

BP Investment Management Limited (“BPIM”) Stewardship Policy

BP Investment Management Limited (“BPIM”), a wholly owned investment management subsidiary of BP Pension Trustees Ltd, manages certain assets of the BP Pension Fund (“the Fund”). This activity is conducted in accordance with the Investment Management Agreement (“IMA”) between BPIM and BP Pension Trustees Limited (“the Trustee”) and in accordance with the Fund’s Statement of Investment Principles.

Principle 1

Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

BPIM regularly discusses the discharge of its stewardship responsibilities with its client, the Trustee. Disclosure of Stewardship Policies to the public is made through this policy statement.

The Trustee seeks to observe the Stewardship Code, and through its IMA has delegated stewardship activity in respect of investments managed by BPIM. As a long term investor the Trustee believes that:

- Good corporate governance and strategic thinking results in enhanced shareholder value. Poor governance and short term thinking is detrimental to returns; and
- An understanding of environmental, social and corporate governance (“ESG”) issues can help identify opportunities and material risks.

Stewardship activities are considered as part of the overall investment process when considering an initial investment and as part of the ongoing monitoring process.

BPIM takes a risk-adjusted approach to monitoring the portfolio for stewardship purposes. Consequently, BPIM aims to focus on highest-value holdings, which are material to the performance of the Fund, and/or the investee company.

Principle 2

Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.

BPIM has a conflicts of interest policy, attached to this document, which summarises our approach to conflicts of interest.

The commercial interests of BP plc may diverge from BPIM’s duty to the Fund and Client in relation to investment positions or voting decisions taken by BPIM. For example, the Fund may hold shares in companies that have commercial relationships with BP plc. BPIM does not consult BP plc regarding any matters relating to the investments held. This prevents a potential conflict of interest arising, and also mitigates the risk of BPIM learning non-public information regarding matters between BP plc and investee companies.

The Trustee, delegates to BPIM the authority to vote. BPIM may consult the Trustee on voting issues as Client.

With regards to engagement, a decision to engage directly with investee companies or to participate in collective engagement is made solely by BPIM. Engagement decisions are made with the interests of the Trustee as Client in mind.

BPIM has engaged third party compliance consultants. As part of BPIM's compliance monitoring programme BPIM's Conflicts of Interest Policy and conflicts management arrangements are subject to regular review by both the Compliance department and independent compliance consultants.

Principle 3

Institutional investors should monitor their investee companies.

The Head of BPIM sets stewardship policy including the criteria for engagement. BPIM's portfolio managers monitor companies invested in by the Fund to make sure that the long term investment case remains intact, with an emphasis on the most significant positions. They are assisted by a dedicated stewardship analyst who is responsible for identifying engagement issues.

The monitoring process embraces analysis of company announcements, broker research, data analysis, analyst briefings, meetings with company management and reviews corporate governance research from the proxy advisor.

As part of our monitoring activities, BPIM endeavours to meet the management of key investee companies to discuss strategy, performance and governance including the approach taken to extra-financial risks arising from social and environmental factors. Such meetings are part of the routine investment management process and prioritise issues that are most important to the generation of long-term shareholder value. These considerations are integrated into our investment analysis and valuation process. The decision whether to meet with investee companies is made on a risk adjusted basis.

As long-term investors we maintain a dialogue with the companies we invest in, and engage on business, strategy and ESG issues to encourage adherence to the UK Corporate Governance Code. Specialist resource is employed in the form of MSCI ESG Manager, to provide a detailed analysis of the ESG performance of a company. This acts as a screen in order to focus attention on companies that have issues which require further investigation, judged by the potential financial impact on our investments.

Where engagement with investee companies takes place, steps are taken to ensure that BPIM does not become insiders. BPIM has in place internal dealing rules prohibiting employees in possession of price sensitive information from taking advantage of that information by dealing in the respective security, or arranging for someone else to do so on their behalf.

BPIM staff are prohibited from becoming insiders in relation to securities of any issuer without first obtaining clearance from the Head of BPIM and BPIM compliance. It is generally our policy not to become insiders, as this would affect our ability to invest freely. In the event that BPIM is made an insider while undertaking monitoring or engagement activity, restrictions would be put in place to prevent dealing.

Principle 4

Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.

BPIM's Portfolio Managers seek to identify governance problems that may lead to a loss of shareholder value. Portfolio Managers may enter into active dialogue with investee company management and boards. If serious problems arise, consideration will be given as to whether it is in the Trustee's best interests for BPIM to continue to hold the investment. Portfolio Managers also respond to requests from companies for comment on their governance and strategic issues.

Correspondence with investee company boards is retained as a record of the views expressed.

Escalation of stewardship activities shall be considered, where the management of an investee company fails to engage with BPIM in a constructive manner following a request to do so, such as in a one-to-one meeting. Escalation proposals are approved by the Head of BPIM. The decision to escalate may take into consideration and be influenced by some or all of the following:

- the importance and materiality of the investment to the Fund
- the degree to which the issue does not meet best practice
- the degree to which there are attenuating circumstances in relation to the infringement
- the extent to which the company has responded to our engagement, and if its responses are constructive and helpful.

Escalation may involve, but would not be limited to, the following:

- making our concerns known to the investee company in writing or by convening a meeting with management to discuss the issues causing concern
- voicing our concerns through the investee company's corporate brokers or other advisers
- attending collective meetings organised by the Pensions and Lifetime Savings Association with the senior independent director, or other independent directors, especially in cases where the investee company's board is conflicted
- voting against relevant proposals by proxy at shareholder meetings
- if the issue involved was a fundamental one which is unlikely to be resolved through escalated contact, such as poor management or board or a damaging strategy, we would be more likely, as a last resort, to sell the Fund's shares in the company concerned
- otherwise, further dialogue at a higher level would be sought by writing to the CEO, chairman or independent directors, or, subject to regulatory restrictions, collaborating with other investors through, for example, the Investor Alliance or the Investor Forum.

The effectiveness or otherwise of the engagement would be assessed through the extent of management's willingness to address the concerns raised by BPIM through the engagement, and their subsequent actions to address those concerns. The issues on which BPIM considers intervention include the following:

- Remuneration policy
- Board independence
- The company's stated ESG policy
- Dividend policy
- Strategy
- M&A activity, including contentious takeover situations
- Appropriateness of balance sheet structure

- Quality of internal controls and risk management
- Management changes
- Contentious accounting policy changes
- Key environmental and social issues such as natural resource usage and employee relations.

BPIM may decide to vote against management in company resolutions and will inform the company in advance that we intend to do so. Where BPIM votes against management and in line with proxy advisor recommendations, we do not necessarily approach companies before voting, however we will respond if approached by the company after the vote. If the decision to vote against management is made independently of the proxy advisor, we would aim to engage with the company prior to voting.

Principle 5

Institutional investors should be willing to act collectively with other investors where appropriate.

BPIM acknowledges that working in concert with other like-minded investors can be beneficial and in the best interest of the Fund, as investee companies are more likely to engage with a group of investors working collaboratively regarding corporate governance and other issues than with a single investor. For this reason, BPIM has joined an investor alliance of in-house pension fund investment managers. Meetings focus on the current financial performance and strategic direction of the investee company. Issues relating to board independence and structure, remuneration, disclosure and ESG are typically addressed in one-to-one meetings with companies.

BPIM's willingness to participate in collective engagement is likewise evidenced in its membership of the Investor Forum, and attendance at meetings organised by the Lifetime Savings Association. The Investor Forum consults with BPIM and other investors in order to gauge the appetite for engagement, and may then contact the company outlining the concerns. Factors which may influence BPIM's decision to engage with investee companies include the following:

- Dividend policy, for example where this may favour income investors over the company's long term strategy.
- Strategy of acquisitions and diversification, where this is to the detriment of longer-term profitability.
- Appropriateness of balance sheet structure
- Quality of internal controls and risk management
- Management changes. When key executive roles are being called into question, collective engagement is typically the best approach.

Collective engagement is always considered on a case-by-case basis. Much depends upon the investee company management's accessibility and their willingness to engage. If unilateral engagement ultimately proves unsuccessful, BPIM is willing to engage collectively.

Principle 6

Institutional investors should have a clear policy on voting and disclosure of voting activity

BPIM's policy is to vote at all company meetings. As far as practicable, BPIM will exercise its right to vote in general meetings of the companies in which the Fund invests. The aim is to reduce risks and improve long term performance.

BPIM subscribes to proxy advisory and voting services provided by a third party proxy advisor. The default practice in voting is to follow the advice of the proxy advisor. However, Portfolio Managers have discretion to override these recommendations when they do not believe they are in the best interests of the Fund from an investment perspective. As part of their service the proxy advisor reviews explanations made by investee companies in relation to the relevant governance code or market practice.

BPIM holds regular meetings during voting season to identify and review key areas of interest and contentious issues, particularly in relation to significant holdings. Meetings are chaired by Head of BPIM and attended by the stewardship analyst, relevant portfolio managers and BPIM Compliance. The meeting will make voting decisions or recommend escalation or engagement prior to voting.

BPIM does not automatically support the company management or follow the recommendations of the proxy advisor voting service but makes an independent judgement as to whether it is in the interests of our client to do so. BPIM does not typically recall securities that are out on loan in order to vote, unless it is in the best interests of the Fund to do so, i.e. if our vote will make a material difference. Due to client confidentiality BPIM does not publically disclose voting records, however all voting and engagement activities are reported to the Trustee regularly. These reports include a summary of all voting broken down by region, percentage of meetings voted, and whether we voted against management. The Trustee may pass on information about the fund's investments to the fund's beneficiaries.

Principle 7

Institutional investors should report periodically on their stewardship and voting activities.

BPIM reports formally to the Trustee on its stewardship and voting activities as part of its quarterly reporting process.

Internal audit is a key pillar of good governance. BPIM utilises BP's Group Audit function to provide independent assurance on aspects of its operations including compliance with the Stewardship Code. BP Group Audit is entirely independent of BPIM and the Trustee.

BPIM contact for enquiries:

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Appendix: BPIM Conflicts of Interest Policy

This Policy sets out the arrangements established by BP Investment Management Limited ("BPIM") to identify and manage potential conflicts of interest. BPIM takes all reasonable steps to identify and manage conflicts that may arise, which might result in a material risk to the interests of our client, BP Pension Trustees Limited ("the Client"), trustee of the BP Pension Fund ("BPPF").

FCA Principle 8 for Business requires that a firm shall manage conflicts of interest fairly, both between itself and its customers and as between a customer and another customer. SYSC 4 and 10 require the board of directors at asset management firms to establish an effective framework to identify, control and review conflicts of interest.

BPIM does not trade for its own account. BPIM currently only acts for one client. If BPIM is appointed to act for additional clients, it shall put in place an aggregation and allocation policy. The Investment Management Agreement ("IMA") prohibits any investments or loans to BP p.l.c. or its subsidiaries. In addition, property occupied by BP or its subsidiaries is limited to 5% of the value of the BPPF's assets.

All BPIM employees are subject to this Policy and are required to always act in the best interest of the Client, and put the Client's best interests ahead of their own.

This Policy is aligned with and complements the BP Code of Conduct, the general requirement of which is to ensure that employees' personal interests do not compromise, nor appear to compromise, the employees' obligations or duties to BPIM and the Client or the ability to make objective and responsible business decisions on behalf of BPIM and the Client.

As part of its Code of Conduct, BP p.l.c. has implemented a "speak up" whistleblowing process. This includes access to a confidential helpline (Open Talk) which affords employees a high level of protection should they report any wrongdoing by others. The BP Code of Conduct makes it clear that there is a zero tolerance policy on retaliation against employees who speak up.

Identification of Conflicts

BPIM's Board, Management Committee and Compliance take responsibility for identifying and designing the Firm's conflict management controls which the Firm faces in its day to day business.

BPIM's approach is to identify those aspects of our business, including how we interact with BP p.l.c. and its subsidiaries, and third party suppliers, which could result in a conflict between the Client and BPIM's interests.

Compliance maintain a Conflicts Inventory which is periodically reviewed or updated, including when a new conflict is identified. The nature of those conflicts identified include:

- Trading and investment conflicts
- Pricing and valuation conflicts
- Information distribution and disclosure conflicts

- Personnel conflicts
- Relationship conflicts
- Conflicts arising from the conduct of Stewardship activities.

Where a potential conflict is identified such that the interests of the Client diverge from those of BPIM, BPIM maintains and operates arrangements to prevent any conflict from giving rise to a material risk of damage to the interests of its Client. This is achieved by either avoiding, managing or disclosing that conflict.

Conflict Avoidance

Where a potential conflict is identified, BPIM will organise its business activities in such a way as to avoid it. This may include not proceeding with a particular investment or activity which is generating the conflict.

Conflict Management

Where a conflict is considered to be unavoidable, BPIM will take appropriate measures to mitigate and manage it in a manner that ensures that the firm and its personnel are not unfairly advantaged and that the Client is not disadvantaged.

Conflicts Disclosure

Where the Firm is not reasonably confident that it is able to manage a particular conflict in a way that avoids Client disadvantage, the general nature and/or sources of the conflict will be clearly disclosed to the Client before the Firm undertakes any business.

Conflict Monitoring

BPIM has implemented appropriate procedures and controls to oversee the identification and handling of conflicts. These include regular reviews and updates to this Policy and to the conflicts inventory, assessments of the arrangements in place to manage conflicts and reporting to senior management.

Education and Awareness

All personnel receive a copy of this Policy and BPIM's Compliance Manual which describe the firm's conflicts arrangements. In addition, all Personnel are required to give an annual undertaking of adherence to BPIM's Compliance policies and procedures, including Personal Account Dealing and receipt of Gifts and Inducements.

All Personnel receive both formal and informal training in respect of conflicts of interest generally and on specific or potential conflicts to the firm.

Conflicts of Interest Policy review

We will review our conflicts of interest arrangements regularly. We will also review our Conflicts of Interest Policy at least annually or whenever a material change occurs to ensure that it adequately reflects the types of conflicts that may arise, and how we manage those conflicts.