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Introduction

BP is a global energy business with wide reach across the world's energy system. The energy we produce helps to support economic growth and improve quality of life for millions of people. We strive to be a world-class operator, a responsible corporate citizen and a good employer. In supplying energy we contribute to economies around the world by employing local staff, helping to develop national and local suppliers, and through the taxes we pay to governments. Additionally, we aim to create meaningful impacts through our social investments.

Our business activities

BP delivers energy products and services to people across the world through two main operating segments - Upstream and Downstream. Through these operating segments, BP finds, develops and produces essential sources of energy and turns these sources into products that people need.

BP operates in more than 70 countries. As a global group, BP's interests and activities are held or operated through subsidiaries, branches, joint arrangements or associates established in and subject to the laws and regulations of many different countries. These laws and regulations can change, and may be subject to differing interpretations.

BP buys and sells at each stage of the hydrocarbon value chain, and supports its global activities by providing technology, services and financing. Where it is more efficient or commercially necessary, these activities are conducted centrally.

We believe the communities in which we work should benefit from our presence and we recognize that some of the countries where we operate rely on oil and gas as their primary source of revenue.

We support transparency in revenue flows from oil and gas activities to governments. This increases the understanding of tax systems, builds public trust and helps citizens of those countries access information to hold public authorities to account for the way they use funds received through taxes and other agreements.

Taxes paid by BP

Our business activities generate a substantial amount and variety of taxes. We pay corporate income taxes, royalties, production taxes, stamp duties, employment and other taxes. In addition we collect and pay employee taxes as well as indirect taxes such as excise duties and VAT.

Further information on the taxes we pay is available in the *BP Annual Report and Form 20-F*.

Our approach to tax

BP is committed to complying with tax laws in a responsible manner and to having open and constructive relationships with tax authorities. We participate in initiatives to simplify and improve tax regimes to encourage investment and economic growth.

Our approach to tax aligns with BP's code of conduct which sets out what is expected of everyone at BP.

This includes respecting the world in which we operate and those we work with. It also includes acting in a manner that is safe, ethical and consistent with applicable laws and regulations. We seek to work with others who share our commitments to safety and ethics and compliance. We do not tolerate the facilitation of tax evasion by people who act for or on behalf of BP.

Our approach to tax is underpinned by the following principles:

Governance

The group head of tax owns and implements our approach to tax which is reviewed by the main board audit committee. The group head of tax is also responsible for ensuring policies and procedures that support the approach are in place, maintained and used consistently around the world, and that the global tax team has the skills and experience to implement our approach.

We use external service providers on a selective basis, for example where we require additional resource or expertise.

Relationships with governments

We seek to build and sustain relationships with governments and fiscal authorities that are constructive and based on mutual respect. We work together with governments to contribute to sustainable growth, create jobs and invest in people.

We engage with governments on the development of tax laws either directly or through trade associations and other similar bodies as appropriate.

We work collaboratively wherever possible with fiscal authorities to resolve disputes and to achieve early agreement and certainty where tax law is complex or unclear.

We have compliance agreements in place with a number of fiscal authorities which provide us both with certainty.

Tax planning

We adhere to relevant tax law and we seek to minimize the risk of uncertainty or disputes.

We engage in efficient tax planning that supports our business and reflects commercial and economic activity. We do not engage in artificial tax arrangements.

We establish entities in jurisdictions suitable to hold our overseas investments, giving consideration to our business activities, the prevailing regulatory environment, and as appropriate in line with joint venture requirements. We seek to conduct transactions between BP group companies on an arm's length basis and in accordance with current OECD principles.

Tax incentives and exemptions are sometimes implemented by governments and fiscal authorities in order to support investment, employment and economic development. Where they exist we seek to apply them in the manner intended.

Tax risk management

We do not prescribe acceptable levels of tax risk. We seek clarity within the law and evaluate the potential tax outcomes of our business transactions and we escalate tax risks and uncertainties to the relevant level within BP to determine the appropriate management response.

We follow BP's risk management system and policy as part of our internal control processes which means that we identify, assess and manage tax risks from our business transactions, account for them appropriately and implement and monitor controls over them. This system and policy, together with our tax governance, requires us to:

- Understand the fiscal environment, and assess specific risks and potential exposure for BP.
- Determine how best to deal with these risks to manage the overall potential exposure.
- Manage the identified risks in appropriate ways.
- Monitor and seek assurance of the effectiveness of the management of these risks and intervene for improvement where necessary.
- Report internally on a periodic basis on how significant risks are being managed, monitored and assured and the improvements that are being made.

Material tax risks and disputes are reported on a periodic basis by the group head of tax to the group financial risk committee, which is chaired by the chief financial officer. In this way the group financial risk committee provides governance and oversight of financial risks, including tax risks and provides assurance that material tax risks are managed in accordance with approved BP group policies. Material tax risks and disputes are additionally reviewed by our external auditor, and the main board audit committee is briefed on an annual basis.

Our approach to tax is applicable across the BP group and is updated and reviewed annually. It was last published in December 2019.

With respect to the UK, we regard this publication as being in compliance with our duty under paragraph 16(2) of Schedule 19 of the Finance Act 2016.

Further information

You can email the BP tax team at approachtotax@bp.com

More information is also available through the following links:

- Our positions on fostering transparency – bp.com/tax
- BP Sustainability Report – bp.com/sustainability
- BP Annual Report and Form 20-F – bp.com/annualreport