

BP Annual General Meeting, 10 April 2014
Chairman's speech

Welcome to the 2014 BP Annual General Meeting.

I am Carl-Henric Svanberg, your Chairman.

It's great to see so many of you here again today, and so many familiar faces

We have 24 resolutions to consider; they are in the Notice of Meeting.

I would first like to formally propose those Resolutions. We will discuss the Resolutions during the meeting. We will vote on a poll at the end.

It is four years since I first had the honour to stand here in this hall and address you at the AGM in 2010. Much has changed since then, both inside and outside the company.

In the wider world...

We have had the Arab Spring, the conflict in Syria, new negotiations in Iran and most recently the events in the Ukraine.

And during the year we saw evidence of a troubled world in the terrorist attack on the facility in Algeria. Our thoughts remain with the families and friends of those who died.

The strong economic growth continues in the developing world, albeit at a slower pace while the developed world is cautiously starting to move forward again.

The world of energy, our world, also continues to change.

Rising populations and prosperity continue to drive the growing demand for energy.

This is particularly true in the emerging markets, where billions of people are striving to reach our standard of living.

This is a long-term trend which will continue for many years to come.

The energy landscape also evolves - sometimes in unexpected ways.

Take the rapid growth of US shale gas and oil.

Before the end of the decade, North America will shift from being a net importer of energy to a net exporter.

This will make a major difference for America with implications for the rest of the world.

It promises to deliver lower energy costs for American households and industry, making the country much more competitive.

It will bring America greater energy security,

And, it will lower carbon emissions, as users switch from coal to gas.

For all energy companies, we recognise that there are those who sometimes question whether the business model of the international oil company really works.

Whether it has had its day.

Some 15 years of mergers and acquisitions has generated little of the promised growth in shareholder value.

Many feel that the super majors have spent too much for too little return.

The world is no longer simply applauding volume but wants to see proof of value creation.

Bob and his team were the first to see this and recognize that a new approach was necessary.

In addition, the incident in the Gulf of Mexico led us to think through our fundamentals.

Our strategy now is about "value over volume".

These words might sound simple but they make a dramatic difference.

Over the last years, the board has worked closely with management on the strategic direction of the company, putting those three simple words into action.

Value over Volume.

And it's not a small task. It really is not a small task.

We have come to question every aspect of what we do and how we do it.

And from that we have carried out a major transformation of our business.

BP is now smaller, more efficient, and clearly focused on how the greatest value can be created.

We have committed to limit our capital expenditure to \$24-26bn each year and to grow value from that.

To do this we need to make the right choices, choices that play to our strengths.

And we need excellence in execution.

After divesting \$38bn of assets, we now have a quality portfolio with distinctive strengths.

This, we believe, will help to differentiate us from the rest of the pack.

Efficiency is vital if we're to grow value, so the board is keeping a sharp eye on how projects are selected and how they are executed.

We are also ready to release value from our portfolio, by either selling down early as we find new assets, or working in a different way.

An example of working differently is our decision to put our gas business in the US into a standalone unit - with the task to develop a different operating model for a different kind of business.

All of this is starting to bear fruit.

BP is now a safer, stronger, better company and our performance is steadily improving.

Before I move on - whilst we have focused much of our time on the future, the board has continued to oversee the ongoing litigation in the Gulf of Mexico.

BP will continue to meet its commitments to those affected - but we will also continue to counter all unfair claims for compensation.

Our relationship with you - our shareholders - is also evolving.

Investors - both large and small - as well as society, expect more of companies today - All your voices are heard.

Our industry is a long term one and our decisions often reach over decades.

There can inevitably be a natural tension between our longer time horizon and our shareholders' wish for earlier returns.

This is a balance that we, as a board, have to strike.

Given the challenges we face, it's vital that your board has the right Executive team and, amongst its Non-Executives, the right people with the right skills focusing on the right issues.

We have a diverse mix of talent around the boardroom table and they are here today.

There is deep knowledge of the extractive industries, but also expertise across business, finance, industry, the military and academia.

These different backgrounds and perspectives make us stronger.

And we will continue to enhance the breadth and depth of our talent as the board is refreshed over time.

The role of the board itself is evolving.

Evolving in terms of the tasks it has to undertake and the time that is required to undertake them.

Evolving, so that Non-Executives have fewer appointments and spend more time with each one.

It's often said that the task of the board is to support and challenge.

This requires maturity and respect from all concerned.

But it is more than just support and challenge. It is also to interrogate, understand and embrace the strategy.

And it is to debate the culture of the company and how the culture should be developed to best support the strategy.

I'm pleased to say that I believe that this board has come a long way in getting the balance right and I'm proud of the progress we have made.

I spoke earlier about meeting the expectations of society.

This is also part of our task.

It is about how we as a company play our part in meeting the world's growing energy needs, including for those who still live in poverty.

It is about operating safely and I am pleased to say that we are making substantial progress in this area.

It is also about playing our part in wider debates on energy and sustainability – where we continue to recognize that climate change is a serious issue.

The world's growing energy needs will require a mix of energy sources.

Alternatives will need to further mature to be competitive on scale - and for some time this growing need will primarily be met by fossil fuels.

This is the delicate balance between affordable energy and growing emissions that political leaders around the world have to strike.

This is not an easy task and this is why we argue for greater energy efficiency, for putting a price on carbon and why we argue for switching from coal to gas as the most efficient way for now to impact emissions.

Gas is substantially cleaner than coal.

A switch, on a global level as we have seen in the US would help to pave the way for the energy landscape we all wish to see.

Given the vote later in the meeting, I would like to touch on our remuneration policy.

The energy industry is truly global.

We compete in a global market for talent and BP must ensure it attracts and keeps

the best people.

Executives should be rewarded according to the company's success, particularly its progress against strategy.

This is why our long-term schemes only reward executives if the company does consistently well over time.

Their rewards are not just based on financial performance - they also reflect progress on safety, reputation and operations.

In other words, if our executives are being well rewarded that's good news for every shareholder in this room.

This year the dividend has increased.

We have a share buyback programme in place.

And the share price has been steadily improving.

Our long-term approach is a result of the policy our Remuneration Committee has operated over the past few years.

We want to renew this policy and we seek your formal approval for that today.

To sum up, the pace of change in the world will only increase.

Boards must ensure they are well equipped to respond.

I believe BP's strategy and activities are well matched to a changing world.

Today we are pleased to report that your company is emerging from the difficult days of 2010 and working hard to create a brighter future.

Before we move on...I want to thank you our shareholders for the support you have shown this year.

And I thank Bob and our excellent executive team, my board colleagues and all our employees for your dedicated and hard work.

I am pleased to hand over to Bob now, who will describe what our strategy of distinct portfolio choices, careful investments and excellent project execution

means in practice.

Thank you.