The Board and its work

Carl-Henric Svanberg
Chairman
Topics for discussion

- Composition and skills of the BP Board
- Oversight by the Board and its Committees
- Review of Board Governance
Carl-Henric Svanberg  
Telecoms and industry

Paul Anderson  
Oil, gas & energy

Antony Burgmans  
Consumer goods and marketing

Ian Davis  
Strategy and consulting

Brendan Nelson  
Audit & financial services

Sir William Castell  
Science, medicine & technology

Frank “Skip” Bowman  
Nuclear navy

Cynthia Carroll  
Oil, gas & extractive industries

George David  
Technology & manufacturing

Phuthuma Nhleko  
Engineering, banking & telecoms
<table>
<thead>
<tr>
<th>Name</th>
<th>GoM</th>
<th>SEEAC</th>
<th>Audit</th>
<th>Rem</th>
<th>Nom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carl-Henric Svanberg</td>
<td>A</td>
<td></td>
<td></td>
<td>A</td>
<td>✓</td>
</tr>
<tr>
<td>Paul Anderson</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Admiral “Skip” Bowman</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Antony Burgmans</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Cynthia Carroll</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Sir William Castell</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>George David</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Ian Davis</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Brendan Nelson</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phuthuma Nhleko</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

- Breadth of **experience** and **skills** on BP Board and its Committees
- Accelerated **renewal** of Board membership over past 2 years
International Advisory Board

• Provides advice to the Board of BP plc on strategic and geopolitical issues

• Meets twice a year but members also available to provide advice and counsel when needed

Kofi Annan  Josh Bolten  Peter Sutherland  Romano Prodi  Ernesto Zedillo  Chris Patten  Javier Solana
Board and Committee focus since Macondo

- Strategy
- Succession
- Reputation
- Oversight
- Risk
Board: Strategy, Succession and Reputation

• **Strategy**
  - Active discussion on strategy
  - Safety, rebuild trust, grow value

• **Succession**
  - Executive and Non-Executive Directors
  - Skills and diversity

• **Reputation and “tone from the top”**
  - Rebuilding trust
  - Securing licence to operate
Gulf of Mexico Committee

⚑ Response to unique circumstances in the Gulf

Membership:
- Ian Davis (Chair)
- Sir William Castell
- Paul Anderson
- George David

Activities:
• Remediation
• Reputation and licence to operate
• Legal and claims
Safety, Ethics and Environment Assurance Committee (SEEAC)

Membership:
- Sir William Castell (Chair)*
- Admiral “Skip” Bowman
- Cynthia Carroll
- Paul Anderson*
- Antony Burgmans

* Members of GoM Committee

Areas of intensified focus since Macondo:
- Aligning committee oversight and practices with new organisation
- S&OR and implementation of Bly Report
- Independent Advisors
Audit Committee

Membership:
- Brendan Nelson (Chair)
- Ian Davis*
- George David*
- Phuthuma Nhleko

* Members of GoM Committee

Areas of intensified focus since Macondo:
- Balance sheet and liquidity
- GCRO
- New Committee Chair with audit and trading background
Remuneration Committee

Membership:
- Antony Burgmans (Chair)
- George David
- Ian Davis

Areas of intensified focus since Macondo:
• Integration of safety and risk management into executive compensation
• More active role on pay policy and practice below Board level – with re-emphasis on long term performance
Risk processes within BP

• In the business of working with hydrocarbons there will always be risk:
  − Risk from the products themselves, in the way they are produced and processed, and working in the countries where they are found

• **BP’s framework** for managing and reporting risk:
  − Day to day risk management in all operations and functions
  − Periodic reporting of key risks at business level
  − Oversight and governance of key risks by Executive and Board

• Risk management a **top down** and **bottom up** process
BP’s Risk Management System

1. **Day to day** risk management
   - Occurs at all Operations and Functions
   - Each business and function identifies the risks it faces using company standards and practices

2. **Business** Risk Management
   - Allocates the most significant risks into Group Risk Categories and reports up the line

3. **Functions** (e.g. S&OR) provide an independent view of the most significant risks in their area of expertise

4. **Executive** and **Board** oversight and governance
   - Executive provide bottom up review of most significant risks
   - Board and ETM provide top down consideration of the Group’s activities, Strategy and risk landscape
How risk processes are evolving within BP

• Risk management system review – areas of focus:
  – Enhance **clarity** and **consistency** in the way risks are reported and understood – from operations to the Board
  – Emphasis on a **common framework** throughout the organisation
  – Gross and net risk assessments to understand **scenarios** and mitigation around **controls** and **contingencies**
Review of BP Board Governance

- **Review** of board governance initiated at the start of the year
- **Board Steering Group** established
- Has looked at structure, roles, tools and processes around the Board and its Committees
- Need to reflect the evolving regulatory landscape
- Aim to complete the review and publish updated Principles in early 2012