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Introduction from the chair



// 2021 was a year of further change – the re-invention of bp, helping to ensure that we have the right skills and capabilities in support of the energy transition, while delivering on our investor proposition and increasing distributions to shareholders. //

Helge Lund
Chair

Dear fellow shareholders,

It has now been two years since bp set out its new purpose, ambition and aims – shortly followed by a new strategy and financial and sustainability frames. Within just a few weeks of bp launching its new direction, the world was struck by a global pandemic. As we said in last year's annual report, it was a period in which the board felt especially keenly its responsibilities for overseeing the delivery of the new strategy and for monitoring the performance of the new organization.

Turning to 2021, this was a year of further change – the reinvention of bp, helping to ensure that we have the right skills and capabilities in support of the energy transition, while delivering on our investor proposition and increasing distributions to shareholders. At the beginning of the year, we put in place a new governance framework underpinning the board's role and its responsibilities to its shareholders. Founded upon four pillars – Strategy, People, Performance, and Governance – this new framework has stood up well against the challenges of the pandemic and a rapidly evolving and increasingly complex external environment.

Commissioning an independent effectiveness review of the board in 2021 provided an objective view of the performance of the board operating against that framework. It proposed some areas for focus as we seek to continue modernizing our approach. Details are set out on page 104.

In February 2022, bp's governance was tested once again, this time by Russia's attack on Ukraine. Within days of military action, the board had met, undertaken a thorough process of review, and after careful consideration announced bp's decision to exit from its shareholding of Rosneft in Russia. bp's governance framework provided the clarity and flexibility we needed to act decisively and promptly, having satisfied ourselves that to do so was in the long-term interests of the company's shareholders.

Extensive engagement

One of the privileges of serving on bp's board is being able to meet such a variety of people, with different roles, backgrounds and experiences, and in so many places around the world – inside and outside bp.

Our formal engagement programme allowed the board to meet people based in the tropical rainforests of West Papua, the Abu Dhabi desert, our US retail stations, a refinery in Spain, and our Indian offices – to highlight just a fraction. These were mostly digital meetings, but the gradual lifting of lockdown restrictions opened opportunities to visit bp's new EV charging infrastructure on London's Park Lane, colleagues in front-line roles during a visit to Aberdeen, and representatives from the local community surrounding our proposed low carbon hydrogen projects on Teesside in England.

Our investors are also a vital part of bp's community. We have spent a great deal of time with them, seeking their views on matters ranging from our climate strategy to board governance, diversity and to remuneration. Discussion with our investors ultimately helped to inform the adjustments we announced to some of our net zero aims on 8 February 2022, and our decision to offer shareholders a vote on *bp Net zero ambition report*. We are hugely grateful for these important engagement opportunities.

Diversity, equity and inclusion

One of the most striking conversations we had in 2021 was with a range of UK and US colleagues representing ethnic minority groups. Hearing people, some of whom had worked with bp for more than 20 years, reflect on changing attitudes over that period was enlightening, but also encouraging. It was clear that there is still work to do in improving diversity and promoting inclusion across bp.

The need to improve diversity is why in 2021 the board introduced a diversity policy of its own. I believe board diversity matters; it sets the tone for the rest of the organization and allows us to draw upon a variety of experiences and perspectives.

I am pleased that bp's board already meets the FTSE Women Leaders Review targets of 40% for representation of women and a female appointed to the position of senior independent director. We have also met the Parker Review's target for black and minority ethnic directors. But I believe bp should consider all dimensions of diversity. Our new diversity policy sets a standard from which we will build. It will see the board encouraging an inclusive environment and overseeing a diverse succession pipeline – among other important commitments.

In addition, bp has expanded its gender ambition to cover all levels of the business and the board will oversee bp's progress.

The board has also increased its focus on the talent management and development of all bp's people.

Evolution of board

During 2021, we said goodbye to two longstanding board members who served bp and its shareholders with distinction. Professor Dame Ann Dowling and Brendan Nelson stood down after nine and 11 dedicated years' service, respectively. We are grateful to Brendan for continuing beyond the nine-year tenure to properly hand over his role as chair of the audit committee to Tushar Morzaria.

We were pleased to welcome Karen Richardson and Johannes Teyssen to the board. Karen has brought exceptional knowledge of technology, start-ups and cybersecurity, and a digital mindset honed during a career in Silicon Valley. Johannes's long experience leading one of Europe's largest energy companies means he brings deep and valued knowledge of our sector and its continuing transformation.

Closing thanks

Many people contributed to bp's success in 2021 – our suppliers, our strategic partners, and, of course, our customers. It would be impossible to thank everyone, but I do want to mention three groups.

First, I am deeply grateful to bp's investors, especially those of you who in 2021 shared your views on bp's direction, whether through voting, in writing, or in conversation with the board. We look forward to repaying the faith you have placed in this company. Second, my fellow directors. They have made a strong contribution to bp through a challenging period. Third, Bernard and his leadership team, for all they have achieved so far, and for how they have achieved it – with characteristic determination. But perhaps the greatest thanks should go to bp's people. I could not hope for a better team to entrust the challenge of reimagining energy for people and our planet. Thank you for all you do for bp.



Helge Lund

Chair
18 March 2022

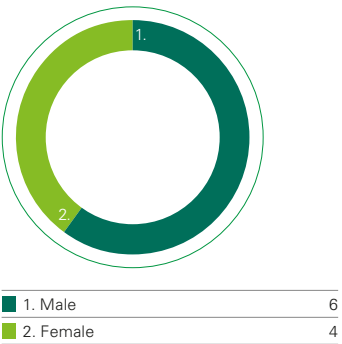
Board of directors

As at 18 March 2022

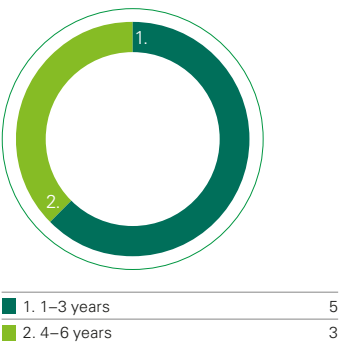
Committee membership key

●	Chair
Ⓐ	Audit committee
Ⓢ	Safety and sustainability committee
Ⓡ	Remuneration committee
Ⓟ	People and governance committee

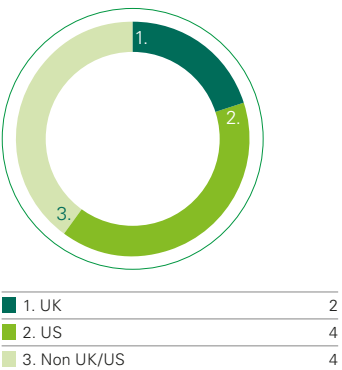
Board gender diversity



Non executive directors' tenure



Board nationality



Helge Lund Chair

Appointed
Board: 26 July 2018; Chair: 1 January 2019

Nationality
Norwegian

Outside interests
Chair 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 for Industry; Mentor at Chair Mentors International

Career summary
Helge Lund was appointed chair 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 energy industry and his open-minded and forward-looking approach is vital as he leads the board in its oversight of the 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.



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

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 while progressing through various roles. 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 has been 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 from international oil company to integrated energy company.



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 held responsibility for the company's North American Gas business and, as head of the chief executive's office for three years, managed all aspects of that office and the executive process.

As chief financial officer, Murray heads up finance, tax, treasury, planning and performance management, mergers and acquisitions, investor relations, audit, global business services and procurement. Murray is currently a member of the board of directors for Aker BP ASA, Norway, and a member of The 100 Group Main Committee.

Skills and experience

Murray's financial expertise, experience and knowledge make him a trusted advisor and 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.



Paula Rosput Reynolds

Senior independent director

Appointed

Board: 14 May 2015; senior independent director: 27 May 2020

Nationality

American

Outside interests

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

Career summary

Paula Rosput Reynolds started 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; chair, president and CEO of AGL Resources; chair and CEO of Safeco Corporation; and vice chair and chief restructuring officer of AIG. Paula was previously a non-executive director of TransCanada Corporation, CBRE Group, Inc, BAE Systems PLC, Anadarko Petroleum, Delta Air Lines and Coca Cola Enterprises. Paula was awarded the National Association of Corporate Directors (US) Lifetime Achievement Award in 2014. She was appointed chair of National Grid plc in 2021.

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 make her well-suited to her roles as chair of bp's remuneration committee and senior independent director.



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, including senior vice president of business development from 2004 to 2013 overseeing a wide range of corporate transactions, and serving as senior vice president and senior advisor to the chair in 2013, before retiring from GE at the end of 2013. 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. Prior to joining GE, 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.

Board of directors continued

As at 18 March 2022



Melody Meyer

Independent non-executive director

Appointed

17 May 2017

Nationality

American

Outside interests

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

Career summary

Melody Meyer retired as President of Chevron Asia Pacific E&P in 2016 after 37 years of distinguished service in key leadership roles in global exploration and production across many operational assignments, projects and technology. Melody is an advocate for the advancement of women in energy as the prior executive sponsor of the Chevron Women's Network, a member of the advisory board for McKinsey Advancing Women in Energy and through other venues. Melody is a C200 member, and has received recognition throughout her career: by Hart Energy as an 'Influential Woman in Energy' in 2018; by Women Inc as one of 2018's 'Most Influential Corporate Board Directors'; by 50/50 Women on Boards as an 'Outstanding Director' in 2020; and by Transition Economist TE100 as one of the 'Women of the Energy Transition' in 2021.

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 extensive 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 business planning, merger integration, leading change, and safe and reliable operations. Melody's vast experience and knowledge in these areas have made her an ideal chair of the safety and sustainability committee, a position she has held since November 2019.



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 will step down from his current role as group finance director and member of the board of Barclays plc, the British universal banking and financial services company, in April 2022.

Prior to joining Barclays in 2013, Tushar held various senior roles at JP Morgan 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. Tushar will be joining the board of Legal & General Group plc as a non-executive director from May 2022.

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 provides benefit to Tushar's role as the audit committee chair. He has strong experience in delivering corporate change programmes while maintaining a focus on performance.



Karen Richardson

Independent non-executive director

Appointed

1 January 2021

Nationality

American

Outside interests

Chair of Origin Materials Inc.; Partner at Artius Capital Partners; Director of Exponent Inc.; Director of Doma Holdings, 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 chair at Origin Materials and a director of Doma Holdings. She has also been a director of Exponent Inc., the engineering and scientific consulting company, since 2013.

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's 30 years' experience in the technology industry means that she brings exceptional knowledge of digital, technology, cyber and IT security matters from working with innovative companies in Silicon Valley. Karen is considered to have the necessary skills and experience to help drive strong performance, in particular across the growth businesses of Convenience & Mobility and Gas & Low Carbon Energy.



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 chair 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 chair 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 make him an ideal chair of the recently established geopolitical advisory council.



Dr Johannes Teyssen

Independent non-executive director

Appointed

1 January 2021

Nationality

German

Outside interests

Senior advisor to Kohlberg Kravis Roberts; President of Alpiq Holding Ltd

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. He is a senior advisor to Kohlberg Kravis Roberts (KKR) for their European infrastructure and impact interests and was recently appointed as president of Alpiq Holding Ltd, a leading Swiss energy company (power generator and trader).

Skills and experience

Johannes brings exceptional experience and deep knowledge of the sector and its continuing transformation. His skill set further diversifies and strengthens the overall demographic and attributes of the board. His experience in the energy sector is a key asset for the entire board which enhances its 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

Career summary

Ben joined bp as a company secretary in May 2019. He is chair 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.

Leadership team

As at 18 March 2022

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 84-85) and the members of senior management listed here.

Business groups



Gordon Birrell

EVP, production & operations

Leadership team tenure

Appointed on 1 July 2020

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

Nationality

British

Other board memberships

None

Career summary

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 Royal Academy of Engineering.

Integrators



William Lin

EVP, regions, cities & solutions

Leadership team tenure

Appointed on 1 July 2020

Nationality

American

Other board memberships

William is a non-executive director of Pan American Energy Group, a leading private integrated energy producer in Argentina. He is currently an advisor to the supervisory board for Corbion, a Dutch-listed global food ingredients and biochemicals company, as his nomination as a member of the supervisory board is progressing.

Career summary

William served as chief operating officer, Upstream regions before joining the leadership team. He has worked in bp for 26 years, having spent most of his career working abroad in different countries. His 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 completion, start-up and operation of the Tangguh LNG facility during his time in Indonesia.

Enablers



Kerry Dryburgh

EVP, people & culture

Leadership team tenure

Appointed on 1 July 2020

Nationality

British

Other board memberships

Kerry is one of the Commissioners leading on the Levelling Up Goals, an architecture for purpose-led organizations to support levelling up in the UK in the wake of COVID-19, and a director of the 25x25 initiative, which aims for 25 women CEOs in the FTSE100 by 2025

Career summary

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.

Anja Dotzenrath

EVP, gas & low carbon energy

Leadership team tenure

Appointed on 1 March 2022

Nationality

German

Other board memberships

Anja is an independent member of the board of directors of Elkem; an Honorary Consul of Norway; a member of the UK Government's new Investment Council; and a member of the Senate of the Fraunhofer-Gesellschaft.

Career summary

Anja joins bp with 30 years of experience in the global energy industry. Prior to her appointment, Anja was chief executive officer of RWE Renewables, one of the world's leading renewables businesses. She previously held a broad range of leadership roles in E.ON, including chief executive officer of E.ON Climate & Renewables. Anja held a number of senior roles in management consultancy over 15 years before joining E.ON, with a focus on energy and the industrial sector.

Emma Delaney

EVP, customers & products

Leadership team tenure

Appointed on 1 July 2020

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

Nationality

Irish

Other board memberships

None

Career summary

Emma has spent 26 years working in bp, both in the Upstream and the Downstream. Prior to joining bp's executive team on 1 April 2020, she was 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.

Carol Howle

EVP, trading & shipping

Leadership team tenure

Appointed on 1 July 2020

Nationality

British

Other board memberships

None

Career summary

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. Her 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, sustainability & ventures

Leadership team tenure

Appointed on 1 July 2020

Nationality

Belgian and Italian

Other board memberships

None

Career summary

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 has more than 10 years' experience in the energy sector, including helping companies shape their strategies for the energy transition.

Leigh-Ann Russell

EVP, innovation & engineering

Leadership team tenure

Appointed on 1 March 2022

Nationality

British

Other board memberships

Leigh-Ann is a non-executive director of Hill & Smith Holdings.

Career summary

Leigh-Ann was previously bp's SVP for procurement, accountable for a supply chain of around \$30 billion of global spend. Prior to this, she was global head of upstream supply chain and VP of technical functions and performance in the global wells organization.

Leigh-Ann holds a degree in mechanical engineering and is a Chartered Petroleum Engineer. She is a Fellow of the Royal Academy of Engineering and a Fellow of the Energy Institute.

Eric Nitcher

EVP, legal

Leadership team tenure

Appointed on 1 July 2020

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

Nationality

American

Other board memberships

Eric is a non-executive director of Pan American Energy Group, a leading private integrated energy producer in Argentina.

Career summary

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 resolving 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.

The board's focus

Board activities

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

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

Primary tasks of the board during 2021 included:

- **Oversight of strategic progress:**

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

- **People:**

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

- **Value generation for shareholders:**

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

1 Strategy

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

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

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

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

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

2 Performance

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

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

How the board works

Our purpose

Reimagining energy for people and our planet

1 Strategy

Establishing
Monitoring

2 Performance

Metrics & information
Monitoring
Supporting & challenging

3 People

Diversity
Competency
Succession

4 Governance

Risk management
Controls
Conflicts, ethics and integrity

Culture

Values

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

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

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

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

3 People

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

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

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

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

4 Governance

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

Board activities and governance framework continued

Role of the board

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

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

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

Delegation and matters reserved

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

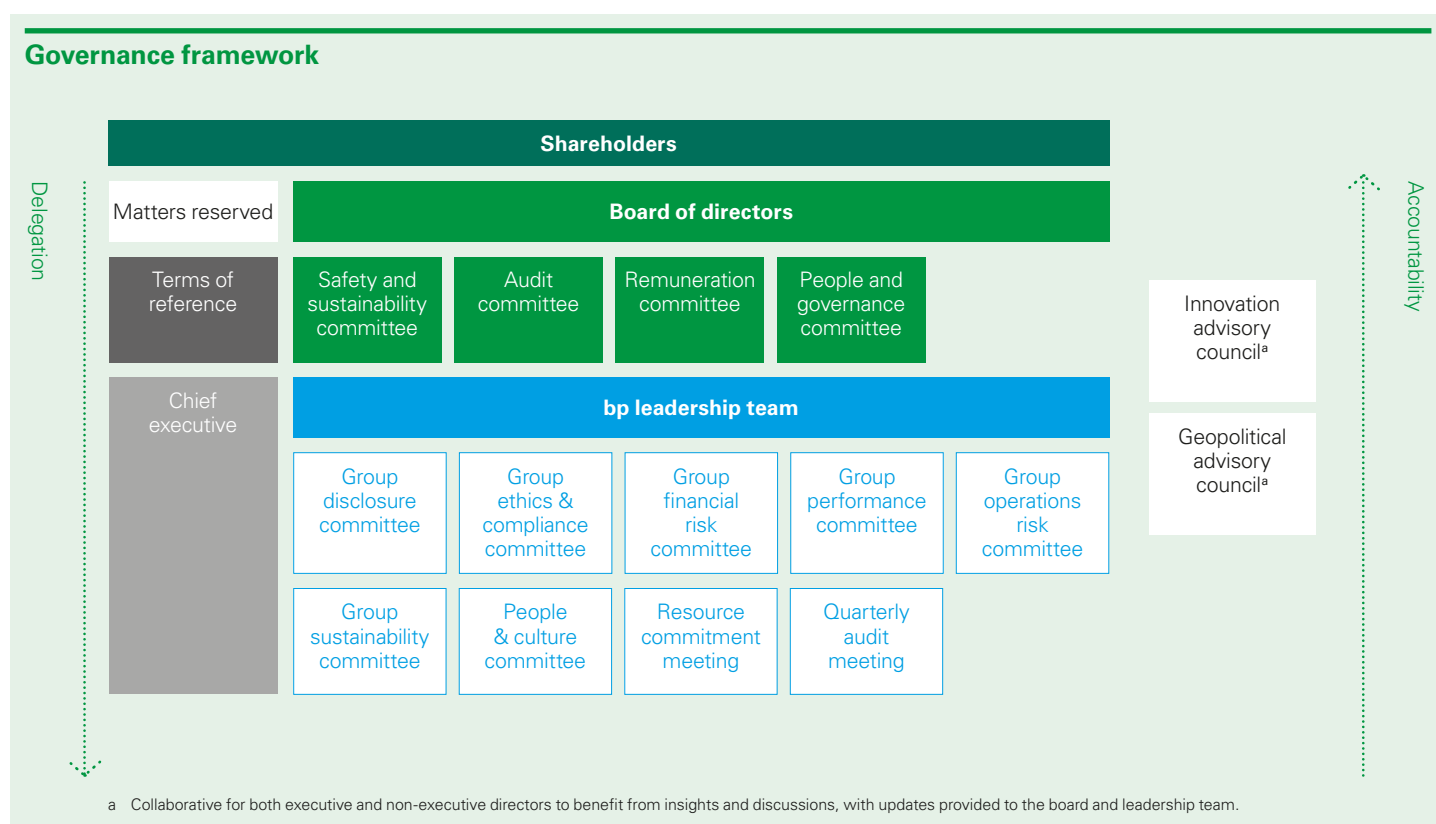
- Entry into new countries
- Cessation of all or any material part of bp's operating activities in a country
- Changes to the company's capital structure
- Distributions
- Changes to the company's code of conduct.

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

Annual review

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

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



Stakeholder engagement

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 including face-to-face or virtual meetings.

The board receives feedback from shareholders in many ways, including through the executive engagement led by the CEO and CFO, as well as other members of the leadership team. From a non-executive perspective, this engagement is primarily led by the chair. In 2021, he hosted several one-to-one meetings with major institutional investors and proxy advisory groups. These engagements generated valuable and insightful feedback which was shared with other board members and committees, as well as the executive management, and has helped to inform the formulation and execution of our strategy.

During 2021, investor engagement by executive management focused on financial and business performance and the execution of the new strategy and its associated targets and aims. For the chair, this engagement covered board, governance, strategy (including bp's climate strategy), financial frame and people and succession topics. Additional information on investor engagement activity following the 2021 AGM is set out below.

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. The chair, company secretary and SVP investor relations gave presentations on bp's annual results, strategy and the work of the board. Shareholder questions primarily focused on bp's sustainability strategy, financial frame and performance, as well as the resolutions proposed at the 2021 AGM.

AGM

The 2021 AGM was a hybrid meeting. In line with government rules at the time, attendance in person was limited to the directors and support staff only. Shareholders were able to submit questions before or during the meeting and

participate by telephone to speak with the directors. The event was broadcast on [bp.com](https://www.bp.com), enabling non-bp shareholders to view the meeting. Shareholders who were not able to attend the meeting electronically were able to vote by proxy in the usual way.

The overall turnout was 58.7% of the total voting rights, including voting rights cast as withheld by the shareholder. This compares to 62.1% in 2020 and 67.1% in 2019. All resolutions were passed at the meeting in line with the board's recommendations.

We anticipate that the 2022 AGM will be a hybrid meeting, building on the successful format introduced in 2021 and allowing for wider shareholder participation. Shareholders will be able to attend the meeting via bp's electronic meeting platform or in person. Further details on how to join and participate in the meeting are set out in the notice of meeting, available on [bp.com/aggm](https://www.bp.com/aggm).

Response to resolution 13 at the 2021 AGM

Resolution 13, a shareholder resolution on climate change targets, was not supported by the board. Shareholders strongly supported the board's recommendation to reject this resolution, but 20.65% of the votes cast still supported it. Despite the low level of shareholder support, bp recognizes that some shareholders chose to support the resolution.

On 2 December 2021 bp published its response to the vote on resolution 13 in accordance with Provision 4 of the UK Corporate Governance Code ('Code').

The response explained that extensive engagement with shareholders had been undertaken prior to the AGM and that this dialogue continued after the vote to better understand shareholders' views on bp's climate plans. Through the consultation bp gained valuable insights on the evolution of shareholders' views on strategy, targets and aims – irrespective of how they voted on resolution 13. The response was published a few weeks later than the 6 month period set out in the Code to allow for the extensive engagement process to be concluded.

Overall, through our engagement activity, we heard clear support for our strategy. Shareholders told us they recognize the importance of maintaining a strategy that remains resilient to the risks and opportunities of the evolving energy transition and are encouraging bp to continue focusing on value-generating activities to fulfil our ambition to get to net zero by 2050 or sooner and to help the world get to net zero.

Net zero: from ambition to action


Since the 2021 AGM, bp has seen the world's ambition accelerating. This, coupled with the insights gained from the consultation and our wider engagement with investors, has created an opportunity for us to raise our low carbon ambitions and we now aim to be net zero across operations, production and sales by 2050 or sooner. In addition, as announced on 8 February 2022, we intend to provide shareholders with the opportunity of an advisory vote on our net zero ambition report at the 2022 AGM. Further information, including the notice of meeting for the 2022 AGM, can be found on [bp.com/aggm](https://www.bp.com/aggm).

Other stakeholders

The board received regular updates from the CEO and CFO and other members of the leadership team on engagements with other stakeholders, including customers, suppliers and governments and regulators.

The regular updates were considered as part of the board's formulation of bp's strategy. For example, as part of the decision-making process for the UK Offshore Wind Round 4 bid, the board received updates on community and environmental matters. For more information see page 97.

The board also received a report from ethics and compliance where any matters raised by external stakeholders were reported to the board.

 For more on our stakeholders see Business model, page [12](#)

Stakeholder engagement continued

Shareholder engagement cycle

		Matters raised	Subsequent feedback/engagement
Q1	<ul style="list-style-type: none"> Fourth quarter and full-year 2020 results presentation Investor roadshows with executive management following fourth quarter 2020 results <i>bp Annual Report and Form 20-F 2020</i> <i>bp Sustainability Report 2020</i> Regular meetings with Climate Action 100+ (CA100+) co-leads 	<ul style="list-style-type: none"> Performance during 2020 and ongoing impact of COVID-19; strategy and bp's sustainability aims Remuneration outcomes for executive directors and leadership team 	<ul style="list-style-type: none"> Further engagement with groups of investors such as CA100+ to discuss sustainability aims and strategy
Q2	<ul style="list-style-type: none"> Investor roadshows with executive management following publication of the annual report and sustainability report First quarter 2021 results presentation Investor roadshows with executive management following first quarter 2021 results Regular meetings with CA100+ co-leads UK Shareholders' Association (UKSA) (retail shareholders') meeting with the chair Institutional shareholder engagement with the chair and executive management 2021 AGM <i>bp Statistical Review of World Energy 2021</i> 	<ul style="list-style-type: none"> Performance during first quarter 2021 Financial frame and distributions Sustainability frame and bp's climate strategy 	<ul style="list-style-type: none"> Updates to financial frame in third quarter 2021 to provide greater clarity
Q3	<ul style="list-style-type: none"> Second quarter 2021 results presentation Investor roadshows with executive management follow second quarter 2021 results Regular meetings with CA100+ co-leads Investor engagement with the chair and executive management, including in respect of resolution 13, continuing into the fourth quarter 	<ul style="list-style-type: none"> Updated financial frame Feedback on resolution 13 	<ul style="list-style-type: none"> The board published a response to resolution 13 on 2 December 2021 and on 8 February 2022 announced strategic updates, including the intention to include an advisory vote on bp's climate plan at the 2022 AGM
Q4	<ul style="list-style-type: none"> Third quarter 2021 results presentation Regular meetings with CA100+ co-leads 	<ul style="list-style-type: none"> Feedback on resolution 13 	

Employee engagement

Overview

In 2020 we developed and put in place a framework of engagement to build on existing mechanisms for the board to engage with bp's workforce. This programme was successfully delivered during 2021 allowing all board members to participate and hear the views of a wide range of workforce members. Further details of the programme are set out below.

To complement the programme, a range of other activities were undertaken throughout the year for the board to engage with members of the workforce. These included:

- Receiving reports on key performance indicators on employee engagement, including voluntary attrition rates and engagement scores as measured by employee 'Pulse' surveys.

- Receiving reports on Speak up, bp's anonymous whistleblowing service.
- Site visits undertaken by the whole board as well as individual board members or small groups of directors e.g. the audit committee visit to the trading team at the Canary Wharf office, London and S&SC virtual site visit to Angola
- CEO 'Keeping Connected' webcasts with approximately 3,000 colleagues joining each live webcast.
- Town hall events hosted by bp chair Helge Lund including during his visit to Aberdeen.

Workforce engagement programme

The workforce engagement programme supports the UK Corporate Governance Code requirement that the board establishes a mechanism to have meaningful and regular dialogue with the workforce to capture key insights and to bring the employee voice into the boardroom.

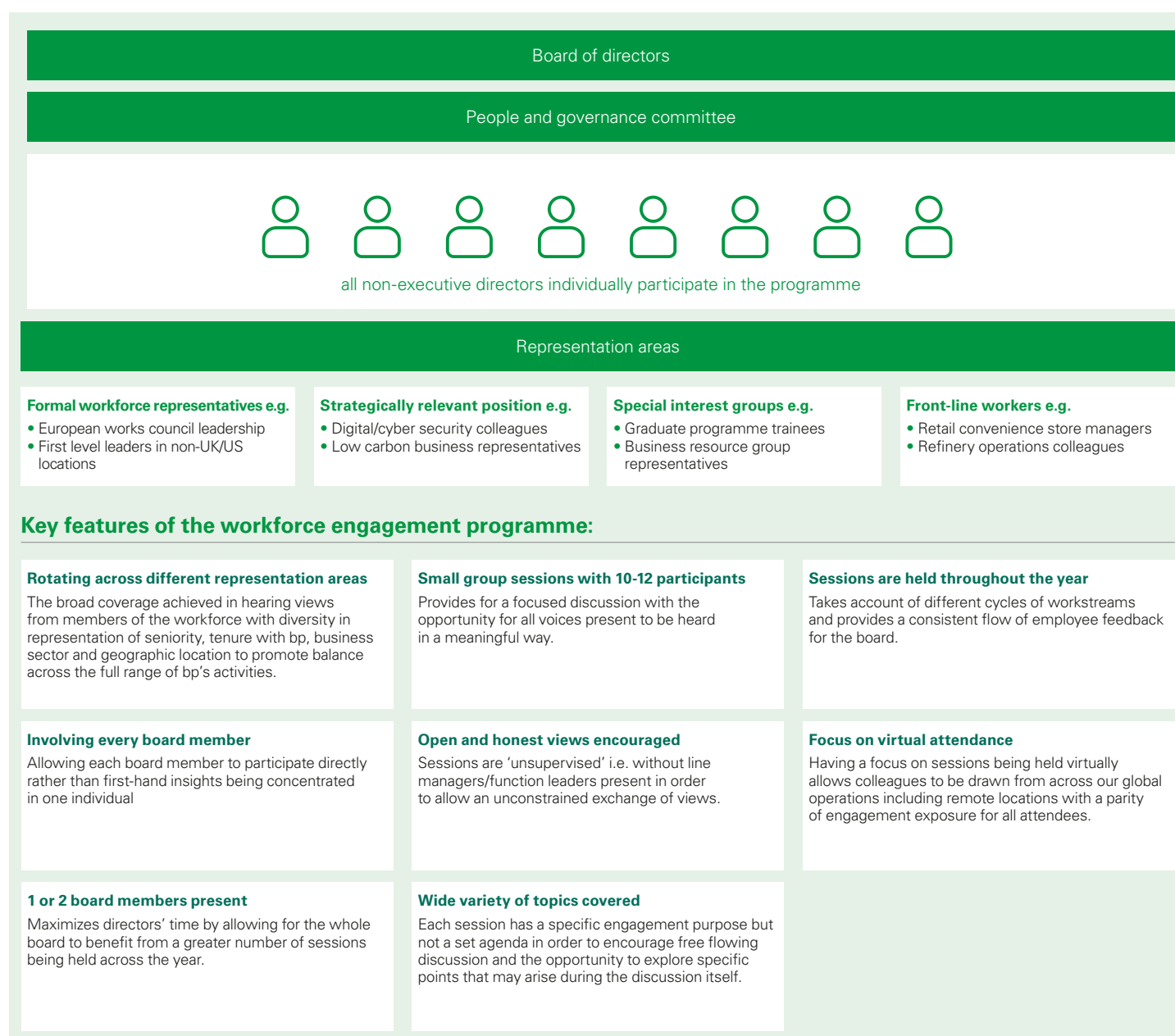
Through the programme, small group sessions with 10-12 individuals are scheduled throughout the year. These are facilitated by the people &

culture team and the company secretary's office and give every board member the opportunity to engage directly with different areas of the bp workforce.

bp's workforce encompasses a wide range of employees, contractors, remote and agency workers. These individuals are spread across multiple jurisdictions and carry out a range of different roles, from our retail sites to our refineries to our offshore wind teams.

Given the breadth and geographic diversity of our workforce, having this bespoke mechanism provides an effective way for directors to hear from a broad cross-section of our colleagues.

The programme is overseen by the people & governance committee which monitors the effectiveness of the programme and also undertakes an annual review to determine the optimum engagement mechanism for the board to use.



Stakeholder engagement *continued*

Outcome of 2021 programme

During 2021, all eight non-executive directors attended at least one session, engaging in meaningful dialogue with over 90 colleagues representing ten different jurisdictions. These colleagues were drawn from business areas covering all three of our strategic focus areas (resilient hydrocarbons, convenience & mobility and low carbon energy) as well as our integrator and enabler functions. Participants ranged in tenure from a few months to over 20 years' service including recent graduates as well as senior leaders.

Despite the broad range of perspectives represented, it was clear from the feedback that there were common themes impacting individuals from across different business areas and locations, for example:

- a sense of excitement about bp's new purpose of reimagining energy. Colleagues reported that this was helping to attract new talent that would not previously have considered joining our sector. Board members gained valuable insights into how, given the scale of the change across bp, some participants experienced challenges as the new strategy was being implemented;
- the significance of supporting remote working arrangements following the COVID-19 pandemic and how this will impact our ongoing ability to retain and attract individuals;
- front-line retail colleagues expressed pride in the way that bp enabled them to support local communities during the COVID-19 pandemic but highlighted how their depth of knowledge of local retail markets could be better

leveraged when broad marketing campaigns were developed;

- motivation levels among our low carbon colleagues are high with a recognition that building strong relationships with our partners will help accelerate this business area.

Linkage to board decisions

The board recognizes the value of having workforce views in advance of making decisions. In 2021, the board engaged with colleagues to gain a more holistic perspective of the impact of decisions taken. This helps inform the approach for future board decisions and places directors in a stronger position to constructively challenge management on the decisions that they take, for example:

- the decision in 2020 to adopt a new strategy and purpose through the Reinvent bp programme. Board members heard from representatives of European Works Councils as well as a cross-section of senior leaders to hear about the impact of this transition on delivery, workload and mental wellbeing. Given the open discussion approach used, the impact of the Reinvent bp programme was raised by colleagues at almost every session held in 2021 regardless of the topic of the session. This provided a broad view of the impact of the new strategy and purpose upon many different business areas from retail sites to offshore wind;
- a session was held with members of our business resource groups that focus on ethnic diversity. These are employee-led groups offering support and networking opportunities to particular under-represented groups.

Groups from the UK and US joined a session in the same period that directors approved and published the board diversity policy. Feedback from this session highlighted how bp's support for under-represented groups had improved over the years but that there are more opportunities to continue to promote inclusion for all colleagues. These principles are reflected in the board diversity policy which seeks to improve diversity both at board level and also the pipeline of succession to the board;

- the decisions taken to support retail customers and colleagues through the COVID-19 pandemic.

Review of engagement mechanism

After the 2021 programme was completed, the P&GC reflected on its outcomes and effectiveness. A review was undertaken of the approach of other companies including a consideration of alternative options for engagement set out under the Code of a:

- director appointed from the workforce;
- formal workforce advisory panel; or,
- designated non-executive director.

It was determined that the current approach remained best suited to the broad range of bp's workforce and was an effective alternative to the options set out in the Code.

Opportunities to refine:

Looking ahead to the 2022 programme, a schedule has been developed which targets additional employee groups with a particular focus on understanding bp's culture. As set out on page 99, this will complement other measures to enhance the board's assessment of culture.

Hosting virtual sessions allowed for participants from different jurisdictions to be brought together so that they could benefit from hearing each other's views on specific topics. It is expected that the programme will continue on a predominantly virtual basis although some in-person sessions may also be arranged where there are recognized benefits.

Consideration will be given to opportunities for engagement with non-English speakers e.g. through the use of interpreters.

When new directors join the board, consideration will be given to the use of introductory profiles or videos to be placed on bp's intranet site so employees can learn more about the director and their role.

2021 Workforce engagement programme

Impact of the Reinvent bp programme: tier 2 leaders

Melody Meyer held a session with a cross-section of our senior leadership group to learn about the impact of the transition to bp's new strategy and purpose on the functions they lead. Views were heard from leaders of our hydrocarbons businesses as well as our new low carbon areas and key enabler functions such as strategy, finance and digital. Among the topics discussed were:

- How Reinvent bp has strengthened the ability to deliver with a renewed 'one team' mindset.
- How Reinvent bp has amplified opportunities to offer diverse careers which harness our global capability.
- Reflections on what has been learned through the Reinvent bp transition.

- Opportunities to improve retention and also the attraction of new colleagues.

10

jurisdictions (including Australia, Poland, Oman, Azerbaijan, Singapore and the US)

9

sessions held

>90

colleagues participated

Decision-making by the board

Key decisions made

The board delegates day-to-day management of the business of the company to the CEO, save for those matters which are reserved for the board's approval. The board retains responsibility for – and regularly monitors – the execution of this delegation of authority, taking action to update it, as required.

More information on how the board had regard to the Section 172 factors

Section 172 factor	Key examples
The likely consequences of any decision in the long term	Our strategy and business model, page 12.
Interests of employees	How the board has engaged with shareholders, the workforce and other stakeholders, page 93. Sustainability: our people, page 71.
Fostering the company's business relationships with suppliers, customers and others.	How the board has engaged with shareholders, the workforce and other stakeholders, page 93. Our strategy and business model, page 12. Sustainability: ethics and compliance, page 72. Sustainability: our values and code of conduct, page 69.
Impact of operations on the community and the environment	Sustainability: caring for our planet, page 68. Sustainability: safety, page 69.
Maintaining a reputation for high standards of business conduct	Role of the board, page 90. Sustainability: ethics and compliance, page 72. Sustainability: our values and code of conduct, page 69.
Acting fairly between members of the company	How the board has engaged with shareholders, the workforce and other stakeholders, page 93.

The board's corporate governance framework is set out on page 92. It includes certain matters that are specifically reserved for decision by the board as a whole and which cannot therefore be delegated under its terms of reference. Given the size and scale of bp, there are relatively few matters that come to the board for a decision. These would include transactions involving a capital commitment of more than \$3 billion or \$1 billion, depending on the business, as well as decisions on strategy and distribution policy.

In the context of the board's activities during 2021, the table below sets out some examples of decision-making during the year and how directors have performed their duty under Section 172.

Matters reserved for the board and Section 172

Decision taken	How the board had regard to the feedback in its decision-making, including section 172(1)(a) to (f) matters considered, including stakeholder group(s) affected
Shareholder distributions: commencement of buybacks and growing dividend The board approved the commencement of share buybacks in the third quarter, and at the same time increased the dividend 4% per ordinary share.	<ul style="list-style-type: none"> Likely consequences of any decision in the long term: The board's decision was made with due regard to bp's financial framework which is underpinned by a resilient dividend, reduction of net debt, investing into the transition, subject to maintaining a strong investment-grade credit rating. Shareholders: The decision was taken after broad engagement with investors, via roadshows and other bilateral meetings with the chair, CEO and CFO.
UK Offshore Wind Round 4 bid The board supported a request from management to bid for up to 3GW (1.5GW net to bp) of offshore wind capacity in the UK's Offshore Wind Round 4, together with EnBW (through a 50/50 joint venture)	<ul style="list-style-type: none"> Likely consequences of any decision in the long term: In supporting the request from management, the board considered consistency of the request with bp's net zero ambitions, including near- and long-term targets and aims. Fostering business relationships: As bp progresses against its transformative strategic journey, new business relationships are required, as exemplified by EnBW. Community and the environment: bp's goal of developing significant renewable energy capacity by 2030 takes into account the UK's drive towards renewable energy sources.

Decision-making by the board continued

Independence and conflicts of interest

All directors have a statutory duty to exercise independent judgement. Independence of non-executive directors (NEDs) is a 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. In addition, each director has a statutory duty to disclose actual or potential conflicts of interest.

In accordance with the criteria set out in the UK Corporate Governance Code (the Code), the chair was considered independent at the time he was appointed. NEDs are required to provide sufficient information to allow the board to evaluate their independence prior to and following their appointment.

During 2021, the board reviewed the process for declaration, review and authorization of conflicts of interest for directors. Formal procedures are in place for new potential conflicts to be reported and recorded during the year.

As a consequence of regular reviews in 2021, the board is satisfied that there were no matters giving rise to conflicts of interest which could not be authorized by the board. It has therefore concluded that all bp NEDs are independent.

Appointment and time commitment

The chair, senior independent director and other NEDs each have letters of appointment with BP p.l.c. and do not serve, nor are they employed, in any executive capacity by bp.

NEDs are generally appointed for three-year fixed terms; however, in line with what is considered good governance practice, bp proposes all directors for annual re-election by shareholders at the annual general meeting (AGM) where letters of appointment for each NED are available for inspection.

Details on the skills and experience of each director seeking re-election, as well as their individual contributions to the long-term success of the company, are set out in the notice of meeting. In accordance with the recommendations of the Code, NEDs would not be expected to serve beyond nine years unless there are exceptional circumstances.

Attendance

	Board	Audit committee	Safety and sustainability committee	Remuneration committee	People and governance committee
Non-executive directors					
Helge Lund	11/11 •				4/4 •
Pamela Daley	11/11	9/9		6/6	
Professor Dame Ann Dowling	5/5		2/2		
Melody Meyer	11/11		6/6 •	6/6	
Tushar Morzaria	11/11	9/9 •		6/6	
Brendan Nelson	5/5	3/3 •		3/3	2/2
Paula Reynolds	11/11	9/9		6/6 •	4/4
Karen Richardson	10/11	5/6			
Sir John Sawers	11/11		6/6		4/4
Johannes Teyssen	10/11		6/6		
Executive directors					
Murray Auchincloss	11/11				
Bernard Looney	11/11				

Attended meetings/possible meetings • Chair of board/committee

Of the 11 board meetings held in 2021, six were board meetings covering a full agenda across strategy, performance, people and governance. Four board meetings were focused on the quarterly results and one board meeting was solely focused on discussing the board evaluation.

Karen and Johannes were unable to attend one board meeting each due to commitments made prior to their appointments to bp's board.

On behalf of the board, the people and governance committee reviews the formal appointment process and succession plan. Appointments and succession plans are both based on merit and assessed against objective criteria with the promotion of diversity, equity and inclusion as central considerations. This includes diversity of gender, social and ethnic backgrounds as well as cognitive and personal strengths. In reviewing appointments and succession plans, due consideration is given to ensure smooth transition of board members with specific responsibilities (e.g. committee chair roles) by allowing sufficient time for a detailed handover. This is balanced by the need to have new board members join at regular intervals such that over time there is a controlled approach to board members reaching the end of their tenure. This was reflected in the handover from Brendan Nelson as chair of the audit committee to Tushar Morzaria. Notwithstanding that Brendan had reached the end of nine years' service as a bp director, it was deemed appropriate for Brendan to extend his tenure in order to have a thorough handover with Tushar.

Further details on succession and tenure are set out in the people and governance committee report on page 104.

The expectation regarding time commitment for board members to effectively discharge their duties is set out in the directors' letters of appointment. The time commitment varies with the demands of bp business and other events. In practice, in 2020 and 2021, the impact of the COVID-19 pandemic on the company, as well as the need for the board to oversee the execution of bp's new strategy, resulted in the NEDs spending additional time fulfilling their responsibilities.

The NEDs' external time commitments – whether through executive, non-executive, advisory or other roles – are regularly reviewed by the company secretary to ensure that, even in the exceptional circumstances of a global pandemic, they are able to allocate appropriate time to bp. The review process takes into account outside appointments and other external commitments, factoring in the complexity of the company in question and the industry, in particular regulated and potentially competing sectors.

NEDs are also required to consult with the company secretary and chair before accepting any other role that may impact their ability to commit appropriate time to bp. During 2021, the process for approval of all new external appointments of existing directors was refreshed. In addition to reviewing the time commitment required for the new external appointments to ensure the director has sufficient capacity for their role with bp, a review of independence and potential conflicts of interest is now also undertaken at the same time.

The board has concluded that, notwithstanding the NEDs' other appointments, they are each able to dedicate sufficient time to fulfil their bp duties.

As recommended by the Code, neither of the executive directors hold more than one non-executive directorship in a FTSE 100 company or other significant appointments, as set out on pages 84-87.

Diversity and culture

The board is fully supportive of bp's UK, US and global frameworks for action which set out how we will advance and integrate diversity, equity and inclusion across our regions and the global businesses. These frameworks include three pillars -transparency, accountability and the development and attraction of diverse talent.

The board believes that better decision-making and better overall outcomes can be achieved when people from different backgrounds with different perspectives come together with a common ambition. The board supports a culture of inclusion where everyone is valued and able to play their part in building the success of our company.

Further details on our approach to diversity and the board's diversity, equity and inclusion policy can be found on *bp.com* and in the people and governance committee report on page 106.

Culture is monitored by the board through a number of mechanisms. These include reviews by the people and governance committee of bp's ways of working, regular updates from the EVP people and culture, information from employee pulse surveys and feedback from both the NED workforce engagement sessions and the global engagement sessions led by the CEO, such as 'Keeping Connected'. Alongside these mechanisms there are formal and informal channels for employees to raise concerns and significant concerns and insights are shared as part of the ethics and compliance update at the safety and sustainability committee.

The board considers all these measures alongside the implementation of our DE&I policies to help satisfy itself that bp's culture is and remains aligned to its purpose, strategy and values.

To further enhance the board's assessment of culture, plans are being developed for the various data points and reporting measures to be brought together in one place. It is expected that this will complement the approach for workforce engagement in 2022 where a specific focus on culture has been introduced.

Our workforce engagement programme (further details set out on pages 95-96 already provides our directors with valued insights directly from our colleagues through small group sessions across the organization. Questions can also be tailored to each engagement session for directors to raise with participants. These questions will be aimed at stimulating discussion and drawing out individuals' own experience of bp's culture in their particular part of the business. In this way, the board will have the opportunity to gain a perspective beyond the facts and figures, which provide a useful statistical view of cultural measures, and hear how bp's culture is operating in practice.

Induction of new directors, continuing learning and development

Following the announcement of a new director’s appointment to the board, a structured and wide-ranging induction programme is compiled. This reflects their individual needs, to help ensure that they are best placed to maximize their contribution to and effectiveness on the board. In 2021, following their appointment to the board, tailored induction programmes were put together for Karen Richardson and Johannes Teyssen (see opposite).

Following appointment, the skills and experience of individual board members are routinely reviewed to ensure that they continue to be well placed to assess and inform the evolution of bp’s strategy and purpose, while scrutinizing and holding to account the performance of the leadership team against agreed performance objectives. This review process is also informed by the chair’s individual meetings with the directors and the outputs from the annual effectiveness review process. Together, these steps help to identify learning and development opportunities to plug identified gaps or to provide deeper educational dives into new and evolving business areas.

Board induction programme

A formal and comprehensive induction is provided to all directors following their appointment. Karen Richardson and Dr Johannes Teyssen, appointed on 1 January 2021, undertook robust and tailored inductions including meetings with a wide range of senior management within bp and key external advisors. The importance of the induction

cannot be overstated: it is one of the key mechanisms to support directors in meeting their statutory duties, embedding their understanding of bp’s strategic priorities and bringing the board closer to decision-makers and those tasked with the day-to-day management of the business. A selection of these activities is outlined below.



Before arrival and within the first month

- Introductory meetings with the chair and group company secretary, covering an overview of board and committee matters, priority areas for the board, the governance framework and bp’s corporate structure
- Pre-read of board and relevant committee papers from the previous 12 months



Within the first three months

- Introductions with leadership team members, providing an overview of their business unit and subject matter expertise
- Meetings with relevant committee chairs and members to understand ways of working and priority areas
- Teach-ins on topics of strategic importance
- Briefings from key external advisors on legal, regulatory, audit, finance and other matters



Within the first year

- Employee engagement session to enable direct feedback opportunities from the workforce to the board
- Visit to a bp site, which is facilitated virtually where an in-person visit is not possible

Activities during the year

Learning and development activity is divided between developmental and educational needs, mandatory training (being training that all bp employees undertake such as code of conduct and cyber risk, among others) and site visits.

During 2021, the board participated in several developmental briefings hosted by subject matter experts to deepen their understanding of their areas of focus. A deep-dive was held on the opportunity presented by growing momentum in the development of renewable energy sources, and how bp is positioned to play an increasingly significant role in this space through its ongoing transformation to become an integrated energy company.

Mandatory training sessions were provided on sustainability, ethics and compliance, and directors undertook site visits and meetings with key colleagues to develop their knowledge of bp’s strategy and operations.

Despite the challenges of the global pandemic, creative approaches were taken to provide immersive training for board members without the need to travel to the site in question.

Further details are set out below:

10

developmental briefings

2

site visits (in person and virtual)

//

I have been impressed with the digital vision at bp. My induction to the bp board has been thorough, informative and rewarding. It hasn't been without challenge: the lasting effects of the COVID-19 pandemic meant in-person meetings weren't always possible, though the digital solutions deployed throughout the process to facilitate meaningful engagement were excellent. I was delighted to be able to visit bp's security operations centre in Houston, Texas during 2021 and look forward to further site visits during 2022 and beyond to continue developing my understanding of bp's operations. //

Karen Richardson

Independent non-executive director



//

The digital skills programme has successfully raised the profile of bp's digital strategy. Deep-dives with subject matter experts created rich two-way discussions which, alongside comprehensive e-learning content, helped to develop board members' understanding of key digital topic areas. These sessions also showcased some of the great digital talent the business has – I welcome the next phase of the programme in 2022. //

Dr Johannes Teyssen

Independent non-executive director



Digital skills programme

A particular focus of the learning and development programme for 2021 was on enhancing digital skills, intended to empower the board's oversight of bp's digital strategy. Each quarter, directors were offered virtual learning content and invited to participate in a discussion with a relevant subject matter experts across four distinct topic areas: digital foundations, digital mindset, emerging digital technology and transformational digital technology.

In addition, board members were provided reverse mentoring opportunities with final-year graduates from bp's innovation & engineering team. In these sessions, digital topics were explored further in order to gain a fresh perspective on digital fluency.

Evaluating performance

Each year bp evaluates the performance of the board, its committees, the chair and individual directors.

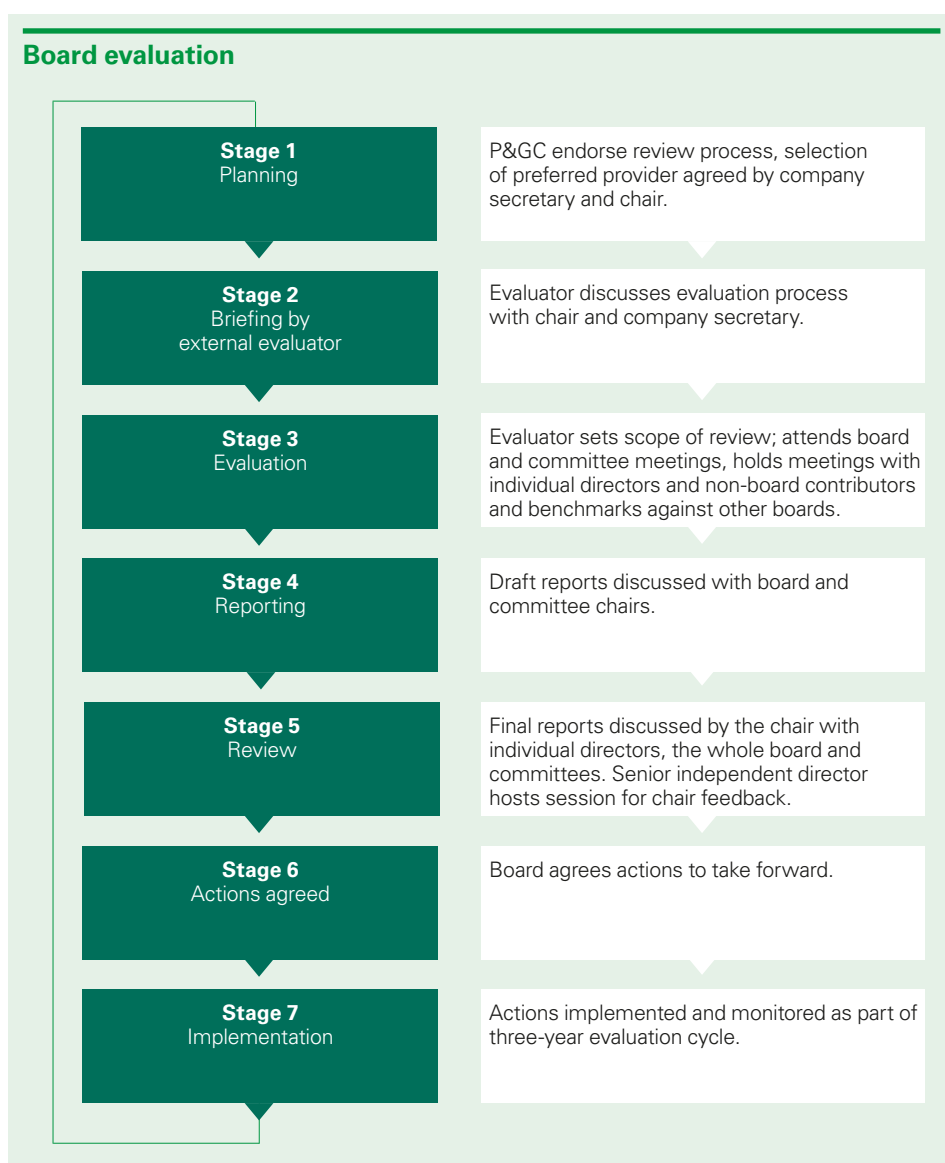
This is a well-established process and an important and valued opportunity to take stock of the board's progress and to test that the board is well placed to provide constructive challenge and be a trusted thought partner for the leadership team.

Good progress was made following the 2020 board evaluation. There have been improvements in the quality and cadence of information flows from management to the board, a risk governance review has been completed and board education sessions have been directed at strategic priorities, such as the emerging renewables and low carbon energy businesses, climate change risk and how bp is mitigating it consistent with its financial and sustainability aims. Board and committee time has been optimized and co-ordinated through board roadmaps and the board and committees' terms of reference.

Every third year, recommended practice is for the board evaluation to be externally facilitated. Having completed two annual cycles of internally-facilitated reviews, the people and governance committee oversaw the review process for 2021, including the appointment of an independent provider of board review services.

Given the significant strategic progress by bp since 2020, the new leadership and organization that is now in place and the roll-out of bp's new corporate governance framework, a specialist board review firm was considered the best option to provide an objective perspective on the progress made by the board over this period.

Following a request for proposal process, bp selected Independent Board Evaluation to complete an external board evaluation. There is no connection between Independent Board Evaluation and either bp or the directors. The process followed in the evaluation is set out in the graphic to the right.



The evaluation supported an overall view that the board performs at a high level. It is focused and engaged, takes effectiveness in governance very seriously and works well with the leadership team. The recommendations made aim to help the board towards optimal effectiveness.

The board agreed to implement actions across three areas:

Strategy and performance: The board's overarching focus through 2021 has been on monitoring strategic progress and performance as bp transforms into an integrated energy company. As we move from setting a new strategic direction in 2020, to our re-invention in 2021, 2022 will be about delivery of that strategy. Accordingly, there will be an increasing focus at board meetings on the journey of each of the businesses to deliver the targets and aims that have been set. The leadership team is being encouraged to engage with the board, to take soundings, to build credible and enduring relationships and to use time with the board to bring ideas before they are fully developed. This will help provide greater awareness of the risks and opportunities that are considered, alternative options, while also bringing their experience to the decision-making process.

People and culture: Throughout 2021 we have made significant progress on employee engagement with our NEDs, through the structured workforce programme. The chair has also attended drop-ins with the business and other teams.

Complementing this will be a gradual return to the board's (and committees') practice of in-person site visits to allow for more in person engagement opportunities. In addition to the reverse digital mentoring, we will evaluate other relationship and networking opportunities outside the formality of the boardroom such as informal breakfasts/dinners with some of the leadership team and those employees identified as having the talent to become part of the leadership team over time.

Governance and reporting: Recommendations to improve the end-to-end board experience and flow of information are being progressed. In particular:

- Further improving the information flows between the board and management through a common frame for board papers.
- Adjusting the timing and allocation of time to the CEO and CFO's report, the committee sessions and the committee feedback so that those matters which are of most importance to bp are raised.

Feedback from the evaluation for the committees was considered at each of the committees and the chair held sessions with each director to discuss their individual feedback.

In February 2022, the senior independent director led a meeting with the NEDs without the chair present to provide board members with an opportunity to provide any feedback regarding his performance. Strong support for the continued leadership shown by the chair and his engagement with the CEO, CFO and other members of the bp leadership team was provided and relayed by the senior independent director.

People and governance committee



Helge Lund
Committee chair

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

Committee overview

Purpose of the committee

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

Key responsibilities during 2021

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

Meetings and attendance

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

Membership

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

Chair’s introduction

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

Helge Lund
Committee chair

Activities during the year

Overseeing organizational change

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

New leadership frame

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

Board succession planning

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

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

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

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

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

Diversity: board

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

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

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

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

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

Skills matrix

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

^a The skills set out here are defined based on bp's internal assessment.

People and governance committee *continued*

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

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

Diversity: senior leaders

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

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

Diversity: employees

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

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

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

Succession

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

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

Audit committee

Tushar Morzaria
Committee chair



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

Committee overview

Role of the committee

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

Key responsibilities

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

Meetings and attendance in 2021

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

Membership

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

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

Chair’s introduction

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

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

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

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

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

Tushar Morzaria
Committee chair

Activities during the year

How the committee reviewed financial disclosure


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

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

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

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

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

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

How accounting judgements and estimates were considered and addressed

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

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

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

How risks were reviewed

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

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

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

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

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

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

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

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

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

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

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

Fair, balanced and understandable (FBU) reporting

Regular audit committee review

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

Report on the financial control environment

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

Verification and management assurance

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

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

External auditor report

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

Recommendation to the board

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

How other reviews were undertaken

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

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

How internal control and risk management was assessed

Internal audit

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

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

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

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

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

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

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

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

Non-financial reporting assurance framework

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

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

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

Training and briefings

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

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

Site visit during the year

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

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



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

How the committee considered climate risks and opportunities

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

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

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

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

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

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

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

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

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

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

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

How the committee assessed audit fees

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

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

How the committee assessed audit effectiveness

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

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

FRC thematic review

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

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

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

External audit

How the committee assessed audit risk

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

These included:

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

Audit quality reports received by the committee

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

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

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

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

How the auditor reappointment and independence were assessed

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

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

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

How the committee had oversight of non-audit services

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

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

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

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

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

Other matters

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

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

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

Examples of how accounting judgements and estimates were considered and addressed

Key judgements and estimates in financial report

Audit committee activity

Conclusions/outcomes

Impact of climate change and the energy transition

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

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

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

Provisions

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

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

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

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

Recoverability of asset carrying values

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

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

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

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

Key judgements and estimates in financial report

Audit committee activity

Conclusions/outcomes

Impact of COVID-19

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

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

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

Investment in Rosneft and Aker BP

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

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

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

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

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

Derivatives

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

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

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

Safety and sustainability committee



Melody Meyer
Committee chair

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

Committee overview

Role of the committee

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

Key responsibilities of the S&SC

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

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

Meetings and attendance

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

S&SC members and appointment dates

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

Chair’s introduction

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

Early in 2021, the S&SC agreed a plan for monitoring the effectiveness and implementation of bp’s sustainability frame, which includes embedding many sustainability processes and aims into the operating management system (OMS) as it is a proven process for safety and environmental performance improvement. In July, the S&SC received feedback on the executive outreach programme for the sustainability aims; collecting feedback from academics, corporate partners, government representatives, NGOs and investors. Overall this feedback was positive and the inputs were considered as the sustainability frame evolved.

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

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

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

Melody Meyer
Committee chair

S&SC's year in review

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

Safety, system of internal control and risk management

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

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

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

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

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

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

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

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

Corporate reporting

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

Embedding the sustainability frame

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

Virtual site visit

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

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



Directors’ remuneration report



Paula Rosput Reynolds
Committee chair

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

Committee overview

Role of the committee

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

Key responsibilities

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

Membership

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

Meetings and attendance

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

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

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

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Dear shareholder,

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

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

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