



# 2011 Annual General Meeting: chairman's speech

Speaker: **Carl-Henric Svanberg**

Title: **chairman**

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Venue: **ExCeL, London**

Good morning Ladies and Gentlemen.

My name is Carl-Henric Svanberg and on behalf of the Board, I welcome you to BP's 2011 Annual General Meeting.

Before we start our discussions, I now need formally to propose Resolutions 1 to 23 as set out in the Notice of Meeting. Voting on each of these Resolutions will take place by poll.

The poll will take place at the end of the meeting when we will explain how you may participate.

When I stood in front of you this time last year I predicted that chairing BP would be an 'inspiring challenge'.

I wasn't wrong.

In the past 12 months, BP has been through a crisis, almost unprecedented in corporate history.

Today, the Board and I are here to answer your questions on the events of the last year, where the Company is now and where we are heading.

We have not yet had the first anniversary of the tragic accident that happened on the Deepwater Horizon rig in April last year.

Before I go any further I want us all to remember those eleven men who died and those who were injured, as well as their families and friends.

BP's priority has always been – and always will be - that people who work for us and with us return home safely at the end of every day.

It should go without saying that everyone at BP is shocked and saddened that this accident happened.

We will, I am sure, discuss many things today. But I want to be clear from the start that safe and reliable operations lie at the heart of all we do. We will do all we can to prevent such an accident from happening again.

I am committed to this and so is BP.

Although we have tried in the Annual Report to give you a fair description of all that happened in 2010, I still wish to address the most important matters.

The tragic accident and related oil spill in the Gulf of Mexico affected many people and communities. Our response was without precedent and, I think, has been recognised as such.



As one of the responsible parties under US law, we took action immediately and made clear that we would pay all legitimate claims resulting from the spill.

The discussion I had with the President of the United States, including our agreement on the \$20 billion trust fund, became a crucial step in responding to the accident and marked a turning point.

BP has not – and will not – shy away from its responsibilities,

But it is important to remember that both our own investigation and the Presidential Commission found that the accident had a number of causes and involved a number of parties.

Some may think that this accident related to just one company. They are wrong. As the Presidential Commission found, there are lessons for all the industry.

The Board is committed to ensuring that all of the parties involved bear their share of the burden.

We have learned many lessons from this tragedy. It is our responsibility and our duty to share these lessons with the wider industry in order to help make deep sea drilling safer.

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

You, our shareholders, must be comfortable that we are taking the right risks on your behalf to safeguard your investment,

So too, must the people in the countries and communities in which we work. They must have the confidence that we can meet their expectations of safe and reliable operations.

Everything we have done since Deepwater Horizon has had one aim; to win back the trust of shareholders and communities the world over.

BP remains a great Company, with a great history and, I believe, a great future. We have great people. We all take our responsibilities extremely seriously. We will work hard to restore our reputation for doing just that.

Let me talk now about the dividend, as I know this is an issue on the minds of all of you here today.

I speak for all of my colleagues on the Board when I say that suspending the dividend and, indeed, not paying the dividend in the pipeline, was one of the hardest decisions we have taken.

But it was absolutely imperative to make the company financially safe and secure. The top-kill had failed and access to liquidity was becoming very expensive.

We knew we needed to set aside funds to meet the claims from the Gulf of Mexico - and the trust fund was a critical way of giving confidence to the American people that we were not going to “cut and run”.

As I have said - trust in the communities, not just in the United States but around the world, is a key part of our license to operate.

Let me take this opportunity to clarify that, despite many rumours to the contrary, the decision to cut the dividend was one taken by the Board.

It was not a topic in my discussions with President Obama.



I am delighted that we have now been able to restore the dividend, albeit at a lower level. We need to reflect the realities of the Company's financial position and we will keep this under review as our strategy bears fruit.

I am also pleased that a number of our shareholders have decided to take up the scrip alternative which was approved at the AGM last year.

Communicating with our shareholders and stakeholders throughout the crisis was one of our biggest challenges. We did all we could to keep people informed.

We used our website as the main means of that communication, updating it daily - sometimes hourly. And we used it to communicate with you around our decision on the dividend.

Yet I know that many of you felt that you did not get enough information, and I can only apologise for that.

I hope that the detail that we have given in the Annual Report and the Sustainability Report goes some way to addressing this.

Over the last year we have had contact with many of our shareholders, large and small.

Thank you for all the interest that you have shown, whether supportive or critical. I look forward to continuing the constructive dialogue which we have had with shareholders on both sides of the Atlantic.

The steps we have taken and the decisions we have made enabled us gradually to move forward:

Clearly, we still have many things to address. We have reset the Company and are now doing things differently. Let me explain what that means.

BP is going through fundamental change. We have a new organisation. An organisation which is functionally based rather than asset based. An organisation which has a strengthened safety and operations function. This new organisation will drive change in remuneration, values and what it means to work for BP.

This is not a simple re-shuffling of the pack of cards. It is the change which any company would go through in these circumstances.

Let me now talk more about the Board, because after this meeting we will be a substantially changed team.

During the year Tony Hayward and Andy Inglis stepped down.

We would like to thank them for all their efforts over many years of service to BP and wish them both well for the future.

At the end of this meeting Dr. Deanne Julius and Douglas Flint will leave the Board.

You, DeAnne, have been on the Board since 2001 and have latterly been the Chair of the Remuneration Committee. You have led that Committee through many difficult decisions over the years.

Douglas has recently been appointed Chairman of HSBC and has to focus his attention on his duties there.



You have chaired the Audit Committee for the last year, and your contribution was extremely significant during the height of the crisis last year.

Again, I would like to thank both of you and you both well.

I would like to welcome Brendan Nelson, Skip Bowman and Phuthuma Nhleko to their first AGM. All come with strong and relevant experience to the work of the Board.

Brendan was the deputy chairman of KPMG and he will take over the Chair of the Audit Committee.

Phuthuma, is one of Africa's most respected business leaders. He has worked throughout his career in emerging markets and has experience from the extraction industry. He also joins the Audit Committee.

Skip brings valuable experience of process safety as head of the US nuclear navy. Skip served on the Baker Panel. He is now joining the Safety, Ethics & Environment Assurance Committee. Tony Burgmans is taking over the Chair of the Remuneration Committee.

The Nomination Committee will in future consist of Bill Castell, Ian Davis, Cynthia Carroll and Tony Burgmans, with me in the Chair.

All changes to the Board reflect the need for BP to continue to evolve. To seek fresh perspectives and skills from people with a broad range of backgrounds and disciplines.

Diversity remains an important consideration.

I believe the Board responded strongly during the crisis. It was an intense period. We met many times and spoke daily. We stayed united and resilient.

All directors were committed to ensuring that the Company responded effectively and correctly. We did not shy away from taking tough decisions.

So let me focus specifically on the steps being taken by the Board. As I said earlier, we are re-setting BP. The Board's task is to establish the framework within which this can happen and to ensure that lessons are learnt.

It has been critical for the Board to give attention to the Gulf of Mexico and to have space to discuss strategy and risk.

The Board therefore created a structure to achieve this.

The creation of the Gulf of Mexico Committee proved to be extremely important.

Chaired by Ian Davis, this Committee oversees the work of the Gulf Coast Restoration Organisation and in particular the legal claims and investigations we are facing.

It has provided oversight and assistance to the Executive team and gives more space to the Board to work on the broader challenges of strategy and risk.

Risk, as I have said, is part of our business. BP and its peers have well developed ways of understanding and managing risk which is demanded by the nature of the industry.

But we can always do better.

Risk, therefore, will continue to be a key area of focus for the Board, both in terms of the balance between risk and reward, and the evaluation of the management of risk.



This includes the work with subcontractors and Joint Ventures.

We must ensure that the Board works in a way which allows it to govern a business of the size and scope of BP for years to come.

So we are looking at the way that we, as a Board, work and the tasks which we set ourselves. As a new team, with new ideas we want to build on the strengths we have.

In my view A Board has two roles, to work on strategy and encourage the Executive team in its implementation.

Equally, it has to oversee and challenge its performance of the Company and of the risks that it has identified.

How this work is balanced between the board and the Committees needs to be kept under continuous review. But the Deepwater Horizon Accident has provided us with a unique opportunity to review the way we work.

But in my experience it is often hard for a Board to carry out a fundamental review of how it operates. It is challenging for a Board to see itself dispassionately.

We are a new team and I am encouraged by the vigour and freshness demonstrated already around the Board table.

We will apply this in determining the way we work in the future. I look forward to reporting to you on the results.

## So, what of the future?

BP has a critical role to play in meeting the world's ever-growing need for energy.

BP's own 2030 outlook, which I commend to you estimates that this need will grow by some 40% over the next twenty years.

This is equivalent to adding twice the current demand for energy in the United States to world's present consumption.

The world's growing energy needs are primarily driven by the rapid economic development in the world's emerging markets.

Our 2030 outlook is a dispassionate view of the energy world, based on supply and demand trends and policy decisions we so far can anticipate.

Even in the scenarios with more radical policy decisions than those currently envisaged the world will remain largely dependant on fossil fuels for decades to come.

Alternative sources of energy have an important role to play. We are therefore investing in a number of these sources.

Alternatives are expected to be the fastest growing energy sector, however they starts from a very low level and their overall impact will be modest for some time to come.

Energy efficiency is also of huge importance and is arguably the fastest way to respond to the world's needs.



But the bottom line is that the world needs all sources of energy and if we cannot produce enough oil and gas then the only viable alternative is coal.

In all of this, BP has a vital role to play. We have to create a long-term sustainable company to supply a sustainable world.

And to do this, as I have explained:

- We must restore our reputation;
- We must refocus our strategy;
- We must deliver long-term value for our shareholders.

And we won't, of course, achieve this entirely alone. BP has always been good at partnerships, and we are building on that skill through our new associations in Iraq and China and with Rosneft and Reliance.

In order to meet the ever-growing global demand for energy, Russia is an important place for BP to be.

We have worked there for over 15 years and have established relationships with Rosneft and with our partners in TNK-BP.

Whilst life has not always been easy, TNK-BP has been a successful venture with superior returns.

It is in the interests of BP's long-term growth in value that we build on the major and unique position with in Russia.

Access to the Arctic is a substantial prize. We are therefore pleased that we have extended the deadline for concluding our business with Rosneft.

In all the meetings we have had with shareholders around the world we have had two questions:

Do we "get it"? Do we understand what needs to be done to prevent accidents like the Deepwater Horizon or other events that can threaten the very existence of the company?

And equally, can we grow the business to deliver long term value for our shareholders?

I hope that all you hear today will reassure you that we have heard these concerns and that our strategy and actions are proof of that.

We are a different company from the one that held this event a year ago.

We are emerging from the challenges of 2010 as a wiser and stronger company focused on realising value through safe and sustainable operations.

Our commitment and my commitment is to use all our efforts and skills to meet the expectations of you, our shareholders, and of the communities in which we all work and live.

Thank you for being here today and for your support. I look forward to your questions later in the meeting.