, Brian Gilvary undertook a role as NED of Barclays PLC, in addition to his NED role with L'Air Liquide S.A.. Following consideration, it was concluded that Brian's two external appointments were unlikely to be detrimental to his ability to perform his duties as outgoing CFO.

### Diversity

At a time of significant change across the sector, and with bp transitioning to become an Integrated Energy Company, diversity of thought is as important as ever.

Our purpose, to reimagine energy for people and our planet, can only be achieved through collaboration, innovation and constructive

challenge that derives from having a diverse and inclusive workplace. The board understands and advocates that better decisions and outcomes are achieved when different people, with differences of opinions, from different backgrounds, come together with a common ambition.

We recognize that diversity can take many forms, whether it be gender, social or ethnic backgrounds, personal identities, age, religion, physical abilities and more. All of which promote diversity of thought and reduce the risk of group think. The board has, and continues to have, regard to all these forms of diversity in respect of its processes including both its appointments and succession plans.

The board and leadership team believe in leading by example and are pleased to have met the Hampton-Alexander and Parker review targets for 2021.

At the end of 2020 the board comprised five female directors, representing 45% of the board (2019 42%, 2018 35%).

- Karen Richardson and Johannes Teyssen joined the board on 1 January 2021.
- Dame Alison Carnwath stepped down from the board on 14 January 2021.
- As previously announced, Brendan Nelson will be stepping down from the board at the conclusion of the 2021 AGM.
- The board is pleased that Tushar Morzaria, a Ugandan-born British national, joined in September 2020. He will succeed Brendan Nelson as audit committee chair following the 2021 AGM.

Our senior management, as defined by the Corporate Governance Code 2018, and their direct reports comprise 43% women (2019 38%) and 25% Black, Asian and minority ethnic (BAME) individuals (2019 18%).

While bp continues to benefit from the wide array of perspective and vision in decision-making processes and the company culture continues to strengthen through mitigation of group think, bp will continue to strive for increased diversity across its workforce, leadership team and board.

For more information on our workforce diversity and inclusion see page 57.



**Attendance**

	Board		Audit committee		Safety and sustainability committee		Remuneration committee		Geopolitical committee		People and Governance committee	
	A	B	A	B	A	B	A	B	A	B	A	B
<b>Non-executive directors</b>												
Helge Lund	10●	10●									7●	7●
Nils Andersen	3	2			2	2	4	4	1	1	3	3
Dame Alison Carnwath	10	10	10	10								
Pamela Daley	10	9	10	9			9	7				
Sir Ian Davis	10	9					9	7	3	2	7	7
Professor Dame Ann Dowling	10	9			6	6						
Melody Meyer	10	10			6●	6●	5	5	3	3		
Tushar Morzaria	3	3	3	3								
Brendan Nelson	10	10	10●	10●			9	8			7	6
Paula Reynolds	10	10	10	10			9●	9●			7	7
Sir John Sawers	10	10			6	6			3●	3●	7	7
<b>Executive directors</b>												
Murray Auchincloss	5	5										
Bob Dudley	2	2										
Brian Gilvary	5	5										
Bernard Looney	8	8										

A Possible meetings   B Attended meetings   ● Chair of board/committee

# How the board has engaged with shareholders, the workforce and other stakeholders

## Institutional investors

We regularly engage with our institutional shareholders through an active investor relations programme. COVID-19 has meant that this engagement had to move online for the majority of 2020. The pinnacle of this virtual engagement was bp week in September 2020, led by Bernard Looney and members of his leadership team. The team innovatively engaged with shareholders giving detailed insights into bp's new strategy and the 2025 and 2030 targets and aims. This engagement was also deliberately structured to allow for the increasingly important ESG constituency to be consulted in determining the targets and aims, including the overlay of the new sustainability frame in support of the new strategy.

The board receives feedback from shareholders in many ways, particularly through the chairman and leadership team who meet with investors throughout the year. Numerous one-to-one meetings with major institutional investors and proxy advisory groups were hosted by the chairman in 2020. These engagements generated much insightful feedback which was shared with other board members and committees with due regard being given to these views. A similar programme of engagement on matters relating to the 2020 directors' remuneration policy that was approved by shareholders at the AGM was undertaken during the year, led by the chair of the remuneration committee and senior independent director, Paula Reynolds. More details about this engagement are set out in the 2020 directors' remuneration report on page 103.

## Retail investors

In May we held our annual event for retail investors in conjunction with the UK Shareholders' Association (UKSA) and the UK Individual Shareholders Society. For the first time this event was held virtually. The chairman, company secretary and head of investor relations gave presentations on bp's annual results, strategy and the work of the board. Shareholders' questions were primarily focused on bp's response to the COVID-19 pandemic, bp's sustainability strategy and financial performance.

## AGM

In common with the practice adopted by many UK quoted companies, the 2020 AGM was held as a 'closed' meeting, with a minimum quorum present, in line with government rules at the time. Shareholders were invited to submit questions to the board before the meeting, all of which were addressed, and the event was broadcast live via webcast on bp.com.

As expected, voting levels saw a slight decrease with the pandemic and stay-at-home orders disrupting shareholder voting. The overall turnout was 62.1% of the total voting rights, including votes cast as withheld, compared to 67.1% in 2019 and 67.3% in 2018. All resolutions passed at the meeting in line with the board's recommendations.

At the date of this report, measures put in place by the UK government in response to the COVID-19 pandemic preclude bp from holding an AGM in person. In these exceptional circumstances, bp's 2021 AGM is planned to be a hybrid meeting. Shareholders will not be permitted to attend the meeting in person, but will be able to participate via bp's electronic meeting platform.

The board will continue to monitor developments in UK government guidance relating to the COVID-19 situation. If circumstances change materially before the date of the AGM, the board may decide to adapt proposed arrangements.

## Shareholder engagement cycle 2020

- |           |  |
|-----------|--|
| <b>Q1</b> | <ul style="list-style-type: none"><li>■ Fourth quarter and full-year 2019 results and strategy update</li><li>■ Ambition launch</li><li>■ Investor roadshows with the leadership team post the ambition launch</li><li>■ <i>bp Annual Report and Form 20-F 2019</i></li><li>■ <i>bp Sustainability Report 2019</i></li></ul>   |
| <b>Q2</b> | <ul style="list-style-type: none"><li>■ First quarter 2020 results presentation</li><li>■ Investor roadshows with executive management following first quarter 2020 results</li><li>■ UKSA (retail shareholders') meeting with the chairman</li><li>■ Other institutional shareholder engagement with the chairman</li><li>■ 2020 AGM</li><li>■ <i>bp Statistical Review of World Energy</i></li></ul> |
| <b>Q3</b> | <ul style="list-style-type: none"><li>■ Second quarter 2020 results and strategy presentation</li><li>■ Investor roadshows with executive management follow second quarter 2020 results and strategy</li><li>■ Capital markets event – 'bp week'</li><li>■ bp Energy Outlook presentation</li><li>■ Investor roadshows with the bp leadership team – capital markets event</li></ul>                   |
| <b>Q4</b> | <ul style="list-style-type: none"><li>■ Third quarter 2020 results presentation</li><li>■ Investor roadshows with the bp leadership team following third quarter 2020 results</li></ul>  |

## Workforce

### 2020 engagement

We believe an engaged workforce is critical to us successfully delivering our strategy.

When we talk about bp's workforce, we include a wide range of employees, contractors, agency and remote workers across all of our geographical locations.

The board is responsible for overseeing and monitoring bp's culture and its values. This extends to putting in place mechanisms allowing for workforce views to be reflected in board discussion and decision making, complementing existing mechanisms that are established by the leadership team.

Such measures include employees being informed on matters of concern to them through bp's intranet and local sites, social media channels, town halls, site visits and webinars including topics such as quarterly results, strategy, the low carbon transition and diversity.

We also have a number of employee-led forums and business resource groups (BRGs) and aim to build constructive relationships with labour unions formally representing some employees. Employees are consulted on a regular basis through regular team and one-to-one meetings and through our annual 'Pulse' survey.

The board believes that the approaches and mechanisms described under Site visits, below, enabled effective engagement opportunities with the bp workforce.

The board is satisfied that during 2020, these were effective alternatives to the proposed workforce engagement methods set out in Provision 5 of the UK Corporate Governance Code (the Code).

### Future of workforce engagement

As part of its broader review of bp's corporate governance framework, the board discussed whether its current approach to workforce engagement continues to be the most effective mechanism to inform its discussions and the decisions that it takes.

Building on the experience that we have had, and the innovative approaches that were taken to workforce engagement through 2020, the board has sought to create a more rigorous framework so that there is clear channel through which the insights emerging from this engagement process will be consolidated and considered in board discussions and decision making. The board also considered the significant changes to the workforce following reinvent bp and bp's wide geographic spread and size. Taking all these factors into account, the board concluded that for 2021 workforce engagement is best overseen by the newly constituted people and governance committee.

A regular programme of engagement has been developed. Some sessions have a specific engagement purpose while others will simply be an open opportunity to hear views, interests, ideas and concerns. It is intended that a number of these sessions will have no line managers to allow for an unconstrained exchange of views. Engagement locations will be varied across our global operations. Alongside this programme, the 'Pulse' surveys, bp 'Keeping Connected' sessions, site visits (even if virtual) and the chairman's programme of attendance at selected small team sessions will continue.

The board believes the existing approaches and mechanisms described above enable comprehensive two-way engagement opportunities with bp's workforce, and as such, is satisfied that these are effective alternatives to the proposed workforce engagement methods set out in Provision 5 of the Code.

Looking beyond 2021 the board will continue to assess the effectiveness of its engagement with the workforce and how ultimately this informs the decisions that it takes, including the options provided for in the Code, for example appointing a director from the workforce.

### Virtual engagements

During 2020 restrictions associated with COVID-19 disrupted planned opportunities for the board to engage with the bp workforce in person. As a result, most engagements were conducted virtually.

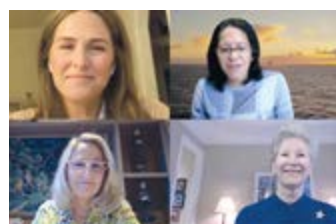
### Virtual site visits



The audit committee conducted a virtual visit and tour of bp's trading floors in London and Houston and a majority of our non-executive directors attended a virtual visit of bpx energy's Permian assets, led by the safety, environment and security assurance committee. During these visits, directors heard directly from the workforce regarding their perceptions of bp's new strategy and how these businesses planned to implement it, as well as deepening their understanding of businesses and functions within bp.

### Business resource groups and focus groups

Non-executive directors engaged virtually with employees in BRGs and focus groups throughout the year, including virtual events organized by the Women in Wells, Future Talent and One Young World alumni forums. Through these engagements the directors heard directly from employees on a range of topics, including bp's new purpose and strategy, employee sentiment – particularly during the reorganization of bp – the impact of COVID-19 on operations and wellbeing, diversity and career progression.



### CEO 'Keeping Connected' webcasts



Our CEO Bernard Looney hosted a series of webcasts featuring guests from across the organization to discuss a range of topics throughout the year, including bp's new purpose, safety, mental health, and reinventing bp. Helge Lund, chairman of the board, joined the CEO as a speaker on two of these webcasts and non-executive directors were also invited to listen in.

**>12,500**  
average viewers  
per webcast



# Governance framework

We completely redesigned the bp corporate governance framework in 2020, to more closely align with bp's new purpose – reimagining energy for people and our planet – as well as our new strategy. The framework defines the board's role, to promote the long-term sustainable success of the company, generating value for its shareholders while having regard to its other stakeholders, the impact of its operations on the communities within which it operates and the environment.

The review had three main strands:

## 1. The role and purpose of the board

The bp board believes that in order for governance to be effective it needs to have a regular review process across purpose, strategy, culture and values, while maintaining oversight of performance. Clearly defined terms of reference for the board were established together with a roadmap of activity that reflects those issues the board consider most important.

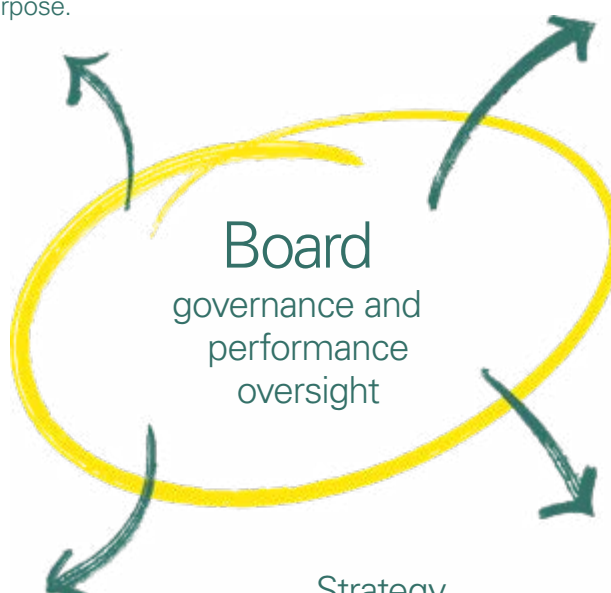
The board terms of reference identify certain matters that are considered to be of such materiality at a group level that they are reserved for approval by the whole board and cannot be delegated. The matters reserved include, among others, certain investments, entry into new countries, changes to the company's capital structure, distributions and bp's code of conduct. The full list is available on [bp.com/governance](https://bp.com/governance).

## Purpose

- Considers bp's purpose, which underpins its decision making.
- Monitors whether bp's strategy, values and culture remain in line with that purpose.

## Values

- The board monitors bp's values, ensuring that they are appropriate as the leadership team focuses on the execution of the new strategy.



## Culture

- Reviews the ambition and aims of the people plan and in so doing assesses and monitors any impact on culture so as to satisfy itself that bp's purpose, strategy and values continue to be aligned with its culture.
- Through the people and governance committee, reviews work on bp's ways of working (including integration, agility, wellbeing, workplace, inclusion and digital).

## Strategy

- Receives regular updates to test that the strategy and strategic direction established by the board continue to be the right approach for the long-term sustainable success of bp in line with its purpose.
- Approves the annual plan and regularly monitors that it is aligned with the approved strategy, including reviewing business development, investment effectiveness and capita allocation.
- Conducts deep dives across each of the business groups and key strategic areas.
- Receives regular updates on progress towards the aims and objectives in the sustainability frame.

## 2. Committees

A review of the board committees looking at their purpose, scope and authority with a focus on:

- Fit with the strategic direction of the bp board.
- Risk and allocation of the review of risk.
- Alignment with the new leadership structure to give clear oversight.

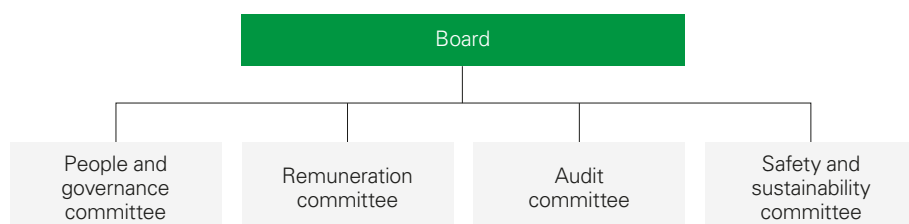
The new committee structure under the board is depicted in the diagram (right) and described below.

- The nomination and governance committee was renamed the people and governance committee to reflect its wider remit in covering workforce engagement, wellbeing and talent management.
- The safety, environment and security assurance committee was renamed the safety and sustainability committee. Its remit has been widened to include monitoring the effectiveness of implementation of bp's sustainability frame, see page 48. This is an important step in light of bp's new purpose and ambition.
- The other permanent committees – remuneration and audit – will remain. The results committee (comprising the chairman, CEO and chief financial officer (CFO)) also remains with delegated authority from the board to approve and authorize the release of the periodic financial statements and dividend announcements.
- The geopolitical committee has been replaced by a geopolitical advisory council rather than a board committee. It is attended by members of the board and the executive together with advisors who give a wider external view. The geopolitical highest priority risk is overseen at the board.

Each of the four permanent committees has new terms of reference, adopted from 1 January 2021, to set out their role and responsibilities in a clear mandate, which can be found on [bp.com/governance](https://bp.com/governance).

The board will continue to review its framework annually to satisfy itself that it continues to be best aligned to bp's purpose and strategy.

## Board and board committee structure



## 3. New ways of working

The board's corporate governance review extended to documenting the responsibilities of the chairman, the CEO and the senior independent director so that their respective roles are clear both internally and to our external stakeholders. These are available on [bp.com/governance](https://bp.com/governance).

The board delegates day-to-day management of the business of the company to the CEO. This includes accountability to oversee the implementation of a comprehensive system of internal controls that are designed to, among other things, identify and manage the risks that are material to bp.

The board continues to perform its oversight role and monitor bp's performance. This responsibility extends to monitoring bp's management and operations and obtaining assurance about the delivery of its strategy, and to oversee bp's internal control and risk management frameworks. The chairman holds meetings without executive directors present at the start or end of board meetings.

The CEO is responsible for maintaining a dialogue with the chairman and the board on important and strategic issues facing bp. Strategic opportunities or issues which may arise, or which are on the CEO's mind, are discussed at board meetings and the CEO welcomes constructive challenge from non-executive directors in light of their wider experience outside bp.

The changes to bp's purpose and strategy this year and bp's journey towards becoming an Integrated Energy Company have given rise to the need for greater visibility on the decision-making criteria for capital expenditure and new business transactions. Accordingly, the board spends time examining and discussing the impact of portfolio changes such as strategic acquisitions and the allocation of capital, along with the annual plan, in order to gain a clear understanding of the methodology of capital allocation.

The board reviews capital investments that are more than \$3 billion for resilient hydrocarbons, more than \$1 billion for all transition or low carbon investments and, in addition, any significant inorganic acquisition that is exceptional or unique in nature.

Clear information flows have been established between the board and the leadership team. This allows greater time at board meetings to focus on strategic and people topics, enabling a fuller understanding and quality discussion of the challenges to deliver our new strategy.

# Learning, development and induction

The developmental needs of the board as a whole and for individual directors are regularly reviewed, so as to ensure that the board and individual effectiveness to board discussion and decision making are maximized. A formal and comprehensive induction is provided to all directors following their appointment. This includes meetings with management, technical briefings and site visits.

## Board induction programme

Tushar Morzaria, appointed on 1 September 2020, undertook a tailored and robust induction against the challenging backdrop of COVID-19.

The programme was adapted to accommodate the inability to participate in physical meetings and site visits. Digital solutions were therefore deployed to facilitate Tushar's induction.

Tushar looks forward to continuing his introduction to bp's operations and learning more about the business and its people.

The programme included meetings with a wide range of senior management within bp, the external auditor and other key advisors. A selection of these and the areas of focus are outlined below.



Area	Provided by	Key topics covered
Board and governance	<ul style="list-style-type: none"> <li>Helge Lund, chairman</li> <li>Ben Mathews, group company secretary</li> </ul>	<ul style="list-style-type: none"> <li>Overview of board and committee matters.</li> <li>Priority areas for the board.</li> <li>Governance framework.</li> <li>Corporate structure.</li> </ul>
Audit committee	<ul style="list-style-type: none"> <li>Brendan Nelson, chair of the audit committee</li> <li>Jayne Hodgson, SVP, accounting, reporting, control</li> <li>David Jardine, SVP internal audit</li> <li>Doug King, Deloitte (external audit partner)</li> </ul>	<ul style="list-style-type: none"> <li>Priority areas for the committee, including committee chair succession.</li> <li>bp's financial position.</li> <li>Financial reporting framework and quarterly results close cycle.</li> <li>Internal audit reports.</li> <li>External audit and quarterly review reports.</li> </ul>
Strategy and sustainability	<ul style="list-style-type: none"> <li>Giulia Chierchia, EVP strategy &amp; sustainability</li> </ul>	<ul style="list-style-type: none"> <li>bp's new strategy and sustainability focus.</li> </ul>
Legal	<ul style="list-style-type: none"> <li>Eric Nitcher, EVP legal</li> </ul>	<ul style="list-style-type: none"> <li>Overview of legal matters, including material litigation.</li> </ul>
Treasury	<ul style="list-style-type: none"> <li>Kate Thomson, SVP treasury</li> </ul>	<ul style="list-style-type: none"> <li>Overview of treasury matters and liquidity risk management.</li> </ul>

# Board evaluation

Each year bp completes a formal and rigorous annual evaluation of the performance of the board, its committees, the chairman and individual directors.

There is also a triennial requirement for this evaluation to be externally facilitated which will next fall due in 2021.

The 2019 board evaluation highlighted three specific areas for action in 2020:

Focus area	Action taken
Review the skills, experience and diversity of the board, and the process for executive succession planning and talent management and development.	<p>The board skills matrix was used to focus NED recruitment and we have successfully recruited three NEDs with strong experience in areas which will complement and support bp's new strategy and provide diversity of thought.</p> <p>The board, through the former nomination and governance committee, heard regular updates on the selection process and criteria for the bp leadership team and the next layer of leadership with a focus on building a future succession pipeline and the skills needed to drive the execution of bp's new strategy.</p>
Satisfy itself that every member of the board has a deeper understanding of the board's role in determining bp's capital allocation process and in enabling more effective decision making.	The board and leadership team have developed a process for greater visibility of capital allocation at the board and evaluated the methodology of capital allocation. Capital allocation above agreed thresholds is now a matter reserved for the board.
Redesign bp's corporate governance framework, reinforcing the effectiveness of this control framework so that it is more closely aligned with bp's new purpose and strategy.	The board governance framework and ways of working were redesigned, details of which can be found on page 88.

The 2020 board evaluation was an internal review. The chairman spoke with each director individually. The company secretary facilitated a theme-based review including, among other matters, portfolio management, the impact of the new board agenda, the evolution of bp's purpose, strategy and values, stakeholder engagement and people matters. The review also looked at the composition and diversity of the board and how effectively the directors work together.

In early 2021, the board held a special meeting to discuss the feedback, focusing on strategic and operational oversight, board development and maintaining a dynamic and flexible approach to board and committee agendas. An action plan for areas of focus was agreed.

Following this meeting, the senior independent director led a meeting with the non-executive directors without the chairman present to appraise his performance. The directors expressed their strong support for the continued leadership shown by the chairman.



# People and governance committee



// The committee focused on identifying candidates who would enhance the strategic discussion in the boardroom and add to the diversity, skills and experience required as bp transitions to an IEC. //

**Helge Lund**  
Committee chair

## Committee overview

### Role of the committee

The people and governance committee (previously called the nomination and governance committee, until 31 December 2020) seeks to ensure an orderly succession of candidates for directors, the company secretary and senior executives and oversees corporate governance matters for the group.

### Key responsibilities

- Identify, evaluate and recommend candidates for appointment or reappointment as directors.
- Identify, evaluate and recommend candidates for appointment as company secretary.
- Review the mix of knowledge, skills, experience and diversity of the board for the orderly succession of directors.
- Review the outside directorships/commitments of the non-executive directors (NEDs).
- Review developments in law, regulation and best practice relating to corporate governance and make recommendations to the board on appropriate action, including on environmental, social and governance matters.

### Meetings and attendance

The committee met seven times in 2020. All members attended each meeting with the exception of Brendan Nelson who missed one meeting owing to a prior commitment.

### Membership

Helge Lund	Member since July 2018 and chair since September 2018
Sir Ian Davis	Member (resigned December 2020)
Nils Andersen	Member (resigned March 2020)
Brendan Nelson	Member
Paula Reynolds	Member
Sir John Sawers	Member

## Chair's introduction

I am pleased to present my report as chair of the people and governance committee.

During 2020, the committee reviewed the composition of the board and, with the new purpose and strategy in mind, focused on identifying candidates who would enhance the strategic discussion in the boardroom and add to the diversity, skills and experience required as bp transitions to an Integrated Energy Company.

We discussed and guided the development of the new board governance framework to satisfy ourselves that bp continues to maintain the highest standards of governance and we reviewed bp's workforce engagement mechanism options in order to make a clear recommendation to the board. As part of the governance review, the committee was renamed as the people and governance committee with effect from 1 January 2021 to reflect its wider remit in covering workforce engagement, wellbeing and talent management.

Looking to 2021, the committee agenda has been restructured to cover four matters: talent and capability, diversity and inclusion, engagement and culture and governance. Under that umbrella, we will oversee workforce engagement, engage an external provider for board effectiveness and continue to look at succession, leadership, talent, diversity and culture matters.

**Helge Lund**  
Committee chair

## Activities during the year

Reflecting its role in respect of board succession planning, early in 2020, the committee's priority was to identify new non-executive directors to succeed two of the longer-serving members of the board – Sir Ian Davis and Brendan Nelson.

Candidates were sought with the technical and professional skills to take on certain committee responsibilities, including in particular the chairmanship of the audit committee, plus also candidates who would be able to support the chair of the board as the senior independent director.

These characteristics were broadened so as to identify candidates who would also enhance the strategic discussion in the boardroom. External headhunters were engaged to support the process and identify candidates. These headhunters had no other connection to the company or its directors during the year.

The search process led to the appointment of Tushar Morzaria in September 2020 and, from among the existing board members, Paula Reynolds as the senior independent director.

Each of these appointments was considered to fulfil the search criteria, including the succession of the audit committee chairmanship.

The committee also agreed new search categories for other NED candidates, broadly covering the areas of digital/technology and energy, reflecting the strategic shift of bp to become an Integrated Energy Company and the dependency on digital as an enabler to transform companies. Karen Richardson and Johannes Teyssen together bring extensive financial, technological, transformation and energy industry experience to the board.

Planning for new board members to help ensure a strong focus on strategic execution, safety and sustainability and connectivity to bp's core businesses and markets continues.

Committee meetings in 2020 included updates and discussions on the redesign of bp's corporate governance framework, more details of which are set out on page 88.

The committee received regular updates and challenged management on the reinvent bp proposals including the scale of the redundancies, the methodology associated with the selection process and details of the process controls and management of change to satisfy itself that safety would be maintained and a respectful process completed.

The committee heard detailed considerations on the workforce engagement mechanism options and discussed the benefits and issues of each option presented in order to make a recommendation to the board for 2021.

## Skills matrix

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

# Audit committee



// The committee was particularly focused on the impacts of bp's reorganization and the COVID-19 pandemic on financial performance, the financial control environment and resilience. //

**Brendan Nelson**  
Committee chair

## Committee overview

### Role of the committee

The committee monitors the effectiveness of the group's financial reporting (including reporting on the financial aspects of climate matters), systems of internal control and risk management and the integrity of the group's external and internal audit processes.

### Key responsibilities during 2020

- Monitoring and obtaining assurance that the process to identify, manage and mitigate principal and emerging financial risks are appropriately addressed by the CEO and that the system of internal control is designed and implemented effectively in support of the limits imposed by the board ('executive limitations').
- Overseeing 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.
- Reviewing the effectiveness of the internal audit function, bp's internal financial controls and systems of internal control and risk management.
- Reviewing financial statements and other financial disclosures and monitoring compliance with relevant legal and listing requirements.
- Reviewing the systems in place to enable those who work for bp to raise concerns about possible improprieties in financial reporting or other issues and for those matters to be investigated.

### Meetings and attendance

There were 10 committee meetings in 2020. All members attended each meeting with the exception of Pamela Daley who was absent from the March meeting owing to prior commitments. Regular attendees at the meetings include the chief financial officer, SVP accounting reporting control, SVP internal audit, EVP legal and external auditor.

### Membership

Brendan Nelson	Member since November 2010 and chair since April 2011
Dame Alison Carnwath	Member (resigned from the board in January 2021)
Pamela Daley	Member
Paula Reynolds	Member
Tushar Morzaria	Member since September 2020 (chair-designate)

Brendan Nelson is chair of the audit committee. See page 76 for his biography. The board is satisfied that he is the audit committee member with recent and relevant financial experience as outlined in the UK Corporate Governance Code and competence in accounting and auditing as required by the FCA's Corporate Governance Rules in DTR7. 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 also determined that the audit committee meets the independence criteria provisions of Rule 10A-3 of the US Securities Exchange Act of 1934 and that Brendan may be regarded as an audit committee financial expert as defined in Item 16A of Form 20-F.

## Chair's introduction

I am pleased to introduce the report on the audit committee's activities during the year. During the year, the committee has continued to assist the board in fulfilling its oversight responsibilities, by monitoring the integrity of the group's financial reporting and risk management systems, and also by challenging management and external auditors across a number of key areas of focus, including key accounting judgements and control issues.

In addition to the routine committee agenda for the year, the committee was particularly focused on the impacts of bp's reorganization and the COVID-19 pandemic on financial performance, the financial control environment and resilience.

I welcome the addition of Tushar Morzaria to the committee from September 2020. His broad financial experience is immensely beneficial to the committee and bp. Following year end, Dame Alison Carnwath stepped down from the committee and the board. I would like to thank her for her diligent contribution to the committee over the years.

This is my last report as chair of the audit committee. I would like to thank my board and committee colleagues, as well as management, for the open, challenging and constructive nature of discussions we have conducted during my tenure. As I hand over the committee chair to Tushar in May 2021, I remain confident that bp is well-positioned for continued resilience and success.

**Brendan Nelson**  
Committee chair

## Activities during the year

### How the committee reviewed financial disclosure

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

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

As part of its review, the committee received regular updates from management and the external auditor in relation to accounting judgements and estimates, including those relating to recoverability of asset carrying values. The committee keeps under review the frequency of results reporting during the year.

In considering the *bp Annual Report and Form 20-F*, the committee assessed whether the report was fair, balanced and understandable and also whether it provided the information necessary for shareholders to assess the group's position and performance, business model and strategy. In making this assessment, the committee examined disclosures during the year, discussed the requirement with senior management, confirmed that representations to the external auditors had been evidenced and reviewed reports relating to internal control over financial reporting. The committee made a recommendation to the board, who in turn reviewed the report as a whole, confirmed the assessment and approved the report's publication.

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

The committee was briefed on a quarterly basis in 2020 on the group's key accounting judgements and estimates. The primary areas of judgement and estimation which were considered by the committee are set out below. These areas were discussed with management and the external auditor throughout the year and during the preparation of these financial statements. The committee is satisfied that the financial statements appropriately address the key accounting judgements and estimates both in respect of the amounts reported and disclosures made.

During the year, the committee also considered and approved a change to bp's accounting policy relating to physically settled commodity contracts, with effect from 1 January 2021.

The committee's process for considering key accounting judgements and estimates included an assessment of matters at various stages during the year. This primarily included the key accounting judgements and estimates set out on pages 98 and 99. The committee also considered and addressed key accounting estimates and judgements relating to provisions, pensions and other post-retirement benefits, and supplier financing arrangements via briefings and review of the group's assumptions. See Notes 23, 24 and 29 respectively for further information.



## Corporate governance continued

### How risks were reviewed

The principal risks allocated to the audit committee for monitoring in 2020 included those associated with:

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

In reviewing this risk, the committee focused on external market developments and how bp's trading function had responded to a rapidly changing environment, including enhancing its control environment policies to strengthen its compliance and control culture. The committee further considered updates in the trading and shipping function's risk management programme, including compliance with regulatory developments, activities in response to cyber threats, and efficiencies derived from more collaborative ways of working across group functions and businesses and the use of digital technologies. The committee also considered the impact of COVID-19 on operations and the control environment associated with trading activities, with particular reference to operational considerations associated with increased remote working.

### Compliance with business and regulations:

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

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

**Cyber security risk:** including inappropriate access to or misuse of information and systems and disruption of business activity.

The committee reviewed ongoing developments in the cyber security landscape, including events in the oil and gas industry and within bp itself. The review focused on a strengthened approach in order to manage the ever-increasing threat of cyber risk and maintain cyber security, as the focus on a digital transformation across bp continues.

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

The committee reviewed the key assumptions and underlying judgements used to manage the group's liquidity and capital investments (including appraisal, effectiveness and efficiency).

### How other reviews were undertaken

Other reviews undertaken in 2020 by the committee included the following, and in each case where the committee received segment and function reviews, each reported on strategy, performance, capability and risk management as well as on their first, second and third lines of defence policies as appropriate:

- Information technology and services: including the functions performance, strategy and optimization of core services to enable the digitization and modernization of bp at pace.
- bp ventures and Launchpad: including the purpose, capabilities, operating model, governance and performance of these entities.
- Reinvent bp programme: including a review of programme milestones and risks, as well as business continuity and management of change.
- Tax: including strategy, performance, key drivers of the group's effective tax rate, the global indirect tax environment, the tax modernization programme and the evolving approach to management of key risks. The committee also reviewed bp's tax transparency report.
- Internal audit functional review: including a five-year plan for the function in a reinvented bp.
- Trading and shipping: including strategy, performance, capability and risk management.
- Effectiveness of investment: annual review of performance of projects with sanctioned capital over a certain threshold.
- Internal controls: assessments of management's plans to remediate the external auditor's control findings.

### How internal control and risk management was assessed

#### Internal audit

The committee received quarterly reports on the findings of internal audit in 2020, including their assessment of issues raised in previous years, especially those relating to IT access controls. The committee also received a report from internal audit on their annual review of the system of internal control and risk management. The committee met privately with the SVP, internal audit and key members of his leadership team. The committee continued to monitor and review the effectiveness and capabilities of internal audit during the year. During the year, the committee received a report on the findings of an assessment conducted by internal audit of its conformance with the Internal Audit Code of Practice which was published in January 2020. The committee noted that internal audit conforms with the vast majority of recommendations set out in the code. Actions to achieve full conformance with the code were also noted.

#### Training and briefings

The committee considered market updates and developments throughout the year. This included technical accounting updates from the SVP accounting reporting control on developments in financial reporting and accounting policy, as well as on accounting and disclosure changes that would be introduced as a result of the reorganization of the group. The committee also received briefings on specific topics, including non-operated joint ventures, and data analytics used by the external auditor.

#### Site visit during the year

In October 2020, the committee conducted a virtual visit of the trading & shipping function, including virtual presentations from the trading floor, covering low carbon trading, global power and global crude. Key areas of discussion during this site visit included the impacts of oil price volatility, COVID-19 and the reinvent bp programme on the business and its operations during 2020.

### FRC thematic review

The *bp Annual Report and Form 20-F 2019* was included in the FRC's sample for its limited scope thematic review on reporting on the impact of climate change. bp subsequently received a letter request for information from the FRC's Corporate Reporting Review team. The audit committee considered the letter and bp's detailed response thereto, which enabled the FRC to close its enquiries. The committee notes the further enhancements made to disclosures in relation to climate change and the energy transition in this annual report.

An FRC review provides no assurance that bp's Annual Report 2019 was correct in all material respects. The FRC's role was not to verify the information provided but to consider compliance with reporting requirements. Its letters are written on the basis that the FRC (which includes the FRC's officers, employees and agents) accepts no liability for reliance on them by bp or any third party, including but not limited to investors and shareholders.

### External audit

#### How the committee assessed audit risk

The external auditor set out its audit plan for 2020, identifying significant audit risks to be addressed during the course of the audit. These included:

- Impairment of upstream oil and gas property, plant and equipment.
- Impairment of exploration and appraisal assets.
- Accounting for structured commodity transactions.
- Valuation of level 3 instruments in trading and shipping revenue recognition.
- Management override of controls.

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

#### 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 \$54 million (2019 \$49 million), of which 1.9% 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 assurance fees were \$1 million (2019 \$1 million). Non-audit or non-audit related services consisted of other assurance services.

#### How the committee assessed audit effectiveness

Management undertook a survey which comprised questions across the following:

- (i) The main criteria to measure the auditor's performance were:
  - Robustness of the audit process
  - Independence and objectivity
  - Quality of delivery
  - Quality of people and service
- (ii) bp's commitment to the audit; and
- (iii) Aligned audit approach – which sought to measure progress against the commitments from the audit tender.

Year on year, the overall score from the survey increased by +3%. Improvements were seen across audit effectiveness and service quality, including a number areas of focus that had been identified in the previous survey.

The committee also held private meetings with the external auditor during the year and the committee chair met separately with the external auditor and group head of audit at least quarterly.

The effectiveness of the external auditor is evaluated by the audit committee. The committee assessed the auditor's approach to providing audit services. On the basis of such assessment, 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 where appropriate.

#### How the auditor reappointment and independence was 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 and 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.

#### 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 is safeguarded through the prohibition of non-audit tax services 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) and 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 327.

# Corporate governance continued

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

Key judgements and estimates in financial report	Audit committee activity	Conclusions/outcomes
<p><b>Exploration and appraisal intangible assets</b></p> <p>bp uses technical and commercial judgements when accounting for oil and gas exploration, appraisal and development expenditure.</p> <p>Judgement is required to determine whether it is appropriate to continue to carry intangible assets related to exploration costs on the balance sheet.</p>	<ul style="list-style-type: none"> <li>Judgemental aspects of oil and gas accounting are reviewed routinely in bp's quarterly due diligence process.</li> <li>Received the output of management's annual intangible asset certification process used to verify that accounting criteria to continue to carry the exploration intangible balance are met.</li> </ul>	<ul style="list-style-type: none"> <li>Significant exploration write-offs were recognized during the year (as disclosed in Note 8).</li> <li>Exploration intangibles totalled \$4.1 billion at 31 December 2020.</li> </ul>
<p><b>Recoverability of asset carrying values</b></p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>Reviewed policy and guidelines for compliance with oil and gas reserves disclosure regulation, including the group's reserves governance framework and controls.</li> <li>Reviewed the group's oil and gas price assumptions.</li> <li>Reviewed the group's discount rates for impairment testing purposes.</li> <li>Upstream impairment charges, reversals and 'watch-list' items were reviewed as part of the quarterly due diligence process.</li> </ul>	<ul style="list-style-type: none"> <li>The group's price assumption for Brent ★ oil and for Henry Hub ★ gas were revised downward and the period covered extended to 2050 as set out on page 28 and Note 1.</li> <li>Sensitivity analyses estimating the effect of changes in revenue and discount rate assumptions have been disclosed in Note 1.</li> <li>Significant impairments were recorded in the year as a result of the lower price assumptions as disclosed in Note 4.</li> <li>Headroom on goodwill balances was reduced (see Note 14 for further information).</li> </ul>
<p><b>Impact of climate change and the energy transition</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>Reviewed management's best estimate of oil and natural gas price assumptions for value-in-use impairment testing.</li> <li>Reviewed management's assessment of recoverability of exploration intangibles.</li> <li>Received briefings on decommissioning provisions.</li> </ul>	<ul style="list-style-type: none"> <li>Management's revised best estimate of oil and natural gas prices are broadly in line with a range of transition paths consistent with the goals of the Paris climate change agreement.</li> <li>Exploration write-offs were recognized as a result of revised expectations to extract value from certain exploration prospects (see Note 8 for further information).</li> <li>Reasonable changes in the expected timing of decommissioning do not have a significant impact on the associated provisions.</li> </ul>

## Key judgements and estimates in financial report



## Audit committee activity



## Conclusions/outcomes



### Impact of COVID-19

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

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

- bp continues to be resilient despite current economic conditions. The committee is satisfied with management's assessment that the group will continue to operate as a going concern for at least 12 months from the date of approval of the financial statements.
- Material impairment charges and exploration write-offs were recognized in the Upstream segment as a consequence of price assumption changes. See Note 1 for further information.

### Investment in Rosneft

Judgement is required in assessing the level of control or influence over another entity in which the group holds an interest. bp uses the equity method of accounting for its investment in Rosneft and bp's share of Rosneft'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 19.75% interest in Rosneft continues to be dependent on the judgement that bp has significant influence over Rosneft.

- Reviewed the judgement on whether the group continues to have significant influence over Rosneft.
- Considered IFRS guidance on evidence of participation in policy-making processes.
- Received reports from management which assessed the extent of significant influence, including bp's participation in decision making.

- bp's CEO, Bernard Looney, was appointed to the Rosneft board of directors in June 2020.
- bp has retained significant influence over Rosneft throughout 2020 as defined by IFRS. See Note 1 for further information.

### Derivatives

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

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

- bp considers that contracts to buy or sell LNG do not meet the definition of a derivative under IFRS. bp has assets and liabilities of \$6.4 and \$5.3 billion respectively, recognized on the balance sheet for level 3 derivative financial instruments at 31 December 2020 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 30.



# Safety and sustainability committee



// The committee continued to work with the bp leadership team to promote safe and reliable operations. //

**Melody Meyer**  
Committee chair

## Committee overview

### Role of the committee

The role of the safety and sustainability committee (SASC) (previously called the safety, environment and security assurance committee, until 31 December 2020) is to look at the processes adopted by bp's executive management to identify and mitigate significant non-financial risk. This includes monitoring the management of personal and process safety risk, security and environment risks and receiving assurance that processes to identify and mitigate such non-financial risks are appropriate in their design and effective in their implementation.

### Key responsibilities during 2020

The committee receives specific reports from the business segments and functions, which include, but are not limited to, the safety and operational risk function, shipping, internal audit and group security. The SASC can access any other independent advice and counsel it requires on an unrestricted basis. The SASC and audit committee worked together, through their chairs and secretaries, to ensure that agendas did not overlap or omit coverage of any key risks during the year.

### Meetings and attendance

There were six committee meetings in 2020. All directors attended every meeting for which they were eligible. In addition to the committee members, all SASC meetings were attended by the CEO, the SVP for safety and operational risk (S&OR) and the SVP internal audit and/or his delegate. The EVP legal also attended some of the meetings. At the conclusion of each meeting the committee scheduled private sessions for the committee members only, without the presence of executive management, to discuss any issues arising and the quality of the meeting. The CEO receives invitations to join the private meetings on an ad hoc basis and at least once a year the SVP internal audit is invited to a private meeting with the committee.

### Membership

Melody Meyer	Member since May 2017 and chair since November 2019
Nils Andersen	Member (resigned March 2020)
Professor Dame Ann Dowling	Member
Sir John Sawers	Member

## Chair's introduction

I am pleased to present my second report as chair of the SASC. During 2020, the committee continued to work with the bp leadership team to promote safe and reliable operations within the organization.

Operational risk management remained a key area of focus during 2020, against the challenging backdrop of the COVID-19 pandemic with the result that bp maintained a good safety record during the year despite these challenges. The committee (together with other non-executive directors) conducted a virtual visit of bpx energy Permian assets in December 2020. We were very impressed with the safety culture and performance demonstrated by the bpx energy colleagues with whom we interacted during this virtual visit, and we look forward to being able to conduct a physical visit in due course.

As part of the review by the board of its governance framework, the committee was renamed as the safety and sustainability committee with effect from 1 January 2021. The committee's remit has also been expanded to include monitoring the effectiveness of the implementation of bp's sustainability frame. This is an important step in light of bp's new purpose and ambition and I look forward to continuing to work with the bp leadership team in furtherance of the new purpose, underpinned by safety and sustainability.

Nils Andersen stepped down from the committee and the board in March 2020. I would like to thank him for his valuable contribution and commitment to the committee and I welcome Johannes Teyssen as a new member of the committee from the beginning of 2021.

**Melody Meyer**  
Committee chair

## Activities during the year

### System of internal control and risk management

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

The committee also received regular reports from the CEO and SVP S&OR on operational risk, including regular reports prepared on the group's health, safety, security and environmental performance and operational integrity. These included meeting-by-meeting measures of personal and process safety, environmental and regulatory compliance, security and cyber risk analysis, as well as quarterly reports from internal audit. In addition, the SVP, internal audit regularly met in private with the chair and other members of the committee over the course of the year. During the year the committee received separate reports on bp's management of risks relating to:

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

The committee reviewed these risks and their management and mitigation in depth with relevant executive management. The committee reviewed the 2020 forward programme for the internal audit function. The committee supported the remuneration committee in relation to remuneration policy.

### Virtual site visit

In December 2020 the members of the committee (together with the non-executive directors of the board) made a virtual visit to the bpx energy Permian site. Discussions during this visit covered a broad range of bpx energy health, safety and environment matters and provided an opportunity for effective virtual engagement with bpx energy staff.

### Corporate reporting

The committee oversaw the *bp Sustainability Report 2019*. The committee reviewed the content and worked with the external auditor with respect to its limited assurance of selected sustainability KPIs.

# Geopolitical committee



// The committee's agenda developed and evolved during the year, reflecting a year with a significant number of geopolitical developments globally. //

**Sir John Sawers**  
Committee chair

## Committee overview

### Role of the committee

The committee monitors the company's identification and management of geopolitical risk.

### Key responsibilities

- Monitor the company's identification and management of major and correlated geopolitical risk and consider reputational as well as financial consequences.
- Review bp's activities in the context of political and economic developments on a regional basis and advise the board on these elements in its consideration of bp's strategy and the annual plan.
- Major geopolitical risks are those brought about by social, economic or political events that occur in countries where bp has material investments.
- Correlated geopolitical risks are those brought about by social, economic or political events that occur in countries where bp may or may not have a presence but that can lead to global political instability.

### Meetings and attendance

The chairman and CEO regularly attend committee meetings. The chief executive of Alternative Energy and executive vice president, regions and the head of government and political affairs attend meetings as required. The committee met three times during the year. All directors attended each meeting that they were eligible to attend, with the exception of Sir Ian Davis who missed one meeting due to a prior commitment.

### Membership

Sir John Sawers	Member since September 2015 and chair since April 2016
Nils Andersen	Member (resigned March 2020)
Sir Ian Davis	Member (resigned December 2020)
Melody Meyer	Member

## Chair's introduction

I am pleased to report on the work of the geopolitical committee in 2020. The committee's agenda developed and evolved during the year, reflecting a year with a significant number of geopolitical developments globally.

Following changes to the board governance framework that took effect on 1 January 2021, the committee was replaced by a geopolitical advisory council. Although the council is not a formal committee of the board, its membership includes other directors, certain members of the bp leadership team and three external advisors, with myself as chair. The geopolitical highest priority risk is now overseen by the board as a whole, informed by feedback from the council.

**Sir John Sawers**  
Committee chair

## Activities during the year

Early in the year, the committee considered the potential impact on bp of policies and plans of the new EU Commission and new UK government elected in December 2019. Later in the year, the committee considered the geopolitics of the COVID-19 pandemic and its impact on businesses and policies. The impacts of different potential outcomes of the November US election were discussed by the committee at its meeting in September 2020. The committee also received periodic geopolitical updates on a number of territories in which bp has significant interests throughout the year.

## Directors' remuneration report

## Chair's letter



// The committee wishes to place on record our gratitude for all that bp's people achieved last year, and our acknowledgment of the challenging environment they faced. We look forward to better days ahead. //

**Paula Rosput Reynolds**  
Committee chair

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## Dear shareholder,

Last year was enormously challenging – for the world and for bp. Yet the bp team operated safely and reliably, ran the business as well as could possibly be expected, and launched a strategic transformation of the company.

That bp achieved so much last year is a credit to everyone in the company – from the leadership to the front lines. Together, they delivered the energy the world needs, and positioned the company for the future.

Nevertheless, as COVID-19 took its toll around the globe, there were consequences for bp's financial outcomes in 2020. The remuneration committee always seeks to align employee reward with shareholder experience. Thus, despite extraordinary efforts on the part of the organization, we decided that there should be no 2020 pay-out for all those who normally participate in our broadly-applicable annual bonus plan.

We know that this decision was painful for bp's people, many of whom count on earning a cash bonus as part of their personal and family financial planning. While words cannot substitute for remuneration not received, the committee wishes to place on record our gratitude for all that bp people achieved amidst the environment they faced. We look forward to better days ahead.

## Shareholder engagement

Throughout this challenging period when we had many decisions to make regarding metrics and reward, the committee has benefited from engagement with our shareholders. The remuneration policy under which we now operate was directly shaped by a meeting we held with bp's top 25 shareholders and other proxy representatives in 2019. We appreciated shareholders' overwhelming support (96.58% approval) of the new policy at our AGM last May. Throughout 2020, we have continued to meet (virtually) with our largest shareholders to discuss a range of performance and incentive topics in detail. We are grateful for your counsel and hope you will see your advice reflected in the decisions which we have reached. We ask for your support of this directors' remuneration report, and the decisions described herein, at the forthcoming annual general meeting.



## Directors' remuneration report continued

In this report, the committee continues its practice of scrutinizing both one- and three-year performance. Even in the absence of paying annual bonuses for 2020, we have included some discussion on results to give a balanced view of what worked well and what disappointed. This report covers our decisions for 2020 and the details regarding our implementation of the 2020 remuneration policy for 2021 and beyond. The highlights are provided immediately below.

### Key remuneration outcomes for 2020

No pay-out under our 2020 annual bonus plan.

- There was no pay-out under the annual bonus plan for any of the participating employees

Lower vesting for the 2018-2020 equity plan.

- The vesting outcome for our 2018-2020 performance shares cycle is 32.5% of maximum, down from 71.2% in the previous cycle, and from an average of over 66% over the last six cycles. It is worth noting that the committee made no alterations to the performance measures or targets on which these awards were based, nor any discretionary adjustment to the vesting outcome. This vesting outcome applies equally to our former executive directors, and to our new CEO and CFO in respect to their pre-appointment performance share awards.

### Key remuneration decisions for 2021 and beyond

- To recognize the efforts of the wider workforce, virtually all employees will receive an above-market pay increase in 2021. Large numbers of our employees received no pay adjustment in 2020 or had their increase deferred for six months. Given the large reduction in headcount and all the responsibility this action places on those who remain, we agreed with management's plan to increase salaries across-the-board, and ahead of market. Any time salaries rise, the cost of other remuneration that hinges off salary rises as well. At the same time, we are obligated to monitor disparate impacts and overall welfare of the workforce. We will, therefore, continue to monitor and balance the costs of the programme with wider workforce pay issues.
- We considered the approach to salary for our executive directors apart from the wider workforce. We embrace restraint as a guiding

principle, but restraint must be balanced with fair reward for contribution. The board has been gratified by the immediacy of Bernard Looney's impact in leading the organisation, and in refreshing bp's purpose, strategy and organisation. We propose to recognize his efforts with an increase of 2.75% salary with effect from the annual general meeting. This increase is significantly lower than the increase that our UK professional workforce will receive on their pay review date in 2021.

- Murray Auchincloss has likewise made an immediate impact since his appointment. He fully assumed the challenges of the CFO role and has forged a strong partnership alongside Bernard. We set his initial salary in 2020 at a level below comparable rates for finance directors in the FTSE 30, until we could be certain of the contribution he would bring to the role. Shareholders will recall our policy is to keep executive increases within the boundary of wider workforce increases, except in specific circumstances. We find that Murray is already contributing beyond our expectations of even a seasoned CFO. Given his criticality to the execution of our strategy, we conclude that adjusting his below-market salary is such a specific circumstance. We therefore intend to increase his salary by 8% to £750,500, following the annual general meeting, placing him in line with the median rate for FTSE 30 CFOs. It is our intention, subject to the committee's view of Murray's continued development and success in role, to bring his salary in line with that of his predecessor and other CFOs in similarly challenging roles. We anticipate that this may require increases somewhat above the wider workforce average in the future.
- In 2021 we have made an all-employee share award to allow employees to participate in the success that a reinvented bp can deliver. The majority of employees will receive restricted shares vesting in 2025, while more senior employees will receive share options to be exercised from 2025 onward and with a ten-year term.
- We are bringing our metrics and targets for both the 2021 annual bonus and the 2021-23 performance share into line with bp's new strategy and the refreshed commitments to financial performance. The changes are

described in detail in this report and we hope you will see how closely we have sought to align these targets to the commitments that management have articulated to investors.

- The 2021-23 awards will be in line with approved policy and the grant size is unchanged from prior years. All share awards will be granted after the annual meeting and pricing will be based on the preceding 90 days.

### Overview of financial performance, operating achievements, and strategic progress

Our 2020 annual bonus plan consisted of measures associated with financial performance and operations. Our long-term share plan consisted of financial measures and strategic progress. Each area of performance is summarized below to provide a sense of how we evaluated overall performance.

Financial performance for bonus purposes was measured in terms of underlying replacement cost profit and free cash flow. For performance shares, we measured return on average capital employed (ROACE) and relative total shareholder return (rTSR). In neither the short nor the long-term plan did actual financial performance meet targets.

Over the three-year performance period, however, bp ranked third out of the five supermajors for rTSR purposes which accounted for a modest 12.5% vesting of the 2018-20 performance share grant. To offer some perspective, we note that during 2020 the company reduced net debt by \$6.5 billion to \$39 billion. In announcing the sale of a share of bp's interest in Oman's Block 61, we continue making good progress towards the 2025 target of \$25 billion of proceeds from divestments. Importantly, too, management initiated the review of bp's portfolio of assets in 2020 and recommended significant impairments and exploration write-offs. Thus, management took the necessary steps to address the value of our assets given the energy transition, in full knowledge that they would forego near-term benefit because of these actions. We think this reflects well on the system of reward – not paying when performance is below expectations – but also on the integrity of the leadership which is nonetheless doing the right thing to create a sustainable future.

Despite the challenges of the pandemic, operations were strong in 2020, with refining availability of 96%, upstream plant reliability of 94%, and delivery of four new major projects. Safety trends were also positive, with process safety events, recordable injury frequency, and other key safety and environmental metrics significantly lower than in 2019. While workforce hours were down, bp people safely managed increased COVID-19-related risks and travel restrictions, and increased quarantine periods associated with cross-border crew rotations, while ensuring safety critical staffing and emergency response preparedness. bp teams also delivered above-target sustainable emissions reductions in 2020.

Strategic progress is the other area we assessed; in the 2018-20 performance share plan it carried a 20% weight.

As we consulted with shareholders, we can appreciate that the inclusion of 'strategic progress' in a scorecard can be a double-edged sword. On the one side, measuring strategic

progress more specifically aligns our strategy and the reward we will confer. On the other side, strategic progress does not always carry with it straightforward metrics that are more typically used in remuneration designs. Thus the committee must use its judgement and explain its rationale. We do so here on page 111. We hope you will agree that we've been thoughtful in evaluating the organization's strategic performance over the 2018-20 period.

### Other decisions and forward-looking activity

In our approved 2020 remuneration policy, we retained flexibility to adjust performance measures and weightings in both our annual bonus and performance share plans. Given the shift in the business mix and the exigencies of our financial frame, for the 2021 annual bonus, we are introducing two new financial measures: cumulative cash cost reductions (weighted at 25%); and an operational measure to reflect margin share from convenience retail and electrification (weighted at 10%). These changes

represent the committee's best judgment for fine-tuning measures to the new strategy. While we are adding two new measures, we will continue to measure annual performance of our operations, of cash generation, of sustainable emissions reductions and of safety.

For the 2021-23 performance share awards, we will introduce an earnings per share growth (EBIDA CAGR) measure alongside the existing ROACE measure (each weighted at 20%), and will reduce the weighting on rTSR (from 40% to 20%). Many of you will recall that the relevance of rTSR and the selection of an appropriate peer group were widely, but inconclusively discussed, during our September 2019 stakeholder engagement session. Against that backdrop, our judgment is that if the bp team can achieve the multi-year financial results to which it committed in July 2020, then the team should be rewarded, with only a modest calibration to what other energy companies accomplish over these three years.

## Remuneration committee

### Role of the committee

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

### Key responsibilities

- Recommend to the board the remuneration principles and policies for the executive directors while considering remuneration and related policies for employees below the board and the executive team.
- Set and approve the terms of engagement, remuneration, benefits and termination of employment for the executive directors, leadership team and the company secretary in accordance with the policy.
- Prepare the annual remuneration report to shareholders to show how the policy has been implemented.

- Approve the principles of any equity plan that requires shareholder approval.
- Ensure termination terms and payments to executive directors and leadership team are fair.
- Receive and consider regular updates on workforce views and engagement initiatives related to remuneration, insight from data sources on pay ratio, gender pay gap and other workforce remuneration outcomes as appropriate.
- Maintain appropriate dialogue with shareholders on remuneration matters.

### Membership

Paula Rosput Reynolds	Member since September 2017 and chair since May 2018
Nils Andersen	Member (resigned March 2020)
Pamela Daley	Member
Sir Ian Davis	Member (resigned 30 December 2020)
Melody Meyer	Member since March 2020
Brendan Nelson	Member

### Meetings and attendance

The chairman 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 employee population. Both the CEO and CFO are consulted on matters relating to the group's performance.

bp's EVP people and culture, SVP reward and wellbeing and advisors attend meetings 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 nine times during the year. All directors attended each meeting that they were eligible to attend, except Sir Ian Davis who was not able to attend two meetings, and Pamela Daley and Brendan Nelson who each missed one committee meeting.

## Directors' remuneration report continued

Also noteworthy for the 2021-23 performance share awards, we are recasting the strategic progress measures to three well-defined areas: (1) delivering value through a resilient and focused hydrocarbon business; (2) building scale and value through investments in lower carbon electricity and energy sources; and (3) accelerating growth in convenience and mobility. Strategic progress metrics will be weighted at 40%. Several shareholders have asked us to be more specific about which measures from the September 2020 presentations we intend to use in evaluating strategic progress, and I say more on this at page 109 in the alignment to strategy section.

The leadership team has been bold in seeking to transform bp and has shown exemplary cooperation in developing these challenging performance measures.

### Wider workforce and activities through the pandemic

Much of the committee's time this year was dominated by the pandemic, which had a serious impact on workforce and remuneration matters.

With our plans to reinvent bp already proceeding when the pandemic hit, bp's leadership committed that no redundancies would take place for a minimum of three months to allay immediate concerns about job security. Also, bp sought no pandemic relief in the form of grants or furlough funding from any governments anywhere in the world.

Despite the limited ability to meet in person, the committee and the board engaged with employees virtually throughout the year. Despite the fact that 2020 was a year with many discouraging moments, we find that the

employees are highly engaged – and willing to speak their minds – which bodes well for the future.

From the outset of the pandemic's impact, mental health as well as physical well-being were of concern. Both Bernard and our chair Helge Lund donated 20% of their salaries to charities dealing with mental health issues from April 2020. In addition, Bernard directed the company to make a substantial donation to the UK mental health charity, Mind. This generosity is consistent with the leadership's support for mental health within the company, and given the duration and far-reaching effects of the pandemic, was exceptionally far-sighted.

### Closing thanks

Following their retirement from the board, I thank Nils Andersen and Sir Ian Davis for their many contributions to this committee, while welcoming Melody Meyer and, most recently, Tushar Morzaria.

At the annual general meeting, Brendan Nelson plans to stand down and his particular brand of sober judgement will be greatly missed by the committee.

The technology we have all deployed in the last year has only served to enhance our consultation with shareholders and their advisors. These virtual face-to-face contacts from our respective homes have allowed for frequent conversations. We thank you for fitting us into your long days, and as you review the details provided in this report, we welcome your comments.

### Paula Rosput Reynolds

Chair of the remuneration committee  
22 March 2021

In this directors' remuneration report RC profit (loss), underlying RC profit, return on average capital employed, operating cash flow excluding Gulf of Mexico oil spill payments, margin share for convenience and electrification, net debt and cumulative cash cost reductions are non-GAAP measures. These measures, together with upstream plant reliability and refining availability, are defined in the Glossary on page 341.

## Remuneration at a glance

	Purpose and key features	Outcomes for 2020	Implementation in 2021
<b>Salary and benefits</b>	<ul style="list-style-type: none"> <li>Fixed remuneration reflecting the scale and complexity of our business, enabling us to attract and keep the highest calibre global talent.</li> <li>Reviewed annually and, if appropriate, increased following the AGM.</li> <li>Benchmarked to market at inception with increases limited to those of our wider workforce, except in specific circumstances.</li> </ul>	<ul style="list-style-type: none"> <li>Bernard Looney's salary set at £1,300,000 on appointment.</li> <li>Murray Auchincloss's salary set at £695,000 on appointment.</li> <li>Bob Dudley's salary unchanged at \$1,854,000 until cessation.</li> <li>Brian Gilvary's salary unchanged at £790,500 until cessation.</li> <li>Benefits were unchanged.</li> </ul>	<ul style="list-style-type: none"> <li>Bernard's salary to increase by 2.75% to £1,335,750 from the AGM.</li> <li>Murray's salary to increase by 8% to £750,500 from the AGM.</li> <li>Benefits to remain unchanged.</li> </ul>
<b>Retirement benefits</b>	<ul style="list-style-type: none"> <li>To recognize competitive practice in home country.</li> <li>Bernard is a deferred member of a UK final salary pension plan, but now receives a cash allowance in lieu of retirement benefits.</li> <li>Murray is a deferred member of a US final salary pension plan, but now receives a cash allowance in lieu of retirement benefits.</li> <li>Bob was a member of both a US final salary pension plan and a US retirement savings plan.</li> <li>Brian was a member of a UK final salary pension plan and received a cash allowance in lieu of further service accrual.</li> </ul>	<ul style="list-style-type: none"> <li>Bernard has no further service accrual for his deferred pension, and the pension calculation will be based on his pre-appointment salary. His cash allowance is fixed at 15% of salary.</li> <li>Murray has no further service accrual for his deferred pension arrangement, and the pension calculation will be based on his pre-appointment salary. His cash allowance is fixed at 15% of salary.</li> <li>Bob's defined benefit pension did not increase in 2020. bp actual and notional retirement savings plan contributions of \$32,445 were more than offset by investment losses within his plans, hence he received no net benefit in 2020.</li> <li>Brian's defined benefit pension increase was below inflation. His cash allowance was 30% of salary to 30 May, and 25% of salary from 1 June 2020.</li> </ul>	<ul style="list-style-type: none"> <li>Bernard's cash allowance will be unchanged at 15% of salary, and he accrues no further value under his deferred pension.</li> <li>Murray's cash allowance will be unchanged at 15% of salary, and he accrues no further value under his US deferred pension.</li> </ul>
<b>Annual bonus</b>	<ul style="list-style-type: none"> <li>To incentivize delivery of our annual and strategic goals.</li> <li>112.5% of salary at target, and 225% at maximum.</li> <li>To reinforce the long-term nature of our business and the importance of sustainability, 50% of the bonus is paid in cash and 50% is mandatorily deferred and held in bp shares for three years.</li> </ul>	<ul style="list-style-type: none"> <li>No bonus for 2020.</li> </ul>	<ul style="list-style-type: none"> <li>For our 2021 bonus, our scorecard will be reweighted to safety (15%), environment (15%), operational (20%) and financial (50%), as described on page 125.</li> </ul>
<b>Performance shares</b>	<ul style="list-style-type: none"> <li>To align reward to our strategy and long-term performance. Vesting outcomes vary relative to our financial returns and strategic priorities.</li> <li>Annual grant of performance shares, representing the maximum outcome. 500% of salary for the chief executive officer and 450% of salary for chief financial officer.</li> </ul>	<ul style="list-style-type: none"> <li>Awards granted in 2018 (under our 2017 policy) were assessed against our balanced scorecard of financial (80%) and strategic progress (20%) measures. Our 2018-20 performance share outcome is 32.5% of maximum vesting.</li> </ul>	<ul style="list-style-type: none"> <li>Awards granted in 2019 (under our 2017 policy) will vest in proportion to success against the measures of our 2019-21 scorecard.</li> <li>For the 2021-23 cycle (under our 2020 policy), grant levels will remain unchanged at 500% for Bernard and 450% for Murray, with weightings of 20% each for rTSR, ROACE and EBIDA CAGR, and 40% for strategic measures, as shown on page 125.</li> </ul>
<b>Shareholding requirement</b>	<ul style="list-style-type: none"> <li>To ensure sustained alignment between shareholder and executive director interests.</li> <li>The chief executive officer and other executive directors are required to maintain shareholdings equivalent to 500% and 450% of salary respectively, including for two years post employment (2020 policy).</li> </ul>	<ul style="list-style-type: none"> <li>Both former executive directors materially exceed their post-employment share ownership requirements of two and a half times salary (pre-dating the 2020 policy).</li> <li>Bernard and Murray have not yet achieved their minimum shareholding requirement (they must do so within five years of appointment).</li> </ul>	<ul style="list-style-type: none"> <li>The minimum shareholding requirements remain unchanged.</li> </ul>

Alignment with strategy

The frame for our remuneration policy and practice

Last year we refreshed our remuneration policy following wide consultation, individually and collectively, with shareholders. Through that consultation we decided to retain the strongly performance-oriented reward model that served us well in the previous decade. Thus, we retained and built upon the established policy structure, with the advantage this brings of being well-understood and accepted by our executives and wider workforce alike.

By design, this refreshed policy allows for ongoing alignment to the nearer-term needs of our strategy, with measures intended to evolve in line with the pace and form of the energy transition. This design reflected the four broad themes that emerged from our engagement with shareholders:

- A clear end-to-end alignment from strategy, through measurable performance indicators and reward outcomes, to shareholder experience.
- To balance our contribution to the energy transition with delivering shareholder returns, with encouragement to use appropriate discretion given the complexity of the environment in the energy transition.
- To ensure strategic measures align to long-term sustainability, relative to a wide peer group.
- To use meaningful and transparent performance indicators reflecting our progress in the energy transition and reductions to our carbon impact.

bp’s purpose, ambition and strategy

bp’s purpose, to reimagine energy for people and our planet, is complemented with a clear and unambiguous ambition – to be a net zero company by 2050 or sooner and to help the world get to net zero. Our strategy is transformational, to pivot from International Oil Company to Integrated Energy Company, from a focus on developing resources, to a focus on delivering solutions for customers. As seen below, this strategy is grounded in three focus areas and three sources of differentiation, set within a sustainability frame linking our strategy to our purpose.

Connecting remuneration to strategy

Alignment with strategy is evident in:

- Clearly measurable safety, sustainability, strategic and financial measures for each cycle of annual bonus and/or performance shares.
- The judgements we make to assess qualitative progress against strategic objectives.
- Our ‘underpin’ assessment to take safety outcomes into account prior to determining the final performance shares vesting percentage.
- Our overarching discretionary decisions to ensure share plan outcomes reflect shareholder experience, environmental, societal, and other inputs.

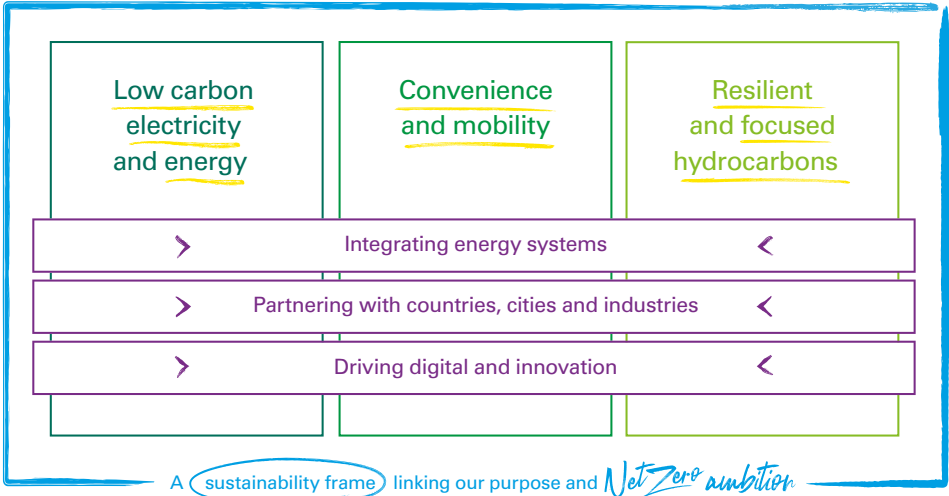
Achieving balance between safety, sustainability, strategic and financial measures is an essential consideration for the committee in applying policy. Considering the three ‘focus areas’ of bp’s strategy, generating cash from our resilient and focused hydrocarbons business is the critical element to support bp’s transition into the two growth areas – low carbon electricity and energy, and convenience and mobility. We expect bp to be directing 40% or more of its investment into these areas by 2030, but that reallocation of

spend will be a gradual and non-linear matter, requiring flexibility and judgement from leadership. Our commitment is to oversee this transition with care, applying remuneration policy to incentivize results in the most critical areas.

In our most recent consideration we have therefore aligned the strategic performance measures of our 2021-23 performance share awards entirely to the three ‘focus areas’ of bp strategy: low carbon electricity and energy; convenience and mobility; and resilient and focused hydrocarbons. This means that, for now, we are consciously not introducing measures related to the three ‘sources of differentiation’, in the belief that we need to limit the total number of measures and highlight those which are the most pressing.

This has also led us to review our decision-making from last September when we set strategic measures for the 2020-22 performance share awards. At that time, we had chosen four strategic elements – two of the focus areas, and two of the sources of differentiation. With the hindsight of our more recent discussions and a deeper understanding of how the strategy is likely to yield most value, we realise those earlier decisions were not the best. Therefore, we are taking the unusual step of amending our 2020-22 strategic progress measures mid-cycle, to align them instead with the measures of our 2021-23 cycle. Thus we bring focus to the most critical areas, align the measures for the first two cycles of share award under our 2020 policy, and can develop a common set of performance metrics that will allow us to transparently report progress across all three cycles of award under the 2020 policy (ie. those starting in 2020, 2021 and 2022).

The table on page 109 summarizes the alignment between performance measures and strategy, showing the weightings associated with each.





## Aligning performance measures and strategy

	2020 annual bonus	2021 annual bonus	2020-22 performance shares	2021-23 performance shares
Safety, our core value	20%	15%	Underpin	Underpin
Low carbon	—	—	} 30%	} 40%
Convenience and mobility	—	10%		
Resilient hydrocarbons	10%	10%		
Integrating energy	—	—	—	—
Partnering	—	—	—	—
Digital	—	—	—	—
Sustainability	20%	15%	—	—
Financial frame	25% cash flow 25% profit	25% cash flow 25% cumulative cash cost reduction	40% rTSR 30% ROACE	20% rTSR 20% ROACE 20% EBIDA CAGR

Looking forward, strategic progress for the 2020-22 and 2021-23 performance shares will be a largely qualitative assessment by the committee, supported by key performance indicators that will enable us to add a quantitative overlay in our assessments and to allow reporting on progress through the concurrent cycles of each award. These indicators are as follows:

**Resilient and focused hydrocarbons**

- **Production costs per barrel:** track improvement in unit production cost per barrel to help deliver margin efficiency.
- **Plant reliability:** measure the reliability of upstream production assets as an indicator of operational efficiency.
- **Refining availability:** measure the availability of downstream refining assets, also as an indicator of operational efficiency.

**Demonstrate track record, scale and value in low carbon electricity and energy**

- **Gigawatts of developed renewables energy:** confirm the growth and value added from new renewable energy projects.
- **Clear decisions on other energy platforms:** demonstrate strategic progress in the selection of energy platforms for future growth.
- **Renewables pipeline:** build a renewable pipeline in alignment with 2025 and 2030 goals while consistent with targeted returns.

**Accelerate growth in convenience and mobility**

- **Castrol performance:** demonstrate growth momentum in *Castrol*.
- **Strategic convenience sites:** confirm the number of strategic convenience sites.
- **Margin share from convenience and electrification:** demonstrate the capture of growth from the energy transition through the retail network via measuring the ratio of convenience and electrification gross margin to total consumer energy (retail fuels and electrification) and convenience gross margin.

# Directors' remuneration report continued

## 2020 performance and pay outcomes

### Business performance

An exceptional year of challenge and internal reinvention

#### Key strategic highlights

- Completed the Southern Gas Corridor pipeline system, with the Trans Adriatic pipeline beginning gas deliveries.
- Agreed to sell our petrochemicals business to INEOS.
- Added ~300 strategic convenience sites across our retail network, bringing the total to 1,900.

### Performance outcomes

Robust safety and operating outcomes, but plan unaffordable.

#### 2020 annual bonus

No bonus	n/a	n/a
Formulaic outcome (% of maximum)	Committee judgement	Final outcome (% of maximum)

#### Performance dimensions (% weighting)

Safety (20%)	No bonus for 2020
Environment (20%)	
Operational (10%)	
Financial (50%)	

#### Annual bonus outcome (% of maximum)

Bernard Looney	Nil
Murray Auchincloss	Nil
Bob Dudley	Nil
Brian Gilvary	Nil

### 3rd

Among peers for total shareholder return 2018-20

### \$13.8bn

Operating cash flow excluding Gulf of Mexico oil spill payments

### \$6.4bn

Total dividends paid to shareholders

Strong strategic progress, weak financials.

#### 2018-20 performance shares

32.5%	0%	32.5%
Formulaic outcome (% of maximum)	Committee judgement, no adjustment	Final outcome (% of maximum)

#### Performance dimensions (% weighting)

Financial (80%)	KPI	12.5/80
Strategic progress (20%)	KPI	20/20

#### Performance shares outcome (32.5% of maximum)

Bernard Looney	£0.35m
Murray Auchincloss	£0.22m
Bob Dudley	\$1.57m
Brian Gilvary	£0.62m

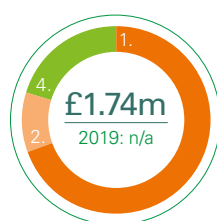


This legend denotes remuneration measures that directly relate to bp's key performance indicators. See page 39.

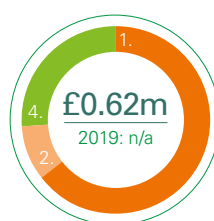
### Total remuneration 2020

➔ See page 113 for detail.

#### Bernard Looney CEO from 5 February 2020



#### Murray Auchincloss CFO from 1 July 2020



#### Bob Dudley CEO to 4 February 2020



#### Brian Gilvary CFO to 30 June 2020



- 1. Salary and benefits
- 2. Retirement benefits
- 3. Annual bonus
- 4. Performance shares

### Share ownership

Shareholding is a key means by which the interests of executive directors are aligned with those of shareholders. The CEO and CFO shareholdings are shown below, as at 2 March 2021. Both these new executive directors are building towards the policy requirement, which is mandatory within five years of appointment.

Bernard Looney, CEO		1.24 times salary, 543,939 shares
Murray Auchincloss, CFO		0.60 times salary, 141,535 shares

Policy requirements Actual

## 2018-20 performance share plan outcome

Vesting under our performance share plans is assessed using the group performance scorecard shown on page 112, and subject to any discretionary adjustment by the committee. Bernard and Murray were granted 2018-20 performance share awards under the Group Share Value Plan (GSVP) for bp group leaders, rather than under the Executive Director Incentive Plan (EDIP). The GSVP and EDIP both use the same scorecard, therefore the comments in this section apply equally to our former and new executive directors, as well as our group leaders, even though they relate to performance shares awarded under different plans.

The financial outcomes for the three-year period were disappointing. Return on average capital employed averaged 2.6% over 2019 and 2020 (the ROACE measurement period for this cycle), below our threshold level for vesting on this measure. Total shareholder returns turned negative for bp, alongside all our constituent peer companies. bp placed third among our competitor group, however, which yielded formulaic vesting of 12.5% (of a potential 50%). To counter the impact of share price volatility in TSR measures, bp has continued its standard practice of averaging US market prices over the fourth quarter immediately before, and at the end of, the three-year performance cycle. Peers in our competitor group may use different pricing methods, leading them to report different ranking outcomes from bp.

As reported last year, we introduced four strategic progress measures in our 2017 policy, and this is now the second cycle for which we have made an assessment on strategic progress. These were the measures that then positioned bp for the future, and the committee found that in all four strategic areas the business has delivered fully against intended outcomes. Thus vesting on this element of the scorecard is determined to be 20%. The key factors that formed our scoring decision were:

**Growing gas and advantaged oil in the upstream.** Gas production grew from 1.11mmboed in 2017 to 1.15mmboed by 2020, with eight major gas projects started up in the period. In the same period bp started up seven major oil projects and have a further eight major oil projects under construction. We purchased BHP tight oil assets, accessing some of the best basins onshore in the US.

**Market-led growth in the downstream.** We have continued strategic progress with our convenience partnership model now in around 1,900 sites across the network, with 800 opened since 2017. The growth has been driven by the roll-out of REWE to Go in Germany, our Thorntons business in North America, and new partnerships launched in South Africa, Australia, New Zealand and Portugal. Retail store gross margin has grown 6% per annum since 2017 to over \$1bn and is showing resilience despite COVID-19. In growth markets, we doubled our retail sites to 2,700 in 2020, expanded our network to over 500 bp-branded retail sites in Mexico, and opened over 1,400 sites in India with our Reliance joint venture. In our sustainable aviation fuel business, we added 13 new locations to Air bp's supply network and have struck an innovative collaboration with Neste for supply of sustainable aviation fuel. We have made a further \$40 million investment in Fulcrum since 2017.

**Venturing and low carbon across multiple fronts.** Lightsources bp now has a presence in 14 countries, up from five in 2018. We have created a differentiated strategy in electric vehicle charging through bp pulse and Storedot, which has demonstrated five-minute charging capability. Our focus on reducing emissions has progressed well, with a reduction from 48.8Mte in 2018 to 41.7Mte in 2020, aligning with our net zero ambition. Our 2020 methane intensity is estimated at 0.12%, well below our target of 0.2%

**Gas power and renewables trading and marketing growth.** We remain the largest US gas and power marketing company. In 2018 and 2019 we added six advanced liquified natural gas (LNG) tankers to the bp-operated fleet; our Tangguh LNG expansion started drilling in 2019; and Train 2 of our Freeport LNG began commercial operations in 2020, with first gas deliveries from bp under our 20-year tolling agreement.

Along with the combination of financial and strategic measures, the committee considers an 'underpin' decision before deciding on the final result, taking a broader view to ensure that the reward outcome aligns with absolute shareholder returns, safety and environmental factors, and low carbon and climate change considerations. The committee has been mindful of the need to take an even broader perspective, and thus consider executive outcomes in relation to societal matters in general and our wider workforce in particular. While absolute returns disappoint, we find that all aspects of the underpin support at least 32.5% vesting, which from a participant's perspective reflects a poor return for the efforts expended. Therefore, our overall judgement is to leave the vesting outcome unadjusted.

As mentioned above, this scorecard outcome applies to all participants in both the EDIP (for executive directors) and the GSVP (for group leaders).

With time pro-rata for Bob and Brian to reflect their periods of service during the three-year performance period, this vesting delivers the outcomes detailed below. For Bernard and Murray these values are included in the single figure table on page 113, whereas for Bob and Brian they are reported in the payments for past directors section at page 122.

### 2018-20 performance share plan outcomes (audited)

	Shares awarded	Shares vesting including dividends	Value of vested shares, Feb/Mar 2021	Impact of share price change <sup>a</sup>
Bernard Looney	158,690 <sup>b</sup>	126,134	£350,652	£228,991
Murray Auchincloss <sup>c</sup>	77,958 <sup>b</sup>	62,124	\$275,934	-\$111,497
Bob Dudley <sup>c</sup>	1,395,600	410,922	\$1,566,298	-\$962,923
Brian Gilvary	696,705	227,337	£618,357	£430,217

a These values reflect the impact of the reduction in share price since grant related to the number of shares that vest, excluding dividend equivalents.

b Share grants under the GSVP are made at 50% of maximum, not at 100% of maximum as for the EDIP.

c Bob Dudley and Murray Auchincloss's awards were granted in respect of American depositary shares (ADSs). The numbers in this table reflect calculated equivalents in ordinary shares. One ADS equates to six ordinary shares.

The value of vested shares reflects the share price changes all shareholders have experienced over the three-year period. For this 2018-20 award cycle, the original grant was calculated based on ordinary share and American depositary share (ADS) prices of £5.00 and \$39.85 respectively, while the values at vesting were £2.78/£2.72 (on 16 and 19 February respectively), and \$22.87/\$26.65 (on 19 February and 10 March respectively). Consequently, the share price fall has reduced the initial face value of these awards by approximately 45% for ordinary shares, by 33% for Murray Auchincloss's ADSs, and by 43% for Bob Dudley's ADSs. The committee has made no discretionary adjustment to vesting outcomes related to these share price changes.

## Directors' remuneration report continued

### 2018-20 performance shares scorecard (audited)

These measures were set under the terms of our 2017 policy

→ See page 39 for more on our key performance indicators.

Relative total shareholder return 12.5%	+	Return on average capital employed 0%	+	Strategic process 20.0%	=	Formulaic vesting 32.5%
Measures		Weighting at maximum	Threshold performance	Maximum performance		Outcome
Financial	Relative total shareholder return	50%	Third	First		Third <div><div></div></div> 12.5%
	Return on average capital employed	30%	7.375%	11.5%		2.6% <div><div></div></div> 0%
	Outcome					12.5%
Strategic progress	Growing gas and advantaged oil in the upstream	5%	Qualitative and quantitative assessment by the committee. No numeric scale for vesting outcome. <b>See page 111</b>			<div><div></div></div> 5.0%
	Market-led growth in the downstream	5%				<div><div></div></div> 5.0%
	Venturing and low carbon across multiple fronts	5%				<div><div></div></div> 5.0%
	Gas power and renewables trading and marketing growth	5%				<div><div></div></div> 5.0%
	Outcome					20.0%
Formulaic						<div><div></div></div> 32.5%
Formulaic vesting 32.5%	Underpin: Committee review of absolute returns, long-term safety and environmental performance, low carbon and climate change considerations: <b>No adjustment</b>					Final vesting after committee judgement 32.5%

## Executive directors' pay for 2020

### Single figure table – executive directors (audited)

	Bernard Looney CEO since 5 Feb 2020 (thousand)	Murray Auchincloss CFO since 1 July 2020 (thousand)	Bob Dudley CEO to 4 Feb (thousand)	Brian Gilvary CFO to 30 June (thousand)
	2020	2020	2020	2019
<b>Salary</b>	<b>£1,181</b>	<b>£348</b>	<b>\$170</b>	\$1,854
<b>Benefits</b>	<b>£26</b>	<b>£8</b>	<b>\$18</b>	\$84
<b>Retirement benefits</b>	–	–	\$0	\$544
<b>Cash in lieu of retirement benefits</b>	<b>£177</b>	<b>£52</b>	–	–
<b>Annual bonus, cash</b>	–	–	–	\$1,408
<b>Annual bonus, deferred</b> (as detailed on page 107)	–	–	–	\$1,408
<b>Performance shares</b> (as detailed on page 107)	<b>£351</b>	<b>£215</b>	–	\$8,039 <sup>a</sup>
<b>Discontinued plans</b>	–	–	–	–
<b>Total remuneration<sup>b</sup></b>	<b>£1,735</b>	<b>£623</b>	<b>\$188</b>	\$13,336
Total fixed remuneration	<b>£1,384</b>	<b>£408</b>	<b>\$188</b>	\$2,481
Total variable remuneration	<b>£351</b>	<b>£215</b>	<b>\$0</b>	\$10,855

Please refer to the overview section below for additional detail, except where noted otherwise.

a The amounts reported for 2019 have been adjusted to include the vesting of additional dividends on 5 November 2020 at the market price of £2.03 for ordinary shares and \$15.83 for ADSs. See the performance shares table on page 111, and the deferred shares table on page 120, for further details on these awards.

b Due to rounding, the totals do not agree exactly with the sum of their component parts.

### Overview of single figure outcomes (audited)

Bernard Looney and Murray Auchincloss started in their roles as CEO and CFO on 5 February and 1 July 2020 respectively. Accordingly, the values shown in the single figure table represent remuneration outcomes from the time of their appointment to the board only. Similarly, because Bob Dudley and Brian Gilvary stepped down on 4 February and 30 June respectively, their 2020 remuneration values relate only to their part-years of service as executive directors. Payments received after they stepped down from their position are included in the payments to past directors section on page 122.

#### Salary and benefits

Bernard Looney's salary was £1,300,000 from appointment. The amount reported above is before his 20% mental health charitable contribution. Murray Auchincloss's salary was £695,000 from appointment. Bob Dudley's salary remained at \$1,854,000 until his exit on 31 March 2020. Brian Gilvary's salary was unchanged at £790,500 until his exit on 30 June 2020. All executive directors received car-related benefits, assistance with tax return preparation, security assistance, insurance and medical benefits.

#### 2020 annual bonus

The committee concluded that there should be no bonus for 2020 as the plan was unaffordable. There were no other contributing factors leading us to this decision.

#### 2018-20 performance shares

Please refer to page 112 for details of the performance measures, targets and outcomes for these performance shares.

### Retirement benefits

From their appointment as executive directors, Bernard Looney and Murray Auchincloss ceased to receive any retirement benefits for their service, but receive a cash allowance fixed at 15% of salary in line with the majority of similarly situated employees. They may choose to direct these allowances into retirement plans at their sole discretion, and the amounts are therefore identified as cash in lieu of retirement benefits on the single figure table.

Bob Dudley was provided with pension benefits and retirement savings through a combination of tax-qualified and non-qualified benefit plans. His normal retirement age is 60. The BP Supplemental Executive Retirement Benefit Plan (SERB) is a non-qualified defined benefit pension plan which provides a proportion of earnings for each year of service. In 2020 his accrued defined benefit pension did not increase, and the amount included in the single figure table is therefore zero.

The BP Employee Savings Plan (ESP) is a US tax-qualified defined contribution plan to which both Bob and bp contributed. The BP Excess Compensation (Savings) Plan (ECSP) is a non-qualified, unfunded, retirement savings plan to which bp notionally contributed 7% of base salary above the annual IRS limit. In 2020 Bob made contributions to the ESP totalling \$28,500 and bp made matching contributions to the ESP, and notional contributions to the ECSP, totalling \$32,445. However, investment losses in his unfunded ECSP account (aggregating the unfunded arrangements relating to his overall service with bp and TNK-BP) exceeded these contributions, hence the amount included in the single figure table is zero.



## Directors' remuneration report continued

Brian Gilvary was provided with retirement benefits through a combination of tax-qualified and non-qualified plans for service to 31 March 2011, but linked to his final salary. In line with terms offered to UK employees employed prior to 2010 (or before 2014 in the North Sea) Brian was a member of the BP Pension Scheme (bpPS), a UK final salary defined benefit pension plan. Pension benefits accrued in excess of the individual lifetime tax allowance set by legislation were provided to Brian via a non-qualified, unfunded pension arrangement designed to mirror the design of the approved bpPS. His normal retirement age is 60, although due to his long service, benefits accrued before 1 December 2006 may be paid unreduced from age 55 with bp's consent. Brian received no salary increase in 2020, hence his interests in these retirement benefits did not increase and the amount included in the single figure table is therefore zero.

For service after 31 March 2011 Brian received a cash allowance in lieu of further accrual. This was set at 30% of salary to 30 May, then 25% of salary to 30 June 2020, and the amount has been separately identified in the single figure table.

### Discontinued plans

In accordance with 2014 policy, Brian Gilvary compulsorily deferred one third of his 2015 annual bonus and received a matching award of bp shares. Both the deferred and matching awards were subject to a three-year performance period which ended on 31 December 2018, however Brian voluntarily requested that the committee delay the performance assessment and vesting of the 2015 matching award for two years, to 31 December 2020.

The committee considered operational and financial performance and reviewed safety and environmental sustainability performance over the 2016-20 period, seeking input from the strategy and sustainability committee on safety and sustainability measures. The committee concluded that safety performance continues to show improvement, with safety embedded in the culture of the organization and supporting strong operational and financial performance. The committee concluded that this award should vest in full. Because this award vested post-employment, the value is included in the payments to past directors statement on page 122, with further details available in the deferred shares table on page 120.

Bob Dudley has previously requested that the committee delay the performance assessment and vesting of all his deferred and matching awards under the 2014 policy. Following the committee's conclusion that the original safety and environmental sustainability conditions have been met, these awards will vest one year after his retirement, and the value will be reported in the payments to past directors statement in our 2021 report.

### History of chief executive officer remuneration

Year	Chief executive officer	Total remuneration thousand <sup>a</sup>	Annual bonus % of maximum	Performance shares % of maximum
2011	Bob Dudley	\$8,439	66.7	16.7
2012	Bob Dudley	\$9,609	64.9	0
2013	Bob Dudley	\$15,086	88.0	45.5
2014	Bob Dudley	\$16,390	73.3	63.8
2015	Bob Dudley	\$19,376	100.0	74.3
2016	Bob Dudley	\$11,904	61.0	40.0
2017	Bob Dudley	\$15,108	71.5	70.0
2018	Bob Dudley	\$15,253	40.5	80.0
2019	Bob Dudley	\$13,336	67.5	71.2
2020 <sup>b</sup>	Bob Dudley	\$188	0	32.5
	Bernard Looney	£1,735	0	32.5

a Total remuneration figures include share vesting outcomes.

b 2020 figures show remuneration for the periods of qualifying service as CEO during 2020, as per the single figure values on page 113.

## Wider workforce in 2020

### Workforce experience

During 2020 the committee has continued to receive and review information on pay outcomes and processes for our wider workforce in order to take account of wider workforce pay and conditions when setting executive remuneration, and to consider alignment between pay structures.

As part of this review we carried out a programme of engagement with a diverse range of employees from different parts of the workforce from the front line to corporate office and covering new joiners, employees with long tenure in the organization, and employees of different gender and nationality. The topics discussed addressed bp's new purpose and ambition, and how this aligns with the organization's reward programmes. Our enquiries ranged from success in attracting and retaining talent, employee preferences in how pay is delivered, the make-up of the reward package, and programmes to support international mobility. A recurring theme was the desire for flexibility, with employees wanting to be empowered to make their own choices about how they work and how they are remunerated for their work.

Overall we continue to observe well-balanced and structured approaches to reward. Although these approaches vary by business area and location, the core offering for the majority of our workforce is summarized in the table on page 116. We also find that financial reward is complemented with strong emphasis on maintaining a supportive and inclusive working environment. For instance, our commitment to family-friendly leave policies; recognition as a top global employer in Stonewall's list of the best multinational employers for LGBT+ staff; and scoring 100% for a fourth consecutive year in the Human Rights Campaign's 2021 Corporate Equality Index, which measures adoption of non-discrimination policies, equitable benefits for LGBT+ employees and families, and supporting an inclusive culture and corporate social responsibility. We are also pleased to confirm that bp is now accredited by the Living Wage Foundation as a real living wage employer in the UK. This ensures all colleagues in our UK businesses and at company-owned sites are paid at least the real living wage and we are now reviewing the position across other bp countries.

We apply the insights we gain from engaging with the workforce to challenge leadership generally and to make sure we think about remuneration holistically, not just with regard to those leaders whose pay is within our remit. This has been more relevant than ever through a year in which the COVID-19 pandemic has had such a significant impact on our people and business. Wider workforce salary increases were postponed at the normal salary review date 1 April 2020; from 1 October 2020 staff below our senior leadership level did receive increases. Salaries remained frozen for senior leaders (other than promotions) throughout 2020.

Over half of our global workforce participates in an annual cash bonus plan and for 2020 the plan was intended to pay an incentive based equally on individual performance and bp performance. However, as reported in my opening letter, the committee and CEO both concluded that there should be no bonus for 2020 as the plan was unaffordable, and this outcome applies equally to our executive directors, leadership team, and those of our wider workforce who participate in the annual bonus plan. These decisions reflect our principle of consistency for all those rewarded under our common template. Note, however, that a limited number of employees, such as those with specific contractual rights or who work in parts of the business with different remuneration models, have received bonus payments for 2020.

Looking forward, we have reviewed the role of share plans offered to employees with a view to understanding the extent to which these plans align our wider workforce with bp's purpose, particularly whether employees are personally invested in the new ambition and able to share in success. This review has led to our support for a 'one off' equity grant to every bp employee in 2021, vesting in 2025, reflecting our belief in sharing success broadly while aligning employees' longer-term interests with all shareholders.

We have also devoted time to examine the support provided for employee health and wellbeing, to gain a better understanding of how these aspects of policy support the organization's culture and encourage appropriate behaviours. This is an ongoing study and we will have more to report next year.

Turning to non-discrimination matters, we understand the sharp interest that exists in disclosures of gender and ethnicity pay gaps. Having reviewed the gender pay gap reports of the last several years we are satisfied that reward processes and decisions are designed and managed to effectively avoid bias, and that reported pay gaps relate in the main to differences in gender representation across the pay hierarchy. We therefore conclude that the narrative accompanying our pay gap reporting is better reflected within bp's diversity and inclusion reporting, rather than remuneration reporting. With this in mind, and because bp has committed to annual diversity and inclusion reporting, we will leave additional commentary to that publication, which is expected to be available on the company's website [bp.com](https://www.bp.com) next month.

## Directors' remuneration report continued

### Summary of remuneration structure for employees below the board

Element	Policy features for the wider workforce	Comparison with executive director remuneration
<b>Salary</b>	<p>Our salary is the basis for a competitive total reward package for all employees, and we conduct an annual salary review for all non-unionized employees.</p> <p>As we determine salaries in this review, we take account of comparable pay rates at other relevant employers, the skills, knowledge and experience of each individual, relativity to peers within bp, individual performance, and the overall budget we set for each country.</p> <p>In setting the budget each year, we assess how employee pay is currently positioned relative to market rates, forecasts of any further market increases, and business context related to such things as growth plans, workforce turnover and affordability.</p>	<p>The salaries of our executive directors and executive leadership form the basis of their total remuneration, and we review these salaries annually.</p> <p>The primary purpose of the review is to stay aligned with relevant market comparators. We intend to keep increases within the salary review budgets set for our wider workforce, except in specific circumstances.</p>
<b>Pensions and benefits</b>	<p>We offer market-aligned benefits packages reflecting normal practice in each country in which we operate. Where appropriate, and subject to scale, we offer significant elements of personal benefit choice to our employees.</p>	<p>Other than the addition of security-related benefits, our executive director benefit packages are broadly aligned with other employees who joined bp in the same country at the same time.</p> <p>Under our 2020 remuneration policy pension benefits have been sharply reduced for our new executive directors, who receive a cash-in-lieu of pension allowance set at 15% of salary. Their previously accrued defined benefit calculations are capped on pre-appointment salary service.</p>
<b>Annual bonus</b>	<p>Over half of our global workforce participate in an annual cash bonus plan that multiplies a target bonus amount by a performance factor in the range 0 to 2.</p> <p>For 2021, the performance factor will reflect bp performance alone, placing emphasis on aligning individual efforts to the shared goals of the company at this critical stage of our transition.</p> <p>We operate different bonus plans for those distinct parts of our business where remuneration models in the market are markedly different, such as our trading and marketing businesses.</p>	<p>Annual bonus for executive directors is directly related to the same group performance measures and outcomes as the wider workforce.</p>
<b>Performance shares</b>	<p>We operate a performance share plan with three-year vesting for employees from our professional entry level and above. Operation varies based on seniority in three broad tiers: group leaders (approximately 300); senior leaders (approximately 4,000); and all other professional employees (approximately 32,000 potential participants, of whom 20% will participate). Vesting is subject to group performance outcomes for the group leader population only.</p>	<p>Performance shares for our executive directors are assessed using the same group performance scorecard used for the group leader performance shares.</p>

### Chief executive officer to employee pay ratio

This is our second year reporting the CEO pay ratio following the requirements introduced in 2018. As last year, we have selected option A as our reporting basis, being the most accurate approach available. The employees included in these calculations were employed by the group on 31 December 2020 and pay and benefits values were determined with reference to the financial year ending 31 December 2020. We confirm that no broadly applicable components of pay have been omitted and, where necessary, full-time equivalent pay has been calculated by simple engrossment of part year values.

Our analysis this year covers more than 14,000 UK employees, 45% of whom work in our retail sites. Employee values reflect the zero bonus outcome for the majority of employees, and the delayed salary review date, from 1 April to 1 October. Given the succession of CEO in 2020, these employee values are compared against the sum of total pay values, per the single figure table on page 113, for Bernard Looney and Bob Dudley.

Year	Method	25th percentile: pay ratio, total pay and benefits, (salary)	50th percentile: pay ratio, total pay and benefits, (salary)	75th percentile: pay ratio, total pay and benefits, (salary)
2019	Option A	543:1 £19,108 (£18,845)	188:1 £55,071 (£38,800)	82:1 £126,085 (£74,200)
<b>2020</b>	<b>Option A</b>	<b>99:1</b> <b>£18,984</b> <b>(£18,984)</b>	<b>40:1</b> <b>£46,933</b> <b>(£29,040)</b>	<b>19:1</b> <b>£98,546</b> <b>(£80,475)</b>

Bob Dudley's pay has been converted from US dollars at 0.77907 for 2020. The 2019 ratio is as originally reported.

The sharp reduction in 50th percentile ratio from 188:1 to 40:1 reflects the fact that CEO remuneration is more heavily weighted to variable pay which reduces in years of weaker performance such as 2020. This is a natural reason for volatility in pay ratio reporting from year to year, and illustrates one of the challenges in commenting on whether any given year's pay ratio is appropriate. Our considered view as to appropriateness is that the policies for our CEO, and for the wider workforce, are both fit for purpose and that they deliver pay outcomes appropriate to the circumstance of the year. Thus differentials reflect both the relative contributions made at different levels in our hierarchy, and the nature of the year in question.

Taken in the round with all of the insights we have gained into pay policies and practices, we remain satisfied that pay outcomes, and the ratios derived from them, are as they should be. In particular we note that as well as being paid at least the real living wage, our UK employees also benefit from the significant intangible value of working in an inclusive and caring enterprise that is not reflected in pay ratio analyses.

### Percentage change comparisons: Directors' remuneration versus employees

In the table below, values in column 'a' represent the percentage change in salary and fees; values in column 'b' represent the percentage change in taxable benefits; and values in column 'c' represent the percentage change in bonus outcomes for performance periods in respect of each financial year.

The employee percentages shown represent the change in median employee pay. This compares the median BP p.l.c. employee on 31 December of the relevant financial year, with the median BP p.l.c. employee on 31 December of the preceding financial year, in each case ranked based on the total of salary, benefits and bonus.

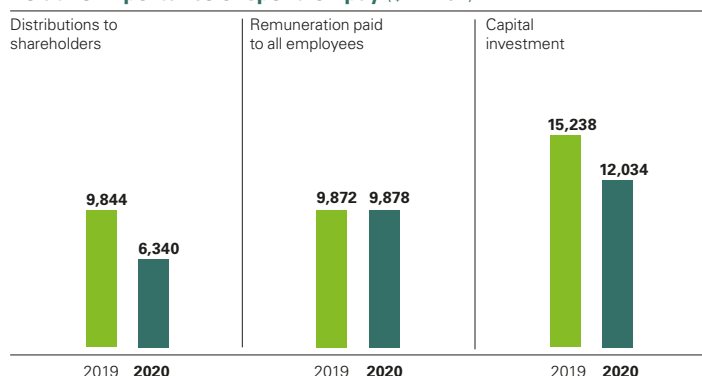
For the chair and non-executive directors, the decline in the value of taxable benefits largely relates to the sharp drop in business travel arising from pandemic-related travel restrictions.

	2020 v 2019		
	a	b	c
Employees	0%	0%	-100%
Bernard Looney	—	—	—
Murray Auchincloss	—	—	—
Bob Dudley	0%	-5%	-100%
Brian Gilvary	1%	13%	-100%
Nils Andersen	-7%	-46%	n/a
Dame Alison Carnwath	-4%	-94%	n/a
Pamela Daley	-15%	-92%	n/a
Sir Ian Davis	-14%	-81%	n/a
Professor Dame Ann Dowling	-4%	-96%	n/a
Helge Lund (Chair)	0%	-74%	n/a
Melody Meyer	9%	-77%	n/a
Tushar Morzaria	—	—	n/a
Brendan Nelson	-7%	-71%	n/a
Paula Rosput Reynolds	2%	-92%	n/a
Sir John Sawers	-3%	-83%	n/a

Bob Dudley, Brian Gilvary and Nils Andersen resigned during 2020, therefore, other than for one-time items, their 2020 pay has been annualised for comparison.

Bernard Looney, Murray Auchincloss and Tushar Morzaria were appointed on the board in 2020 and therefore no comparison to 2019 is available.

### Relative importance of spend on pay (\$ million)



## Directors' remuneration report continued

### Stewardship and executive director interests

We believe that our executive directors should have a material interest in the company, both during their tenure and after they leave bp. Our 2020 remuneration policy therefore requires the CEO and other executive directors to build personal shareholdings of five times salary and four and half times salary, respectively, within five years of their appointment. They are expected to maintain those shareholding levels for two years post employment.

### Directors' shareholdings (audited)

The table below details the personal shareholdings of each current and former executive director. Both Bob Dudley and Brian Gilvary significantly exceed their post-employment shareholding commitment. Bernard Looney and Murray Auchincloss are building towards the policy requirement that applies five years from their dates of appointment, 5 February and 1 July 2020 respectively. These figures include all beneficial and non-beneficial ownership of shares of bp (or calculated equivalents) that have been disclosed to the company.

Director	Ordinary shares or equivalents at 1 Jan 2020	Ordinary shares or equivalents at 31 Dec 2020	Changes from 31 Dec 2020 to 2 Mar 2021	Ordinary shares or equivalents at 2 Mar 2021	Appointment date	Value of current shareholding	Multiple of salary achieved
Bernard Looney	–	331,711	212,228	543,939	5 February 2020	£1,615,499 <sup>a</sup>	1.24x
Murray Auchincloss	–	139,525	2,010	141,535	1 July 2020	£420,359 <sup>a</sup>	0.60x
Bob Dudley <sup>b</sup>	4,592,208	–	–	–	October 2010	–	–
Brian Gilvary <sup>b</sup>	2,593,708	–	–	–	January 2012	–	–

a Based on ordinary share price at 2 March 2021 of £2.97.

b Bob Dudley and Brian Gilvary resigned on 4 February and 30 June 2020 respectively.

These current and former executive directors have additional interests in restricted and performance shares, and Bob and Brian have various interests in deferred bonus shares. These additional share interests are shown in aggregate, and by plan, in the tables below. For performance shares, the figures reflect maximum possible vesting levels (excluding the addition of reinvested dividends) even though the actual number of shares that vest will depend on the extent to which performance conditions are satisfied.

### Aggregated interests, all plans (audited)

Director <sup>a</sup>	Unvested ordinary shares or equivalents at 1 Jan 2020	Unvested ordinary shares or equivalents at 31 Dec 2020	Changes from 31 Dec 2020 to 2 Mar 2021	Unvested ordinary shares or equivalents at 2 Mar 2021
Bernard Looney	–	3,193,599	-530,370	2,663,229
Murray Auchincloss	–	1,581,899	-2,755	1,579,144
Bob Dudley	6,639,882	5,296,740	–	–
Brian Gilvary	2,905,764	2,060,135	–	–

a Bernard Looney was appointed as CEO on 5 February and Murray Auchincloss was appointed as CFO on 1 July 2020, Bob Dudley and Brian Gilvary resigned on 4 February and 30 June 2020 respectively.



## Performance shares (audited)

	Performance period	Date of award of performance shares	Share element interests			Interests vested in 2020 and 2021		
			Potential maximum performance shares <sup>a</sup>			Number of ordinary shares vested	Vesting date	Face value of award <sup>c</sup> , £
			At 1 Jan 2020	Awarded 2020	At 31 Dec 2020			
Bernard Looney	2018-20 <sup>b</sup>	20 Mar 2018	317,380	–	317,380	126,134	16 Feb 2021	–
	2019-21 <sup>b</sup>	25 Mar 2019	335,920	–	335,920	–	–	1,840,842
	2020-22 <sup>d</sup>	11 Aug 2020	–	2,076,677	2,076,677	–	–	6,396,165
Murray Auchincloss	2018-20 <sup>be</sup>	20 Mar 2018	155,916	–	155,916	62,124	10 Mar 2021	–
	2019-21 <sup>be</sup>	25 Mar 2019	156,468	–	156,468	–	–	857,445
	2020-22 <sup>d</sup>	11 Aug 2020	–	999,201	999,201	–	–	3,077,539
Bob Dudley <sup>e</sup>	2017-19 <sup>f</sup>	19 May 2017	1,571,628	–	–	1,358,334	18 Feb 2020	–
	2018-20 <sup>g</sup>	22 May 2018	1,395,600	–	1,395,600	410,922	19 Feb 2021	–
	2019-21	19 Feb 2019	1,340,766	–	1,340,766	–	–	7,199,913
Brian Gilvary	2017-19 <sup>f</sup>	19 May 2017	722,093	–	–	623,242	18 Feb 2020	–
	2018-20 <sup>g</sup>	22 May 2018	696,705	–	696,705	227,337	19 Feb 2021	–
	2019-21	19 Feb 2019	654,315	–	654,315	–	–	3,513,672

a For awards under the 2017-19 plan, performance conditions are measured 50% on TSR relative to Chevron, ExxonMobil, Shell and Total ('comparator companies') over three years, 30% on ROACE based on performance in 2019, and 20% on strategic progress assessed over the performance period.

For awards under the 2018-2020 plans, performance conditions are measured on the same basis as the 2017-2019 plan, except ROACE which will be based on performance in the last two years of the performance period (i.e. 2019 and 2020).

For awards under the 2019-2021 plans, performance conditions are measured 50% on TSR relative to the comparator companies over three years, 20% ROACE averaged over the full performance period, and 30% on strategic progress assessed over the performance period.

Each performance period ends on 31 December of the third year.

b Awards granted under the Group Share Value Plan (GSVP) prior to appointment as executive directors (disclosed share interests reflect maximum vesting, though under this plan awards are granted at 50% of maximum). Represents vesting of shares at the end of the performance period based on performance achieved under rules of the plan and includes reinvested dividends on the shares vested. Bernard Looney's 2018-20 award vested on 16 February 2021, when the market price was £2.78 for each share, and Murray Auchincloss's award vested on 10 March 2021 when the market price for each ADS was \$26.65. The amounts reported as 2020 income on the single figure table are therefore £351k for Bernard Looney and \$275k (£215k) for Murray Auchincloss.

c Face values have been calculated using market prices of ordinary shares at closing on the dates of award, as follows; £5.37 on 19 February 2019; £5.48 on 25 March 2019; and £3.08 on 11 August 2020.

d Minimum vesting under these awards (below threshold performance) is 0%. At the lowest performance outcome that would yield an above-zero score on each measure, vesting would be 10% of maximum.

e These awards were received in the form of ADSs. The above numbers reflect calculated equivalents in ordinary shares. One ADS is equivalent to six ordinary shares.

f Represents vesting of shares at the end of the performance period based on performance achieved under rules of the plan and includes reinvested dividends on the shares vested. This 2017-2019 award vested on 18 February 2020, when the market price was £4.54 for each ordinary share, and \$36.09 for each ADS. Reinvested dividends were delivered on 5 November 2020, when the market price was £2.03 for each ordinary share, and \$15.83 for each ADS. The adjusted amounts reported as 2019 income on the single figure table are therefore \$8.039 million for Bob Dudley, and £2.787 million for Brian Gilvary.

g Represents vestings of shares at the end of the performance period based on performance achieved under rules of the plan, pro-rated for time served, and includes reinvested dividends on the shares vested. This 2018-2020 award vested on 19 February 2021, when the market price was £2.72 for each share, and \$22.87 for each ADS. As they were received post-employment, the value of these vested shares are included in the payments to past directors section on page 122.

## Restricted shares (audited)

	Restricted period	Date of award of restricted shares	Share element interests			Face value of award <sup>c</sup> , £
			Number of restricted shares			
			At 1 Jan 2020	Awarded 2020	At 31 Dec 2020	
Bernard Looney	2016-20 <sup>a</sup>	15 Mar 2016	75,000	–	75,000	256,500
	2018-20 <sup>a</sup>	20 Mar 2018	104,577	–	104,577	485,237
	2018-20 <sup>b</sup>	20 Mar 2018	137,990	–	137,990	640,274
	2019-21 <sup>b</sup>	25 Mar 2019	146,055	–	146,055	800,381
Murray Auchincloss	2018-20 <sup>a</sup>	20 Mar 2018	43,170	–	43,170	200,308
	2018-22 <sup>a</sup>	20 Mar 2018	43,170	–	43,170	200,308
	2018-20 <sup>b</sup>	20 Mar 2018	86,616	–	86,616	401,898
	2018-20 <sup>d</sup>	20 Mar 2018	2,755	–	2,755	12,783
	2019-21 <sup>d</sup>	25 Mar 2019	2,835	–	2,835	15,536
	2019-21 <sup>b</sup>	25 Mar 2019	86,928	–	86,928	476,365
	2020-22 <sup>d</sup>	28 Aug 2020	–	4,840	4,840	12,778

a Awards made under the Restricted Share Plan II prior to appointment as a director.

b Awards made under the Individual Share Value Plan prior to appointment as a director. Awards under this plan were granted at 100% of salary.

c Face values have been calculated using market prices of ordinary shares at closing on the dates of award, as follows; £3.42 on 15 March 2016; £4.64 on 20 March 2018; £5.48 on 25 March 2019; £2.64 on 28 August 2020.

d Interests of person closely associated with Murray Auchincloss.

## Directors' remuneration report continued

### Deferred shares<sup>a</sup> (audited)

	Bonus year	Type	Performance period	Date of award of deferred shares	Deferred share element interests			Interests vested in 2020 and 2021		
					Potential maximum deferred shares			Number of ordinary shares vested	Vesting date	Face value of the award <sup>d</sup> , £
					At 1 Jan 2020	Awarded 2020	At 31 Dec 2020			
Bob Dudley <sup>bc</sup>	2014	Comp	2015-17	11 Feb 2015	147,054	–	147,054	–	–	655,861
		Vol	2015-17	11 Feb 2015	147,054	–	147,054	–	–	655,861
		Mat	2015-17	11 Feb 2015	294,108	–	294,108	–	–	1,311,722
	2015	Comp	2016-18	4 Mar 2016	275,892	–	275,892	–	–	1,015,283
		Vol	2016-18	4 Mar 2016	275,892	–	275,892	–	–	1,015,283
		Mat	2016-18	4 Mar 2016	551,784	–	551,784	–	–	2,030,565
	2016	Comp	2017-19	19 May 2017	147,642	–	147,642	–	–	696,870
		Mat	2017-19	19 May 2017	147,642	–	147,642	–	–	696,870
	2017	Comp	2018-20	22 May 2018	226,236	–	226,236	–	–	1,330,268
Brian Gilvary	2018	Comp	2019-21	19 Feb 2019	118,584	–	118,584	–	–	636,796
	2019	Comp	2020-22	18 Feb 2020	–	228,486	228,486	–	–	1,046,466
	2014	Mat	2015-17	11 Feb 2015	176,576	–	–	253,223 <sup>e</sup>	18 Feb 20	–
	2015	Mat	2016-18	4 Mar 2016	318,042	–	318,042	402,227 <sup>f</sup>	19 Feb 21	–
	2016	Comp	2017-19	19 May 2017	73,070	–	–	88,577 <sup>e</sup>	18 Feb 20	–
		Mat <sup>g</sup>	2017-19	19 May 2017	73,070	–	73,070	–	–	344,890
	2017	Comp	2018-20	22 May 2018	127,457	–	127,457	153,562 <sup>h</sup>	19 Feb 21	–
	2018	Comp	2019-21	19 Feb 2019	64,436	–	64,436	–	–	346,021
	2019	Comp	2020-22	18 Feb 2020	–	126,110	126,110	–	–	577,584

a Since 2010, vesting of the deferred shares has been subject to a safety and environmental sustainability hurdle. If the committee assesses that there has been a material deterioration in safety and environmental performance, or there have been major incidents, either of which reveal underlying weaknesses in safety and environmental management, then it may conclude that shares should vest only in part, or not at all. In reaching its conclusion, the committee obtains advice from the SAS committee. There is no identified minimum vesting threshold level. 'Comp' denotes compulsory deferral, 'Vol' denotes voluntary deferral, and 'Mat' denotes matching awards.

b Bob Dudley received awards in the form of ADSs. The above numbers reflect calculated equivalents in ordinary shares. One ADS is equivalent to six ordinary shares.

c Bob Dudley has voluntarily agreed to defer vesting of these awards until one year post employment.

d Face values have been calculated using market prices of ordinary shares on the dates of award, as follows; £4.46 on 11 February 2015; £3.68 on 4 March 2016; £4.72 on 19 May 2017; £5.88 on 22 May 2018; £5.37 on 19 February 2019; £4.58 on 18 February 2020.

e Represents vestings of shares at the end of the deferral period and includes reinvested dividends on the shares vested. The market price of each share used to determine the total value at vesting on 18 February 2020 was £4.54. The additional reinvested dividend shares were delivered on 5 November 2020, at a market price of £2.03. The adjusted amount reported as 2019 income on the single figure table is therefore £1.529 million.

f Represents vesting of shares made at the end of the deferral period, prorated for 54 months' service out of 60 months' vesting period, and includes reinvested dividends thereon. The market price of each share used to determine the total value at vesting on 19 February 2021 was £2.72. As they were received post-employment, the values of these vested shares are included in the payments to past directors section on page 122.

g Brian Gilvary has voluntarily agreed to defer vesting of this 2016 matching award to at least one year post employment.

h In line with the 2017 policy, these compulsory deferrals of Bob and Brian's 2017 bonus were included in the single figure of total remuneration reported for 2017 and therefore the values of these shares are not included as payments to past directors.

In common with many of our UK employees, Bernard Looney holds options under the bp group save as you earn (SAYE) scheme as shown below. These options are not subject to performance conditions.

### Share interests in share option plans (audited)

Director	Option type	At 1 Jan 2020	Granted	Exercised	At 31 Dec 2020 <sup>a</sup>	Option price	Market price at date of exercise	Date from which first exercisable	Expiry date
Bernard Looney	SAYE	6,024	–	–	6,024	£2.54	–	01 Sep 2025	28 Feb 2026
Murray Auchincloss	SAYE <sup>b</sup>	–	3,614	–	3,614	£2.54	–	01 Sep 2023	28 Feb 2024
Brian Gilvary	BP 2011 <sup>c</sup>	400,000	–	–	400,000	£3.72	–	07 Sep 2014	07 Sep 2021
Brian Gilvary	SAYE <sup>d</sup>	2,064	–	–	–	£4.36	–	01 Sep 2022	28 Feb 2023

a The closing market price of an ordinary share on 31 December 2020 was £2.55. During 2020 the highest market price was £5.04, and the lowest market price was £1.93.

b Interest of person closely associated with Murray Auchincloss.

c The BP 2011 plan – these options were granted to Brian Gilvary prior to his appointment as a director and are not subject to performance conditions.

d Brian Gilvary closed his save as you earn contract, and therefore these options lapsed, on 18 June 2020.

Bernard Looney, Murray Auchincloss, Bob Dudley and Brian Gilvary have no interests in bp preference shares, debentures or option plans (other than as listed above), and none have interests in shares or loan stock of any subsidiary company.

No directors or other leadership team members own more than 1% of the ordinary shares in issue. At 2 March 2021, our directors and leadership team members collectively held interests of 5,294,828 ordinary shares or their calculated equivalents, 10,204,082 restricted share units (with or without conditions) or their calculated equivalents, 3,075,878 performance shares or their calculated equivalents and 1,580,380 options over ordinary shares or their calculated equivalents, under bp group share option schemes.

## Post employment share ownership interests

Bob Dudley and Brian Gilvary have, and will continue to retain, significant interests in bp post employment. Under our 2017 policy, they gave their personal commitment as executive directors to maintain actual holdings equivalent to two and a half times salary for two years post employment. Their ongoing interests in share awards under group plans which remain subject to vesting and/or holding periods materially exceed the two and a half times salary threshold, and thus guarantee that they will continue to meet their minimum shareholding commitment. Although we instituted a formal post employment share ownership requirement as part of our 2020 policy, given the foregoing, we have not modified the requirements for these former executives.

## Chair and non-executive director outcomes and interests

The remuneration policy for the chair and non-executive directors (NEDs) was approved at the 2020 AGM and implemented during 2020.

## Fee structure

The table below shows the fee structure for the chair and NEDs, per our 2020 policy. The chair is not eligible for committee chairmanship and membership fees or intercontinental travel allowance.

	Fees £ thousand
Chair	785
Senior independent director <sup>a</sup>	120
Board member	90
Audit, geopolitical, remuneration and SAS committees chairmanship fees <sup>b</sup>	30
Committee membership fee <sup>c</sup>	20
Intercontinental travel allowance	5

a The senior independent director is eligible for committee chairmanship fees and intercontinental travel allowance plus any committee membership fees.

b Committee chairs do not receive an additional membership fee for the committee they chair.

c For members of the audit, geopolitical, SAS and remuneration committees.

As disclosed in our 2019 report, in early 2020 a revised fee structure was adopted for implementation with effect from 1 June 2020. The implementation of that revised fee structure was postponed on account of the COVID-19 pandemic and actions taken by bp in response.

With effect from 1 January 2021, a fee for membership of the people and governance committee has been introduced given the increased time commitment associated with the expanded responsibilities of this committee. The fee is in line with other committee membership fees. The senior independent director has waived her entitlement to this committee membership fee.

The geopolitical advisory council was constituted with effect from 1 January 2021. Fees of £10,000 and £15,000 are payable for membership of and chairing the council, respectively.

The fee structure for 2021 remains otherwise unchanged and the board will review the situation again during the year.

The table below shows the fees paid and applicable benefits for the year ended 31 December 2020. Benefits include travel and other expenses relating to the attendance at board and other meetings. As chair throughout 2020, Helge Lund had the use of a fully maintained office for company business, a car and driver, and security advice in London. Benefits values have been grossed up using a tax rate of 45%, where relevant, as an estimation of tax due.

## 2020 remuneration (audited)

£ thousand	Fees		Benefits		Total <sup>a</sup>	
	2020	2019	2020	2019	2020	2019
Nils Andersen <sup>b</sup>	38	161	1	11	39	172
Dame Alison Carnwath <sup>b</sup>	110	115	2	33	112	148
Pamela Daley	140	164	3	37	143	201
Sir Ian Davis <sup>b</sup>	143	165	1	5	143	170
Professor Dame Ann Dowling <sup>c</sup>	135	140	0	3	135	143
Helge Lund (Chair)	785	785	25	95	810	880
Melody Meyer	166	152	4	16	170	168
Tushar Morzaria <sup>b</sup>	37	–	0	–	37	–
Brendan Nelson	140	150	3	11	143	161
Paula Rosput Reynolds	174	170	3	36	177	206
Sir John Sawers	140	145	0	1	140	146

a Due to rounding, the totals may not agree exactly with the sum of the component parts.

b Nils Andersen resigned on 18 March 2020. Sir Ian Davis resigned on 30 December 2020. Tushar Morzaria was appointed on 1 September 2020. Dame Alison Carnwath resigned on 14 January 2021.

c Fee includes £25,000 for chairing and being a member of the bp technology advisory council.

## Directors' remuneration report continued

### Chair and non-executive directors' interests (audited)

The figures below include all the beneficial and non-beneficial interests of the chair and each non-executive director of the company in shares of bp (or calculated equivalents) that have been disclosed according to the disclosure guidance and transparency rules in the Financial Conduct Authority handbook ('the DTRs') as at the applicable dates. Our policy, shown on page 126, includes a shareholding guideline encouraging non-executive directors to establish a holding in bp shares of the equivalent value of one year's base fee.

	Ordinary shares or equivalents at 1 Jan 2020	Ordinary shares or equivalents at 31 Dec 2020	Changes from 31 Dec 2020 to 2 Mar 2021	Ordinary shares or equivalents at 2 Mar 2021	Value of current shareholding <sup>a</sup>	% of policy achieved
Nils Andersen <sup>b</sup>	125,000	–	–	–	–	–
Dame Alison Carnwath <sup>b</sup>	17,700	17,700	–	–	–	–
Pamela Daley	17,592 <sup>c</sup>	40,332 <sup>c</sup>	0	40,332 <sup>c</sup>	\$166,504	144%
Sir Ian Davis <sup>b</sup>	52,671	–	–	–	–	–
Professor Dame Ann Dowling	22,320	22,320	0	22,320	£66,290	74%
Helge Lund (Chair)	600,000	600,000	0	600,000	£1,782,000	227%
Melody Meyer	20,646 <sup>c</sup>	20,646 <sup>c</sup>	0	20,646 <sup>c</sup>	\$85,234	74%
Tushar Morzaria <sup>b</sup>	–	36,276	0	36,276	£107,740	120%
Brendan Nelson <sup>d</sup>	21,626	21,626	0	21,626	£64,229	71%
Paula Rosput Reynolds	73,200 <sup>c</sup>	73,200 <sup>c</sup>	0	73,200 <sup>c</sup>	\$302,194	262%
Karen Richardson <sup>b</sup>	–	–	–	10,746 <sup>c</sup>	\$44,363	38%
Sir John Sawers	15,506	23,116	0	23,116	£68,655	76%
Dr Johannes Teyssen <sup>b</sup>	–	–	–	20,000	£59,400	66%

a Based on share and ADS prices at 2 March 2021 of £2.97 and \$24.77.

b Nils Andersen and Sir Ian Davis resigned on 18 March and 30 December 2020 respectively. Tushar Morzaria appointed on 1 September 2020. Karen Richardson and Dr Johannes Teyssen appointed on 1 January 2021. Dame Alison Carnwath resigned on 14 January 2021.

c Held as ADSs.

d Brendan Nelson's 31 December 2019 shareholding was incorrectly shown as 11,040 shares, rather than 21,626 shares, in our 2019 report.

### Payments for loss of office (audited)

Brian Gilvary received a payment in lieu of notice of £447,950 relating to the part of his 12-month notice period that followed his retirement on 30 June 2020.

As detailed on page 120, Bob Dudley deferred the vesting of various deferred and matching share awards, related to annual bonus outcomes from 2014 to 2019, until at least one year post retirement. Of these, awards under the 2014 policy (for bonus years 2014, 2015 and 2016) were not included in the single figures of total remuneration, therefore the values of these awards will be disclosed in the payments to past directors section of the relevant annual report following vesting.

Similarly, Brian Gilvary deferred the vesting of his 2016 matching share award until at least one year post retirement. The value of this award will be disclosed in the payments to past directors section of the relevant annual report following vesting.

### Payments to past directors (audited)

Since leaving employment, Bob Dudley and Brian Gilvary have received shares upon vesting of the awards listed below:

(1) Bob Dudley received 410,922 shares on vesting of his 2018-20 performance share award on 19 February 2021. Based on a share price of \$22.78 this vesting was valued at \$1,566,298. This award reflects the 32.5% vesting outcome, and has been pro-rated for 27 months' service through the three-year performance period.

(2) Brian Gilvary received 227,337 shares on vesting of his 2018-20 performance share award on 19 February 2021. Based on a share price of £2.72 this vesting was valued at £618,357. This award reflects the 32.5% vesting outcome, and has been pro-rated for 30 months' service through the three-year performance period.

(3) Brian Gilvary received 402,227 shares on vesting of his 2015 matching award on 19 February 2021. Based on a share price of £2.72 this vesting was valued at £1,094,057. This award has been pro-rated for 54 months' service through the five-year vesting period.

Bob Dudley was also provided with post-employment medical benefits amounting to \$14,359, ongoing car and driver benefits in the UK, amounting to \$44,429, and relocation benefits to assist his repatriation to the US, amounting to \$47,186.

We made no other payments within the scope of the disclosure requirements to any past director of bp during 2020 (we have no de minimis threshold for such disclosures).

## Other disclosures

### Historical TSR performance



This graph shows the growth in value of hypothetical £100 investments in BP p.l.c. ordinary shares, and in the FTSE 100 Index (of which bp is a constituent), over 10 years from 31 December 2010 to 31 December 2020.

### Independence and advice

The board considers all committee members to be independent with no personal financial interest, other than as shareholders, in the committee's decisions. Further detail on the activities of the committee, advice received, and shareholder engagement is set out in the remuneration committee report on page 105.

During 2020 Ben Mathews, who was employed by the company and reported to the chair of the board, acted as secretary to the remuneration committee.

The committee also received advice on various matters relating to the remuneration of executive directors and senior management from Helmut Schuster, former EVP, group human resources, Kerry Dryburgh, EVP, people and culture (from 1 July 2020) and Ashok Pillai, SVP, reward and wellbeing.

PricewaterhouseCoopers LLP ('PwC') continued to provide independent advice to the committee in 2020, following its appointment as independent advisor to the committee in September 2017, following a competitive tender process. None of PwC's consultants advising the committee have any connection with the company's directors. PwC advice included, for example, support with remuneration benchmarking and updates on market practice. PwC is a member of the Remuneration Consulting Group and, as such, operates under the code of conduct in relation to executive remuneration consulting in the UK. The committee is satisfied that the advice received is objective and independent.

Freshfields Bruckhaus Deringer LLP ('Freshfields') provided legal advice on specific compliance matters to the committee.

PwC and Freshfields provide other advice in their respective areas to the group. During the year, PwC provided bp with services including: subsidiary company secretarial support; digital and IT services; low carbon strategy consulting; internal audit subject matter expertise and trading transformation.

Total fees or other charges (based on an hourly rate) for the provision of remuneration advice to the committee in 2020 (save in respect of legal advice) were £110,262 to PwC.

## Considerations related to the Corporate Governance Code

When setting the 2020 policy, the committee concluded that the scorecard-based approach to setting targets and measuring outcomes provides great clarity in our ability to engage transparently with shareholders and the wider workforce on remuneration. Thus, bp continues to operate a simple structure of market-aligned salary with annual and three-year performance-based incentives. Risks are managed through careful setting of performance measures and targets, and broad options to apply committee discretion in assessing outcomes, such as the decision to pay no annual bonus for 2020. These are complemented with robust malus and clawback measures. Remuneration outcomes are predictable, as shown in the scenario charts of the 2020 policy, and proportional by virtue of the challenging performance levels required to achieve target pay outcomes. Through material weighting in measures related to safety, sustainability and strategy, as shown on page 109, remuneration aligns closely with bp's culture, as expressed through our purpose and ambition.

### Shareholder engagement

Throughout 2020 we continued to discuss remuneration policy and approach with many of our largest shareholders, as well as investor representative bodies. We plan to continue this dialogue in 2021, as we consider issues and make decisions related to the implementation of our remuneration policy for 2021 and beyond.

The table below shows the votes on the report for the last three years.

#### AGM directors' remuneration report vote results

Year	% vote 'for'	% vote 'against'	Votes withheld
<b>2020</b>	<b>96.05%</b>	<b>3.95%</b>	<b>67,623,825</b>
2019	95.93%	4.07%	337,586,814
2018	96.42%	3.58%	42,741,541

The remuneration policy was approved by shareholders at the 2020 AGM last May. The votes on the policy are shown below.

#### 2020 AGM directors' remuneration policy vote results

Year	% vote 'for'	% vote 'against'	Votes withheld
<b>2020</b>	<b>96.58%</b>	<b>3.42%</b>	<b>65,652,222</b>

### External appointments

The board supports executive directors taking up appointments outside the company to broaden their knowledge and experience. Each executive director is permitted to retain any fee from their external appointments. Such external appointments are subject to agreement by the chair and reported to the board. Any external appointment must not conflict with a director's duties and commitments to bp. Details of appointments as non-executive directors of publicly listed companies during 2020 are shown below.

Director	Appointee company	Additional position held at appointee company	Total fees
Bernard Looney	Rosneft <sup>a</sup>	Director	0
Murray Auchincloss	Aker BP ASA <sup>a</sup>	Director	0
Bob Dudley	Rosneft <sup>a</sup>	Director	0
Brian Gilvary	Air Liquide SA	Non-executive director	Eur 38,375
Brian Gilvary	Barclays plc	Non-executive director	£47,500

<sup>a</sup> Held as a result of the company's shareholdings in Rosneft and Aker BP ASA.



# Directors' remuneration report continued

## Policy implementation for 2021

The table below shows how the remuneration policy approved by shareholders at the 2020 AGM will be implemented in 2021, alongside a summary of key features.

For the full remuneration policy, please go to [bp.com/remuneration](https://www.bp.com/remuneration)

<b>Salary and benefits</b>	<p>To provide fixed remuneration to reflect the scale and complexity of both the business and the role, and to be competitive with the external market.</p> <p>When setting salaries, the committee considers practice in other oil and gas majors as well as European and US companies of a similar size, geographic spread and business dynamic to bp. Percentage increases for executive directors will not exceed increases for the broader employee population, other than in specific circumstances identified by the committee (e.g. in response to a substantial change in responsibilities).</p>	<ul style="list-style-type: none"> <li>■ Bernard Looney's salary will increase by 2.75% to £1,335,750 following the 2021 AGM.</li> <li>■ Murray Auchincloss's salary will increase by 8% to £750,500 following the 2021 AGM.</li> <li>■ This compares to an increase in excess of 4% to our UK salaried staff effective from 1 April, our annual salary review date.</li> <li>■ Benefits will remain unchanged for 2021 and include car-related provisions (or cash in lieu), security assistance, insurance and medical cover.</li> </ul>
<b>Retirement benefits</b>	<p>Executive directors normally participate in the company retirement plans that operate in their home country.</p> <p>New appointees from within the bp group retain previously accrued benefits. For their service as a director, retirement benefits will be no more than the median provision offered to the wider workforce in the UK.</p> <p>For future appointments, the committee will carefully review any retirement benefits to be granted to a new director, taking account of retirement policies across the wider group and any arrangements currently in place.</p>	<ul style="list-style-type: none"> <li>■ Bernard and Murray are deferred members of final salary pension plans related to their service prior to appointment as executive directors, but now receive a cash allowance in lieu of retirement benefits.</li> <li>■ Bernard's cash allowance will be unchanged at 15%, and he accrues no further value under his deferred pension.</li> <li>■ Murray's cash allowance will be unchanged at 15%, and he accrues no further value under his US deferred pension.</li> </ul>
<b>Annual bonus</b>	<p>Bonus is measured against an annual scorecard. The committee holds discretion to choose the specific measures and the relative weightings adopted in the annual scorecard, to reflect the annual plan as agreed with the board.</p> <p>Numeric scales are set for each measure, to score outcomes relative to targets. A scorecard outcome of 1.0 reflects the target outcome, and half of the maximum outcome.</p> <p>Target bonus is 112.5% of salary, and maximum bonus is 225% of salary.</p> <p>Half of the bonus for each year is paid in cash, and half is delivered as a deferred share award vesting in three years.</p>	<ul style="list-style-type: none"> <li>■ For our 2021 bonus, our scorecard will be reweighted to safety (15%), environment (15%), operational (20%) and financial (50%).</li> <li>■ Please see scorecard measures on page 125 for detail.</li> <li>■ Awards are subject to malus and clawback provisions described on page 125.</li> </ul>
<b>Performance shares</b>	<p>Performance shares are granted with a three-year performance period, measured against scorecard.</p> <p>The committee holds discretion to choose the specific measures and the relative weightings adopted in the scorecard, to ensure they are focused on the near-term priorities for delivering the bp strategy in the interests of shareholders.</p> <p>Annual grants are 500% of salary for the CEO, and 450% of salary for any other executive director. Awards will vest in proportion to the outcomes measured through the performance scorecard, subject to any adjustment by the committee.</p>	<ul style="list-style-type: none"> <li>■ For our 2021-23 cycle, 20% each for rTSR, ROACE, and EBIDA CAGR, and 40% for strategic progress.</li> <li>■ Please see scorecard measures on page 125 for detail.</li> <li>■ The 2021-23 awards will be granted in June 2021, based on the average closing share price over the 90 days preceding our 2021 AGM.</li> <li>■ Awards are subject to malus and clawback provisions described on page 125.</li> </ul>

<b>Shareholding requirement</b>	<p>CEO to build a shareholding of at least five times salary, and other executive directors four and a half times salary, within five years of appointment.</p> <p>Executive directors are required to maintain at least that minimum level for at least two years post employment.</p>	<p>■ Bernard and Murray have not yet reached five years since appointment, and are therefore building the share interests towards the level required by policy.</p>
<b>Malus and clawback</b>	<p>Malus provisions may apply where there is: a material safety or environmental failure; an incorrect award outcome due to miscalculation or incorrect information; a restatement due to financial reporting failure or misstatement of audited results; material misconduct; or other exceptional circumstances that the committee considers similar in nature.</p> <p>Clawback provisions may apply where there is: an incorrect outcome due to miscalculation or incorrect information; a restatement due to financial reporting failure or misstatement of audited results; or material misconduct.</p>	
<b>Committee flexibility</b>	<p>The committee holds discretion to adjust performance measures and weightings, and to revise the peer group for the rTSR measure.</p> <p>This discretion allows appropriate re-alignment, throughout the policy term, for changes in the annual plan and for the anticipated evolution of the low carbon business environment.</p> <p>The committee also holds discretion in determining the outcomes for annual bonus and performance shares, allowing them to take broad views on alignment with shareholder experience, environmental, societal and other relevant considerations.</p>	<p>■ The committee has committed to an ongoing review of the outcomes of 2020-22 performance shares to ensure there is no windfall gain related to share price appreciation following market turmoil around the time the awards were granted.</p>

### Performance measures for incentive plans commencing in 2021

#### Annual bonus (weighting as % of maximum)

<p>Safety</p> <p><b>15%</b></p> <p>Tier 1/2 process safety</p>	<p>Environment</p> <p><b>15%</b></p> <p>Sustainable emissions reductions</p>	<p>Operational performance</p> <p><b>20%</b></p> <p>bp-operated plant reliability and refining availability (10%)</p> <p>Margin share from convenience and electrification (10%)</p>	<p>Financial performance</p> <p><b>50%</b></p> <p>Free cash flow (25%)</p> <p>Cumulative cash cost reductions (25%)</p>
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#### Performance shares (weighting as % of maximum)

<p>Relative TSR</p> <p><b>20%</b></p>	<p>ROACE</p> <p><b>20%</b></p>	<p>Growth (EBIDA CAGR)</p> <p><b>20%</b></p>	<p>Strategic progress</p> <p><b>40%</b></p> <p>Deliver value through a resilient and focused hydrocarbon business</p> <p>Demonstrate a track record, scale and value in low carbon electricity and energy</p> <p>Accelerate growth in convenience and mobility</p>
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**Underpin:** To take into account safety outcomes prior to determining final vesting percentage

**Discretion:** To reflect shareholder experience, environment, societal and other inputs

Robust malus and clawback

## Directors' remuneration report continued

### Policy table – non-executive directors

#### Non-executive chair

##### Fees

<b>Approach</b>	Remuneration is in the form of cash fees, payable monthly. The level and structure of the chair's remuneration will primarily be compared against UK best practice.
<b>Operation and opportunity</b>	The quantum and structure of the non-executive chair's remuneration is reviewed annually by the remuneration committee, which makes a recommendation to the board.

##### Benefits and expenses

<b>Approach</b>	The chair is provided with support and reasonable travelling expenses.
<b>Operation and opportunity</b>	The chair is provided with an office and full-time secretarial and administrative support in London and a contribution to an office and secretarial support in his home country as appropriate. A car and the use of a driver is provided in London, together with security assistance. All reasonable travelling and other expenses (including any relevant tax) incurred in carrying out his duties are reimbursed.

#### Non-executive directors

##### Fees

<b>Approach</b>	Remuneration is in the form of cash fees, payable monthly. Remuneration practice is consistent with recognized best practice standards for non-executive directors' remuneration and, as a UK-listed company, the level and structure of non-executive directors' remuneration will primarily be compared against UK best practice.  Additional fees may be payable to reflect additional board responsibilities, for example, committee chairmanship and membership and for the role of senior independent director.
<b>Operation and opportunity</b>	The level and structure of non-executive directors' remuneration is reviewed by the chair, the CEO and the company secretary who make a recommendation to the board. Non-executive directors do not vote on their own remuneration.  Remuneration for non-executive directors is reviewed annually.

##### Intercontinental allowance

<b>Approach</b>	Non-executive directors receive an allowance to reflect the global nature of the company's business. The intercontinental travel allowance is payable for the purpose of attending board or committee meetings or site visits.
<b>Operation and opportunity</b>	The allowance is paid in cash following each event of intercontinental travel.

##### Benefits and expenses

<b>Approach</b>	Non-executive directors are provided with administrative support and reasonable travelling expenses. Professional fees are reimbursed in the form of cash, payable following the provision of advice and assistance.
<b>Operation and opportunity</b>	Non-executive directors are reimbursed for all reasonable travelling and subsistence expenses (including any relevant tax) incurred in carrying out their duties. The reimbursement of professional fees incurred by non-executive directors based outside the UK in connection with advice and assistance on UK tax compliance matters.

##### Shareholding guidelines

<b>Approach</b>	Non-executive directors are encouraged to establish a holding in bp shares of the equivalent value of one year's base fee.
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This directors' remuneration report was approved by the board and signed on its behalf by Ben J. S. Mathews, company secretary, on 22 March 2021.

## Directors' statements

### Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. The directors are required by the UK Companies Act 2006 to prepare financial statements for each financial year that give a true and fair view of the financial position of the group and the parent company and the financial performance and cash flows of the group and parent company for that period. Under that law they are required to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (EU) and applicable law and have elected to prepare the parent company financial statements in accordance with applicable United Kingdom law and United Kingdom accounting standards (United Kingdom generally accepted accounting practice), including FRS 101 'Reduced Disclosure Framework'. In preparing the consolidated financial statements the directors have also elected to comply with IFRS as issued by the International Accounting Standards Board (IASB).

In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Provide additional disclosure when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance.
- State that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the consolidated financial statements comply with the Companies Act 2006 and the parent company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Having made the requisite enquiries, so far as the directors are aware, there is no relevant audit information (as defined by Section 418(3) of the Companies Act 2006) of which the company's auditors are unaware, and the directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The directors confirm that to the best of their knowledge:

- The consolidated financial statements, prepared on the basis of IFRS as issued by the IASB, IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU and in accordance with the provisions of the Companies Act 2006 as applicable to companies reporting under international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the group.
- The parent company financial statements, prepared in accordance with United Kingdom generally accepted accounting practice, give a true and fair view of the assets, liabilities, financial position, performance and cash flows of the company.
- The management report, which is incorporated in the strategic report and directors' report, includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that they face.

**Helge Lund**  
Chairman  
22 March 2021

### UK Corporate Governance Code compliance

Throughout 2020, bp applied the principles and complied with all the provisions of the 2018 UK Corporate Governance Code.

### Risk management and internal control

Under the UK Corporate Governance Code 2018 (Code), the board is responsible for the company's risk management and internal control systems. In discharging this responsibility the board, through its governance principles, requires the chief executive officer to operate the company with a comprehensive system of controls and internal audit to identify and manage the risks including emerging risks that are material to bp. In turn, the board, through its monitoring processes, satisfies itself that these material risks are identified and understood by management and that systems of risk management and internal control are in place to mitigate them. These systems are reviewed periodically by the board, have been in place for the year under review and up to the date of this report and are consistent with the requirements of Principle O of the Code.

The board has processes in place to:

- Assess the principal and emerging risks facing the company.
- Monitor the company's system of internal control (which includes the ongoing process for identifying, evaluating and managing the principal and emerging risks).
- Review the effectiveness of that system annually.

## Directors' statements continued

Non-operated joint ventures★ and associates★ have not been dealt with as part of this board process.

A description of the principal and emerging risks facing the company, including those that could potentially threaten its business model, future performance, solvency or liquidity, is set out in Risk factors on page 67. During the year, the board undertook a robust assessment of the principal and emerging risks facing the company. The principal means by which these risks are managed or mitigated are set out on page 65.

In assessing the risks faced by the company and monitoring the system of internal control, the board and the audit, safety, environment and security assurance and geopolitical committees requested, received and reviewed reports from executive management, including management of the business segments, corporate activities and functions, at their regular meetings. A report by each of these committees, including its activities during the year, is set out on pages 92-102 and 105.

During the year, the committees, as relevant, also met with management, the group head of audit and other monitoring and assurance functions (including group ethics and compliance, safety and operational risk, group control, group legal and group risk) and the external auditor. Responses by management to incidents that occurred were considered by the appropriate committee or the board.

At a meeting in January 2021, the audit committee considered reports from the group risk function on the system of internal control and the function's categorisation of significant failings and weaknesses. The audit committee also considered a report from internal audit on their assessment of bp's systems of internal control and risk management, based on audit work conducted during 2020. In considering these reports and assessments, the audit committee noted that bp's system of internal control and risk management is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

At its meeting in March 2020, the board considered the review undertaken by the audit committee and the proposed disclosures outlining the company's risk management and internal control systems prior to publication of the annual report and accounts.

A statement regarding the company's internal controls over financial reporting is set out on page 327.

### Longer-term viability

In accordance with provision 31 of the Code, the directors have assessed the prospects of the company over a period significantly longer than 12 months. The directors believe that, notwithstanding bp's new strategy and the associated 2025 and 2030 net zero carbon targets and aims that it set out in 2020, a viability assessment period of three years remains appropriate. This assessment is based on management's reasonable expectations of the position and performance of the company over this period and the targets and aims that it has set out.

Our risk management system, described in how we manage risk on page 64, outlines our risk identification, assessment and management approach for all risks, including our principal risks, described on page 67.

Taking into account the company's current position and its principal risks, the directors have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the next three years.

The directors' assessment included a review of the potential financial impact of, and the financial headroom that could be available in the event of, the most severe but plausible scenarios that could threaten the viability of the company. The assessment took into consideration the robust financial position of the group and the potential mitigations that management reasonably believes would be available to the company over this period. Mitigations considered include use of cash, access to debt facilities and credit lines, raising of capital, reductions in capital expenditure, divestments and dividend reductions.

The scenarios that have been modelled are based on the most severe but plausible outcomes and associated costs are based on actual experience where possible. The scenarios have been considered individually and as a cluster of events. They include:

- a significant process safety incident when operating facilities, drilling wells or transporting hydrocarbons.
- a sustained significant decline in oil prices over three years.
- a significant cyber-security incident.
- a loss of a significant market or producing asset for six months.

The directors also considered the impact on viability from an extended pandemic scenario, as well as the potential risks associated with the energy transition. They consider that the most likely impacts of these risks are broadly captured and modelled through the sustained low oil price and loss of a producing asset scenarios.

In assessing the prospects of the company, the directors noted that such assessment is subject to a degree of uncertainty that can be expected to increase looking out over time and, accordingly, that future outcomes cannot be guaranteed or predicted with certainty.

### Going concern

In accordance with provision 30 of the Code, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. The impact of COVID-19 and the current economic environment was considered as part of the going concern assessment. Forecast liquidity has been assessed under a number of stressed scenarios, including a significant decline in oil prices over the 12-month period. Reverse stress tests performed indicated that the group will continue to operate as a going concern for at least 12 months from the date of approval of the financial statements even if the Brent price fell to zero.

### Fair, balance and understandable

The board considers the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.