Corporate governance

★ See glossary on page 389

Introduction from the chair

> My belief in effective, purpose-driven boards has been reinforced by the way in which bp met those challenges last year.

Helge Lund
Chair

Dear fellow shareholder,

The year 2022 was challenging for societies, governments, and businesses – including for bp. My belief in effective, purpose-driven boards has been reinforced by the way in which bp met those challenges last year.

In our decision to exit Russia, the board was alert to our responsibilities towards the company's owners and towards our wider stakeholders, including bp's employees.

The thoroughness of the board's review process – concluding within days of Russia's attack on Ukraine – was enabled by two factors.

First, by robust governance, which required that a decision of this significance be reserved to the full board.

Second, by the trust that exists both among the board's members, and between the board and the leadership team. Of course, the board's decision had a material impact on bp, but the response from shareholders and employees was overwhelmingly positive – for which we are grateful. We remain convinced that the decision was the right one.

Strategic progress

Since Russia's attack on Ukraine, the importance of transforming the global energy system has been brought into sharp relief. The world wants and needs a system that is not only lower carbon, but secure and affordable too. The threefold nature of this demand is known as the energy trilemma, and in 2022 the board and leadership team spent a great deal of time focused on how bp's strategy – designed to address all three elements of the trilemma – might further evolve.

Our consideration contributed to the strategic progress update announced in February 2023. That update reflects the growing confidence the board has in a strategy that is working well, with more investment both in our resilient oil and gas business and in what we call our transition growth engines – bioenergy, EV charging, convenience, hydrogen, and renewables & power.

Prior to this update, in December 2022, we announced important progress on our bioenergy transition growth engine with the acquisition of Archaea Energy, a leading US producer of renewable natural gas.

During 2022 we saw good strategic progress with the development of low carbon plans and opportunities in Abu Dhabi, Australia, Egypt, Mauritania, Oman, Spain, the UK, and the US.

Earlier in 2022, at our May annual general meeting, the board invited shareholders to express their support for bp's journey to net zero, and we were pleased that the result delivered a clear mandate for continuing that journey – a mandate that I hope you agree we have put into action.

Board engagements

During 2022 the board was able to travel more – visiting bp operations and meeting employees, investors, and communities in person. In April, we visited bp's offices in Aberdeen, and board members travelled offshore to bp's Glen Lyon production vessel. In September, we visited Houston, building the board's understanding of colleagues' work to keep energy flowing and also spending time reviewing the vital work of bp's security operations centre.

Board representation

The board believes that better decision-making can be achieved when people with different backgrounds and perspectives come together with a common ambition. I am therefore pleased with the continued progress that bp has made on diversity, equity & inclusion (DE&I), including at the level of the board.

Our board currently meets the new UK listing targets regarding the representation of women and ethnic minorities; however, there is more to do. With this in mind, the board's updated DE&I policy reflects the concrete actions we are taking to make bp a more diverse and inclusive place to work, setting as an example the diversity of our board.

Board capability

As I have already said, I am pleased with the productive working relationship that exists between the board and the leadership team. We have found that the high degree of trust between them allows for greater constructive challenge, rigour, and scrutiny. It has also made our decision-making processes swifter, allowing us to be more responsive to changing circumstances.

We seek continuously to improve the board's performance. After an external evaluation in 2021, we implemented changes in 2022 to further improve board processes and how we work, investing more time in understanding the opportunities presented through our five transition growth engines, such as the Archaea acquisition, while maintaining a strong focus on capital discipline and shareholder returns.

We have also taken steps to enhance capability by building a board that reflects the markets, customers, and communities bp serves and the strategic direction we have set for the company.

In 2022 it was a privilege to welcome Amanda Blanc to the board. She brings wide-ranging board experience and industry and regulatory expertise.

Most recently, we welcomed Satish Pai and Hina Nagarajan, who both joined the board on 1 March 2023. Satish has broad experience in operations and technology in energy as well as in industries that complement bp's activities. Hina has a proven record in transforming businesses in complex emerging markets, and she brings deep experience in customer-focused businesses – an area of increasing strategic importance for bp.

Our work to build the board and to optimize its composition continues.

Closing thanks

It would be impossible to thank everyone who contributed to bp's progress in 2022, but I do want to thank four groups in particular.

First, bp's shareholders. I am grateful to you for placing your faith in bp during 2022, and for the engagement we have had with you. The board will work to retain and repay that faith.

Second, my fellow directors. They have created a boardroom that I believe to be open, trusting, and supportive – in which all perspectives can be shared and considered. I am convinced that our decisions benefit from this open atmosphere.

Third, Bernard and his team, for their leadership and for all they have achieved so far. They have proven to be determined in delivering bp's strategy, but also perceptive of the world's evolving energy needs – and able to adjust as necessary.

Above all, praise goes to the almost 68,000 bp employees who make bp the company it is. The strong results of the engagement survey among bp employees in 2022 indicate the pride they feel in bp. In return, I speak on behalf of the entire board in saying how immensely proud we are of them.

Helge Lund
Chair
10 March 2023

"We have found that the high degree of trust between the board and the executive team allows for greater constructive challenge, rigour, and scrutiny."

★ See glossary on page 389

Board of directors

As at 10 March 2023

P

Helge Lund

Chair

Appointed

Board: 26 July 2018; Chair: 1 January 2019

Nationality

Norwegian

Outside interests

Chair of Novo Nordisk AS; Operating advisor to Clayton Dubilier & Rice; Member of the Board of Trustees of the International Crisis Group; Member of the European Round Table for Industry; Mentor at Chair Mentors International

Career summary

Helge Lund was appointed chair of the bp board on 1 January 2019. He served as chief executive of BG Group from 2015 to 2016, when it merged with Shell. He joined BG Group from Equinor (formerly Statoil) where he served as its president and chief executive officer for 10 years from 2004. Prior to Equinor, Helge was president and chief executive officer of the industrial conglomerate Aker Kvaerner, and has also held executive positions in the Norwegian industrial holding company, Aker RGI, and the former Norwegian power and industry company, Hafslund Nycomed. He worked as a consultant with McKinsey & Company and served as a political advisor for the parliamentary group of the Conservative party in Norway. Prior to joining bp, he was a non-executive director of the oil service group Schlumberger from 2016 to 2018, and Nokia from 2011 to 2014. He served as a member of the United Nations Secretary-General's Advisory Group on Sustainable Energy from 2011 to 2014.

Skills and experience

Helge's distinguished career as a leader in the energy industry and his open-minded and forward-looking approach is vital as he leads the board in its oversight of the delivery of bp's new strategy and net zero ambition. He has deep industry knowledge and global business experience – not only in the oil and gas industry but also in pharmaceuticals, healthcare and construction. His innovative leadership of the board drives cohesion and a strong environment for constructive challenge and oversight as bp works to transform into an integrated energy company.

Bernard Looney

Chief executive officer

Appointed

5 February 2020

Nationality

Irish

Outside interests

Fellow of the Royal Academy of Engineering; Fellow of the Energy Institute; Mentor for the FTSE 100 Cross-Company Mentoring Executive Programme

Career summary

Bernard Looney was appointed chief executive officer in February 2020. He previously ran bp's Upstream business from April 2016 and has been a member of the company's executive management team since November 2010. As chief executive, Upstream, Bernard was responsible for bp's oil and gas exploration, development and production activities worldwide. In this role, Bernard oversaw improvements in both process and personal safety performances, and production grew by 20%. He led access into new countries, high-graded the portfolio and created innovative new business models. In earlier Upstream executive roles, he was responsible for all bp-operated oil and gas production worldwide and for all bp's drilling and major project activity. Bernard joined bp in 1991 as a drilling engineer and worked in operational roles in the North Sea, Vietnam and the Gulf of Mexico.

Skills and experience

Bernard has spent his career at bp and has demonstrated dynamic leadership and vision while progressing through various roles. During his 10 years as a leader of Upstream, Bernard saw the segment through one of the most difficult periods in bp's history, helping transform the organization into a safer, stronger and more resilient business. He has been instrumental in a number of workforce-based initiatives to promote a diverse and inclusive environment. Bernard set out bp's new strategy in 2020 and is guiding the company through its transformation from international oil company to integrated energy company.

Murray Auchincloss

Chief financial officer

Appointed

1 July 2020

Nationality

Canadian

Outside interests

Board member of Aker BP; Member of the 100 Group Main Committee; Member of the European Round Table for CFOs

Career summary

Murray Auchincloss qualified as a chartered financial analyst in the US, leading on to a wide range of tax and financial roles, first for Amoco and then for bp after the two organizations merged in 1998. Murray has worked in both the US and the UK, in a range of roles including chief financial officer, Upstream, and chief financial officer, North Sea. He was the chief financial officer of the company's North American Gas business and, as head of the chief executive's office for three years, managed all aspects of that office and the executive process. As chief financial officer, Murray heads up finance, tax, treasury, planning and performance management, mergers and acquisitions, investor relations, audit, global business services and procurement. Murray is currently a member of the board of directors for Aker BP ASA, Norway, and a member of the 100 Group Main Committee.

Skills and experience

Murray's financial expertise, experience and knowledge make him a trusted advisor and group leader. His broad experience of working across the group has provided him with deep insight into bp's assets and businesses. Murray has a degree in commerce from the University of Calgary, Canada, and qualified as a chartered financial analyst at the University of West Virginia, US. His drive to modernize is improving bp's financial teams, controlling costs and continuing to deliver transparent financial disclosures to investors and markets.

R A P

Paula Rosput Reynolds

Senior independent director

Appointed

Board: 14 May 2015; senior independent director: 27 May 2020

Nationality

American

Outside interests

Director and chair of National Grid plc; Non-executive director of General Electric Company

Career summary

Paula Rosput Reynolds started her energy career at Pacific Gas & Electric Corp in 1979 and spent over 25 years in the energy industry. She has held a number of executive positions during her career, including CEO of Duke Energy Power Services; chair, president and CEO of AGL Resources; chair and CEO of Safeco Corporation; and vice-chair and chief restructuring officer of AIG. Paula was previously a non-executive director of TransCanada Corporation, CBRE Group, Inc, BAE Systems PLC, Anadarko Petroleum, Delta Air Lines and Coca Cola Enterprises, and Chair of the Seattle Cancer Care Alliance. She was appointed chair of National Grid plc in 2021.

Skills and experience

Paula has had a long career leading global companies in the energy and financial sectors. Her experience with international and US companies, including several restructuring processes and mergers, gives her insight into strategic and regulatory issues, which is an asset to the board. Her wider business experience and understanding of the views of investors make her well-suited to her roles as chair of bp's remuneration committee and senior independent director.

R P

Amanda Blanc

Independent non-executive director

Appointed

1 September 2022

Nationality

British

Outside interests

CEO of Aviva plc; Co-Chair of the UK Transition Taskforce; HM Treasury's Women in Finance Champion; Member of the Geneva Association Board; Member of the FCA Practitioner Panel; Principal Member of Glasgow Financial Alliance for Net Zero (GFANZ)

Career summary

Amanda Blanc joined Aviva plc as CEO in July 2020 having started her career as a graduate at one of Aviva's ancestor companies, Commercial Union. Amanda held several senior executive roles across the industry, before returning to Aviva as CEO. Amanda was previously the Group CEO at AXA UK, PPP & Ireland and the former CEO of Europe, Middle East, Africa & Global Banking at Zurich Insurance Group. She has also held leadership positions at Ernst & Young, Groupama Insurance Company and been the Chair of Professional Rugby at the Welsh Rugby Union.

In 2022, Amanda was included in the Financial Times 25 most influential women of 2022 and in January 2023 named as The Sunday Times business person of the year.

Skills and experience

Amanda brings wide-ranging board experience and industry and regulatory connections, having previously been Chair of the Association of British Insurers and a Member of the UK Takeover Panel. Amanda also combines the experience of leading insurance businesses in the UK and across Europe with her membership of GFANZ, a global financial coalition committed to accelerating the transition to a net zero economy. She was awarded the Women in Insurance Outstanding Achievement Award and recognized in the Forbes list of the World's 100 Most Powerful Women.

A R

Pamela Daley

Independent non-executive director

Appointed

26 July 2018

Nationality

American

Outside interests

Director of BlackRock, Inc.; Director of SecureWorks, Inc.

Career summary

Pamela Daley joined General Electric Company (GE) in 1989 as tax counsel and held a number of senior executive roles in the company, including senior vice president of business development from 2004 to 2013 overseeing a wide range of corporate transactions, and serving as senior vice president and senior advisor to the chair in 2013, before retiring from GE at the end of 2013. Pamela has served as a director of BlackRock since 2014 and of SecureWorks since 2016. She was a director of BG Group plc from 2014 to 2016 until its acquisition by Shell. She was a director of Patheon N.V. from 2016 to 2017 until its acquisition by Thermo Fisher. Prior to joining GE, she was a partner at Morgan, Lewis & Bockius, a major US law firm, where she specialized in domestic and cross-border tax-oriented financings and commercial transactions.

Skills and experience

Pamela is a qualified lawyer with significant management insight obtained from previous senior positions held at companies that operate in highly regulated industries. Pamela has a wealth of experience in global business and strategy gained from over 20 years in an executive role at GE. She also has experience in the UK oil and gas industry from her time served on the BG Group plc board. Pamela contributes important insight to the audit committee from her previous executive experience. In 2019, she joined the remuneration committee, where her understanding of employee and investor perspectives brings value.

S R

Melody Meyer

Independent non-executive director

Appointed

17 May 2017

Nationality

American

Outside interests

Non-executive director of AbbVie Inc.; Non-executive director of NOV, Inc; Non-executive director of Energy Internet Corporation; President of Melody Meyer Energy LLC; Director of the National Bureau of Asian Research; Trustee of Trinity University

Career summary

Melody Meyer retired as President of Chevron Asia Pacific E&P in 2016 after 37 years of distinguished service in key leadership roles in global exploration and production across many operational assignments, projects and technology. Melody is an advocate for the advancement of women in energy as the prior executive sponsor of the Chevron Women's Network, a member of the advisory board for McKinsey Advancing Women in Energy and through other venues. Melody is a C200 member, and has received recognition throughout her career: by Hart Energy as an 'Influential Woman in Energy' in 2018; by Women Inc as one of 2018's 'Most Influential Corporate Board Directors'; by 50/50 Women on Boards as an 'Outstanding Director' in 2020; and by Transition Economist TE100 as one of the 'Women of the Energy Transition' in 2021.

Skills and experience

Melody brings a world-class operational perspective to the board, with a deep understanding of the factors influencing safe, efficient and commercially high-performing projects in a global organization. Her extensive career in the oil and gas industry is predicated on a dedication to excellence, safety and performance improvements. She has expertise in the execution of major capital projects, technology, R&D, creation of businesses in new countries, strategic business planning, merger integration, leading change, and safe and reliable operations. Melody's vast experience and knowledge in these areas have made her an ideal chair of the safety and sustainability committee, a position she has held since November 2019.

Committee membership key

- Chair
- A Audit committee
- S Safety and sustainability committee
- R Remuneration committee
- P People and governance committee

★ See glossary on page 389

Board of directors continued

As at 10 March 2023

A R

Tushar Morzaria

Independent non-executive director

Appointed

1 September 2020

Nationality

British

Outside interests

Non-executive director of Legal & General Group plc and Non-executive Chairman of EMEA Investment Banking, Barclays

Career summary

Tushar Morzaria is a chartered accountant with over 25 years of strategic financial management, investment banking, operational and regulatory relations experience. He was group finance director and a member of the board of Barclays PLC, the British universal banking and financial services company, before stepping down in April 2022. Prior to joining Barclays in 2013, Tushar held various senior roles at JP Morgan including the CFO of its Corporate & Investment Bank at the time of the merger of the investment bank and the wholesale treasury/security services business. Tushar is currently a non-executive director of Legal & General Group plc, the British multinational financial services and asset management company. Following his role as CFO at Barclays plc, he now Chairs their EMEA Investment Banking business.

Skills and experience

Tushar's experience as group finance director of Barclays PLC gives him a breadth of knowledge and insight into financial, tax, treasury, investor relations and strategic matters, which provides benefit to Tushar's role as the audit committee chair. He has strong experience in delivering corporate change programmes while maintaining a focus on performance.

A

Hina Nagarajan

Independent non-executive director

Appointed

1 March 2023

Nationality

Indian

Outside interests

Managing Director and Chief Executive Officer of United Spirits Limited (Diageo India); Member of the Global Executive Committee of Diageo plc; Board member of The Advertising Standards Council of India; Director and Co-chair of International Spirits and Wines Association of India

Career summary

Hina Nagarajan has been the Managing Director and Chief Executive Officer of United Spirits Limited (Diageo plc's listed Indian subsidiary) since July 2021. Hina is also a member of the Board of The Advertising Standards Council of India and is a Director and Co-chair of International Spirits and Wines Association of India. Prior to joining Diageo, she spent over 30 years in the FMCG industry and held several leadership positions at Reckitt, Mary Kay India and Nestlé India.

Within the last five years, Hina has been a non-executive director at two other companies which were publicly quoted during such time: Guinness Ghana Breweries Plc and Seychelles Breweries Limited.

Skills and experience

Hina has a proven track record in business transformation and development in complex emerging markets. In particular, she brings deep and wide-ranging experience in customer-focused FMCG businesses, an area of increasing strategic importance for bp. Hina has extensive experience in assessing climate-related risks and opportunities from oversight of sustainability initiatives. The board will benefit greatly from her insights and experience.

S

Satish Pai

Independent non-executive director

Appointed

1 March 2023

Nationality

Indian

Outside interests

Managing Director of Hindalco Industries Limited; Non-executive director of ABB Ltd; Director of Novelis Inc.; Non-executive director, Aditya Birla Management Corporation Ltd; Director, Indian Institute of Metals; Partner, Vasuki Trikuta LLP

Career summary

Satish Pai has been Managing Director of Hindalco Industries since 2016 and Chief Executive Officer of their Aluminium Business since 2013 and leads Hindalco's Sustainability Board. Before joining Hindalco Industries, Satish had been with Schlumberger for 28 years in a range of engineering and management roles, including executive vice-president, worldwide operations. Satish has also served as a non-executive director of ABB since 2016.

Skills and experience

Satish is an accomplished and transformative executive with broad experience in operations and technology management in both resources and energy industries. The board will also benefit from his strong digital capability and experience.

A

Karen Richardson

Independent non-executive director

Appointed

1 January 2021

Nationality

American

Outside interests

Chair of Origin Materials Inc.; Partner at Artius Capital Partners; Director of Exponent Inc.

Career summary

During her 30-year career in the technology and software industry, Karen has held senior operating roles in the public and private technology sector. She was vice president of Sales at Netscape Communications Corporation from 1995 to 1998 before embarking on several senior executive roles at E. piphany from 1998, including chief executive officer from 2003 to 2006. In 2011 she became a non-executive director of BT plc where she served for seven years. She also served as a director of Worldpay Inc. (Worldpay Group plc) between 2016 and 2019 and is currently chair at Origin Materials. Karen returned to the board of Exponent Inc. as director in early 2023. She holds a Bachelor of Science degree in Industrial Engineering from Stanford University and was awarded distinctions from the Stanford Industrial Engineering Department and the American Institute of Industrial Engineers.

Skills and experience

Karen's 30 years' experience in the technology industry means that she brings exceptional knowledge of digital, technology, cyber and IT security matters from working with innovative companies in Silicon Valley. Karen is considered to have the necessary skills and experience to help drive strong performance, in particular across the growth businesses of convenience & mobility and gas & low carbon energy.

S P

Sir John Sawers

Independent non-executive director

Appointed

14 May 2015

Nationality

British

Outside interests

Visiting professor at King's College London; Senior adviser at Chatham House; Senior fellow at the Royal United Services Institute; Global adviser at the Council on Foreign Relations; Governor of the Ditchley Foundation; Director of the Bilderberg Association, UK; Executive chair of Newbridge Advisory Limited

Career summary

Sir John Sawers spent 36 years in public service in the UK, working on foreign policy, international security and intelligence. He was chief of the Secret Intelligence Service, MI6, from 2009 to 2014 and prior to that spent the bulk of his career in the Diplomatic Service, representing the British government around the world and leading negotiations at the UN, in the European Union and in the G8. After he left public service, Sir John was chair and general partner of Macro Advisory Partners, a firm that advises clients on the intersection of policy, politics and markets, from February 2015 to May 2019. He then set up his own firm, Newbridge Advisory, to carry out similar work.

Skills and experience

Sir John's deep experience of international political and commercial matters is an asset to the board in navigating the geopolitical issues faced by a modern global company. Sir John's unique skill set make him an ideal chair of the geopolitical advisory council.

S

Dr Johannes Teyssen

Independent non-executive director

Appointed

1 January 2021

Nationality

German

Outside interests

Senior advisor to Kohlberg Kravis Roberts; President of Alpiq Holding Ltd; Senior Advisor to Viridor Limited

Career summary

Johannes began his professional career at VEBA AG in 1989 (merged with VIAG AG in 2000 and renamed to E.ON AG and even later to E.ON SE). There he held a number of leadership positions across Legal Affairs and Key Account Sales. In 2001 Johannes became a member of the Board of Management of the E.ON Group's central management company in Munich. In 2004, he was also appointed to the Board of Management of E.ON SE in Düsseldorf and later went on to become vice-chair in 2008 and CEO in 2010. He was President of Eurelectric from 2013 to 2015 and the World Energy Council's vice-chair responsible for Europe between 2006 to 2012. Johannes was a member of the Supervisory Board of Salzgitter AG between 2006 and 2016 as well as Deutsche Bank AG between 2008 and 2018. He is a senior advisor to Kohlberg Kravis Roberts (KKR) for their European infrastructure and impact interests and was appointed as president and chairman of the board of Alpiq Holding Ltd, a leading Swiss energy company (power generator and trader). Since 2022 he also works as Senior Advisor of Viridor Limited (non-listed UK energy from waste company).

Skills and experience

Johannes brings exceptional experience and deep knowledge of the sector and its continuing transformation. His skill set further diversifies and strengthens the overall demographic and attributes of the board. His experience in the energy sector is a key asset for the entire board which enhances its ability to support and oversee the delivery of bp's new strategy. Johannes has a doctorate in law from the University of Göttingen.

Ben J S Mathews

Company secretary

Appointed

7 May 2019

Career summary

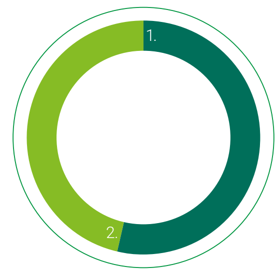
Ben joined bp as a company secretary in May 2019. He is chair of the Association of General Counsel and Company Secretaries of the FTSE 100 (GC100) and the co-chair of the Corporate Governance Council of the Conference Board.

Attendance

	Board
Non-executive directors	
Helge Lund	●●●●●●●●●●
Amanda Blanc	●●●●
Pamela Daley	●●●●●●●●●●
Melody Meyer	●●●●●●●●●●
Tushar Morzaria	●●●●●●●●●●
Paula Reynolds	●●●●●●●●●●
Karen Richardson	●●●●●●●●●●
Sir John Sawers	●●●●●●●●●●
Johannes Teyssen	●●●●●●●●●●
Executive directors	
Murray Auchincloss	●●●●●●●●●●
Bernard Looney	●●●●●●●●●○

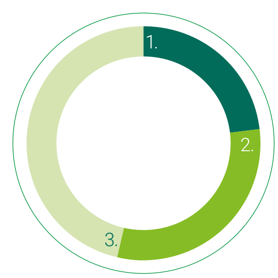
Attended meetings/possible meetings
● Meetings attended
○ Meetings not attended
For more information see the committee reports on pages 98-112.

Board gender diversity



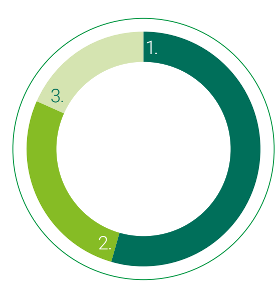
	2022	2021
1. Male	7	6
2. Female	6	4

Board nationality



	2022	2021
1. UK	3	2
2. US	4	4
3. Non US/UK	6	4

Non-executive directors' tenure



	2022	2021
1. 1–3 years	6	5
2. 4–6 years	3	3
3. 7–9 years	2	0

★ See glossary on page 389

Leadership team

As at 10 March 2023

The leadership team represents the principal executive leadership of the bp group. Its members include bp's executive directors (Bernard Looney and Murray Auchincloss, whose biographies appear on page 80) and the members of senior management listed here.

Business groups

Gordon Birrell

EVP, production & operations

Leadership team tenure

Appointed on 1 July 2020

Gordon previously served on bp's executive team starting on 12 February 2020.

Nationality

British

Other board memberships

Gordon is a non-executive director of Azule Energy Holdings Ltd.

Career summary

Before being appointed to his new role, Gordon was chief operating officer for production, transformation and carbon. In his bp career, Gordon has spent time in various leadership, technical, safety and operational risk roles, including four years as bp president Azerbaijan, Georgia and Türkiye. Gordon is a Fellow of the Royal Academy of Engineering.

Integrators

William Lin

EVP, regions, corporates & solutions

Leadership team tenure

Appointed on 1 July 2020

Nationality

American

Other board memberships

William is a non-executive director of Pan American Energy Group, the largest independent energy company in Argentina. In addition, he is a member of the supervisory board for Corbion, a Dutch-listed global food ingredients and biochemicals company. He also chairs Corbion's Sustainability & Safety Committee and is a member of the Audit Committee.

Career summary

William served as chief operating officer, Upstream regions before joining the leadership team. He has worked in bp for 27 years, having spent most of his career working abroad in different countries. His previous senior roles include vice president – gas development and operations for Egypt, regional president for Asia Pacific and head of the group chief executive's office. William managed the successful completion, start-up and operation of the Tangguh LNG facility during his time in Indonesia.

Enablers

Kerry Dryburgh

EVP, people & culture

Leadership team tenure

Appointed on 1 July 2020

Nationality

British

Other board memberships

Kerry is one of the Commissioners leading on the Levelling Up Goals, an architecture for purpose-led organizations to support levelling up in the UK.

Career summary

Kerry leads people & culture at bp. As a key enabler of business delivery, people & culture aims to create an inclusive culture and empowering work environment where empathetic leaders and dynamic teams work together to transform bp and reimagine energy for people and our planet.

Kerry was previously both head of HR for the Upstream and group chief talent officer and has held a series of senior HR positions across bp. Kerry previously ran HR in bp's shipping, IST and corporate functions teams as well as having experience from other sectors in Europe and Asia, having worked at both BT and Honeywell before joining bp.

Anja Dotzenrath
EVP, gas & low carbon energy

Leadership team tenure

Appointed on 1 March 2022

Nationality

German

Other board memberships

Anja is an Honorary Consul of Norway; a member of the UK government's new Investment Council; and a member of the Senate of the Fraunhofer-Gesellschaft.

Career summary

Anja has more than 30 years of experience in the global energy industry. Prior to her appointment, Anja was chief executive officer of RWE Renewables, one of the world's leading renewables businesses. She previously held a broad range of leadership roles in E.ON, including chief executive officer of E.ON Climate & Renewables. Anja held a number of senior roles in management consultancy over 15 years before joining E.ON, with a focus on energy and the industrial sector.

Emma Delaney
EVP, customers & products

Leadership team tenure

Appointed on 1 July 2020

Emma previously served on bp's executive team starting on 1 April 2020

Nationality

Irish

Other board memberships

None

Career summary

Emma has spent 27 years working in bp, both in the Upstream and the Downstream. Prior to joining bp's executive team on 1 April 2020, she was Regional President for West Africa.

She has held a variety of senior roles including Upstream Chief Financial Officer for Asia Pacific and Head of Business Development for gas value chains. In Downstream she held roles in retail and commercial fuels and planning.

Carol Howle
EVP, trading & shipping

Leadership team tenure

Appointed on 1 July 2020

Nationality

British

Other board memberships

None

Career summary

Before taking on her current role, Carol ran bp shipping and was the chief operating officer for integrated supply and trading, oil. She has more than 20 years' experience in the energy industry, many in integrated supply and trading. Her previous roles include chief operating officer for natural gas liquids, regional leader of global oil Europe and finance. Carol also served as the head of the group chief executive's office.

Giulia Chierchia
EVP, strategy, sustainability & ventures

Leadership team tenure

Appointed on 1 July 2020

Nationality

Belgian and Italian

Other board memberships

None

Career summary

Giulia joined bp from McKinsey, where she was a senior partner. She led the global downstream oil and gas practice and was a key member of the chemicals and electricity, power and natural gas practices. She has more than 10 years' experience in the energy sector, including helping companies shape their strategies for the energy transition.

Leigh-Ann Russell
EVP, innovation & engineering

Leadership team tenure

Appointed on 1 March 2022

Nationality

British

Other board memberships

Leigh-Ann is a non-executive director of Hill & Smith Holdings.

Career summary

Leigh-Ann was previously bp's SVP for procurement, accountable for a supply chain of around $30 billion of global spend. Prior to this, she was global head of upstream supply chain and VP of technical functions and performance in the global wells organization.

Leigh-Ann holds a degree in mechanical engineering and is a Chartered Petroleum Engineer. She is a Fellow of the Royal Academy of Engineering, a Fellow of the Energy Institute and a Fellow of the Royal Society of Edinburgh. In 2022, Leigh-Ann was conferred the honorary title of Professor of Practice of Queen's University Belfast.

Eric Nitcher
EVP, legal

Leadership team tenure

Appointed on 1 July 2020

Eric previously served on bp's executive team starting on 1 January 2017.

Nationality

American

Other board memberships

Eric is a non-executive director of Pan American Energy Group, the largest independent energy company in Argentina.

Career summary

Eric sat on the executive team as group general counsel from 2017. He played a key role in forming the Russian joint venture TNK-BP and resolving Deepwater Horizon claims. He began his career as a litigation and regulatory lawyer in Wichita, Kansas.

He joined Amoco in 1990 and over the years has held a wide variety of roles, both in the US and elsewhere.

★ See glossary on page 389

Governance framework

Authority for decision making is formally delegated by the board and flows through the company to ensure an appropriate and consistent approach across all parts of the organization.

Corporate governance framework

Terms of reference for the board and each of its four committees are available online at bp.com/governance

Accountability

Delegation

Board of directors

The role of the board is to promote the long-term sustainable success of bp, generating value for shareholders while having regard to its stakeholders. The board is responsible for setting bp's purpose, strategy and values and monitoring its implementation by the bp leadership team, as well as overseeing that the group maintains effective systems of risk management and internal control.

People and governance committee

See page 98

Audit committee

See page 102

Safety and sustainability committee

See page 110

Remuneration committee

See page 112

bp leadership team led by the chief executive

Day-to-day management of the business is delegated to the CEO, except for those matters reserved for the board's approval.

- **Group disclosure committee**
- **Group sustainability committee**
- **Group ethics & compliance committee**
- **People & culture committee**
- **Group financial risk committee**
- **Group performance committee**
- **Group operations risk committee**
- Resource commitment meeting
- Quarterly audit meeting

- **Innovation advisory council**[a]
- **Geopolitical advisory council**[a]
- **Digital advisory council**[a]

Division of responsibilities

There is a formal division of responsibilities between the board and the leadership team, promoting clear lines of accountability and oversight. Full role profiles are online at bp.com/governance

Non-executive directors

Chair – Helge Lund

Leads the board and is responsible for its overall effectiveness.

Senior independent director – Paula Reynolds

Supports the chair in matters of governance and board performance, and serves as an intermediary for other directors.

Independent non-executive directors

Provide constructive challenge to the executive.

Executive directors

CEO – Bernard Looney

Delegated responsibility for day-to-day management of the business and implementation of bp's strategy.

CFO – Murray Auchincloss

Provides financial leadership and supports in the development and implementation of bp's strategy.

Company secretary – Ben Mathews

Advises the board on corporate governance matters and compliance with board procedures and corporate governance requirements.

a Collaborative for both executive and non-executive directors to benefit from insights and discussions, with updates provided to the board and leadership team.

Board activities

The board and its committees met regularly in 2022, as well as on an ad hoc basis, as required by business needs.

The board welcomed the return of in-person meetings in 2022, recognizing that this format allows for better interaction with the bp leadership team and with the workforce more generally.

The relaxation of COVID-19 travel measures in 2022 allowed two sets of board and committee meetings to be held at locations of key strategic significance for bp. Meetings were held at our offices in Aberdeen and Houston, enabling the directors to meet and engage with management and other employees based in these locations – the first time that this type of visit had been possible since 2019.

To ensure the most constructive and efficient use of their time together, the agenda for board meetings is structured along four distinct pillars: strategy, performance, people and governance, with a focus on monitoring strategic progress and tracking performance and delivery.

Primary tasks during 2022

Strategic progress: The board monitored and oversaw the activities and performance of bp's leadership team in delivering the strategic aims and targets. This involved taking into account important changes to the wider economic environment, in particular the issue that the world wants and needs a better and more balanced energy system – one that can deliver more secure, more affordable as well as low carbon energy solutions.

People: The board received briefings on executive succession and development – discussing the leadership team's succession plans and reviewing development needs – with the aim of identifying and working with future leaders.

The board was also consulted in the development of bp's new culture frame and specifically our new core beliefs, which we refer to as 'Who we are' (see page 66).

Value generated for shareholders: In the second quarter of 2022, the board approved an increase in the ordinary dividend of 10% per ordinary share. After a structured review of the strategy during the second half of 2022, and consideration of the capital allocation options available to it, a further 10% increase in the ordinary dividend was approved by the board in February 2023. These increases are underpinned by strong underlying performance and the confidence we have in delivering higher adjusted EBITDA★ as a result of our updated investment plans.

The review also informed the board's confidence in the disciplined capital frame, delivering continued share buybacks while also reducing its level of net debt.

Climate: The board considered a number of climate-related issues during the year including approving, and agreeing to put to shareholders the opportunity to vote on, the net zero ambition report at the 2022 AGM, a report which summarized bp's net zero ambition and the actions we plan to pursue it. For information on the board's other considerations of climate-related issues, please see the 'Task Force on Climate-related Financial Disclosures' (TCFD) box on the next page, and pages 50-62 for our full TCFD disclosure.

Strategy

Reflecting on the evolving macro-economic situation, during 2022 the board engaged regularly with the bp leadership team to review bp's strategy. During the year, the board received business presentations, including a deep dive on our low carbon energy strategy and other transition growth engines.

After a thorough review process, and satisfying itself that it was consistent with bp's growth strategy, the board approved the acquisition of Archaea Energy in 2022.

Decision making by the board, see page **89**

Performance

The board reviewed safety, project and operational performance throughout the year, as well as taking a retrospective look at the full-year delivery against plan. The company's financial performance, liquidity, credit position and associated financial risks were closely and regularly monitored by the board. These activities were also supported by the committees, with committee chairs providing regular update reports at board meetings.

The board also discussed the financial frame, and the various options available for modifying it, for example via incremental changes that will enhance the overall investor proposition, while retaining as much consistency as possible. Inputs that assisted the board in discharging its duty to oversee performance included reports from the CEO and CFO, quarterly and full-year results, and the annual plan and associated capital allocation commitments.

Emerging and principal risks

The board assessed bp's principal and emerging risks, in accordance with the UK Corporate Governance Code (Code). The board and committees also met regularly with senior members of management and sought updates on their review, evaluation and management of the principal and emerging risks allocated to them.

Internal controls

The board assessed the effectiveness of the group's system of internal control and risk management as part of the process through which it reviews, and ultimately approves, the *bp Annual Report and Form 20-F*. No specific areas of concern were identified in this assessment and the board concluded that the group's system of internal control and risk management continued to be resilient, fit for purpose and that the system generally meets external expectations of components to be included in internal control frameworks. In arriving at these conclusions, the board took into account reports from group risk and internal audit, as well as deep dive presentations and business reviews undertaken by the board and its committees during the year.

How we manage risk, see page **69**
bp's system of internal control, see page **149**

Board activities continued

People

The board discussed key people priorities in 2022. Advised by the people and governance committee, this included reviewing the board's composition, skills, experience and diversity, as well as that of the bp leadership team.

Amanda Blanc's appointment to the board as a non-executive director was announced in July 2022, with her appointment taking effect from 1 September 2022. Amanda was appointed as a member of the remuneration and people and governance committees with effect from 1 January 2023.

Satish Pai and Hina Nagarajan were appointed to the board with effect from 1 March 2023. Satish was also appointed to the safety and sustainability committee and Hina was appointed to the audit committee with effect from the same date.

To help inform board discussions and decisions, board members engaged directly with the workforce through various events, see page 94.

Diversity

The board diversity, equity and inclusion (DE&I) policy (the policy) sets out the board's approach to DE&I including targets for board diversity that align with those set out in the UK Listing Rules. The policy was reviewed in 2022, and amendments were made to reflect regulatory changes and market practice. The updated policy was then approved and published in February 2023.

A copy of the policy is available at *bp.com/governance*.

Culture

The board has a number of mechanisms to monitor culture. Through the people and governance committee, regular updates are provided by the EVP, people and culture as well as feedback from employee pulse surveys, global engagement sessions led by the CEO and also from workforce engagement programme sessions, of which a summary is reported to the board itself.

Advised by the people and governance committee, plans have been developed for a range of culture related data points and reporting measures to be brought into one place for the board's review. This will provide the board with a baseline assessment in relation to key criteria against which the continuing evolution of culture can be monitored.

Governance

The board continued to operate in accordance with the governance framework established in 2020, which is set out on page 86.

Under the leadership of the chair and the people and governance committee, an internally-facilitated evaluation of the board was conducted in 2022. For more information on this, and the progress made in relation to recommendations arising from the 2021 external evaluation, see page 97.

The board's consideration of climate-related issues

Some examples from the year ended 31 December 2022

Reviewing and guiding the strategy and approving the annual plan and budget

- Considered and approved changes to bp's aims.
- In reviewing and approving the annual plan and budget, the board considered, among other matters:
  - bp's emissions and methane reduction targets.
  - Delivery against net zero aims.
  - Strategic priorities and opportunities, including in relation to electrification, offshore wind and hydrogen.
  - Key financial risks and uncertainties, including those associated with transition growth businesses.
- The board received business presentations, including a deep dive on our low carbon energy strategy and other transition growth engines, which helped to inform its review of the budget and plan proposals. The board's review extended to planned capital commitments and their consistency with our strategy.
- Monitored management's execution of bp's strategy, with updates from the CEO and CFO at every board meeting covering, among other matters, performance against bp aims 1-5 and updates on the current macro environment and ESG considerations.
- Considered transition risks and opportunities as part of its review of the financial frame and total capital expenditure ahead of its decision to increase capital expenditure★ guidance in February 2023, see page 24.
- Received updates from the chief economist on the macroeconomic environment, energy markets and energy transition scenarios.
- Approved bp's 2022 net zero ambition report and agreed to put to shareholders the opportunity to vote on it at the 2022 AGM.

Risk management

- The board reviews bp's principal and emerging risks twice per year, including those related to climate and the impact of geopolitics and macroeconomic developments on the pace of the energy transition. For further details about the board's risk oversight role, see page 50.

Capital expenditure, acquisitions and divestments

- At every board meeting the CEO provides an update on business development. Updates cover projects across all of bp's businesses and include inorganic or divestment opportunities of more than $100 million or which would represent a new strategic business. This included the acquisition of EDF Energy Services for a total cash consideration of $0.5 billion, see page 31. The CFO provides verbal updates and, where appropriate, specific climate-related considerations are drawn out.
- The board reviews and reserves for its approval all transition and low carbon investment opportunities★ above $1 billion. In 2022 the board considered:
  - The capital commitment for Empire Wind offshore wind farms, see page 29.
  - The acquisition of Archaea Energy for a total cash consideration of $3.1 billion, supporting bp's biogas portfolio and our accelerated net zero aim 3, see page 29.

Decision making by the board

Key *decisions* made

The board operates within a corporate governance framework that provides clarity and consistency for decision making at bp and which allows for day-to-day operational management to be undertaken efficiently, with appropriate controls.

The corporate governance framework governs how the board works, including certain matters that are reserved for decision by the board as a whole and which therefore cannot be delegated.

Beyond these matters, the board delegates day-to-day management of the business of the company to the CEO. The responsibility for the execution of this delegation of authority, including regularly monitoring it, is retained by the board.

Given the size and scale of bp, in practice there are relatively few matters that come to the board for a decision.

Under the framework, these matters would include, for example, transactions involving a capital commitment of $3 billion or more in the case of investment into oil and gas opportunities, or $1 billion or more for other investments, as well as decisions on strategy and distributions to shareholders.

Details of three key decisions that were taken by the board in the past year in the context of the framework are set out on page 90.

How the board had regard to Section 172 factors

Directors must act in the way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of shareholders as a whole. The table below provides further information on how the directors had regard to the factors in section 172.

Section 172 factor	Key examples
The likely consequence of any decisions in the long term.	Our strategy and business model, pages 10-14.
Interests of employees.	How the board has engaged with shareholders, the workforce and other stakeholders, page 91. Sustainability: our people, page 67.
Fostering the company's business relationships with suppliers, customers and others.	How the board has engaged with shareholders, the workforce and other stakeholders, page 91. Our strategy and business model, pages 10-14. Sustainability: ethics and compliance, page 68. Sustainability: our values and code of conduct, page 66.
Impact of operations on the community and the environment.	Sustainability: caring for our planet, page 64. Sustainability: safety, page 65.
Maintaining a reputation for high standards of business conduct.	Role of the board, page 87. Sustainability: ethics and compliance, page 68. Sustainability: our values and code of conduct, page 66.
Acting fairly between members of the company.	How the board has engaged with shareholders, the workforce and other stakeholders, page 91.

★ See glossary on page 389

Details of three key decisions taken by the board including how the board had regard to stakeholder considerations and impacts in relation to Section 172 (1) (a) to (f).

1. Board decision

Net zero ambition updates

July 2022 – February 2023

Board discussion

After a number of extended board discussions with the bp leadership team that began in mid-2022, the board approved the strategic update announced on 7 February 2023. We have updated how we expect to achieve our short-medium term pathway to deliver our net zero production aim (aim 2) and are now targeting 10-15% reduction by 2025 and aiming for 20-30% reduction by 2030 (see page 45).

Stakeholder considerations and impacts

When discussing the update to this element of bp's net zero ambition throughout the second half of 2022, the board considered the global demand and need for energy that is secure and affordable as well as lower carbon – all three together known as the energy trilemma. The board remains committed to the energy transition, and recognizes that responding today to what governments and customers are asking of companies like bp is important to many stakeholder groups. The board also agreed that investment into bp's transition would grow at the same time as increasing our investment into oil and gas. As a result, on 7 February 2023, we also set out that our aim 5 – to increase the proportion of investment into non-oil and gas – is aligned with our transition growth engines (see page 29) – meaning we expect to invest more than 40%, or $6-8 billion of our annual capital expenditure★ in transition growth engines by 2025, and are aiming for around 50% by 2030 – or $7-9 billion. In coming to this conclusion following the extended review process it had undertaken, the board continues to believe our strategy – and ambition and aims – taken together, are consistent with the goals of the Paris Agreement, see page 26.

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2. Board decision

Acquisition of Archaea Energy

December 2022

Board discussion

We completed the purchase of Archaea Energy, a leading US provider of renewable natural gas, in December 2022. With bioenergy being one of five transition growth engines which bp intends to grow rapidly through this decade, the acquisition of Archaea marked a key milestone in the growth of this business area.

The board discussed the acquisition with the bp leadership team throughout the second half of 2022 as the opportunity matured, in order to review the business case and what it offered. The board recognized with Archaea, the opportunity to rapidly expand bp's presence in the US biogas industry while progressing bp's aim to reduce the average carbon intensity of sold energy products★.

Stakeholder considerations and impacts

The board saw the opportunity to deliver additional distinctive value through the integration of the Archaea business with bp's trading capabilities and broad customer base. The board recognized that the Archaea acquisition enhances bp's ability to support customers with reaching their decarbonization goals.

In considering the value of this acquisition to shareholders, the board noted that the business is expected to deliver rateable earnings growth. From around $140 million today, bp is targeting adjusted EBITDA★ from the business, when integrated with bp, of more than $500 million in 2025 and is aiming for around $1 billion by 2027, following completion of the development pipeline.

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For more information about Archaea Energy, see page 15

3. Board decision

Exit from Russia

February 2022

Board discussion

In February 2022, shortly following Russia's attack on Ukraine, the board met with members of the bp leadership team and undertook a thorough review of the consequences of these events on bp's business and operations in Russia. After careful consideration, and just days after Russia's first attack, the board decided that bp would exit its shareholding in Rosneft. This review process considered a wide variety of factors, including how any decision should be informed by the company's purpose and strategy, as well as the implications of the decision for shareholder distributions and our financial frame.

Stakeholder considerations and impacts

The board concluded that bp's continuing involvement with Rosneft would be inconsistent with bp's purpose and strategy, believing the decision was in the best long-term interests of all our shareholders.

Importantly, the board was clear that the decision meant that no changes to our strategy, financial frame or shareholder distributions guidance were required.

Stakeholder engagement

The board engages with stakeholders to understand their priorities and concerns through a range of engagement activities.

bp investors are one of our key groups of stakeholders. The investor engagement cycle below details the ways that the board, and bp as a whole, engaged with investors throughout 2022.

Investor engagement cycle

	Activity	Matters raised
Q1	• Fourth quarter and full-year 2021 results presentation. • Investor roadshows with executive management following fourth quarter 2021 results. • Investor engagement with executive management following decision to exit Russia. • Publication of the *bp Annual Report and Form 20-F 2021.* • Publication of the *Net Zero Ambition Report*. • Publication of the *bp Sustainability Report 2021.* • Regular meetings with Climate Action 100+ (CA100+) co-leads and other investor bodies.	• Performance during 2021. • Strategy and bp's sustainability aims. • bp's decision to exit Russia. • Response on ESG and Say on Climate resolutions including the *bp Net Zero Ambition Report*. • Remuneration outcomes for executive directors and bp's leadership team.
Q2	• Investor roadshows with the chair and executive management following publication of the *bp Annual Report and Form 20-F 2021* and the *bp Sustainability Report 2021*. • First quarter 2022 results presentation. • Investor roadshows with executive management following first quarter 2022 results. • Regular meetings with CA100+ co-leads. • UK Shareholders' Association (UKSA) meeting. • 2022 AGM, including company resolution enabling investors to support the *bp Net Zero Ambition Report*. • Publication of the *bp Energy Outlook 2022*.	• Performance during first quarter 2022. • Implications of Russia announcement in February. • bp's sustainability frame and net zero ambition. • A range of issues were raised at the AGM. Go to *bp.com/AGM* for transcripts of the CEO and chair's speeches, and the Q&A session.
Q3	• Second quarter 2022 results presentation. • Investor roadshows with executive management following second quarter 2022 results. • Regular meetings with CA100+ co-leads. • Calls with investors and investor bodies.	• Performance during second quarter and first half 2022. • Shareholder distributions. • Follow-up to themes raised by CA100+ at bp's AGM.
Q4	• Third quarter 2022 results presentation. • Investor roadshows with executive management following third-quarter 2022 results. • Investor engagement with the chair and executive management. • Investor and stakeholder event to gather insights to help inform the formation of the directors' remuneration policy which is to be voted on at the 2023 AGM. • Regular meetings with CA100+ co-leads. • Investor study conducted by a third party to provide independent feedback on progress.	• Performance during third quarter and nine months 2022. • Investors gave feedback for consideration and inclusion in the remuneration policy.

★ See glossary on page 389

Stakeholder engagement continued

Board engagement with stakeholders

Considering the interests of our stakeholders is fundamental to delivering our strategy. The following table identifies our most strategically significant stakeholders and summarizes the engagement that the board undertook during 2022, as well as engagement activities undertaken by management on the board's behalf. It includes details on some of the actions taken as a result of this engagement in line with Provision 5 of the UK Corporate Governance Code. For more information on our stakeholders see our business model, page 12. For engagement with the bp workforce see pages 94-95.

	Investors and shareholders I	Customers C
Why we engage	• Institutional and retail investors are key stakeholders through their provision of finance and stewardship. Regular and constructive dialogue with institutional and retail investors is important to communicate bp's strategy and to build and maintain confidence in management.	• Customer demand is crucial to bp's business, and we are constantly working to meet their ever-changing needs. They are the driving force for innovating new business models and service platforms.
How we engaged in 2022	• Ongoing communications including quarterly results calls, in-person and virtual meetings and investor roadshows. • The board engaged with investors at the 2022 AGM, and received feedback from a meeting with the UK Shareholders' Association (UKSA). • Investor studies presented to the board • Communication of financial results and regulatory announcements through a regulatory information service and the *bp Annual Report and Form 20-F 2021*. • An investor event focused on remuneration and related matters was hosted by the remuneration committee in November 2022. • The other committee chairs were available to investors as needed throughout the year. • See the stakeholder engagement cycle on page 91 for further information.	• Emma Delaney, EVP, customers & products, presented a deep dive to the board on the EV charging business on 27 September 2022, and on the biofuels business on 1 December 2022. • The board visited retail sites★ throughout the year; for example, the CEO travelled to Melbourne to officially open bp pulse Australia in November 2022. • Some of our customers are also shareholders. They were able to ask questions relating to their experiences at the 2022 AGM.
Outcomes and highlights in 2022	• The UKSA engagement provided those investors in attendance with the opportunity to put questions to the company secretary and senior leaders from our investor relations and ESG teams. This helped the board understand issues that were important to the private shareholders present, in advance of the 2022 AGM. • Investors voted to support our net zero ambition report with 88.53% of votes cast in favour of the resolution at the 2022 AGM. • The remuneration-focused investor event allowed investors to share their views on a variety of matters, including ESG and performance measures and how they relate to the remuneration policy. For more information see the directors' remuneration report on page 112. • For information on the value delivered for investors, see page 24.	• We continued to deliver for our customers through a range of products and services, see page 41. • We added 250 new strategic convenience sites★ in 2022. • The number of bp EV charge points grew to around 22,000 in 2022. • bp developed a new strategic convenience partnership with Uber to enhance our convenience and mobility offer to customers.
Key topics of engagement	• Financial performance, credit rating and dividends. • Strategy and associated aims and targets. • Sustainable growth and ESG performance. • Executive remuneration.	• Energy security and affordability. • Quality products and experiences. • Offering new energy solutions.

Partners and suppliers (P)	Governments and regulators (G)	Society (S)
• Strong relationships with partners and suppliers are vitally important to meet our customers' needs today and, as bp accelerates its transition, to provide integrated energy and mobility solutions that help reduce carbon emissions while creating new business opportunities.	• Engagement with governments, law enforcement and regulators is important to maintaining legal compliance and understanding how to respond to new and emerging threats, changes in regulations and changes to industry standards.	• We want to act in a way that benefits the societies in which we operate, which includes more than 60 countries. We aim to maintain a strong reputation globally and rely on wider society as potential customers, partners and employees.
• The board received regular updates from the CEO, CFO and other members of the leadership team on engagements with partners and suppliers. • Ethics and compliance leadership reported to the board, outlining matters raised regarding partners and suppliers. • The board reviewed the Modern Slavery Act Statement released in June 2022. The safety and sustainability committee (S&SC) reviewed bp's modern slavery risk management, including supplier due diligence and human rights questionnaires. See the S&SC report on page 110 and the *bp sustainability report 2022* for more information.	• The board received updates relating to changes in regulations, including a TCFD learning session in February 2022. • Board members attended numerous global events throughout 2022 where they met with world leaders. • The board approved reporting, including the *bp Annual Report and Form 20-F 2021*, in compliance with relevant regulations.	• The board received updates from management about the impact of bp's operations on the communities in which we operate, for example, the potential impact of gas flaring on communities around the Rumaila oil field in Iraq. • Management engaged with a wide range of NGOs and other stakeholders. Their feedback was incorporated in reports to the board from the CEO. • bp published the *bp Energy Outlook* as a contribution to the wider debate about the factors shaping the energy transition. Spencer Dale, SVP, economic & energy insights, provided a summary of its findings and the implications of Russia's invasion of Ukraine to the board in March 2022.
• $174 billion spend sourcing goods and services from 39,000 suppliers in 2022. • Developed new strategic partnerships including with Uber (see page 16), Eni and Aberdeen City Council. • bp is developing hydrogen plans and partnerships in Abu Dhabi, Australia, Egypt, Mauritania, Oman, UK and US. For example, in May 2022, ADNOC joined bp's blue hydrogen★ project H2Teesside, and Masdar of Abu Dhabi joined bp's HyGreen Teesside green hydrogen project.	• The board approved up to $8 billion more of investment into oil and gas, and up to $8 billion more into our transition growth engines by 2030 in response to governments' concerns about energy security and affordability. See our full-year and 4Q results update on 7 February 2023, and decision making by the board on page 90 for further information. • We paid $12.5 billion of tax globally in 2022, see page 68 for more information. • In May 2022, we announced our intention to invest up to £18 billion in the UK's energy system by the end of 2030, demonstrating our firm commitment to the UK. • In October and December 2022, bp signed memoranda of understanding with the Mauritanian and Egyptian governments respectively to explore the potential for the production of green hydrogen in both countries.	• We supported more than 67,000 jobs in 2022. • We spent $93 million supporting additional initiatives to benefit the communities where we operate. • This included a commitment of over £1 million with EnBW to the X-Academy in Scotland which will support the reskilling of experienced workers and the creation of entry-level energy transition roles. • For more information about our aims to get bp to net zero and care for our planet see page 45.
• Payment terms. • Shared vision and values. • Trust and transparency.	• Supporting initiatives and infrastructure. • Energy security and affordability. • Investment in the energy transition and driving down emissions.	• Creation and protection of jobs and livelihoods. • Caring for the planet and environment. • Behaving responsibly in the societies in which we operate.

★ See glossary on page 389

Engaging with bp's *Workforce*

Our approach to workforce engagement

The board recognizes the value to be derived from engaging with bp's workforce. That is why the board has adopted a structured workforce engagement programme (WFEP) which it believes is effective in complying with Provision 5 of the UK Corporate Governance Code (Code).

This is complemented by a suite of board-led activities, involving both in-person engagements and virtual interactions, which aim to maximize insights across multiple locations and perspectives.

Following the completion of the Reinvent bp programme, a particular focus of the board's engagement in 2022 was on workforce culture to complement the launch of bp's new beliefs, which we refer to as 'Who we are'.

For further detail on how the board satisfied Provision 2 of the Code, see pages 87-88.

How the board engages

Town hall events
including with North Sea colleagues at our Aberdeen office in Scotland.

CEO 'Keeping connected' webcasts
highlighting safety, bp's beliefs and financial performance.

AGM
see more on page 91 and on *bp.com/AGM*.

Focused engagements
including meeting with high-potential individuals in our Houston office.

'Pulse' employee survey
reports including KPIs on employee engagement.
See page 68.

Reports on Speak Up
bp's anonymous whistleblowing service, meeting Provision 6 of the Code.

Individual and collective site visits
including a visit to our offshore Glen Lyon facility.

Workforce engagement programme (WFEP)
bp's mechanism for complying with Provision 5 of the Code.

Key features of our WFEP

Meaningful dialogue

- Small group sessions to allow every voice present to be heard: up to 12 participants, and 1-2 board members at each session.
- Roundtable format without line managers.
- Engagement purpose agreed for each session but no set agenda to allow free-flow discussion.

Equity of representation

- Participants represent a broad cross-section of the workforce by: seniority, tenure, business area, geographic location.

Full board participation

- Every board member attends sessions rather than having engagement channelled through one director.
- Feedback from sessions is shared with the full board so all directors benefit from all insights gained.

10
Jurisdictions (incl. UK, US, India, Oman, China)

13
Key themes

>50
Colleagues participated

WFEP: Gelsenkirchen visit

"Our front-line colleagues have a unique insight into our key priority of safety."

Dr Johannes Teyssen

In planning a WFEP session at our Gelsenkirchen refinery in Germany, we identified an opportunity to help non-native English-speaking colleagues engage confidently with board members. To encourage colleagues to speak openly about their experiences in their own language, German-speaking director, Dr Johannes Teyssen, held the in-person WFEP session entirely in German, with representatives from our Lingen operations joining virtually.

Topics discussed included the Reinvent bp programme, centralization of activity, and safety awareness, particularly among non-bp employees on site.

Review of the workforce engagement programme (WFEP)

The people and governance committee (P&GC) reviews the mechanism for workforce engagement on an annual basis. The structure of the WFEP remained broadly unchanged from last year, with a few key adaptations. These changes included: a greater focus on understanding company culture, more in-person sessions and engagement in a language other than English.

The P&GC considers the current approach is effective given the diversity of bp's workforce. Considering enhancements for next year, there will be closer alignment between the WFEP and the board's forward agenda with an emphasis on bp's growth engines.

Insights gained from 2022 engagement activities

	Insights shared by the workforce	Action taken by the board
Reinvent bp programme	• Commenting on our Reinvent bp programme, employees were proud that bp is an industry 'first mover' in the energy transition, with the employee 'Pulse' survey receiving the highest ever response rate and a record figure for pride in working for bp. • Employees highlighted a particular interest in the role gas will play in bp's strategy.	• The board regularly reviews bp's strategy, covering deep dives across each of bp's businesses, including our transition growth engines. • Consideration was given to communication of bp's strategy, and some additional insight on the role of gas was included in employee email updates and webcasts.
Safety	• Front-line leaders at refineries felt processes underpinned a strong safety culture with a sense of genuine care. • The importance of tacit knowledge and safety continuity in times of change (strategically and otherwise) was expressed.	• Extensive discussion took place relating to safety following the tragic events at Toledo (see page 65). • In relation to M&A activity in particular, the board considered the identification of key personnel whose knowledge and experience would contribute to the maintenance of safety standards.
Culture	• A strong sense of employees wanting each other to succeed was conveyed, with safety and care most evident. • Employees felt progress had been made on diversity and inclusion, but there was still work to do particularly with regard to psychological safety.	• Directors reviewed management's plans on engagement and culture, in particular the new culture frame, in accordance with Provision 2 of the Code, having specific regard to health, wellbeing, diversity, equity and inclusion and the development of agile working practices. • The board was supportive of management's goal to produce a shorter, simpler 'Pulse' survey, aiming to be more relevant and inclusive for more colleagues.
Career development	• Employees shared their experiences on attracting new talent to a transitioning company. • Interest was voiced on shifting careers into low carbon areas of bp. • Opportunities to enhance certain development tools were raised, e.g. in relation to Early Careers programmes.	• The board challenged management's approach to leadership development, talent management and capability among other people-related issues. • The launch of 'grow@bp' was reviewed (see page 67); a personalized learning and development platform with a focus on 'future skills'.
Remuneration	• Positive feedback was shared on levels of equity ownership among colleagues and an opportunity was highlighted for greater communication on the value of shares. • The commitment to the Living Wage was well received among retail employees, standardizing pay across regions.	• Directors reviewed management's priorities with regard to remuneration and considered updates on benefits offered to employees. This included free financial coaching, covering employee equity schemes and any other relevant personal finance matters. • The board considered company communications on financial performance, which highlighted the impact on employee remuneration.

How the board engaged with stakeholders in 2022, see pages **91-93**

Workforce engagement on remuneration, see pages **117-118**

Careers at bp, including development, rewards, inclusion and employee stories, ***bp.com/careers***

Gender and ethnicity pay gap reporting, ***bp.com/ukgenderpaygap***

Learning, development and induction

Induction of new directors, ongoing learning and development

All directors benefit from a structured and wide-ranging induction programme and receive tailored learning opportunities throughout their tenure.

Our induction programme is tailored to suit the needs, skills and experience of each new member of our board. The programme prepares new board members for their role with bp, recognizing the importance of supporting directors in meeting their statutory duties, increasing their understanding of bp's strategy, and bringing them closer to the decision makers and leaders responsible for the day-to-day management of the business.

Beyond the initial period of induction, the development needs of individual board members are reviewed regularly. Ongoing training aims to ensure that directors continue to be best placed to objectively assess and inform the evolution of bp's strategy and purpose. This approach also supports the role that non-executive directors have in scrutinizing and holding the leadership team to account.

The review of development needs is also informed by feedback received from the chair's individual meetings with directors and the outputs from the board's annual evaluation (see page 97). Together, these steps help to identify areas where a particular focus or a deeper dive into a business may support the board's understanding.

Induction of Amanda Blanc

On 1 September 2022, the board appointed Amanda Blanc as a new director. In advance of her appointment, a personalised induction programme was developed, taking account of Amanda's existing knowledge and expertise as a director of a UK FTSE 100 company.

As part of her induction, Amanda held a series of 1:1 introductory meetings with members of both the board and leadership team, together with selected senior management. Within those meetings a wide range of topics were covered including ESG, investor relations, financial, legal and regulatory updates together with business group overviews and discussions on bp's strategy.

2022 learning opportunities

For all directors, after completing a structured induction programme, specific training and knowledge sessions are provided, either as part of the routine programme of meetings and site visits or in response to a specific request.

In addition to meeting in London, during 2022 the board travelled to Aberdeen and Houston. As well as holding routine board and committee meetings, the directors took the opportunity to make site visits and engage with stakeholders in these key strategic locations.

In Aberdeen, the directors met with bp employees, contractors and other stakeholders representing our North Sea businesses. This included those associated with new growth opportunities linked to the ScotWind offshore wind project and the partnership to create the city hydrogen hub. Some members of the board visited Glen Lyon, one of our floating production, storage and offloading (FPSO) vessels located west of the Shetland Islands, and spent time with the key operational staff on board (see page 111). While in Houston, directors met the trading and shipping leadership team and visited the security operations centre which monitors and combats cyber threats.

Outside of the scheduled board programme, knowledge sessions were held on the subject matters of hydrogen, liquefied natural gas and the mandatory regulations arising as a result of the Task Force on Climate-related Financial Disclosures. In addition, the directors visited the refineries in Whiting, US, and in Gelsenkirchen, Germany. At both locations, the board members met with local teams to discuss operational and safety matters associated with their sites.

"My detailed induction to bp enabled me to hit the ground running at my first board meeting. Being able to meet with members of the bp leadership team across all three business groups, as well as bp's integrators and enablers was particularly valuable, helping me to understand their priorities and challenges first-hand. I look forward to developing my knowledge further in 2023 and beyond, particularly through undertaking site visits and meeting with teams in person."

Amanda Blanc
Independent non-executive director – appointed 1 September 2022

Board evaluation

Evaluating performance

A rigorous evaluation of the performance of the board, its committees, the chair and individual directors is undertaken on an annual basis.

The board regularly monitors the performance of management in the delivery and execution of the agreed strategy. The performance of the board itself is also subject to review, reflecting the Code provision for such an evaluation to be undertaken annually.

This provides the opportunity to assess the quality of decision making and discussion by the board and each of its committees, and to reflect on the performance of each individual director.

Triennial cycle

Evaluations are run on a three-year cycle with an internal review for the first two years. For the third year, the evaluation is externally facilitated by an independent firm. The most recent external review was undertaken in 2021 by the firm Independent Board Evaluation. Progress on the recommendations of the 2021 evaluation is set out below.

2022 review

At the end of 2022, the board initiated an internal evaluation of the board, its committees and individual directors. This was led by the chair and company secretary who each had one-to-one conversations with the non-executive directors. With reference to the actions identified and delivered from the 2021 evaluation, these conversations were framed around the four pillars of the board's focus: strategy, performance, people and governance.

Feedback was then consolidated and presented within a report that was discussed with the board in early 2023.

In parallel, an evaluation of the chair's performance was undertaken by the senior independent director. The performance of the executive directors was assessed by the chair with input from the senior independent director.

2022 outcome

The evaluation highlighted positive reflections by the board with a view that time spent across the four pillars of the board's focus was appropriately balanced. Opportunities identified to improve the board's effectiveness and efficiency further included a review of pre-read templates to greater support prioritization of focus areas and a refresh of calendar planning to maintain the existing good balance of board members' time commitment.

2021 external evaluation: progress to date

Key areas of focus identified through the 2021 external evaluation process and progress made against them during 2022:

Focus area	Response/action taken
Opportunity for greater alignment between the board's areas of focus and the priorities of the bp leadership team (LT).	Syndication of planning for the board's forward agenda with the priorities of the bp LT has increased.
Opportunity to provide the board with an alternative analysis challenge to help the board consider all angles of a proposal.	Management provides the board improved visibility of pathways being considered in order to allow for greater constructive challenge as plans mature, including for options not pursued.
Focus on improving talent management and succession planning through increased engagement opportunities for board members.	Greater use of informal engagement opportunities created for board members to meet with high potential talent pool during the year. In particular, leveraging site visits e.g. during 2022, in Aberdeen and Houston to meet with local teams with a focus on high potential individuals.
Review of guidelines on cover sheets and executive summaries for board and committee papers.	After review, a new standard format for board and committee agendas and papers was introduced in 2022. Guidelines on the distribution of board papers ahead of meetings were also reviewed.

★ See glossary on page 389

People and governance committee

"Our focus in 2022 has been on succession, overseeing the design and roll-out of a structured framework for talent management and development, while also identifying and nominating for appointment three new non-executive directors to join the board."

Helge Lund
Committee chair

Chair's introduction

Dear fellow shareholders,

As chair of the people and governance committee, I am pleased to report on the committee's work in 2022. The committee dedicated a significant amount of its time to executive succession planning, agreeing a framework to review and develop our highest potential talent and to nurture bp's future leadership.

As part of the board's ongoing renewal, it also set and agreed the search criteria for new non-executive members of the board, culminating in the identification and selection of three new non-executive directors during the year.

Turning to 2023, the committee has supplemented its membership through the addition of Amanda Blanc. The committee will continue to focus its attention on succession, in particular, the development of a strong leadership cadre to address the opportunities presented by the energy transition.

Diversity

>40%

board members identify as female

Purpose of the committee

The people and governance committee seeks to ensure that the composition and structure of the board remains effective by monitoring the balance of skills, knowledge, experience and diversity that it needs to have represented amongst its directors in support of the strategy. It involves the nomination, induction, evaluation and orderly succession of candidates for directors, the leadership team and the company secretary.

The committee also oversees corporate governance matters, reviewing developments in law, regulation and practice and their practical impact for bp.

Meetings and attendance

The committee met six times in 2022, with all members attending each meeting.

● Meeting attended ○ Did not attend

Helge Lund
Member (July 2018) and chair of the committee (September 2018)
●●●●●●

Paula Reynolds
Member
●●●●●●

Sir John Sawers
Member
●●●●●

Key areas of focus in 2022

Executive succession – the committee reviewed the company's talent model, its development initiatives and succession management approach, in addition to discussing the short and long-term pipeline of potential executive leaders.

Board succession – a priority for the committee was to review the tenure and mandate of its non-executive directors, as well as the experience, knowledge and skills that they bring in support of an effective dynamic, enhancing the strategic discussion in the boardroom.

Workforce – the committee reviewed the results of bp's annual 'Pulse' survey and engaged throughout the year on the roll-out of the company's new beliefs, which we refer to as 'Who we are'.

Board effectiveness – the committee oversaw the implementation of the recommendations arising from the 2021 externally facilitated board effectiveness review. It also oversaw the process for the 2022 internally managed effectiveness review.

Key responsibilities

- **Talent pipeline:** Oversee the development of a diverse pipeline for executive succession (across immediate, medium and long-term time horizons), taking into account the challenges and opportunities facing bp, its strategic priorities and the skills and expertise needed in the future.
- **Evaluation:** Embedding the recommendations made following internal and external board effectiveness reviews.
- **Interests:** Review the outside directorships/ commitments/conflicts of the non-executive directors.
- **Policies:** Review workforce policies and practices, including those that may have an impact on talent and capability, diversity and inclusion, engagement and ensuring consistency with bp's purpose, strategy and values.
- **Workforce:** Monitor workforce engagement levels through a range of formal and informal channels in order to bring the 'employee voice' into the boardroom.
- **Governance framework:** Review and develop the board's corporate governance framework and monitor its compliance with corporate governance standards and practices while ensuring that it remains appropriate to the size, complexity and strategy of bp.
- **Inclusion and diversity:** Review the board's diversity, equity and inclusion policy and the effectiveness of its implementation.

Activities during the year

Succession planning

Executive succession planning

The committee oversaw the design and roll-out of a new framework to provide for more structured development of bp's executive talent – focusing on the identification and development needs of internal talent that can compete for roles across the bp leadership team over the short, medium and longer term. Our investment in bp's future leaders using this framework includes the creation of individual development plans and structured career pathways. This allows for broader experience and insight to be obtained by this talent pool, accelerating their readiness and increasing their internal visibility. The model that has been rolled out encompasses engagement with the board as a whole and individually, as well as opportunities to build relationships in informal environments around board meetings and visits across the businesses.

Board succession planning

Amanda Blanc joined the board on 1 September 2022. The appointments of Satish Pai and Hina Nagarajan were also announced in 2022 and took effect from 1 March 2023.

The table on page 101 describes the different stages of our recruitment process for these three new non-executive directors identified and nominated to join the board. It sets out the search criteria defined by the committee for each role at the start of the process and the skills and experience the board believes that they each bring to bp.

During 2022 the committee engaged with Egon Zehnder, MWM Consulting and Spencer Stuart in support of its ongoing search for new board candidates. Egon Zehnder provides advice and support on bp's executive development programme and Spencer Stuart support on executive recruitment. MWM Consulting has no other connection with the company. There are no connections between these search agents and individuals directors.

Workforce engagement

The committee reviewed both the results from the company's annual 'Pulse' survey and the plan regarding the roll-out of the company's new beliefs, which we refer to as 'Who we are'. Our Pulse survey captures our employees' thoughts on what it is like to work at bp and gives the opportunity to feedback on key issues and the committee was encouraged that the results showed the highest ever pride in the company – as well as the strongest response rate since it began. Another focus for the committee in 2022 was to review the plans to raise awareness and understanding of 'Who we are' and the underlying values, beliefs and principles foundational to bp within the frame. In 2023, the committee will continue to monitor the culture within bp and how the practices and behaviours within our new beliefs are being reinforced. For more information, see workforce engagement on page 94.

Induction and training

All newly appointed directors receive a formal induction (see page 96). These induction programmes usually commence before appointment and are typically completed within the first three months of a director's appointment. Feedback is sought from the director each time a programme is completed to ensure it is continually updated and improved.

In addition to the induction process, further training and development is provided through online training, material provided through our secure board portal, targeted knowledge sessions and educational sessions with local management during site visits by the board or its committees.

Diversity of the board

The board believes that to deliver on our purpose and strategy, we must foster diversity of thought and an environment where everyone can bring their best and true selves to work. It is therefore pleasing that the board already meets the UK listing rule diversity benchmark target (as at 31 December 2022 and at the date of publication of this report) for at least 40% of the board comprises women, at least one of the senior board positions is a woman and at least one director is from a minority ethnic background, continuing the progress made in 2021.

The P&GC's consideration of climate-related issues T

Some examples from the year ended 31 December 2022

Performance objectives

- Reviewed people capability plans, analyzing the skills and experience required for bp to deliver its strategy, including the skills identified by management that bp needs to improve the capability of its people and, as required, to acquire new knowledge across key business areas and disciplines, including across the transition growth engines.

Monitoring, implementation and performance

- Reviewed the expansion of bp's executive succession planning framework which aims to identify the skills and experience bp needs to deliver our strategy and net zero ambition.

People and governance committee continued

After a review by the committee, the board has approved changes to its diversity, equity & inclusion (DE&I) policy which complements bp's wider diversity policies and which embraces the group's values, code of conduct and sustainability frame. The full DE&I policy is available online at *bp.com/corporategovernance*.

While the board aspires to achieve gender parity, progress against diversity targets is sensitive to the size and tenure of the board. In respect of other forms of diversity, three members of the board self-identify as being from a minority ethnic background (2021: one director). Diversity of the board remained a consideration as part of the identification and selection of new directors in 2022, with an additional female director, Amanda Blanc, appointed in 2022.

Diversity of senior leaders

The composition of senior management (as defined in the Corporate Governance Code 2018) and their direct reports comprise 51% women (2021 49%) and 25% Black, Asian and minority ethnic individuals (2021 26%). The committee supports the work undertaken by management to support career progression of under-represented groups in a sector that has historically been male-dominated with limited diversity in other forms. This includes the ambition to have females in 50% of the top 120 leader roles by 2025, our US minority ambition to have 20% of our group and senior leader roles held by minorities by 2025 and our UK ethnicity ambition to have 15% of our senior leader roles to be held by minorities.

Diversity of the workforce

Diversity, equity and inclusion remain a key part of the group's people strategy. The board as a whole is supportive of the group's employee-led business resource groups (BRGs) which provide forums for employees to obtain support and networking opportunities around specific themes such as ethnicity and sexual orientation.

Skills matrix

	Background and experience							
	Energy markets	Operational excellence and risk management	Global business leadership and governance	Technology, digital and innovation	Climate change and sustainability	People leadership and organizational transformation	Society, politics and geopolitics	Finance, risk and trading
Non-executive directors								
Amanda Blanc		●	●		●	●	●	●
Pamela Daley			●					●
Helge Lund	●	●	●		●	●	●	
Melody Meyer	●	●	●		●			
Tushar Morzaria		●	●			●		●
Hina Nagarajan		●	●	●	●	●		
Satish Pai	●	●	●	●	●	●		
Paula Reynolds	●	●		●		●		●
Karen Richardson		●	●	●		●		●
Sir John Sawers						●	●	
Johannes Teyssen	●	●	●		●	●	●	

Non-executive director recruitment process

Stage 1 – Identify criteria

The committee determined the criteria for each appointment, considering the tenure, experience, skills and diversity of the existing board members, and what it believes that bp needs in support of the strategic direction set by the board.

Search 1
Criteria to inform role specification
Experienced global business leader, well networked and connected to key institutions, customers and other stakeholders.

Search 2
Criteria to inform role specification
CEO-level candidate with proven operational excellence, safety and manufacturing experience, ideally from a multinational company in a similar sector to bp.

Search 3
Criteria to inform role specification
FMCG and emerging markets candidate with proven B2C experience, deep knowledge and understanding of key new markets for bp and consumer markets more broadly.

Stage 2 – Initial engagement

Candidate lists meeting the criteria were compiled by the search consultants and reviewed by the committee. Individuals were identified for initial engagement and to gauge their interest in a board role.

Stage 3 – Shortlist meetings

Following confirmation of interest, a shortlist of candidates was agreed who were then invited to meet with the chair. Based on feedback from these meetings, preferred candidates met with the other committee members, as well as the CEO.

Stage 4 – Candidate selection

Feedback from these individual candidate meetings with the members of the committee and the CEO was aggregated and discussed. Appointment recommendations were then made to the board subject to due diligence, satisfying independence criteria, and capacity to take on the role.

Search 1 recommendation
Amanda Blanc
Having held a number of executive leadership positions the committee believed that Amanda's experience of leading insurance businesses in the UK and Europe and her deep connections throughout the UK's business and investment communities, allied to a strong interest in the energy transition would further enhance the board's ability to support bp as it transforms into an integrated energy company.

Search 2 recommendation
Satish Pai
With over 30 years' experience in engineering and management roles, the committee believed the board would benefit from Satish's broad experience in operations and technology management in both resources and energy industries and the company would further benefit from his strong digital capability.

Search 3 recommendation
Hina Nagarajan
Having spent over 30 years in the FMCG industry, the committee believed the board would benefit from Hina's deep and wide-ranging experience in customer-focused FMCG businesses, an area of increasing importance for bp, together with her proven track record in business transformation and development in complex emerging markets.

Stage 5 – Induction

The final stage is to provide the new directors with a comprehensive induction. See page 96 for an overview.

Audit committee

> The committee has sought to understand the stressors and resilience of the business to volatile energy prices, with four updates received during the year.

Tushar Morzaria
Commitee chair

Chair's introduction

Dear fellow shareholders,

I am pleased to introduce the committee's report for 2022 – which reflects a challenging year from a macro perspective.

The volatility in energy market prices has continued to be a key area of focus, building on stress testing undertaken at the end of 2021. The committee has sought to understand the stressors and resilience of the business to volatile energy prices, with four updates received during the year. In addition, the committee has carefully reviewed the impact of energy prices on the LNG portfolio★ and the associated accounting treatment.

Earlier in the year, the committee reviewed the accounting treatment of Rosneft, following the board's decision that bp would exit its shareholding as announced on 27 February 2022. An assessment of the going concern status and longer-term viability following this decision was also made and the committee concluded there was minimal impact of this decision.

Following a successful roll-out of the non-financial reporting assurance framework for the *bp Annual Report and Form 20-F 2021*, the committee received a briefing on updates to the framework and discussed with management ways to enhance the framework over time to achieve a similar level of assurance to financial reporting for material metrics.

The five-yearly external effectiveness review of the internal audit function was completed during the year. The outcome of the review was overwhelmingly positive with further enhancements identified in the use of technology and digital tools.

The committee will monitor the implementation of the UK government's audit and corporate governance reform consultation and the FRC consultation on minimum standard for audit committees during 2023. The committee will continue to review the development of ESG reporting frameworks that may impact our reporting.

Role of the committee

The committee monitors the effectiveness of the group's financial reporting (including climate-related financial disclosures), systems of internal control and risk management and the integrity of the group's external and internal audit processes.

Meetings and attendance

There were 10 committee meetings in 2022. All members attended each meeting with the exception of Pam Daley who was unable to attend one meeting due to a prior commitment. Regular attendees include the chief financial officer, SVP, accounting reporting control, SVP, internal audit, EVP, legal and the external auditor.

● Meeting attended ○ Did not attend

Tushar Morzaria
Member (September 2020) and chair of the committee (May 2021)
●●●●●●●●●●

Pamela Daley
Member
●●●●●●●●●○

Paula Reynolds
Member
●●●●●●●●●●

Karen Richardson
Member
●●●●●●●●●●

Key areas of focus in 2022

Liquidity risk and credit risk – the committee reviewed management's response to increased volatility of energy prices at key points during the year. The wider macroeconomic environment has also led to increased credit exposures.

Rosneft accounting treatment – following bp's decision to exit its shareholding in Rosneft, the committee reviewed and challenged management's accounting judgements in respect of Rosneft.

LNG market and accounting treatment – the committee reviewed the overall LNG market, bp's response and the fair value of these contracts.

Non-financial reporting – reviewed the assurance framework in place for non-financial reporting, in particular related to climate disclosures.

Internal audit external effectiveness review – oversaw the selection of the external reviewer and discussed the outcome of the assessment with management.

Macroeconomic environment – the committee monitored the impact of increased energy market volatility on inflation and interest rates and related supply chain impacts. This included, in addition to credit risk referred to above, decommissioning liabilities and the impact of sanctions related to the Russia-Ukraine war.

Tushar Morzaria is chair of the audit committee. See page 82 for his biography. The board is satisfied that he is the audit committee member with recent and relevant financial experience as provided for by the UK Corporate Governance Code and that he is competent in accounting and auditing in accordance with the FCA's Disclosure and Transparency Rules. It considers that the committee as a whole has an appropriate and experienced blend of commercial, financial and audit expertise to assess the issues it is required to address, as well as competence in the oil and gas sector. The board has also determined that, as bp is a foreign private issuer, the audit committee meets the independence criteria provisions of Rule 10A-3 of the US Securities Exchange Act of 1934 and that Mr Morzaria can be regarded as an audit committee financial expert as defined in Item 16A of Form 20-F.

Key responsibilities

- Monitor and critically assess bp's financial statements and financial information, including the integrity of the financial reporting and related processes, context in which statements are made, compliance with relevant legal and regulatory requirements and financial reporting standards, including the Task Force on Climate-related Financial Disclosures (TCFD).
- Assess the going concern assumption and the longer-term viability statement as to bp's ability to continue to operate and meet its liabilities.
- Review and challenge the application and appropriateness of significant accounting policies and financial reporting judgements.
- Evaluate the risk to quality and effectiveness of the financial reporting process and, where requested by the board, advise whether the annual report and accounts are fair, balanced and understandable.
- Review the affordability of distributions to shareholders.
- Oversee the appointment, remuneration, independence and performance of the external auditor and the integrity of the audit process as a whole, including the engagement of the external auditor to supply non-audit services to bp.
- Review the effectiveness of the internal audit function, bp's internal financial controls and its systems of internal control and risk management.
- Monitor the principal risks allocated to the committee by the board and review the mitigations proposed by management in respect of risks associated with bp internal financial controls and reporting responsibilities and such emerging risks that may fall within scope.
- Review the systems in place to enable those who work for bp to raise concerns about improprieties in financial reporting or other issues, and for those matters to be investigated.

How risks were reviewed

The risk factors allocated to the committee for monitoring in 2022 are set out below. In addition to the specific areas identified below, the committee received quarterly reports from internal audit on their work associated with each of the risk factors.

For a definition of the risk factors, see pages 73-75

Prices and markets: The committee reviewed cash flow forecasts and business performance. Each quarter the committee assessed the affordability of distributions and the financial frame. It also reviewed the longer-term outlook for energy prices in line with bp's price assumptions for investment – see the committee's consideration of climate-related issues on page 107 for further information.

Accessing and progressing hydrocarbon resources and low carbon opportunities: The committee reviewed the methodology behind oil & gas reserves disclosures, holding a deep dive with the business on its outlook to 2030 and key areas for development. It reviewed the financial risks around the business case for a follow-on investment in bp's Empire Wind development and recommended the follow-on investment to the board.

Liquidity, financial capacity and financial, including credit, exposure: the committee received four updates during the year on liquidity and credit risk. It also reviewed off-balance sheet commitments and reviewed the longer-term viability statement at year end, together with the going concern basis of accounting at the full and half-year ends.

Joint arrangements and contractors: A jointly held review was undertaken with the safety & sustainability committee to assess the management of this risk.

Digital infrastructure, cyber security and data protection: The committee received updates on the control environment related to financial controls each quarter. It reviewed and challenged progress on the remediation of significant deficiencies with input from internal audit and the external auditor.

Insurance: a review was undertaken and management's plan to mitigate this risk was challenged by the committee.

Ethical misconduct and non-compliance: the committee received updates on the system in place to identify and prevent fraud risk and progress on the roll-out of additional controls. It also received updates on management's disclosure committee meetings in connection with the quarterly results and any areas of compliance or fraud risk related to the results.

Regulation: the committee received an update on compliance with regulation together with additional briefings during the year on the implementation of evolving sanctions regimes in response to Russia's invasion of Ukraine.

Trading and treasury trading activities: the committee undertook two reviews of the trading & shipping business, including a floor walk of the trading floor in Houston.

Reporting: The committee reviewed and challenged the quarterly results, including key accounting judgements and the system of internal control over financial reporting. The committee reviewed the annual report (see page 104) and reviewed the assurance process of the same, together with receiving updates from the external auditor. A review was undertaken of the non-financial reporting assurance framework and the key non-financial metrics. The outcome of this review was the development of a project plan to enhance the assurance framework in response to an anticipated increase in regulatory requirements over time.

Visiting audit and ARC teams ⓔ

The audit committee visited bp's Sunbury campus in the UK and met with the internal audit and accounting, reporting and control (ARC) leadership teams. The committee discussed the internal audit 2023 planning process and how emerging and enduring risks are considered in the allocation of audits. The ARC leadership team provided an overview of the team's work to modernize the control environment through automation and analytical tools and support for new business areas (including acquisitions). The committee also met with the technical accounting and external reporting teams.

Audit committee continued

The committee's agendas are focused around the following core areas. Key considerations during the year for each core area are set out below.

Topic	Items discussed
Financial results, external audit and Annual Report	Reviewed the quarterly, half-year and annual financial statements and supporting materials, focusing on the: • Integrity of the group's financial reporting process. • Clarity of disclosure. • Compliance with relevant legal and financial reporting standards. • Application of accounting policies and judgements. • The consistency of the disclosures with climate risks and opportunities. • Whether, in considering the above factors, the *bp Annual Report and Form 20-F* was fair, balanced and understandable. Key accounting judgements were reviewed and discussed with management and the external auditor. The committee challenged management on the recoverability of asset carrying values and climate risks and opportunities. The committee also considered and addressed key accounting estimates and judgements relating to exploration and appraisal intangibles and pensions and other post-retirement benefits, see Financial statements – Note 1 for further information. The committee was satisfied that the financial statements appropriately addressed the key accounting judgements and estimates in respect of both the amounts reported and disclosures made, and in particular that they reflect the impact of the group's transition strategy, see key accounting judgements on pages 108-109. Recommended to the board that the *bp Annual Report and Form 20-F* was fair, balanced and understandable. Discussed financial reporting and internal controls processes, reviewed any control gaps identified and mitigating actions. Deep dive on significant deficiencies and control environment, with a focus on IT and journal controls. The committee focused on mitigating measures and challenged management on the timeline for the development of more enduring IT and journal controls. It received a report from management on the verification process undertaken in respect of the annual report, including non-financial disclosures, such as TCFD. Reviewed and tested the external audit plan, in particular the materiality level versus prior years and key audit risks relating to energy price outlook and audit coverage. Approved the external audit plan and received an update prior to year end on key audit risks. Determined that the quality and effectiveness of the external audit was of the required standard, noting the improved quality score versus the prior year and continued constructive challenge of management. Areas for further improvement to the external audit process were identified, see external auditor on pages 106-107.
Corporate reporting	Reviewed correspondence from the FRC and SEC related to financial reporting, see pages 105-106 for further information. Considered the going concern basis of accounting together with the longer-term viability statement and the input and assumptions. Reviewed the impact of the board's decision to exit the shareholding in Rosneft and the alignment of assumptions used between the longer-term viability statement and TCFD assumptions. Determined and recommended to the board that it was appropriate to adopt the going concern basis of accounting and the longer-term viability of the company in accordance with Provision 31 of the UK Corporate Governance Code. Challenged management on the underlying assumptions used in the TCFD assessment and comply or explain basis of reporting against the TCFD Recommendations and Recommended Disclosures.
Internal audit	Reviewed the internal audit plan and alignment to risk factor coverage. Received updates on audits undertaken and adjustments made to the plan. Undertook a deep dive on the internal audit planning process for 2023. The committee also received a report from internal audit on its annual review of the system of internal control and risk management, together with an assessment from management on the system of internal control. Further information can be found in the risk management and internal control update on the opposite page. Challenged management on the systems of internal control and risk management and concluded that these were effective. Reviewed and approved the internal audit charter. Oversaw the external effectiveness review of the internal audit function and the outcome of the same (see page opposite). Reviewed the independence and objectivity of the SVP, internal audit and succession plans for this role, see page opposite.
Business and function reviews	**Trading & shipping** – two business reviews during 2022, with a focus on the management of principal risks allocated by the board to the committee. A floor walk was undertaken at the Houston office covering business areas related to gas, LNG and US power trading. **Production & operations** (P&O) – review of the strategy, principal risks and recent internal audit findings and management actions. A floor walk was undertaken with the P&O finance team. For details of the committee's consideration of climate-related issues, see page 107. **Internal audit and accounting, reporting** and **control** – see page 103.
Risk	The committee monitored the principal risks allocated to it by the board for 2022 through a mixture of business reviews, updates from management, internal audit and the external auditor, as well as deep dives on specific principal risks, see page 103 for further information.

Internal control

How internal control and risk management was assessed

Internal audit: Internal audit provides key assurance to the committee on the group's governance, risk management and system of internal control.

Key matters reviewed by the committee

Regular updates from internal audit on the key findings during the year, progress against the internal audit plan and adjustments made to the plan during the course of the year. The committee challenged management's response and progress made on the closure of findings. Areas of interest for the committee included findings related to trading and treasury trading activities and crisis management and business continuity.

The committee also reviewed and approved the internal audit charter, which sets out the expectations for the function in accordance with the Chartered Institute of Internal Auditors' (IIA) guidelines.

Internal audit effectiveness

An external effectiveness review was undertaken during the year following the last external review in 2017 and the committee's own review in 2021. The process is set out below. The outcome of the review was overwhelmingly positive with further enhancements identified in the use of technology and digital tools.

In addition to the external effectiveness review, the committee approved the annual plan and reviewed reports from internal audit. It also met privately with the SVP, internal audit, and received feedback from other key stakeholders on the effectiveness of the function. The committee concluded that internal audit had unrestricted scope, together with access to information and sufficient resources to fulfil its mandate.

The committee reviewed the independence and objectivity of the SVP internal audit, who has served for longer than seven years, in line with IIA best practice guidelines. The committee concluded that the SVP internal audit remained independent and objective. In reaching this conclusion, the committee considered feedback from key stakeholders, access to information and the resources available and the response of management to the challenge received, together with the outcome of the external effectiveness review. The committee discussed the succession plans for this role and the anticipated timeframe.

Non-financial reporting assurance framework

The committee reviewed the control and assurance framework for non-financial reporting (NFR) published by bp under a broad range of regulatory and voluntary disclosure frameworks and standards, including TCFD, following the introduction of the NFR framework in 2021. Following updates from management on regulatory developments over the course of the last year, the committee challenged management on the underlying assurance processes and whether bp had the most appropriate suite of metrics for disclosures against bp's strategy and aims and ambitions.

Training and briefings

The committee considered market updates and developments throughout the year. This included technical accounting updates from the SVP, accounting reporting control on developments in financial reporting and accounting policy.

The committee also received briefings on specific topics, including risk governance and the audit and corporate governance consultation outcome published by the UK government during 2022.

Regulatory correspondence

FRC request for information

The company received a request from the Financial Reporting Council (FRC) for information relating to segmental reporting of the gas & low carbon energy segment in the *bp Annual Report and Form 20-F 2021*. The committee reviewed the correspondence and proposed response, the outcome of which was the inclusion in this *bp Annual Report and Form 20-F 2022* of enhanced disclosures relating to the management of the gas & low carbon businesses and how reportable segments have been determined (see our financial reporting segments and business groups on pages 12 and 13, and Financial statements – Note 5).

An FRC review provides no assurance that the *bp Annual Report and Form 20-F 2021* was correct in all material respects. The FRC's role was not to verify the information provided, but to consider compliance with reporting requirements. Its letters are written on the basis that the FRC (which includes the FRC's officers, employees and agents) accepts no liability for reliance on them by bp or any third party, including but not limited to investors and shareholders.

Internal audit external effectiveness review process

Selection of external reviewer

- Tender process conducted by procurement team.
- Recommendation to audit committee chair.
- PwC selected to undertake review.
- Scope and objectives of review finalized based on guidelines from institute of internal auditors.

Review fieldwork undertaken

- Assessment against IIA standards.
- Stakeholder interviews and surveys, incorporating NEDs, management and internal audit staff.
- Review audit files.
- Benchmarking against other internal audit functions.

Reporting

- Discussing outcome of review with chairs of the audit committee and safety and sustainability committee.
- Presentation of findings and recommendations to a joint session of the audit and safety and sustainability committees.
- Discussion of findings and recommendations by both committees with a focus on items where the function could be further enhanced.

Outcome

- Internal audit function performing well.
- Committees appreciated the adaptability of the function, particularly during the COVID-19 pandemic.
- Recommendations, such as the enhancement of data analytics to be taken forward by the function.
- A well-planned onboarding process for the successor to the current SVP, internal audit should be put in place.

★ See glossary on page 389

FRC thematic review

The *bp Annual Report and Form 20-F 2021* was included in the FRC's sample for its thematic review of TCFD disclosures and climate in financial statements. The committee noted the findings from the thematic review, where some of bp's disclosures were considered to be examples of better practice and how further improvements could be incorporated into the *bp Annual Report and Form 20-F 2022*.

SEC review

The Securities and Exchange Commission reviewed the *bp Annual Report and Form 20-F 2021* and raised a number of comments including ones relating to the disclosures in the report relating to Russia's invasion of Ukraine and oil and gas reserve disclosures, to which bp responded. As a result, bp agreed to include additional line items in the oil and gas reserve disclosure in this *bp Annual Report and Form 20-F 2022*.

External audit

How the committee assessed audit risk

The external auditor set out its audit plan for 2022, identifying significant audit risks. These included:

- Impairment (including reversals) of oil and gas property, plant and equipment values.
- Accounting for structured commodity transactions.
- Valuation of level 3 instruments in trading and shipping and revenue recognition.
- Decommissioning provisions.

The committee discussed with the auditor the scope of the audit and the overall coverage against profit, revenue and property, plant and equipment metrics, alongside the potential impact of volatility of energy prices on the materiality level. The committee received updates during the year on the audit process, including how the auditor had challenged the group's assumptions on the significant audit risks.

A summary of the audit approach is set out in the independent auditor's report on page 153.

How the committee assessed audit fees

The audit committee reviews the fee structure, resourcing and terms of engagement for the external auditor annually. In addition, it reviews the non-audit services that the auditor provides to the group on a quarterly basis.

Fees paid to the external auditor for the year were $52 million (2021 $58 million), of which less than 1% was for non-audit and other assurance services (see Financial statements – Note 36). The audit committee is satisfied that this level of fee is appropriate in respect of the audit services provided and that an effective audit can be conducted for this fee. Non-audit or non-audit related services consisted of other assurance services.

How the committee assessed audit quality and effectiveness

As part of its overall assessment of audit quality and effectiveness, the committee requested reports from the external auditor and management (see below) on the audit process, quality procedures and the handling of key judgements. The committee also held private meetings with the external auditor during the year and committee members met separately with the external auditor at least quarterly. The committee chair also met with SVP, internal audit on a regular basis. The committee considered its interactions with the external auditor and the regular reporting received in relation to the quarterly results.

The committee assessed the auditor's approach to providing audit services, taking account of the external auditor insights report and management survey. The committee concluded that the audit team was providing the required quality in relation to the provision of the services.

The audit team had shown the necessary commitment and ability to provide the services together with a demonstrable depth of knowledge, robustness, independence and objectivity as well as an appreciation of complex issues. The team had posed constructive challenge to management and the committee noted the quality of reporting provided to it.

In challenging management, the committee was impressed by the external auditor's engagement with management on LNG cargo contract performance and decommissioning discount rates. The committee received a presentation on the external auditor's use of technology in their audit process and opportunities for further enhancements to the audit.

Reports received by the committee as part of its assessment of audit quality

External auditor insights report: the committee receives a summary of areas of opportunity for improvements to processes related to financial reporting or internal control identified as part of the audit process, management's response to the recommendations identified and progress made against any prior year items together with areas of focus for the forthcoming year.

Management survey: the survey sought views from key internal stakeholders and comprised questions across the following:

(i) The external auditor's performance, for which the main measurement criteria were:

- Planning and scope.
- Robustness of the audit process.
- Independence and objectivity.

Quality of delivery

- Quality of people and service.
- Value added advice.

(ii) bp's commitment to the audit.

The overall score from the survey increased compared to the prior year, with strong improvement in engagement, independence and team capability. Reductions in scores for use of technology and constructive recommendations were discussed by the committee with the external auditor.

How the auditor's reappointment and independence were assessed

The committee considers the reappointment of the external auditor each year before making a recommendation to the board. The committee assesses the independence of the external auditor on an ongoing basis, taking account of the information and assurances provided by the external auditor and the level of non-audit fees. The external auditor is required to rotate the lead audit partner every five years and other senior audit staff every five to seven years. No partners or senior staff associated with the bp audit may transfer to the group.

External audit services were last tendered in 2016 and the external auditor has been in role for four years (since 2018). It is anticipated that a re-tender will be completed by 2026 or sooner, in line with relevant guidelines, for the 2028 audit. The committee believes that the anticipated timeline for the re-tender of audit services is in the best interests of shareholders. It provides an appropriate balance of factors such as the auditor knowledge of controls and risks, maintaining audit quality, independence and objectivity, and providing value for money.

The company is in compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

How the committee had oversight of non-audit services

The audit committee is responsible for bp's policy on non-audit services and the approval of non-audit services. Audit objectivity and independence are safeguarded through the prohibition of non-audit tax services being provided by the external auditor and the limitation of audit-related work which falls within defined categories. bp's policy on non-audit services states that the auditor may not perform non-audit services that are prohibited by the SEC, Public Company Accounting Oversight Board (PCAOB), International Auditing and Assurance Standards Board (IAASB) or the UK Financial Reporting Council (FRC).

The audit committee approves the terms of all audit services as well as permitted audit-related and non-audit services in advance. The external auditor is considered for permitted non-audit services only when its expertise and experience of bp is important. Approvals for individual engagements of pre-approved permitted services below certain thresholds are delegated to the SVP, accounting reporting control or the chief financial officer. Any proposed service not included in the permitted services categories must be approved in advance either by the audit committee chair or the audit committee before engagement commences.

The audit committee, chief financial officer and SVP, accounting reporting control monitor overall compliance with bp's policy on audit-related and non-audit services, including whether the necessary pre-approvals have been obtained. The categories of permitted and pre-approved services are outlined in principal accountant's fees and services on page 376.

Other matters

The committee reviewed the affordability of the distribution policy elements of the financial frame (covering dividend and share buybacks) as part of its review of the quarterly results. The committee considered bp's cash flow forecasts as it transitions to an international energy company and the risks associated with oil and gas price changes over the medium term. The committee reviewed its terms of reference and no material updates were identified. An assessment of going concern was made as part of the half and full-year results process. The committee also reviewed the longer-term viability statement. The going concern and longer-term viability statements can be found on page 150.

The audit committee's consideration of climate-related issues T

Examples from the year ended 31 December 2022

The committee's primary role in monitoring the effectiveness of bp's financial reporting, systems of internal control and risk management means that it is well placed to consider a range of risks and opportunities associated with climate change and the transition to a lower carbon economy, together with the oversight of the assurance process for certain climate-related items. There are several ways in which the committee has considered climate risk and opportunities during the year, which are set out below.

Empire Wind follow-on investment decision	Reviewed the cost base, capability and expertise of the team and joint venture partner, recruitment and risks and opportunities related to opex and capex.
TCFD	Reviewed the TCFD compliance assessment. Considered the alignment of the TCFD assumptions with the WBCSD Scenario Catalogue and other reporting assumptions (going concern/longer-term viability). The committee reviewed management's scenario analysis and the inputs used to test the resilience of our strategy to different climate scenarios.
Oil & gas reserves	Deep dive on our oil & gas reserves portfolio and the conclusion of management's estimation process for the purposes of the disclosure within the *bp Annual Report and Form 20-F*.
Production & operations business review	Deep dive on financial risks and risks to strategy in achieving 2025 targets and 2030 aims.
Low carbon impairment discount rate	Assessed the underlying assumptions and overall level proposed by management versus wider benchmarking and the view of the external auditor, Deloitte.
Carbon Tracker report	Received an update from management on the implementation of suggested enhancements to disclosures contained in the Carbon Tracker climate accounting and audit alignment assessment.
Energy price assumptions	Considered management and the external auditor's view of the reasonableness of assumptions compared to a broad spectrum of other published price forecasts. The committee reviewed and challenged the underlying assumptions provided by management, the changes from the prior year and their consistency with the goals of the Paris agreement.
Impairments	Reviewed the consistency of impairment assumptions, including discount rates and prices, in light of the 2030 aims. Reviewed impairment tests of key assets.
Decommissioning	Reviewed and challenged management on the underlying assumptions, particularly around inflation and discount rates, and the timeframe of the transition to a low carbon economy.
Non-financial reporting framework	Reviewed the controls in place for non-financial reporting disclosures and agreed the level of assurance required over key non-financial, including climate-related, metrics, see page 105 for further information.

For more information on the resilience of our strategy, see pages **54** to **61**

Examples of how accounting judgements and estimates were considered and addressed

Key judgements and estimates in financial report	Audit committee activity	Conclusions/outcomes
Impact of climate change and the energy transition		
Climate change and the transition to a lower carbon economy may have significant impacts on the currently reported amounts of the group's assets and liabilities and on similar assets and liabilities that may be recognized in the future.	• Reviewed management's best estimate of oil and natural gas price assumptions for value-in-use impairment testing and investment appraisal. • Reviewed management's assessment of recoverability of exploration intangibles. • Reviewed management's assessment on decommissioning provisions. • See how the committee considered climate risks and opportunities on page 107.	• Management's revised best estimate of oil and natural gas prices are in line with a range of transition paths consistent with the goals of the Paris climate change agreement. • How bp applies carbon pricing in its impairment testing is disclosed in Note 1. • Sensitivity analyses estimating the effect of changes in net revenue due to prices, production or carbon prices are disclosed in Note 1. • Reasonable changes in the expected timing of decommissioning do not have a significant impact on the associated provisions.
Provisions		
bp's most significant provisions relate to decommissioning, environmental remediation and litigation. The group holds provisions for the future decommissioning of oil and natural gas production facilities and pipelines at the end of their economic lives. Most of these decommissioning events are many years in the future and the exact requirements that will have to be met when a removal event occurs are uncertain. Assumptions are made by bp in relation to settlement dates, technology, legal requirements and discount rates. The timing and amounts of future cash flows are subject to significant uncertainty and estimation is required in determining the amounts of provisions to be recognized. There is also a risk that decommissioning obligations from previously divested assets revert to bp.	• Received briefings on decommissioning (including the process for managing the risk of decommissioning reversion), environmental, asbestos and litigation provisions. These included the requirements, governance and controls for the development and approval of cost estimates and provisions in the financial statements. • Reviewed and challenged the group's discount rates and inflation rates used for calculating provisions.	• Decommissioning provisions of $12.3 billion were recognized on the balance sheet at 31 December 2022. • The discount rate used by bp to determine the balance sheet obligation at the end of 2022 was a nominal rate of 3.5% – based on long-dated US government bonds – an increase of 1.5% from 2021.
Recoverability of asset carrying values		
Determination as to whether and how much an asset, cash-generating unit (CGU) or group of CGUs containing goodwill is impaired involves management judgement and estimates on uncertain matters such as future commodity prices, discount rates, production profiles, reserves and the impact of inflation on operating expenses. Reserves estimates based on management's assumptions for future commodity prices have a direct impact on the assessment of the recoverability of asset carrying values reported in the financial statements. Judgement is required to determine whether it is appropriate to continue to carry intangible assets related to exploration costs on the balance sheet.	• Reviewed policy and guidelines for compliance with oil and gas reserves disclosure regulation, including the group's reserves governance framework and controls. • Reviewed and challenged the group's oil and gas price assumptions. • Reviewed and challenged the group's discount rates for impairment testing purposes including for low carbon energy assets. • Impairment charges, reversals and 'watch-list' items were reviewed as part of the quarterly due diligence process. • Received the output of management's annual intangible asset certification process used to ensure accounting criteria to continue to carry the exploration intangible balance are met.	• The group's price assumption for Brent oil and for Henry Hub gas were increased as set out on page 28 and Note 1. • Sensitivity analyses estimating the effect of changes in net revenue and discount rate assumptions have been disclosed in Note 1. • Net impairment /charges of $3.8 billion (excluding Rosneft related impairments) as disclosed in Note 4. • Exploration intangibles totalled $4.2 billion at 31 December 2022.

Key judgements and estimates in financial report	Audit committee activity	Conclusions/outcomes
Pensions		
Accounting for pensions and other post-retirement benefits involves making estimates when measuring the group's pension plan surpluses and deficits. These estimates require assumptions to be made about uncertain events, including discount rates, inflation and life expectancy.	• Reviewed and challenged the group's assumptions used to determine the projected benefit obligation at the year end, including the discount rate, rate of inflation, salary growth and mortality levels.	• At 31 December 2022, surpluses of $9.3 billion and deficits of $5.2 billion were recognized on the balance sheet in relation to pensions and other post-retirement benefits. • The method for determining the group's assumptions remained largely unchanged from 2021. The values of these assumptions and a sensitivity analysis of the impact of possible changes on the benefit expense and obligation are provided in Note 24.
Investments in Rosneft, Aker BP and Azule Energy		
Judgement is required in assessing the level of control or influence over another entity in which the group holds an interest. bp uses the equity method of accounting for its investment in Aker BP and bp's share of Aker BP's oil and natural gas reserves are included in the group's estimated net proved reserves of equity-accounted entities. The equity-accounting treatment of bp's 15.9% interest in Aker BP in 2022 was dependent on the judgement that bp had significant influence over Aker BP. bp's interest in Rosneft, following loss of significant influence, is measured at a fair value of nil. The initial valuation of the Azule Energy joint venture involved judgement over future commodity prices, discount rates, production profiles and reserves.	• Reviewed the judgement on whether the group retained significant influence over Aker BP following completion of the Lundin Energy transaction. • Reviewed the accounting implications of bp's announcement to exit its shareholding in Rosneft and other businesses with Rosneft in Russia, including the valuation of these investments. • Reviewed the accounting impacts of and the judgments made for, the formation of the Azule Energy joint venture.	• bp retained significant influence over Aker BP throughout 2022 as defined by IFRS. • As a result of bp's two nominated directors stepping down from the Rosneft board on 27 February 2022, bp determined that it no longer had significant influence over Rosneft from that date. • bp considers that it is not currently possible to estimate any carrying value of the interest in Rosneft other than nil and that the accounting criteria for recognizing any dividend income have not been met. • bp recognized a pre-tax charge in 2022 relating to its investments in Rosneft and other businesses with Rosneft in Russia of $25.5 billion. See Note 1 for further information. • bp recognized an initial net investment in Azule Energy of $4.9 billion and a net gain on disposal of $2.0 billion.
Derivatives		
For its level 3 derivative financial instruments, bp estimates their fair values using internal models due to the absence of quoted market pricing or other observable, market-corroborated data. Judgement may be required to determine whether contracts to buy or sell commodities meet the definition of a derivative, in particular LNG contracts.	• Received regular reports on derivative accounting judgements and impacts of commodity price volatility on derivative valuations, in particular in relation to the LNG portfolio. • Received a briefing on the group's trading risks and reviewed the system of risk management and controls in place. • Reviewed the control process and risks relating to the trading business.	• bp considers that contracts to buy or sell LNG do not meet the definition of a derivative under IFRS. • bp has assets and liabilities of $8.8 and $7.0 billion, respectively, recognized on the balance sheet for level 3 derivative financial instruments at 31 December 2022 mainly relating to the activities of the trading and shipping function. • bp's use of internal models to value certain of these contracts has been disclosed in Note 1.

Safety and sustainability committee

The committee was pleased to work with the bp leadership team to monitor the continued progress on safe, secure, reliable and sustainable operations across the business.

Melody Meyer
Committee chair

Chair's introduction

Dear fellow shareholders,

On behalf of the committee, I am pleased to present our report for the year ended 31 December 2022.

During the year, the committee monitored the work of the leadership team to drive improvement in overall safety and environmental performance, with a specific focus on reducing tier 1 and 2 process safety events★.

Despite overall strong safety performance, tragically, four people lost their lives while at work for bp. In February 2022, a contractor driving for Aral in Germany, lost his life in a vehicle collision. In April 2022, a specialist tank contractor lost his life in an explosion while repairing a tank at an Aral retail site in Germany. In September 2022, two bp employees lost their lives in a fire at our Toledo refinery in the US. We take action to share and embed lessons learned across the organization to mitigate against the risk of future accidents and drive improvements in safety.

The committee and audit committee worked jointly, allowing them to better understand and review bp's non-operated joint venture★ risk exposure and how the associated risks are being managed.

Throughout the year, the committee was also proactive in engaging with the business through its visits to the Gelsenkirchen refinery in Germany, the Glen Lyon floating production, storage and offloading vessel in the North Sea, and the security operations centre in Houston (see pages 94 and 111). The committee looks forward to additional site visits in 2023 to see first-hand how the company is putting safety and performance into practice.

Melody Meyer
Committee chair

Key areas of focus in 2022

Safety – continued to oversee safety and environmental performance, with a specific focus on reducing tier 1 and 2 process safety incidents, advising the remuneration committee on safety outcomes for 2022 and the setting of safety and sustainability measures for the group's reward plans.

Site visits – engaged with local management through site visits to the Glen Lyon floating production, storage and offloading vessel in the North Sea, the Gelsenkirchen refinery in Germany, and the security operations centre in Houston.

Oversight of principal risks – reviewed the company's strategies to mitigate the principal risks associated with cyber security and safety and operational risks.

Role of the committee

The committee oversees the leadership team's identification, management and mitigation of significant non-financial risk. This extends to personal and process safety risks, security and cyber security risks, operational, environmental and social risks, ethics and compliance risks and modern slavery risk management.

The committee also monitors the effectiveness of the implementation of bp's sustainability frame, including the progress being made by management in the delivery of our net zero ambition and associated aims and targets. To support this oversight role, the committee receives assurance that processes to identify and mitigate such non-financial risks are appropriate in their design and effective in their implementation.

Meetings and attendance

There were six committee meetings in 2022. All members attended each meeting. At the conclusion of each meeting the committee holds private sessions for its members, without management in attendance, to discuss any issues arising and meeting quality. The CEO receives ad hoc invitations to private sessions and the SVP, internal audit is invited at least once per year.

● Meeting attended ○ Did not attend

Melody Meyer
Member (May 2017) and chair of the committee (November 2019)
●●●●●●

Sir John Sawers
Member
●●●●●●

Johannes Teyssen
Member
●●●●●●

Key responsibilities

- Monitor and/or test: bp's performance in respect of safety and sustainability matters; and the effectiveness of bp's system of internal control for safety and sustainability matters, including applicable management systems, policies, practices, processes, leadership and culture, informed by regular review of performance and assurance reports.
- Monitor the management and mitigation of principal risks allocated to the committee by the board and such emerging risks as the committee may determine fall within its scope from time to time.
- Review learnings from key incident investigations.
- Review bp's modern slavery risk management, the bp sustainability report and such other materials intended for disclosure or publication as may be allocated to it by the board from time to time.
- Review and test management's responses to relevant quarterly reports of group internal audit and the findings of selected safety investigations.
- Conduct such other oversight activities as may be allocated to it by the board from time to time.

The committee is entitled to investigate all matters falling within its scope. For full committee terms of reference go to *bp.com*.

Activities during the year

The review of operational risk and performance forms a large part of the committee's agenda, and it received regular reports from the business covering key risks within operations, security and cyber.

The committee attended a cyber security knowledge session, where they were briefed on the extent of bp's cyber threat and improvements being made to tooling and capability to maintain the health of cyber security barriers. This session was supplemented by the committee's visit to the security operations centre in Houston, see the case study (right) for more information.

Oversight of principal risks

The committee reviewed reports from the leadership team on their review, management and mitigation of the principal risks assigned to the committee, including related to marine, wells, product quality, pipeline, explosion or release at bp facilities, major security incident, cyber security and ethics and compliance.

During the year, the committee held focused reviews on compliance, process safety and maintenance improvements, cyber security drills and modern slavery, and worked jointly with the audit committee to review bp's non-operated joint venture risk exposure.

The committee also received a report on how the company is reducing risk of marine incident, be it via the examples of transportation of bulk hydrocarbons, stability of floating production assets, or integrity of marine vessels. Safety at bp is underpinned by the group's operating management system★ and the committee reviewed the section of the framework supporting the management of marine risk.

The committee also discussed an in-depth report on bp's product quality risk, and the actions taken to manage and mitigate it.

Ethics and compliance remained a focus in 2022, and the committee reviewed the strategic objectives designed to mitigate the risk of major compliance incidents. The committee also reviewed the new ethics and compliance code of conduct and associated risk-based training and made a recommendation to the board to adopt it as of 1 January 2023, see page 66.

Sustainability

The committee considered reports on bp's delivery against aim 3, related to carbon intensity reduction, and aim 17, related to water positivity. See page 45 for information on all aims. In relation to aim 17, the committee discussed the benefits, challenges and roadmap for implementation in light of the global issue of water stress and scarcity.

Under aim 13, bp's approach to develop a fair wage in countries where bp has employees was reviewed. The committee also reviewed how bp was managing labour rights and modern slavery risk across all of bp's operations.

In partnership with the remuneration committee, input was provided on the measures and targets relating to safety performance for executive and leadership team incentive plans to ensure they arrived upon outcomes that were well reasoned and well supported.

S&SC's consideration of climate-related issues T

Examples from the year ended 31 December 2022

Monitoring, implementation and performance

- Received updates regarding progress on each of bp's sustainability aims, including important trends and insights in relation to each of the aims.
- Conducted a review of aims 3 and 17.
- Considered sustainability assurance findings.
- Received updates on the progress on our sustainability frame (which includes our net zero ambition and aims) via reports from the EVP, strategy, sustainability & ventures.
- Consulted with the remuneration committee on emissions measures to be incorporated into annual performance scorecards. See the directors' remuneration report on page 112.

Glen Lyon visit E

In April 2022, committee members visited Glen Lyon floating production, storage and offloading facility, located 130km west of Shetland. The visit provided an opportunity to speak with the 130-person crew and observe first-hand the asset's design and complex subsea structure. Discussions provided insight into the operational and safety challenges our people experience, particularly after being unexpectedly stranded due to weather overnight.

Securities operations centre (SOC) visit E

In September of 2022, members of the committee, along with most of the bp board, visited the SOC to get a first-hand view of how the SOC identifies and stops cyber threats across bp's global digital footprint, 24x7. Board members took away a clearer understanding of how digital security works across the company to reduce any potential impact of attacks by monitoring billions of daily events correlated with cyber and business intelligence to keep bp safe.

★ See glossary on page 389

Directors' remuneration report

"2022 was a year of strong strategic progress, operational and financial performance for bp, against a challenging backdrop."

Paula Rosput Reynolds
Chair of the remuneration committee

Role of the remuneration committee

The role of the committee is to determine and recommend to the board the remuneration policy and to set chair, executive director and leadership team remuneration. The committee reviews workforce remuneration and monitors related policies, satisfying itself that incentives and rewards are aligned with bp's culture. In determining the policy, the committee takes into account various factors, including wider workforce remuneration, and structures the policy to align reward to performance, thus promoting the long-term success of the company.

Key responsibilities

- Recommend to the board the remuneration principles and policies for the executive directors and leadership team while considering remuneration and related policies for the employees below the board.
- Set and approve the terms of engagement, remuneration, benefits and termination of employment for the executive directors, leadership team, chief internal auditor and the company secretary in accordance with the policy.
- Prepare the annual remuneration report to shareholders to outline policy implementation.
- Approve the principles of any equity plan that requires shareholder approval.
- Ensure termination terms and payments to executive directors and the leadership team are appropriate.
- Receive and consider regular updates on workforce views and engagement initiatives related to remuneration, insights and data from pay ratios and potential pay gaps as appropriate.
- Maintain appropriate dialogue with shareholders on remuneration matters.

Membership

Paula Rosput Reynolds
Member since September 2017 and chair since May 2018

Amanda Blanc
Member (since January 2023)

Pamela Daley
Member

Melody Meyer
Member

Tushar Morzaria
Member

Meetings and attendance

The chair and the CEO attend meetings of the committee except for matters relating to their own remuneration. The CEO is consulted on the remuneration of the CFO, the leadership team and more broadly on remuneration across the wider workforce. Both the CEO and CFO are consulted on matters relating to the group's performance.

bp's EVP, people & culture, SVP, reward, external advisors and other executives may attend where necessary. The committee consults other board committees on the group's performance and on issues relating to the exercise of judgement or discretion as necessary.

The committee met eight times during the year. All directors attended each meeting that they were eligible to attend.

Remuneration committee consideration of climate-related issues T

Examples from the year ended 31 December 2022

Monitoring, implementation and performance

Discussed and agreed the climate measures in annual performance scorecards. For example after consulting with the safety and sustainability committee, the remuneration committee set the weighting for sustainable emissions reductions★ measures for annual bonus awards, as well as the long-term incentive plan ESG measures designed to align with bp's strategy.

Key areas of focus in 2022

Remuneration policy – undertook a thorough and robust engagement process with investors and other stakeholders to gather insights and feedback relevant to the policy-setting process.

Workforce engagement – engaged with the wider workforce on reward and wellbeing, for example met with front-line representatives from the bp retail business, and reviewed management's responses to cost-of-living pressures for bp employees globally.

Remuneration outcomes – monitored in-flight progress of equity and bonus awards, and evaluated salary and benefits against peer group comparators, considering adjustments where appropriate.

Reporting – reviewed the directors' remuneration report and the UK gender and ethnicity pay gap report.

Contents

Summary of 2022 pay outcomes for executive directors

	CEO: Bernard Looney	CFO: Murray Auchincloss
Base salary	£1,371,876	£782,000
2022 annual bonus	£2,365,542 (75.5% of max)	£1,404,000 (78% of max)
Downward discretion applied to 2022 annual bonus, see page 120	3.2% or -£78,329	0%
2020-22 performance share plan *Additional three-year post-vesting holding period applied*	£6,007,512 (54% of max)	£2,890,536 (54% of max)
Downward discretion applied to 2020-22 performance share plan, see page 122	10% or -£667,497	10% or -£321,172
Single figure outcome for 2022	£10,025,782	£5,282,049
Total downward discretion applied	-£745,826	-£321,172

Chair's introduction

Dear fellow shareholder,

2022 was a year of strong strategic progress, operational and underlying financial performance for bp, against a challenging backdrop. Inflation was increasingly embedded in the global economy, and was exacerbated by geopolitical events, notably the war in Ukraine and the prolonged impact of COVID-19 lockdowns in China. We have considered remuneration in this context for our executive directors and wider workforce.

In line with government regulation, the directors' remuneration report (DRR) is required to report on executive reward. However, the reader will note throughout how we have included discussion about bp's aim to be an employer of choice for bp's 60,000+ people around the world. Clearly this aim is about pay, but it's also about benefits, working environment, purpose, and programmes to assure the wellbeing of bp employees. Indeed, the welfare of bp people is critical to the company's success for shareholders. The committee spent considerable time in 2022 understanding engagement levels of the entire bp workforce.

The committee has conferred with a great number of shareholders and proxy advisory firms, seeking their input prior to reaching our decisions. The one piece of feedback we received from virtually every party was to lay out in detail how the committee came to its decisions. Thus, you will see contained within the DRR a deeper level of granularity than in prior years.

In both the treatment of the period 2020-2022 and the proposals for the refreshed policy, the committee has sought to find the balance between rewarding performance and doing so with moderation of outcomes.

Meeting bp's challenges

bp's employees have risen to the challenge again and again over the past three years. In 2020, shareholders endured an underlying replacement cost loss of $5.7 billion as the pandemic devastated worldwide demand for energy. But bp employees kept operations running safely despite the complexity of pandemic protocols; at the same time, they also undertook actions to reset the company's ambition towards net zero. In 2021, our people delivered a seamless return to full operations and an underlying replacement cost profit★ of $12.8 billion. In 2022 the war in Ukraine led to the board's decision to exit bp's businesses in Russia; we took an unprecedented write-down of $24 billion. Nevertheless, robust operational results across the globe allowed the company to achieve an underlying replacement cost profit of $27.7 billion in the year just ended.

bp aims to provide the world with secure, reliable, and increasingly cleaner energy. During 2022, bp maintained high production at levels necessary to meet the challenges of a bifurcated energy market and responded to the supply emergency in Europe by bringing additional supplies of LNG to European shores. In the UK we pledged to bolster resource development in the North Sea, supporting the UK's supply security. At the same time, bp is enabling retail customers' choice to switch to EVs through our fast-charging network, and advancing our plans for offshore wind, hydrogen and carbon capture.

As we responded to the changing energy landscape, the committee stress-tested whether we are rewarding our employees appropriately for the responsibilities that they have undertaken and the superior performance they have delivered. Board members engaged with front-line employees who work in the North Sea as well as those who are employed in bp's retail forecourts across the UK. It is important to note that all UK employees, including forecourt employees, are paid at, or above, the real living wage. We listened to their concerns – they didn't hold back – and relayed such concerns to management to ensure that pay and benefits programmes, development, and work systems continue to evolve and remain fit for purpose.

Alignment with stakeholders

In reaching our recommendations for the 2022 remuneration of our executive directors, we also undertook an extended dialogue with shareholders and other stakeholders.

In pursuing this dialogue, we have tried to make clear that we are a committee that keeps its commitments to all of bp's employees, including executives, and that any discretion we use or judgement we apply is thoughtfully undertaken and proportionate to the issues we seek to address (see page 116).

Over the past six years, the committee has carefully sought to moderate outcomes for our executives, even as the roles they play have become more challenging. We hope you will agree that our judgements reflect a sensible approach to rewarding difficult jobs well-done in this several-year period. A summary of executive director pay outcomes is shown on page 113 and the details are provided in the following pages.

★ See glossary on page 389

Bernard and Murray's leadership

Bernard has been the CEO since 2020. He led the reset of bp's purpose and strategy, and the creation – and work towards – bp's net zero ambition and aims. He has led the reinvention of bp, through a pandemic and global energy supply crisis. Throughout, he has shown commendable resilience which contributed to bp's strong underlying 2022 results, while growing investment, growing value and growing distributions to shareholders.

Murray has been the CFO since 2020. He has been instrumental in designing and rolling out our disciplined financial frame. Under his prudent leadership, bp has gained greater investor and credit agency confidence, while reducing our net debt to $21.4 billion, the lowest for almost a decade, and returning funds to shareholders through a revised distribution policy. He has shown similar resilience and has matured convincingly into the role of CFO.

Overview of 2022 performance and remuneration outcomes

The 2022 annual bonus plan applies to more than half of bp's workforce, including its two executive directors. The plan seeks to reward performance against six key measures in three categories of bp's bonus scorecard: safety and sustainability, operational and financial.

Safety and sustainability

bp exceeded our annual sustainability targets for emissions reductions, delivering 1.5mte reductions in 2022, and 7.1mte cumulative reductions since 2017. Process safety events – combined tier 1 and 2★ – were at a record low, which continues a downward trajectory over the past few years and reflects our continuous focus on safety improvement.

However, tragically, during 2022 four people died while working for bp. The committee takes the view – shared by bp's leadership – that at bp safety comes first and thus avoiding workplace safety incidents must be the top priority. We provide more information about the impact of safety on remuneration on page 121.

As such, we have applied additional downward discretion on the outcome for Bernard and relevant members of management which results in a score of 1.51 out of 2.00.

Operational

Operationally, the reliability and availability of our plants and refineries were just below target. This was driven by lower-than-expected refinery availability offset by record high upstream plant reliability★. Margin share from convenience and electrification was impacted this year by the market environment (see page 6). The committee decided to exercise its discretion under this measure to reflect underlying performance by making two adjustments: 1) to adjust for the actual foreign exchange rate environment, which resulted in a minimal uplift to all participants, including the executive directors; and 2) recognizing actual underlying business unit decisions to maintain margin (see page 121), which provides a more material uplift. We believe this latter adjustment was appropriate for the wider workforce. The uplift was not included in the calculation of executive director bonuses.

Financial

Financial performance, as measured by adjusted free cash flow★ and cumulative cash cost reductions in the annual bonus scorecard, has been very strong. Adjusted free cash flow performance of $25.8 billion was above our stretch target even after targets had been adjusted upwards to reflect the actual price environment, ensuring that the executives do not benefit from higher prices.

Similarly, cumulative cash cost reductions, by the end of 2022 compared to the 2019 baseline, of $3.2 billion were above the scorecard target, delivering our cost reduction target a year ahead of plan.

Taking performance against these measures into account, the outcome for the bonus plan was a score of 1.56 out of 2.0 for the CFO, or 78% of maximum, and 1.51 out of 2.0 for the CEO, or 75.5% of maximum.

Long-term performance

Under the remuneration policy that shareholders approved in 2020, a material portion of Bernard and Murray's remuneration is tied to longer-term performance under a performance share plan designed to drive strong alignment to the execution of bp's strategy.

The 2020-22 performance share awards were measured against a three-part scorecard:

- Relative total shareholder return (rTSR) against seven industry peers.
- Return on average capital employed (ROACE)★.
- Strategic progress.

While absolute TSR growth was a great improvement over the prior year, bp delivered disappointing rTSR performance over the 2020-22 period, placing sixth out of eight industry peers. This resulted in nil vesting for this element of the scorecard. This outcome should be read in the context of a newly-launched strategy. At the point of making the 2020-22 grants to the executive directors just months after the strategy launch, it was evident that investor confidence in that strategy, as demonstrated in our rTSR performance, would take time to build and be dependent on progressive execution and delivery over many years. While a disappointing rTSR performance, this expectation has proved to be correct. Conversely, ROACE performance of 13.4% over the period was above our stretch target, reflective of strong progress over the three years culminating in a 30.5% return in 2022, which was a very strong result regardless of the price environment. The committee's view of strategic progress, as measured against three distinct aspects of our strategy – resilient hydrocarbons, convenience and mobility and low carbon energy – was very strong and resulted in maximum vesting. This element of the scorecard is a mixture of quantitative assessment and qualitative judgement, which we expand on in more detail on page 123 of the report.

Taking performance against these measures into account, the formulaic outcome under the performance share plan was 60% of maximum. However, as we said we would do when making these awards in 2020, the committee also paid great attention to review the basis on which these awards were granted, at a time when the share price was materially lower than historical norms. Ultimately, the committee decided that despite this strong improvement over three years, an adjustment should be made to the vesting outcome of the 2020-22 awards.

After much discussion and consultation, we arrived at an adjustment which, when coupled with a disappointing formulaic vesting outcome, leads to what we consider to be an appropriately modest level of vesting. We took the decision to exercise our discretion and to revise downwards the level of vesting to 54% of maximum.

We provide additional detail on this adjustment and the rationale behind it on page 124.

Decisions in the context of the wider workforce

Decisions regarding the executive directors' base salary increases and incentive outcomes were made paying careful attention to the level of awards for the wider bp workforce.

In practice, in 2022 the committee used its discretion to reduce outcomes for the CEO under the annual bonus and the CEO and CFO under the performance share plan, while mostly maintaining formulaic outcomes for the wider workforce.

Employees in the wider workforce participating in the annual cash bonus plan received a score of 1.62 compared with 1.51 and 1.56 for Bernard and Murray respectively. Other senior leaders who participated in the 2020-22 performance share plan received the full formulaic outcome of 60%.

Our approach to the annual pay review for the wider workforce was also modified this year, responding to the unprecedented pressure on our employees due to the rising cost of living. Firstly, bp made a cash payment to most of bp's retail forecourt employees globally, equivalent to 8%, or one month's salary locally. The payment is being made in equal parts across the winter period. Secondly, all salaried employees (excluding retail forecourt employees) below the senior leadership team worldwide received a one-off payment in December, differentiated by geography and ranging from 4% to 8% of salary – a move which was welcomed by our people. Finally, all salaried employees will be eligible for a base pay adjustment effective 1 April 2023. We have set salary budgets this year that are reflective of the market environment in each country. In many cases these are higher than last year, reflecting the impact inflation is having on wages. For more information on remuneration and support for the wider workforce, see page 117.

In this context, the committee determined that Bernard would receive a base salary increase of 4% in 2023, lower than the wider UK workforce average, despite the outsized impact he has had on bp and his exemplary leadership during a very tough period. Murray will receive an increase of 5.5% in 2023 in line with the wider UK workforce average. In the view of the committee, Murray's contribution and impact as a CFO internally and externally, has grown rapidly since his appointment and we will continue to review his base salary in line with market expectations, his performance and his responsibilities in the role, but mindful of the wider workforce pay.

Refreshing our executive remuneration policy for 2023

The committee believes that the current policy, approved by 96.6% of shareholders in 2020, has operated as intended and can generally be retained and serve as the basis for the 2023 policy. As part of the policy review, the committee completed an extensive programme of shareholder engagement to ensure their views were reflected in the new policy.

I would like to thank shareholders for their highly valued time, energy and feedback during this period. I outline a summary of the key changes here, and the full policy is on page 132.

Performance measures for incentive plans

We are proposing to fine-tune the performance measures that apply for the upcoming year and three-year performance periods to better align with bp's strategy; these changes do not represent a deviation from the current policy, as the existing policy already allows the committee to choose specific measures and relative weightings.

For the purposes of the annual bonus we propose to introduce a profit measure (adjusted EBITDA★) under the financials category, in place of cumulative cash cost reductions to reflect our strategic progress on costs and forward-looking focus on earnings.

For our performance share plan (2023-25), we propose the introduction of one new emissions measure, to incentivize progress towards our aim 1 net zero operations. We will retain rTSR, ROACE, adjusted EBIDA per share CAGR★ and strategic progress. Having complementary emissions reduction measures in both the short and long-term plans ensures that annual delivery supports longer-term plans, as set out in our net zero ambitions under aim 1. For a summary of proposed measures and targets under both plans, see page 130.

Annual bonus deferral

Under our 2020 policy, the annual bonus has been paid 50% in cash, with 50% deferred into restricted share units that are subject to a three-year restricted period. This deferral has been an important way of increasing the executives' personal shareholdings and satisfying the already high bar we have set through our minimum shareholding requirement (MSR).

In our deliberations for 2023 we have recognized that the shareholdings of our executive directors can build quickly and, given that neither the committee nor the executives themselves expect them to sell shares while in office, the result is a high portfolio concentration exposure. Since our control mechanism for ensuring alignment with shareholders' interests is the MSR itself, we have concluded that once the MSR is met, the deferral rate should reduce. Thus, the 2023 policy has been updated to require a deferral rate of 33% once an executive has met bp's high minimum shareholding requirement threshold (5x salary for the CEO and 4.5x salary for the CFO). As on 17 February 2023 both the CEO and CFO have met the MSR requirement therefore, subject to shareholder approval, the 2023 policy will apply to 2022 bonus outcomes.

Operationally robust and effective malus and clawback provisions remain in place and the committee is comfortable that sufficient shareholdings will be built under the new policy to apply these provisions to their fullest extent if necessary. For more detail see the policy report on page 131.

Retirement benefits

In 2021, as part of a holistic review and modernization of the UK reward package for the wider workforce, the UK defined benefits pension plan was closed and all remaining participants were entitled to a single contributory plan. This aligns to legacy defined benefit plan participants that received a cash allowance, which is being stepped down in value from 35% (in July 2021) to 20% (in April 2023). Except for the executive directors, all other participants had their cash allowance increased from 15% to 20%. Thus, the majority of the UK workforce (~62%) now receives a 20% cash allowance.

The 2020 policy sets the executive director benefit to be in line with the wider workforce, and therefore the current level for the executives is 15% of salary, which was in line with the wider UK workforce level at their appointment. We are proposing to amend our 2023 policy and adjust the cash allowance to 20% of salary, to match the arrangements now in place for the majority of the wider UK workforce.

Recognizing the impact the increased pension allowance could have in absolute terms, and considering the overall remuneration package, the committee has decided to retain Bernard's pension allowance at 15% for 2023. The committee will bring the allowance into line with that of the wider workforce in 2024.

As you read this DRR, we hope you will appreciate the expanded focus on our underlying rationale, and how our stewardship is directed at both the executive directors and the wider workforce. We need all bp employees to feel fairly rewarded and we continue to do our utmost to show our appreciation to them within the context of the policies shareholders have previously approved.

On behalf of the committee, I hope you will agree that our judgements are a sensible approach to rewarding difficult jobs well-done in this several year period.

Paula Rosput Reynolds
Chair of the remuneration committee
10 March 2023

In this directors' remuneration report, underlying replacement cost profit, net debt, margin share from convenience and electrification, adjusted free cash flow, cumulative cash cost reductions, ROACE, adjusted EBITDA, adjusted EBIDA per share CAGR and organic capital expenditure are non-GAAP measures.

These measures are defined in the glossary on page **389**.

★ See glossary on page 389

Remuneration at a glance

Key financial and strategic highlights in 2022

30.5%

ROACE
Up 129% from 2021

$25.8bn

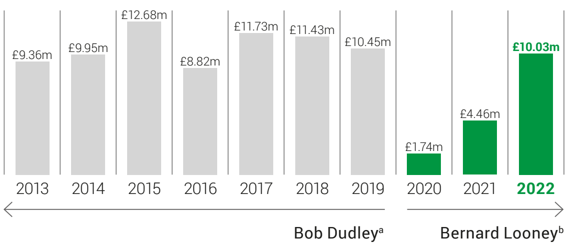
Adjusted free cash flow★
Up 57% from 2021

$21.4bn

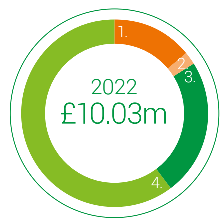
Net debt
Lowest since 3Q 2013

- Record bp-operated upstream plant reliability at 96%.
- 65% increase in the number of EV charge points installed.
- 30mboe/d increase in biogas supply.

CEO – 10-year trend of remuneration



a Previous CEO single figure converted from USD to GBP at the relevant year average exchange rate.
b 2022 is the first full year of remuneration outcomes as an executive director.



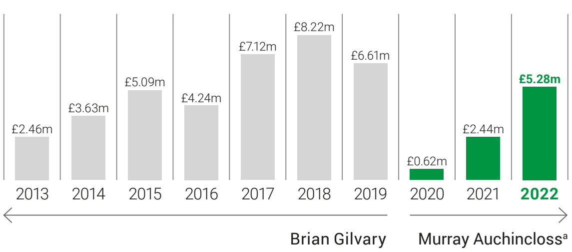
Target: £8.78m
Maximum: £15.91m

16%
Total fixed remuneration

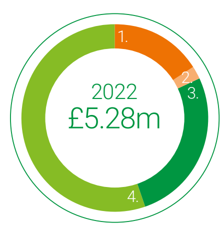
84%
Total variable remuneration

Key
1. Salary and benefits
2. Retirement benefits
3. Annual bonus
4. Performance shares

CFO – 10-year trend of remuneration



a 2022 is the first full year of remuneration outcomes as an executive director.



Target: £4.56m
Maximum: £8.14m

19%
Total fixed remuneration

81%
Total variable remuneration

Key
1. Salary and benefits
2. Retirement benefits
3. Annual bonus
4. Performance shares

Annual bonus

See page **120**

75.5% of maximum
has been awarded to the CEO

78.0% of maximum
has been awarded to the CFO

Performance shares

See page **122**

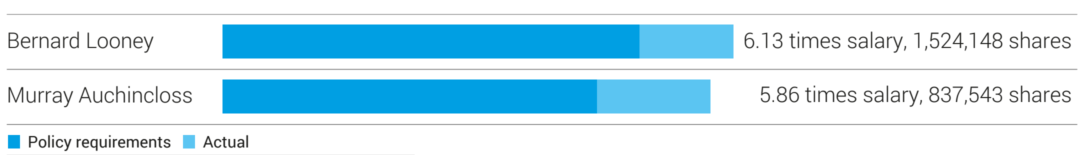
54% of maximum
awarded to CEO and CFO

Application of discretion

These outcomes are post-application of committee discretion and represent final outcomes for the executive directors. For more detail on the discretion applied, see pages 124-125 respectively.

Share ownership

Share ownership is a key means by which the interests of executive directors are aligned with those of shareholders.



Engaging with our wider workforce

A strong committee, in our view, spends the majority of its time ensuring that we have fair pay, that we recognize our employees personally and financially, and that the people and culture programmes we have in place create alignment with our strategy and demonstrate our commitment to wellbeing.

We believe the real story of bp lies with our people, the culture frame we are building, our net zero ambition, our determination to be successful and yet to remain a company where we care for and about one another.

The extraordinary economic environment we are operating in has further accentuated focus on how we recognize, reward and care for employees. We are pleased to see the solutions implemented by bp have driven high employee engagement and are making a real impact, especially on more junior employees and those on the front line at a time when care is paramount. We outline here key highlights of this focus in action.

Supporting the wider workforce in 2022 – key highlights

Fair pay

- First major energy, mobility and convenience employer to be accredited as a Living Wage Employer in the UK.
- bp's global fair wage commitments are being met in each country in which it operates aligned to 2025 fair wage commitments to be published in the sustainability report this year.
- Focus on front-line retail employees during a period of economic hardship:
  - Hourly wage increases in the UK and US aligned to the Living Wage. UK rates increased earlier than recommended by the Living Wage Foundation.
  - One-off payments made to the global retail population (c.20,000 employees) equivalent to one month's salary – paid over the winter period starting in November 2022.
- All employees, excluding the most senior managers, received a one-off payment in December 2022 as part of the 2022-23 pay review, followed by the normal annual review of base pay to be conducted in early 2023.
- Second year of voluntary ethnicity pay gap reporting in the UK alongside enhanced gender pay gap reporting (to be published separately in March 2023)

Recognition

- 1.3 million recognition moments since the launch of 'energize!', bp's internal peer-to-peer recognition programme.
- Introduction of cash spot bonus awards for outstanding team and individual contributions.
- Service awards, with more than 9,000 service anniversaries in 2022.
- Share awards to employees under the 2021 reinvent bp share plan – reaching more than 63,000 colleagues in over 60 countries, making all employees owners in bp.
- Share ownership is a key part of remuneration and bp's share programmes are widely recognized by industry bodies. bp won the 2021 ProShare award for Best International Share Plan and Best Overall Performance in Fostering Employee Share Ownership. The company received the 2022 ProShare award for Most Effective Use of Technology, which celebrated bp's systems, benefiting both the employee experience and administration of plans.
- bp's annual cash bonus plan evolved in 2022 to include a higher focus on individual performance – recognizing the value and impact of individual contributions.

Wellbeing

- Employee engagement scores increased year on year, underpinned by improvements in all four pillars of wellbeing: mental, physical, financial and social.
- Thrive@bp – bp's global wellbeing platform – extended to new countries and businesses. More than 500,000 'healthy habits' have been adopted via the platform.
- Employee assistance programme enhanced with technology, providing access to instant mental health support via a live chat function.
- Financial wellbeing support rolled out across the UK and US, with financial coaching made available to all employees.
- Wellbeing allowance – a fund which allows individuals to select how they wish to spend their money within pre-defined wellbeing categories – introduced in several countries as part of modernizing the reward package.

Workforce engagement

During 2022 the remuneration committee continued its direct engagement sessions with the wider workforce, building on its work in 2021. See page 94 for the board's workforce engagement agenda.

Specifically on remuneration, a session was held with a diverse group of UK front-line retail employees. The majority came from retail backgrounds and without exception commented that bp is one of the best employers they have experienced. They also shared concerns about how some of our technology could be improved to support productivity, the challenges of accommodating new services such as fast charging in the forecourts, and how we could be more flexible in the design of shifts. We noted their pride in bp, bp's commitment to paying a real living wage and the opportunities to advance. The company-wide reinvent bp share plan was a particular highlight. The committee was struck that in this engagement – as in many others – our employees are quick to speak up, honest and constructive.

Wider workforce in 2022

Element	Policy features for the wider workforce	Comparison with executive director remuneration
Salary	Salary is the basis for a competitive total reward package for all employees, and we conduct an annual salary review for all non-unionized employees. In setting pay budgets each year, we assess how employee pay is currently positioned relative to market rates, wage inflation forecasts, and business context related to such things as growth plans, workforce turnover and affordability. For 2023 for the majority of salaried employees, the pay review comprises both a cash lump sum (paid in December 2022) and base salary increase (effective 1 April 2023) – this was in response to exceptional economic conditions being experienced by colleagues across the world. The average pay increase in the UK, effective 1 April 2023, has been set at 5.5%.	The salaries of our executive directors form the basis of their total remuneration, and we review these salaries annually along the same timelines as the wider workforce. We intend to keep increases within the salary review budgets set for our wider workforce, except in specific circumstances. In 2023, the proposed increase for our CEO is 4%, below that of the wider UK workforce, and for our CFO is 5.5%, which is equal to the average increase received by employees in the UK. These are effective after the 2023 annual general meeting (AGM). Senior leaders, including the executive directors, were not eligible for the December 2022 cash lump sum payment that the wider workforce benefited from.
Pensions and benefits	We operate different pension plans by location and for those parts of our business where market practice is markedly different, e.g. our retail business. For our population of non-retail employees in the UK, covering 62% of the UK workforce, we provide a flexible cash benefits allowance of 20% of salary. In the UK, our hourly retail employees, the majority of whom are part-time, are eligible to participate in the National Employment Savings Trust (NEST) where we make contributions and all proceeds are portable with the employee.	Following a review of reward for the UK workforce in 2021, the flexible benefits allowance was increased to 20% of salary (in parallel with the removal of future accruals for members of the UK defined benefit pension plan). Following our principle to align the executive directors' benefits with those provided to the wider workforce, our 2023 policy therefore includes the same benefits allowance of 20% of salary. For 2023, the committee has determined to retain the CEO's pension allowance at 15% of salary. The committee will bring the CEO's allowance into line with that of the wider UK workforce in 2024. For the CFO, this allowance will be adjusted to 20% of salary in 2023 subject to shareholder approval of this policy. Other than the provisions of security and tax preparation related benefits, our executive director benefit packages are broadly aligned with those of other employees in the UK.
Annual bonus	More than half of our global workforce participate in an annual cash bonus plan that multiplies a grade-based target bonus amount by a bp performance factor in the range 0 to 2. In 2022 the bonus plan was enhanced to include a stronger link to individual performance. Select participants may be nominated to receive an uplift to their bonus outcome, reflecting their contribution and impact. We operate different bonus plans for those distinct parts of our business where market practice is markedly different, such as our trading business.	The annual bonus for executive directors is directly linked to the same bp performance measures and bp performance factor as those for the wider workforce. The executive directors are not entitled to a bonus uplift linked to individual performance.
Performance shares	We operate share plans with three-year vesting for all our senior leaders. Opportunity varies across two broad tiers: group leaders (approximately 300) and senior-level leaders (approximately 4,000). Vesting is subject to bp performance outcomes for the group leader population only – aligned to the executive directors. All employees are eligible to receive share awards on an ad hoc basis in exceptional circumstances. bp also operates an award-winning global sharematch programme which is available to over 16,000 employees in 50 countries.	Performance shares for our executive directors have been assessed using the same bp performance scorecard as is used for the group leader performance shares. Executive directors share awards are subject to an additional three-year holding period post vesting. Executive directors are also expected to build a minimum level of shareholding equal to 5x salary for the CEO and 4.5x salary for the CFO. This holding cannot be sold until two years post-retirement.
Recognition	Energize!, our global recognition platform is open to all employees for peer-to-peer recognition. Recognition may be in the form of a 'thank you' or points that can be spent on a catalogue of products. We also operate a spot bonus programme where individuals or teams can be nominated to receive a one-off cash award to recognize their achievements. Senior leaders and our two executive directors fully participate in the programmes (typically by giving recognition). They may receive non-financial recognition only through energize!.	
Wellbeing	All employees have access to mental health support via our employee assistance programme. In addition, Thrive@bp – our global wellbeing platform – is open to all employees and provides access to mental, physical and financial wellbeing support. In a number of countries, employees have access to a personal wellbeing fund – a sum of money that can be spent on wellbeing initiatives. In 2022 this was equal to £1,500 per employee in the UK.	

Executive directors’ pay for 2022

Single figure table – executive directors (audited)

	Bernard Looney CEO thousand 2022	Murray Auchincloss CFO thousand 2022	Bernard Looney CEO thousand 2021	Murray Auchincloss CFO thousand 2021
Salary	£1,372	£782	£1,323	£730
Benefits	£75	£88	£23	£14
Cash in lieu of retirement benefits	£206	£117	£198	£110
Annual bonus[a]	£2,366	£1,404	£2,420	£1,360
Performance shares[b]	£6,008	£2,891	£493	£225
Total remuneration	£10,026	£5,282	£4,457	£2,438
Total fixed remuneration	£1,653	£988	£1,544	£854
Total variable remuneration	£8,373	£4,295	£2,913	£1,584

a Annual bonus is subject to deferral into shares for three years at a rate of 33%, subject to the 2023 policy being approved by shareholders. In the event the policy is not approved, deferral would remain at 50%.

b Share price has been based on the average share price over the fourth quarter of 2022 of £4.73 and includes notional dividends arising prior to 10 March 2023.

Overview of single figure outcomes

Salary and benefits

Bernard Looney’s salary increased by 4.25% from £1,335,750 to £1,392,519 from the 2022 annual general meeting. Murray Auchincloss’s salary increased by 6.6% from £750,000 to £800,000 from the 2022 annual general meeting. Both the executive directors receive car-related benefits, coverage of tax return preparation, security assistance, health and life insurance and medical benefits. Changes in the healthcare benefits provided to the executive directors, as approved by the committee, and in the case of Bernard Looney professional advice provided to him in the course of his duties, are the primary drivers for the increase in the value of taxable benefits compared with 2021.

Cash in lieu of retirement benefits

From their appointments as executive directors in 2020, Bernard and Murray ceased to receive any retirement benefits for their service and were aligned to the 15% cash allowance in lieu of benefit rate which applied to the majority of the wider UK workforce at that time. This is the rate that applied during 2022.

★ See glossary on page 389

2022 annual bonus scorecard and outcome

For 2022, the committee established a bonus scorecard of six measures across three categories: safety and sustainability, operational performance and financial performance. These measures align with our strategy and investor proposition (see pages 125 and 126) and were set out under the terms of our 2020 policy.

Safety and sustainability 0.51 + Operational performance 0.12 + Financial performance 0.92 = Formulaic score 1.55 out of 2.0

Measures		Weighting	Threshold (0)	Target (1)	Maximum (2)	Outcome
Safety and sustainability (30% weight)	Process safety tier 1 and tier 2 events★	15%	>68 events 0	61 events 0.15	49 events 0.3	50 events 0.29
	Sustainable emissions reductions★ (million tonnes)	15%	<6.67 0	6.87 0.15	7.27 0.3	7.065 million tonnes 0.22
Operational performance (20% weight)	bp-operated reliability and availability	10%	94.1% 0	95.2% 0.1	96.3% 0.2	95.1% 0.09
	Margin share from convenience and electrification	10%	27.4% 0	30.6% 0.1	33.0% 0.2	28.5% 0.03
Financial performance (50% weight)	Adjusted free cash flow★	25%	$23.7bn 0	$24.7bn 0.25	$25.7bn 0.5	$25.8bn 0.50
	Cumulative cash cost reductions 2022 vs 2019	25%	$2.7bn 0	$3.0bn 0.25	$3.3bn 0.5	$3.2bn 0.42
Formulaic score						1.55 out of 2.0

Formulaic scorecard outcome
1.55 out of 2.0

Committee discretion for FX rate environment
+1 point

1.56 out of 2.0
for CEO, CFO

Committee judgement for fatalities for CEO
-5 points

1.51 out of 2.0
for CEO

1.56 out of 2.0
for CFO

1.56 out of 2.0
for wider workforce

Committee discretion for fuel sales margin volatility
+6 points

1.62 out of 2.0
for wider workforce

Safety performance, as measured by tier 1 and 2 process safety events, was strong with the mechanical outcome near maximum. The committee's review of safety performance is detailed on page 121 and in the safety and sustainability committee (S&SC) report on page 110.

Sustainable emissions reductions (SER) of 7.065mte cumulative (2022 vs. 2017) was more than target for the third year running and reflective of strong progress against our aim 1 milestones. At the start of the year bp identified opportunities for emission reductions, based on planned activity totalling only 635kt in 2022. However, an SER target of 1.3Mt was set, based on previous year delivery (1.2Mt) presenting a significant stretch for bp. We have continued to embed a net zero mindset and ownership of emissions performance across the operating entities. This approach allowed our sites to review existing activity sets and identify projects with SER potential that were not in existing plans, e.g. Tangguh steam heat recovery project (86kt). Other key contributions across bp's portfolio, included the Gelsenkirchen refinery and chemicals and Rotterdam and Cherry Point refineries switching to low carbon power (662kt) and bpx energy projects including electrification, vapour recovery in Eagle Ford and centralized processing at Grand Slam (351kt).

Reliability and availability is a measure of bp-operated upstream plant reliability and bp-operated refining availability. bp-operated upstream plant reliability strengthened year-on-year to 96.0% (94% in 2021), a historical record. bp-operated refining availability was below the target outcome at 94.5%. It was impacted by an increase in maintenance activity.

Margin share from convenience and electrification was below target with performance heavily influenced by adverse foreign exchange impacts and the volatility of bp's fuel sales margin, driven by the macro-economic environment.

Financial performance, as measured by **adjusted free cash flow** and **cumulative cash cost reductions**, was very strong. bp generated adjusted free cash flow of $25.8 billion, which resulted in the maximum outcome. Our targets are environment-adjusted at year end and the revised target was £24.7 billion. This result also excludes any cash flow from our stake in Rosneft. Cumulative cash cost reductions of $3.2 billion reflected continued discipline in cost management within our financial frame against a target of $3.0 billion.

The formulaic score for the 2022 annual bonus was 1.55 out of 2.00 (77.5% of maximum).

We took input from the audit committee and S&SC to ensure our conclusions were robust and reflected underlying and sustained performance. This included a detailed review of safety performance and how we are trending over time. We also noted the upwards adjustments made to the adjusted free cash flow targets to remove the impact of the external price environment, focusing on underlying performance (avoiding unintended gains or losses).

As part of the committee's holistic review of performance, it was identified that the formulaic outcome for the margin share from convenience and electrification measure was not reflective of underlying performance. Performance was negatively impacted by foreign exchange rate volatility (strengthening of the US dollar) which was not in the executives' control. The committee has therefore adjusted the target to reflect the actual (not plan) foreign exchange rate environment. This resulted in the formulaic score increasing by one point, from 1.55 to 1.56 for all participants. Performance under this measure was also impacted by the volatility of margins from fuel sales in 2022 compared with historical norms over the past five years. The committee determined that, for the wider workforce only, a further discretionary adjustment should be made to reflect the historic norms as intended by the committee at the point targets were set. The result of this adjustment is an increase in the formulaic score by six points, to 1.62 out of 2.00 (81% of maximum) for the wider workforce. The adjustment will not apply to the CEO and CFO.

The formulaic score for safety in the bonus scorecard is an outcome of process safety tier 1 and tier 2 events. In determining the overall bonus score the committee can apply judgement based on other factors such as fatalities and safety culture.

So, while underlying safety performance was strong, as measured by process safety tier 1 and tier 2 events, we tragically lost four colleagues during the year. The committee, alongside the S&SC, considered these events (see 'A focus on safety' below) and resolved to apply a downward adjustment to the annual bonus for the CEO and cascade this through the relevant members of the bp leadership team. The resulting score for the CEO has therefore been reduced from 1.56 to 1.51 (75.5% of maximum).

A focus on safety

We are deeply saddened by the loss of four colleagues in 2022. These losses are devastating for the families and our thoughts are with them. They have a profound impact on our organization and the communities in which we operate. For more detail on these incidents, our response and our safety performance, see page 65.

The remuneration committee seeks input from the S&SC on safety performance each year, both relative to the annual bonus scorecard, and underlying performance beyond the formal measures we link to remuneration.

Alongside the S&SC, we have considered these tragic events and our underlying safety performance to agree the extent to which a discretionary adjustment should be applied to incentive outcomes. To be clear, there is no value that we would associate with a loss of human life and therefore we do not operate a formulaic policy in such situations.

The committee takes the view – shared by bp's leadership – that at bp safety comes first and thus avoiding workplace safety incidents must be the top priority. As such, the committee has applied downward discretion on the outcome for the CEO and relevant members of management for the associated business units. The resulting score for the CEO has therefore been reduced from 1.56 to 1.51.

The committee also reviews underlying safety performance as part of its holistic review of incentive outcomes. Safety performance in 2022 was strong, relative to the metrics we set at the start of the year – tier 1 and 2 process safety events. We recorded 50 events this year, a record low (2021 62). However, within this metric tier 1 events – the most serious – increased from 16 in 2021 to 17 in 2022. Two of the four fatalities impacted the number of tier 1 events. The committee determined that a further reduction for the same incidents was not appropriate beyond that already described above.

To improve the focus on process safety tier 1 events, the committee, with input from the S&SC, has decided to modify how we measure safety for the 2023 annual bonus scorecard so that both tier 1 and tier 2 events are measured independently, rather than as a combined metric. The greater focus on tier 1 delivery aligns with our goal to eliminate tier 1 events.

2020-22 performance share plan scorecard and outcome

2020-22 performance share awards were the first granted to the CEO and CFO under the executive director incentive plan (EDIP). The EDIP runs on a three-year cycle, and therefore this is the first EDIP vesting since their appointment as executive directors.

The scorecard for the 2020-22 cycle – the first under the 2020 policy – consists of relative total shareholder return (rTSR) (40% weighting), return on average capital employed (ROACE)★ (30% weighting) and strategic progress (30% weighting).

2020-22 performance share plan scorecard (audited)

These measures were set under the terms of our 2020 policy.

Relative total shareholder return		Return on average capital employed		Strategic progress		Formulaic vesting
0.0%	+	30.0%	+	30.0%	=	60.0%

Measures		Weighting at maximum	Threshold performance	Maximum performance	Outcome
Financial (70% weighting)	Relative total shareholder return	40.0%	Fourth	First	Sixth 0.0%
	Return on average capital employed (2020-22 average)	30.0%	10.0%	13.0%	13.4% 30.0%
				Outcome	**30%**
Strategic progress (30% weighting)	Deliver value through resilient hydrocarbon business	10.0%	Qualitative and quantitative assessment by the committee, see page 123.		10.0%
	Accelerate growth in convenience and mobility	10.0%			10.0%
	Demonstrate track record, scale and value in low carbon energy	10.0%			10.0%
				Outcome	**30.0%**
Formulaic vesting					**60.0%**

Formulaic vesting	Committee judgement	Final vesting after committee judgement for the CEO and CFO
60.0% (applied to wider workforce)	**Committee judgement:** discretionary adjustment to account for low share price at grant (see page 124 – 'windfall gains')	54.0%

Financial

Performance for rTSR was disappointing (sixth place out of eight peers), yielding nil vesting. Performance for ROACE, at 13.4% over the period, was strong and resulted in maximum vesting of this measure. The ROACE outcome aligns to our 2025 strategic objectives and reflects a recovery and subsequent sustained year-on-year growth in returns across the three-year performance period (2020 -3.8%, 2021 13.3%, 2022 30.5%).

Strategic progress

Strategic progress is determined using a balance of quantitative assessment and qualitative judgement against bp's three strategic pillars; to deliver value through a resilient hydrocarbon business; to demonstrate track record, scale and value in low carbon energy, and; to accelerate growth in convenience and mobility. Following our review of achievements and progress towards bp's 2025 targets, the committee determined that bp's strategic progress over the 2020-22 period was fully on track. We therefore determined that maximum vesting under this measure of the 2020-22 scorecard is justified. The paragraphs below describe the qualitative and quantitative factors that led us to our determination.

Deliver value through a resilient hydrocarbon business

Measure	2020	2021	2022	2025 targets
Upstream unit production costs ($/boe)	6.39	6.82	6.07	~6
bp-operated upstream plant reliability (%)	94.0	94.0	96.0	96
bp-operated refining availability★ (%)	96.0	94.8	94.5	~96

Upstream production costs per barrel have now fallen from $6.8/boe (2019) to $6.1/boe over this cycle, placing bp well-ahead of the $6/boe target by 2025. Also, upstream plant reliability reached 96% in 2022 – a record outcome that already meets the 2025 target. While ahead on these two indicators, refining availability is lower in the period, with the 2022 result of 94.5% reflecting an increase in maintenance activity. Business improvement plans remain in place to meet the target of around 96% by 2025.

bp continues to high-grade its portfolio, converting and consolidating the existing asset base. Great progress was made in 2022 with the Azule Energy JV in Angola, Iraq IJV, Sunrise divestment, Algeria and Toledo divestments announced. There are opportunities for refinery conversion or consolidation with five major projects announced, including the conversion of Kwinana to an Energy Hub. bp signed 30-year production-sharing contracts with the Indonesian government, paving the way for exploration activities in the Agung I and II offshore gas blocks and the Gulf of Mexico Herschel expansion project started up ahead of schedule and with no safety incidents. Overall, we find bp's hydrocarbon business has delivered significant value over the cycle, particularly in 2022, and is well-positioned to meet the targets set for 2025.

Demonstrate track record, scale and value in low carbon energy

Measure	2020	2021	2022	2025 targets
Developed renewables to final investment decision (GW)★	3.3	4.4	5.8	20
Biofuels production (kb/d)	30	26	27	50
LNG portfolio (Mtpa)	20	18	19	25

bp has made strong progress over the first three years in the strategic pillar of low carbon energy focusing on hydrogen and renewables & power transition growth engines. In renewables and power bp has more than doubled since the end of 2019 renewables to FID and delivered a pipeline of renewable projects of 37GW bp net by the end of 2022. bp's share in LSbp has grown from 8GW in 2020 to 14GW in 2022 with LSbp expanding its presence to 19 countries. bp has established presence in UK and US offshore wind with 5GW pipeline, added 10GW renewable projects pipeline in support of hydrogen export hubs and acquired 7GW US solar projects pipeline. In hydrogen bp is in action building regional hubs in the UK, US and Europe and global export hubs in advantaged geographies like MENA and Asia Pacific. bp pipeline of hydrogen projects in concept development reached 1.8Mtpa bp net by end 2022.

Bioenergy, one of five strategic transition growth engines that bp intends to grow rapidly through this decade, is progressing well, especially with the recent acquisition of Archaea Energy, which is a leading US provider of renewable natural gas (RNG), building out our existing biogas business and helping us expand into the fast-growing US biogas market. Two new bioenergy measures were introduced in 2021; biofuels production and biogas supply. Against 2025 targets bp is on track with strong progress in 2022.

In LNG, bp began lifting cargoes from Mozambique under a long-term agreement to purchase 100% of output from the Coral Sul facility which has capacity to produce 3.4 million tonnes of LNG per year. bp's LNG portfolio★ is strong, with significant commitments in place for future projects, lending confidence that the company is on track to deliver 25Mtpa by 2025.

Accelerate growth in convenience and mobility

Measure	2020	2021	2022	2025 targets
Electric vehicle charge points	10,100	13,100	~22,000	>40,000
Strategic convenience sites★	1,900	2,150	2,400	~3,000
Margin share from convenience and electrification (%)	27.6	29.1	28.5	~35

In convenience and mobility bp continues to make strong strategic progress. A new global convenience partnership was signed with Uber and bp are aiming to make around 3,000 retail locations available on Uber Eats by 2025. A new supply contract and brand partnership was signed with Julius Stiglechner GmbH, in Austria, establishing the bp brand in nearly 160 stores. In Air bp a strategic collaboration agreement was signed with DHL Express to supply sustainable aviation fuel (SAF) until 2026, and a SAF supply contract with Rolls-Royce in the UK and Germany.

In March 2022, bp announced plans to invest up to £1 billion over the next 10 years to support the roll-out of fast, convenient charging infrastructure across the UK and to nearly triple our number of UK public charge points. Further progress has been evidenced by a new exclusive agreement in the UK with M&S to install fast charge points in around 70 of their stores; expansion of the strategic partnership with REWE in Germany to include the installation of fast[a] charge points at up to 180 of their sites; and building momentum in fleet business with plans to establish a bp pulse Gigahub network – a series of large, EV fast charging hubs designed to serve ride-hail and taxi fleets, near US airports and high-demand locations and we're collaborating with Hertz in the US, with plans to install and manage a national network of EV charging solutions, powered by bp pulse. Amply Power, acquired in 2021 (now rebranded as bp pulse), is working towards installing charging infrastructure at 25 Hertz rental locations in several states across the US.

The 2022 result on margin share from convenience and electrification has been impacted by fuels sales margin volatility and foreign exchange impacts, even though underlying progress in convenience and electrification has been strong. Looking forward, bp will simplify this measure to track growth in convenience and electrification gross margin.

a 'Fast' charging comprises rapid charging ≥50kW and ultra-fast charging ≥150kW.

★ See glossary on page 389

Other vesting considerations

Along with the results from the scorecard measures, the committee considers an 'underpin' to the formulaic outcome in order to determine the final vesting percentage. The underpin broadens our performance assessment, allowing us to consider vesting outcomes with overall alignment to absolute shareholder returns, environmental and safety factors and progress in low carbon and climate change matters. Where relevant, we take input from the safety and sustainability committee and the audit committee to deepen and enhance our perspective.

Beyond the discretion applied to account for the low grant price in 2020, the committee concluded that there was no reason to apply a further discretionary adjustment and therefore the plan should vest at 54% of maximum. This yields the outcomes shown in the table below.

2020-22 performance share plan outcome (audited)

	Shares awarded	Unvested shares following application of performance factor	Value of unvested shares following application of performance factor	Impact of share price change[a]
Bernard Looney	2,076,677	1,270,087	£6,007,512	£2,032,139
Murray Auchincloss	999,201	611,107	£2,890,536	£977,771

a These values reflect the impact of the increase in share price since grant related to the number of shares which are no longer subject to performance conditions, including dividend equivalents. The value of unvested shares not subject to performance conditions reflects the share price changes all shareholders have experienced over the three-year period. For this 2020-22 award cycle, the original grant was calculated based on ordinary share price of £3.13, while the average share price in 4Q 2022 was £4.73. Consequently, the share price gain has increased the initial face value of these awards by approximately 51%.

Application of committee discretion on 2020-22 performance share outcomes

Context of decisions made in 2020

The 2020-22 performance share award was granted at a share price of £3.13 in August 2020. This grant price represented a material reduction (-41%) from the prior year's grant price of £5.33. Consequently, the CEO received a grant of ~2,000,000 shares in August 2020 (grant price of £3.13) compared with a grant of ~1,200,000 shares he would have received in 2019 at a grant price of £5.33 – both awards equated to the same relative value at grant (5x salary), as defined by the 2020 policy. The committee's decision at the point of grant was to defer consideration of this impact until the point of vesting.

The context of this decision is important – firstly, in February 2020, Bernard announced a significant change in strategic direction of the company followed by a major restructuring including a material reduction in our workforce. Secondly, as these changes were being absorbed, the world was confronted with the onset of the COVID-19 pandemic and the resulting impact on stock markets. Finally, in line with our 2020 policy, we were to price and award our 2020 grant based on the 90-day average share price prior to the date of the AGM in May – a policy change driven by shareholder guidance that our earlier methodology of adopting the average Q4 share price of the year prior and awarding shares in March, required a change. In May 2020, given continuing volatility of stock markets the committee determined to delay the grant by a further three months to August to allow for the share price to stabilize. In August 2020 the committee noted that while prices were at historic lows, there was no line of sight to return to the pre-2020 pricing levels. As evidence of the volatile conditions, the share price dipped even further to its lowest level of the period to £1.92 in October 2020.

For the two executive directors, the 2020 EDIP grant was the first grant they would receive as newly appointed executive directors. At this point they were facing the unprecedented challenge of running the company with a new purpose and strategy while managing great economic uncertainty driven by a pandemic with no end in sight. We conferred with shareholders at the time and the majority were sympathetic to our dilemma and reluctance to reduce the grant size. However, in the circumstance, we agreed that we would determine a fair and appropriate outcome three years hence and potentially use discretion as to how many shares would ultimately vest.

Assessment of the 'gain' by executives

The 2020 grant used a price of £3.13 as the basis for determining the number of shares awarded. This could be compared with a range of prices to determine the theoretical 'gain' between the award price and the share price at vesting. bp's share price over the previous five years ranged from £3.10 to £5.98 resulting in quite different conclusions on the amount of any 'gain'. In the event, the committee determined to select the 2019-21 EDIP grant price of £5.33, this being the highest price over the period since the 2019 award was made from which to assess the extent of any 'gain'.

Applying this price, the 'gain' received by the CEO between the two awards was calculated as ~800,000 shares (~2,000,000 awarded in 2020 at a price of £3.13 vs. ~1,200,000 that would have been awarded under the 2019 grant price of £5.33). This formed the basis of the committee's determination for a discretionary downwards adjustment.

The committee's perspective

In considering a fair and appropriate adjustment the committee debated a number of factors including: our overarching policy and principles, the history of bp's share price movement before and after 2020, our relative share price performance vs our peers and other reward outcomes of 2020, as outlined below.

Consistent application of policy and principles

Our consistent approach over many years has been to accept volatility as a natural aspect of share awards – we have neither adjusted up, or down, vesting outcomes based on share price volatility.

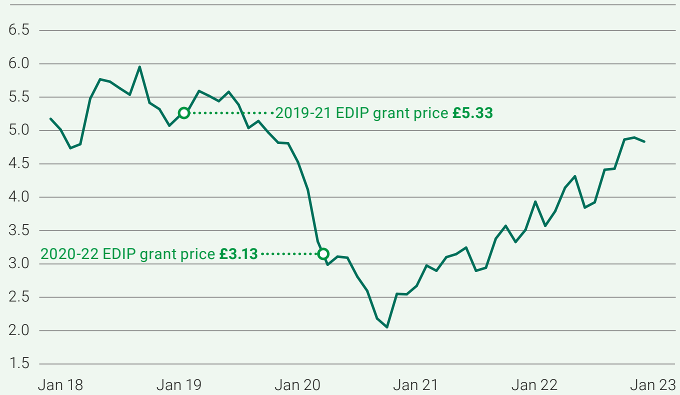
Share price history

The fall, and subsequent recovery of the share price was not immediate and was driven by many converging factors; demand recovery, excellent pandemic and post-pandemic leadership, and a greater belief of the market in bp's strategy.

In particular, the share price remained at or below £3.13 (the price used to determine the grant) until September 2021 and was within 10% of the grant price until the end of December 2021, demonstrating that the price used to determine the grant was not a short term low point.

Additionally, the average share price over the three financial years 2020-22 was £3.48.

Share price ORD £[a]



a Grant prices are calculated as a share price average over a defined period. Positioning on the chart is illustrative.

Relative performance

The committee is mindful that bp experienced a slower recovery than many of our peers. This is measured in the performance share plan scorecard using relative total shareholder return (rTSR). Under the 2020-22 cycle this returned a nil vesting outcome. The committee is comfortable therefore that the poor relative performance has been tested and reflected appropriately in the outcome.

Other reward outcomes for CEO and workforce in 2020

- No bonus was paid for 2020 –worth ~£1.5 million at target.
- Performance shares granted in 2018 and vesting in 2020 experienced a 'windfall loss' of -46%.
- All employees received shares/options in 2021 under the bp reinvent plan – the CEO and CFO were excluded.

Finally, we are strongly of the view that executives should be aligned to the shareholder experience and that fluctuations in the share price are a function of share plan mechanics. The release of the 2020 award, and therefore the true value delivered to executives, will not occur until six years post-grant (a three-year performance period plus a three-year holding period) i.e. Q1 2026 at the earliest. This is further extended by the committee's expectation that executives will not sell shares until two years post-retirement (the point at which our minimum shareholding requirement policy ends).

The committee's decision

Ultimately, application of discretion in this type of scenario is complex. The committee has sought feedback during our engagement with shareholders and representatives of the primary proxy voting agencies. Our conclusion is that an adjustment to the vesting outcome is appropriate but must be fair, taking into account all of the above factors.

The formulaic performance-based vesting for the 2020-22 award is 60%. The 40% lost on account of performance is due to the rTSR measure. Given all of the considerations listed above, we propose a 25% reduction of the 'gain' of ~800,000 shares received by the CEO in 2020. This translates to 200,000 shares, which is 10% of the initial grant of 2,000,000 shares.

Applying this 10% adjustment to the vesting outcome of 60% for the 2020-22 award results in a final vesting of 54% of maximum or a reduction of -£667,497 for the CEO.

We view this adjustment as discretionary in the extreme. While we believe the above factors are relevant, we do not intend that this reduction calculation should become embedded in policy. We will continue to use our discretion as we address the unique circumstances that surround share price variations that have been pervasive since March 2020.

The committee has also determined that no deduction will be applied to shares granted to the wider workforce.

Alignment with our strategy and investor proposition

bp's strategy has been, and remains, the primary driver of our remuneration policy. Each year the committee aims to set a remuneration structure for the executive directors that supports and incentivizes progress against our strategy. In a policy review year this becomes ever more important as it allows the committee a reflection point to assess whether the remuneration structures we have in place are fit-for-purpose, provide the flexibility needed for a transitioning company, and create the right alignment with the strategy and shareholder experience.

As discussed in detail throughout the strategic report (see page 4), we are leaning further into our strategy, investing in our transition and to accelerate the energy transition. bp is also investing more into today's oil and gas system. In light of this evolution, the committee believes the fundamental structure of remuneration for our senior leaders is appropriate – we are not proposing material changes to the 2020 policy because it provides the platform to meet our needs across three areas:

- Creates alignment of strategy, performance and shareholder experience with reward outcomes.
- Allows flexibility for the committee to apply judgement and discretion through the energy transition and in volatile economic conditions.
- Provides a robust framework with which to track and measure performance and strategic progress.

The implementation of our policy is where the committee's focus has been, to ensure alignment of strategy, performance and the shareholder experience. Aligning pay outcomes with results delivered for shareholders is among the most important tasks that the committee undertakes. Our commitment remains to oversee this alignment with care, and to explain the basis for the judgements we make.

Alignment of strategy and remuneration

Each year the committee will agree the performance framework for senior leadership, as set out in the performance scorecards under the annual bonus and performance share plan (see page 130 for 2023 scorecards). This involves a combination of performance measures, a frame for judgement to be applied through formal underpins, and the flexibility to make discretionary adjustments where the need arises.

Directors' remuneration report continued

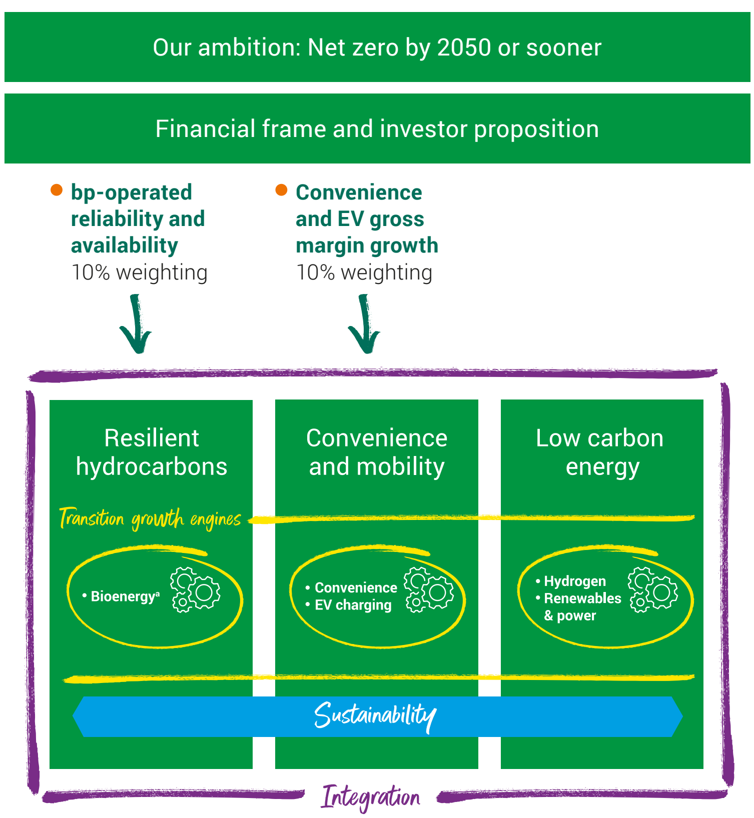
The committee has adopted a combination of performance lenses to ensure alignment to our strategy:

- **Safety and sustainability** – to support our fundamental goal of no harm to our people and driving our net zero ambition. Safety and sustainability is a key thread that runs through all of our incentive arrangements either by formal measure or underpin.
- **Operational** – a focus on operational delivery and returns that underpins sustainable financial success, which is critically important as we progress through the transition to an integrated energy company.
- **Financial** – a headline performance indicator and a key measure of success by our shareholders. Commercial delivery within our financial frame will remain of primary importance.
- **Strategic** – perhaps the most important aspect for strategic alignment, we have built into our remuneration structure a performance lens which focuses on ongoing multi-year progress against the three pillars of our strategy, beyond the headline measures of financial and operational performance.

For our senior leaders, remuneration measures under each of the categories balance delivery against our financial frame, investor proposition, and with our core value of safety. Our measures and weightings across annual bonus and performance share plans have evolved over time to balance a clear direction across performance cycles with the evolving nature of the transition.

Alignment of 2023 variable remuneration with strategy

- **Adjusted free cash flow★** 25% weighting
- **Earnings (adjusted EBITDA)** 25% weighting



- **bp-operated reliability and availability** 10% weighting
- **Convenience and EV gross margin growth** 10% weighting

- **Aim 1:** Net zero across our entire operations by 2050 15% weighting
- **ROACE** 20% weighting
- **EBIDA per share CAGR★ (adjusted)** 20% weighting
- **Relative total shareholder return (rTSR)** 20% weighting

Key

- **Annual cash bonus performance measure** Applies to the entire workforce that participates in the annual cash bonus plan
- **Performance share plan performance measure** Applies to executive directors and senior leaders only

- **Tier 1 & 2 process safety events★** 15% weighting
- **Sustainable emissions reductions★** 15% weighting

a Bioenergy includes customer-facing and midstream biofuels activities that form part of convenience and mobility.

Deliver value through a **resilient hydrocarbon** business

Accelerate growth in **convenience and mobility**

Demonstrate track record, scale and value in **low carbon electricity and energy**

- **Strategic progress** 25% weighting

History of chief executive officer remuneration

Year	Chief executive officer	Total remuneration thousand[a]	Annual bonus % of maximum	Performance shares % of maximum
2013	Bob Dudley	$15,086	88.0	45.5
2014	Bob Dudley	$16,390	73.3	63.8
2015	Bob Dudley	$19,376	100.0	74.3
2016	Bob Dudley	$11,904	61.0	40.0
2017	Bob Dudley	$15,108	71.5	70.0
2018	Bob Dudley	$15,253	40.5	80.0
2019	Bob Dudley	$13,234	67.5	71.2
2020[a]	Bob Dudley	$188	0	32.5
	Bernard Looney	£1,735	0	32.5
2021	Bernard Looney	£4,457	80.5	30
2022[b]	Bernard Looney	£10,026	75.5	54

a 2020 figures show remuneration for the periods of qualifying service as CEO during 2020.
b Share price has been based on the average share price over Q4 of the 2022 FY of £4.73.

Chief executive officer to employee pay ratio

Year	Method	25th percentile: **pay ratio**, total pay and benefits, (salary)	50th percentile: **pay ratio**, total pay and benefits, (salary)	75th percentile: **pay ratio**, total pay and benefits, (salary)
2019[a]	Option A	**543:1** £19,108 (£18,845)	**188:1** £55,071 (£38,800)	**82:1** £126,085 (£74,200)
2020[a]	Option A	**99:1** £18,984 (£18,984)	**40:1** £46,933 (£29,040)	**19:1** £98,546 (£80,475)
2021	Option A	**208:1** £21,450 (£21,450)	**87:1** £50,959 (£35,000)	**35:1** £126,334 (£77,475)
2022[b]	**Option A**	**421:1** **£23,810** **(£23,787)**	**172:1** **£58,440** **(£50,712)**	**69:1** **£146,357** **(£78,775)**

a Bob Dudley's pay has been converted from US dollars as per the ratios reported in the 2019 and 2020 annual reports.
b Share price for the CEO share plan vesting has been based on the average share price over the fourth quarter of 2022 of £4.73.

This is our fourth year reporting the CEO pay ratio following the requirements introduced in 2018. As per the past three years, we have selected Option A as our reporting basis, being the most accurate approach available, and we confirm that no broadly applicable components of pay have been omitted. Where necessary, full-time equivalent pay has been calculated by simple engrossment of part-year values. Employee values relate to pay and benefits for the year ended 31 December 2022.

Changes in pay ratio over time reflect the fact that CEO remuneration is more heavily weighted to variable pay, resulting in larger year-on-year swings than wider workforce pay. This is evidenced by the variability of the CEO pay ratio over the past four years. This volatility in the pay ratio reporting from year to year is expected, and illustrates one of the challenges in commenting on whether pay differentials are appropriate. In 2022 the 50th percentile pay ratio increased from 87:1 to 172:1. This was driven by higher variable pay outcomes for the CEO. Notably this was the first year in which the executive director incentive plan (EDIP) vested for the CEO, being three years since the first grant was made in 2020. It is the view of the committee that the remuneration frameworks we have in place for the executive directors and the wider workforce are fit-for-purpose and deliver pay outcomes appropriate to the circumstance of the year, with differentials that reflect the relative contributions made at different levels in our organization.

The committee is satisfied that the median pay ratio reported this year is consistent with bp's pay policies for employees and does not constitute a reason to modify our pay programmes.

★ See glossary on page 389

Percentage change comparisons: Directors' remuneration versus employees

In the table below, values in column 'a' represent the percentage change in salary and fees; values in column 'b' represent the percentage change in taxable benefits; and values in column 'c' represent the percentage change in bonus outcomes for performance periods in respect of each financial year.

For the purposes of comparison, the employee percentages shown below represent the relative change between the median full-time equivalent pay for every employee employed at bp plc at any point during the relevant financial year, and the equivalent median value for the preceding financial year.

	2022 v 2021			2021 v 2020			2020 v 2019		
Percentage change for:	a	b	c	a	b	c	a	b	c
Employees	2%	1%	45%	7%	-9%	100%[a]	0%	0%	-100%
Bernard Looney	4%	233%	-2%	2%	-29%	100%	–	–	–
Murray Auchincloss	7%	530%	3%	5%	5%	100%	–	–	–
Amanda Blanc	–	–	n/a	–	–	n/a	–	–	n/a
Pamela Daley	7%	43%	n/a	4%	1385%	n/a	-15%	-92%	n/a
Helge Lund (chair)	0%	97%	n/a	0%	-24%	n/a	0%	-74%	n/a
Melody Meyer	13%	139%	n/a	-4%	283%	n/a	9%	-77%	n/a
Tushar Morzaria	25%	0%	n/a	5%	0%	n/a	–	–	n/a
Paula Rosput Reynolds	16%	145%	n/a	6%	228%	n/a	2%	-92%	n/a
Karen Richardson	30%	96%	n/a	–	–	n/a	–	–	–
Sir John Sawers	17%	1%	n/a	0%	1588%	n/a	0%	-83%	n/a
Johannes Teyssen	21%	65%	n/a	–	–	n/a	–	–	–

a The resumption of bonus for 2021 is, mathematically, an infinite increase relative to the nil bonus for 2020; we have shown the increase as 100% for illustration.

Tushar Morzaria, Bernard Looney and Murray Auchincloss were appointed to the board part-way through 2020 and therefore, other than for one-time items, their 2020 pay has been annualized for comparison. Taxable benefit changes for non-executive directors in 2021 compared to 2020 principally arise as a result of the cessation of and resumption of travel.

Karen Richardson and Johannes Teyssen were appointed to the board in 2021 and therefore no comparison to 2020 or 2019 is available.

Amanda Blanc was appointed to the board in 2022 and therefore no comparison to 2021, 2020 or 2019 is available.

Policy implementation for 2023

The table below shows how the proposed remuneration policy, to be approved by shareholders at the 2023 annual general meeting, will be implemented in 2023, alongside a summary of key features.

Element	Policy feature	2023 implementation
Salary	To provide fixed remuneration to reflect the scale and complexity of both the business and the role, and to be competitive with the external market. When setting salaries, the committee considers practice in other oil and gas majors as well as European and US companies of a similar size, geographic spread and business dynamic to bp. Percentage increases for executive directors will not exceed that for the wider workforce, other than in specific circumstances identified by the committee (e.g. in response to a substantial change in responsibilities).	• Bernard Looney's salary will increase by 4% to £1,448,220 following the 2023 AGM. • Murray Auchincloss's salary will increase by 5.5% to £844,000 following the 2023 AGM. This increase reflects the value and impact of Murray's contributions during the year and his development in the CFO role. • This compares to an average increase of 5.5% to our UK salaried staff effective from 1 April, our annual salary review date.
Pensions and benefits	Executive directors normally participate in the company retirement plans that operate in their home country. New appointees from within the bp group retain previously accrued benefits related to service prior to appointment as executive director. For their service as a director, retirement benefits will be up to 20% of base salary. For future appointments, the committee will carefully review any retirement benefits to be granted to a new director, taking account of retirement policies across the wider group and any arrangements currently in place.	• Bernard and Murray are deferred members of final salary pension plans related to their service prior to appointment as executive directors, but now receive a cash allowance in lieu of retirement benefits. • The committee has determined to retain Bernard's pension allowance at 15% salary for 2023. He accrues no further value under his deferred pension. • Murray's cash allowance will be changed to 20% subject to shareholder approval of the 2023 remuneration policy and he accrues no further value under his US deferred pension. • Benefits will remain unchanged for 2023 and include car-related provisions, security assistance, insurance and medical cover.

Element	Policy feature	2023 implementation
Annual bonus	Bonus is measured against an annual scorecard. The committee holds discretion to choose the specific measures and the relative weightings adopted in the annual scorecard, to reflect the annual plan as agreed with the board. Numeric scales are set for each measure, to score outcomes relative to targets. A scorecard outcome of 1.0 reflects the target outcome, and half of the maximum outcome. Target bonus is 112.5% of salary, and maximum bonus is 225% of salary. Half the bonus is paid in cash, and half is deferred into bp shares for three years up until 'minimum shareholding requirement' is met. At this point, 67% is paid in cash and 33% is paid in bp shares. Dividends (or equivalents, including the value of any reinvestment) may accrue in respect of any deferred shares. Awards are subject to operationally robust and effective malus and clawback provisions as described below.	• For our 2023 bonus, our scorecard categories will remain unchanged from 2022 with safety and sustainability (30%), operations (20%), and financials (50%). • We propose to make two changes to performance measures in 2023: – Introduce a profit measure (adjusted EBITDA) under the financials category, in place of cumulative cash cost reductions to reflect our strategic progress on costs and forward-looking focus on earnings. – Modify the process safety measure to track tier 1 and tier 2 process safety events★ separately in order to increase focus on the most serious tier 1 events. • See measures for 2023 annual bonus on page 130 for more detail. • The 2023 policy, if approved by shareholders, will apply to 2022 bonus outcomes.
Performance shares	Performance shares are granted with a three-year performance period, measured against a scorecard. The committee holds discretion to choose the specific measures and the relative weightings adopted in the scorecard, to ensure they are focused on the near-term priorities for delivering the bp strategy in the interests of shareholders. Annual grants are 500% of salary for the CEO, and 450% of salary for any other executive director. Awards will vest in proportion to the outcomes measured through the performance scorecard, subject to any adjustment by the committee.	• For our 2023-25 cycle, we propose the introduction of one new measure, to incentivize progress towards our aim 1 net zero ambition with a weight of 15%. Consequently, we have reduced the weighting of strategic progress from 40% to 25%. We will retain rTSR (20%), ROACE (20%), and adjusted EBIDA per share CAGR★ (20%). See measures for 2023-25 performance shares (EDIP) on page 130 for more detail. • The 2023-25 awards will be granted based on the average closing share price of each trading day in the 90-day period ending on the date of bp's 2023 annual general meeting. • Awards are subject to operationally robust and effective malus and clawback provisions as described below.
Shareholding requirement	CEO to build a shareholding of at least five times salary, and other executive directors four and a half times salary, within five years of appointment. Executive directors are required to maintain that level for at least two years post employment.	• Bernard's shareholding has reached 6.13 times salary, above his minimum shareholding requirement. • Murray's shareholding has reached 5.86 times salary, above his minimum shareholding requirement.
Malus and clawback	Operationally robust and effective malus provisions may apply where there is: a material safety or environmental failure; an incorrect award outcome due to miscalculation or incorrect information; a restatement due to financial reporting failure or misstatement of audited results; material misconduct; or other exceptional circumstances that the committee considers similar in nature. Operationally robust and effective clawback provisions may apply where there is: an incorrect outcome due to miscalculation or incorrect information; a restatement due to financial reporting failure or misstatement of audited results; or material misconduct.	
Committee flexibility	The committee has discretion to adjust performance measures and weightings, and to revise the peer group for the rTSR measure. This discretion allows appropriate re-alignment, throughout the policy term, for changes in the annual plan and for the anticipated evolution of the low carbon business environment. The committee also holds discretion in determining the outcomes for annual bonus and performance shares, allowing them to take broad views on alignment with shareholder experience, environmental, societal and other relevant considerations e.g. portfolio changes.	

★ See glossary on page 389

Measures for 2023 annual bonus

Below is a summary of the measures we have chosen for the 2023 annual bonus plan scorecard. We are introducing a new profit measure (EBITDA) under financials in place of cumulative cash cost reduction. This reflects strategic progress already achieved on costs and sets a forward looking focus on the group's earnings. The targets for the 2023 annual bonus are commercially sensitive and will be disclosed in the 2023 report.

Safety and sustainability

30%

Measures include	Weighting
Tier 1 and tier 2 process safety events★ (measured separately)	15%
Sustainable emissions reductions★ (million tonnes)	15%

Operational

20%

Measures include	Weighting
bp-operated reliability and availability	10%
Convenience & EV gross margin % growth (v. 2022)	10%

Financial

50%

Measures include	Weighting
Adjusted free cash flow★ ($bn)	25%
Earnings (adjusted EBITDA)	25%

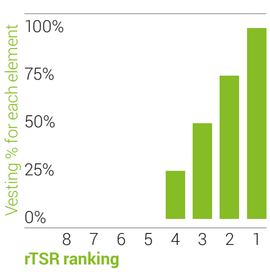
Measures for 2023-25 performance shares (EDIP)

Below is a summary of the measures we have chosen for the 2023–25 performance share plan. We are introducing a new emissions target by way of a net zero measure. Weighted at 15%, it forms a significant and meaningful percentage of the EDIP. Targets are objective and quantified. It is also in alignment with our already disclosed long-term strategic ambitions around net zero – as set out in aim 1.

Relative total shareholder return (rTSR) vs eight peers[a]

20%

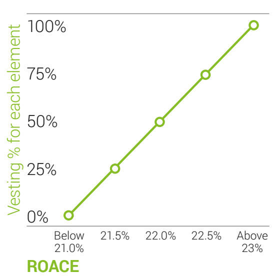
Peer group of eight companies: Chevron, Eni, Equinor, ExxonMobil, Repsol, Shell, TotalEnergies (and bp)



Financials

20%

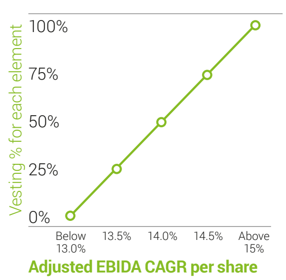
ROACE (average 2023-25)[b]



Growth

20%

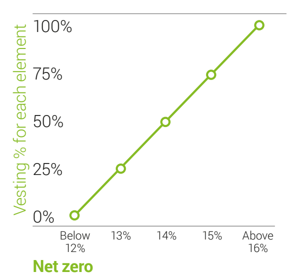
Adjusted EBIDA per share CAGR★[c]



Environmental, social and governance

15%

Net zero across entire bp operations by 2050 (scope 1 + 2)



Strategic progress

25%

Weighting of measures subject to remuneration committee judgement

- Deliver value through a resilient hydrocarbon business (8.3%).
- Demonstrate track record, scale and value in low carbon energy (8.3%).
- Accelerate growth in convenience and mobility (8.3%).

See page 20 for key performance indicators related to the strategic progress measures.

- Underpin will take into account safety outcomes prior to determining final vesting percentage.
- Remuneration committee discretion will reflect shareholder experience, environment, societal and other inputs.
- Robust malus and clawback may apply in certain circumstances.

a Nil vesting for fifth place or lower.
b Based on the average over 2023, 2024 and 2025. Score to be based on straight-line interpolation between threshold and maximum. Adjustments may be required in certain circumstances. The external environment to be a considered judgement in the final outcome.
c Targets will be adjusted for mergers, acquisitions and disposals outside of plan. The committee may consider share buyback activity before making a final judgement.

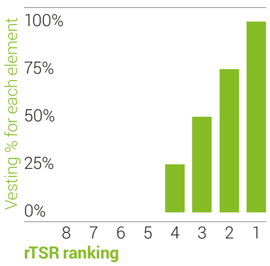
Last year, having reflected on the counsel received from shareholders, our disclosure for the long-term incentive targets were improved for our in-flight awards. In the interest of completeness, we have again included the disclosure for our in-flight awards, made under the 2020 policy.

Measures for 2021-23 performance shares

Relative total shareholder return (rTSR) vs eight peers

20%

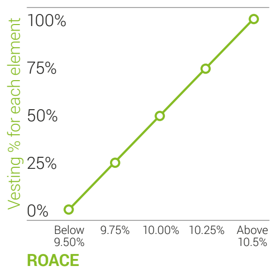
Peer group of eight companies: Chevron, Eni, Equinor, ExxonMobil, Repsol, Shell, TotalEnergies (and bp)



Financials

20%

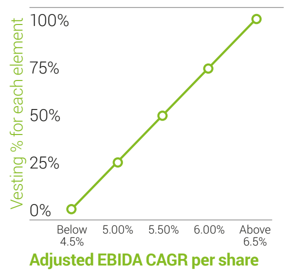
ROACE (average 2021-23)



Growth

20%

Adjusted EBIDA per share CAGR



Strategic progress

40%

Weighting of measures subject to remuneration committee judgement:

- Deliver value through a resilient hydrocarbon business (13.3%).
- Demonstrate track record, scale and value in low carbon energy (13.3%).
- Accelerate growth in convenience and mobility (13.3%).

See page 20 for key performance indicators related to the strategic progress measures.

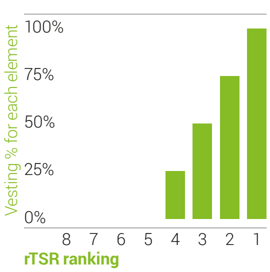
- Underpin will take into account safety outcomes prior to determining final vesting percentage.
- Remuneration committee discretion will reflect shareholder experience, environment, societal and other inputs (including bringing into account potential impacts arising from bp's announced intention to exit its shareholding in Rosneft).
- Robust malus and clawback may apply in certain circumstances.

Measures for 2022-24 performance shares

Relative total shareholder return (rTSR) vs eight peers

20%

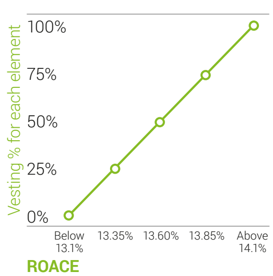
Peer group of eight companies: Chevron, Eni, Equinor, ExxonMobil, Repsol, Shell, TotalEnergies (and bp)



Financials

20%

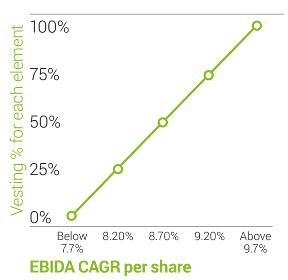
ROACE (average 2022-24)



Growth

20%

Adjusted EBIDA per share CAGR



Strategic progress

40%

Weighting of measures subject to remuneration committee judgement:

- Deliver value through a resilient hydrocarbon business (13.3%).
- Demonstrate track record, scale and value in low carbon energy (13.3%).
- Accelerate growth in convenience and mobility (13.3%).

See page 20 for key performance indicators related to the strategic progress measures.

- Underpin will take into account safety outcomes prior to determining final vesting percentage.
- Remuneration committee discretion will reflect shareholder experience, environment, societal and other inputs (including bringing into account potential impacts arising from bp's announced intention to exit its shareholding in Rosneft).
- Robust malus and clawback may apply in certain circumstances.

Directors' remuneration report continued

Directors' remuneration report – the 2023 remuneration policy

Across pages 134 to 141 we set out our directors' remuneration policy for 2023 and subsequent years (the 2023 policy). We will present this 2023 policy to shareholders at the 2023 annual general meeting (AGM) and, subject to shareholder approval, it will come into effect for the 2023 financial year.

Remuneration principles

In preparation for the review of our directors' remuneration policy, the committee gave deep consideration to the existing reward framework for the wider workforce, alongside executive remuneration. As our 2020 policy has served us well during the current economic environment, we have decided that the remuneration principles are still fit for purpose to apply equally to executives, and to employees at all levels of our workforce hierarchy.

Alignment	Our remuneration programmes will align with bp's strategic priorities, long-term success and shareholders' experience. In delivering our remuneration programmes across the globe we will reflect the policies and practices of the respective markets in which we operate.
Competitiveness	Total remuneration will be competitive for the role taking into account scale, sector, complexity of responsibility and geography. When setting senior executive pay, we will consider both wider workforce remuneration and conditions, and external pay relativities.
Pay for performance	We promote a culture where all employees are accountable for delivering performance. Depending on the level of the individual in the organization, we use variable pay to incentivize delivery against performance. Pay will be delivered with an emphasis on long-term equity in line with seniority. Performance measures and targets will seek to balance collective bp success with clear line of sight for participants. Remuneration outcomes aim to reflect sustained long-term underlying performance of bp. Factors beyond the control of management will be adjusted in determining final outcomes.
Judgement	We will use discretion and judgement to review formulaic performance outcomes to arrive at fair and balanced remuneration outcomes for both bp and employees.
Sustainability	Remuneration programmes will support the development of a long-term sustainable business informed by environmental, societal and other inputs. Performance targets and measures will typically be chosen with due regard to incentives for prudent risk taking. Individual contribution and ways of working will be reflected in remuneration outcomes.

Shaping our 2023 remuneration policy

Throughout 2022, and in the first quarter of 2023, we engaged extensively with our shareholders. This began with a constructive listening session in November 2022 with our shareholders and representatives from the main proxy advisory firms. The exercise was important in shaping our 2023 remuneration policy. We identified the following themes from our engagement:

- Alignment of remuneration policy and outcomes to the shareholder experience remains important.
- There is increasing importance placed on the wider workforce context and how decisions and policy are aligned to this frame.
- ESG performance measures continue to play an important role in executive remuneration in both short- and long-term incentives.
- Continued application of discretion and restraint on executive remuneration outcomes and decisions will be important, as will the effective disclosure and rationale behind the decisions taken.

The engagement enabled us to identify a clear direction for our future policy. Input was also received from the company chairman and management while ensuring that conflicts of interest were suitably mitigated, the committee's appointed independent advisors also advised throughout the process. We have concluded that the current policy, adopted in 2020, can generally be retained as the basis for the 2023 policy. Stability in the policy has the advantage of being well understood and accepted by shareholders, our executives and wider workforce. We have proposed two modest changes for 2023 – a reduced deferral rate under the annual bonus from 50% to 33%, which will apply only once an executive director has met the 'minimum shareholding requirement' threshold and, raising the CEO and CFO's cash in lieu of retirement benefits to align with the majority of the UK workforce. We have engaged with shareholders extensively on these changes to ensure their views have been represented.

Changes to the 2023 remuneration policy

Annual bonus deferral

Under our 2020 policy, any annual bonus earned is paid 50% in cash, with 50% deferred into restricted share units subject to a three-year restricted period. Typically, these deferred shares are held until employment ceases and beyond, pursuant to our post-employment shareholding policy; executives must seek permission from the remuneration committee to dispose of shares after the three-year restricted period. This deferral has been a clear source of increasing the executives' personal shareholdings and rapidly bringing them to conformance with the minimum shareholding requirement (MSR). Under the 2023 remuneration policy, we are proposing that the bonus deferral be rebalanced from 50% to one third (33%) of any bonus received subject to the achievement of MSR conformance.

In our deliberations we recognized that the structure of bp's equity plans lead to the executive director shareholdings building quickly and, given that the committee does not expect the executive directors to sell shares while in office, they have a particular portfolio concentration exposure. For context, our previous CEO had over 15 times the MSR at his point of separation from bp. Since our control mechanism for ensuring alignment with shareholder interests is the MSR itself, we have concluded that once the MSR is met, the deferral rate should reduce. Thus, the 2023 policy has been updated to require a deferral rate of 33% once the MSR threshold has been met. The deferral rate would remain at 50% until the MSR is met.

We have considered key aspects of this change that arose in our deliberations with shareholders including portfolio balance, shareholder experience, risk management and adherence to shareholder (and where appropriate, proxy agency) guidelines.

Malus and clawback provisions enable us to continue to manage and mitigate the risk associated with the incentive programmes. We note that all our share plans include provisions for malus and clawback, and we consider that bp's triggers are already stricter than the current market standard of misconduct and misstatement. We include 'material failure impacting safety or environmental sustainability' as well as 'such other exceptional circumstances that the committee consider to be similar in nature'. The headline remuneration policy on malus and clawback is supported with more detailed operational policies to ensure enforceability. Application of malus is also simplified by the synthetic nature of the share awards which are held as performance share units or restricted share units (RSUs).

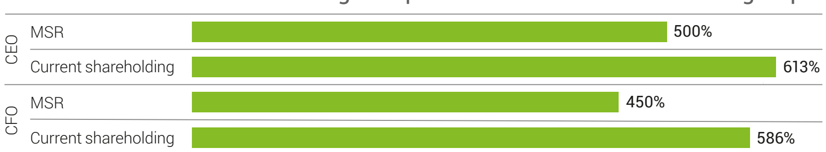
The reduced bonus deferral rate means that at any given time the CEO will hold, at target payout, around 110% of salary in the form of vested shares, rather than 169% of base salary at target at the current deferral rate. However, in the event that the committee were to seek to apply a larger penalty, our operational policy also allows malus to be applied against unvested performance shares, which amount to up to 15x salary (three years of 5x salary awards). Thus we do not envisage a scenario in which the reduced deferral rate leaves us unable to operate malus to the appropriate extent.

We will maintain our current MSR policy, which requires the CEO to hold shares to a value of five times salary and other executive directors four and a half times salary. This policy also includes a three year post vesting holding period and post-employment shareholding requirement to maintain this minimum holding for two years following cessation of employment.

We have reviewed shareholder guidelines and have ensured that our new policy is aligned with the current guidelines.

The committee has concluded that our CEO's shareholding is 123% of his MSR (6.13x base salary) and our CFO's is 130% (5.86x base salary) of his MSR as at 17 February 2023. Subject to the 2023 policy being approved at the AGM, 2022 bonus would be subject to the 33% deferral rate at the point of payment after the AGM for both the CEO and CFO.

Executive director shareholding compared to minimum shareholding requirements as at 17 February 2023



Executive director cash in lieu of retirement benefits

In the 2021 directors' remuneration report we signalled an intention to review the cash pension allowance for the two executive directors within the context of the wider remuneration policy. In making this decision, the committee considered bp's global pension landscape and the history of bp's pension provision in the UK.

bp operates over 100 pensions schemes across 60 countries including defined benefit (DB), defined contribution (DC) and cash balance schemes. This leads to a complex landscape of plans representing its global wider workforce. Ensuring benefits are competitive while managing and transitioning legacy programmes can often result in multiple pension schemes within the same country and can lead to market competitive but differentiated distribution of reward between different employee groups. For example, bp also operates a retail business in the UK with c.6,800 bp-contracted employees. Pension arrangements for this group continue to follow competitive market practice.

In the UK prior to 2021, bp operated both a DB pension plan (closed to most new entrants since April 2010) and a DC pension plan. Under the DC plan, participants were provided a flexible cash allowance equal to 15% of salary which could be invested in pensions, other benefits or taken as cash. This created a significant variance in the value provided to employees between the DB and DC plans. In 2021, as part of a holistic review and modernization of the UK reward package, the UK DB plan was closed, and the primary pension scheme became a DC pension plan. To manage a smooth transition the legacy DB plan participants received a cash allowance which stepped down in value from 35% in 2021 to 20% in April 2023. To drive fairness, legacy DC plan participants had their flexible cash allowance increased from 15% to 20%. Thus effective 1 April 2023 the majority of the UK workforce (62% of employees) are now aligned and receive a 20% flexible cash allowance. It is a cash allowance and an employee may elect how this is allocated, they may invest some or all of this in the DC pension scheme, choose from a range of benefits or take it all in cash. The new pension offer brought greater fairness and equity through the alignment of employees in similar roles. The only two employees who did not participate in this arrangement and who did not receive an increase in their pension allowance were the executive directors, Bernard Looney and Murray Auchincloss.

Before Bernard's appointment as CEO in 2020, he was a member of the legacy DB plan with an annual pension value in excess of 25% of base salary. On appointment, he ceased to be a participant in the DB plan and was aligned to the wider workforce at that point with a then 15% cash allowance under the DC plan. Before Murray's appointment as CFO, he was a member of both DB and DC arrangements as a US employee. The value of these two pension benefits were in excess of 33% of base salary. On appointment, he ceased to be a participant in the two legacy US DB and DC schemes and was aligned with Bernard and the wider workforce in the UK with a 15% cash allowance under the UK DC plan.

Our 2020 policy stated that pension contribution rates for the executive directors were limited to no more than the median allowance offered to the wider workforce in the UK (as a percentage of salary). At the time of Bernard and Murray's appointments, as stated above, this was 15% of base salary. As explained, it is now the case that the majority of the UK workforce receive a 20% of base salary flexible cash allowance. The committee feels it is appropriate to increase the maximum cash allowance permitted under the policy to 20% of base salary for Bernard and Murray. In 2023 the committee has determined to retain Bernard's allowance at 15% of salary. The committee will bring the allowance into line with that of the wider workforce in 2024.

Our approach remains fully aligned to commitments under the UK Corporate Governance Code.

★ See glossary on page 389

Policy table – executive directors

Salary and benefits

Purpose	To provide fixed remuneration to reflect the scale and complexity of both the business and the role, and to be competitive with the external market.	
Operation and opportunity	**Salary** Salary levels will relate to the nature of the role, performance of the business and the individual, market positioning and pay conditions in the wider bp group. There is no maximum salary under the policy. When setting salaries, the committee considers practice in other energy majors as well as European and US companies of a similar size, geographic spread and business dynamic to bp. The committee will also consider salary increases for the most senior management and the wider workforce. In particular, percentage increases for executive directors will not exceed increases for the broader employee population, other than in specific circumstances identified by the committee (e.g. in response to a substantial change in responsibilities). Salaries are normally set in the home currency of the executive director and are reviewed annually. They may be reviewed at other times where appropriate, for example following a major role change.	**Benefits** Executive directors are entitled to receive those benefits available to a majority of the wider workforce. These include participation in all-employee share plans, sickness pay, relocation assistance and parental leave. Benefits are not pensionable. Executive directors may receive other benefits that are judged to be cost-effective and appropriate in terms of the individual's role, time and/or security. These include car-related benefits and/or cash in lieu, security, assistance with tax return preparation, insurance and medical benefits. The company may meet any tax charges arising on business-related benefits provided to directors, for example security. The taxable value of benefits provided may fluctuate during the period of this policy, depending on the cost of provision and a director's personal circumstances. In general, the committee expects to maintain benefits at the current level.

Retirement benefits

Purpose	To recognize competitive practice in the directors' home country while aligned with the majority of the workforce.	
Operation and opportunity	Executive directors normally participate in the company retirement plans that operate in their home country. New appointees from within the bp group retain previously accrued benefits. For future appointments, the committee will carefully review any retirement benefits to be granted to a new director, taking account of retirement policies across the wider workforce and any arrangements currently in place.	For both new and future appointments, the committee will be sensitive to investor concerns over pensions for directors, and limit cash in lieu of benefits allowance rates to no more than the allowance offered to the majority workforce in the UK (the maximum allowance is 20% of salary). Current executives have been employees of bp for a number of years but for their service as a director, retirement benefits will align to the cash in lieu of benefits allowance rate enjoyed by a majority of bp's workforce in the UK.
Performance framework	Retirement benefits are not directly linked to performance.	

Annual bonus

Purpose	To provide variable remuneration dependent on annual performance against three categories: safety and sustainability, financial, and operational. Bonus is subject to a mandatory deferral into bp shares which are held for three years to reinforce the long-term nature of the business and the importance of safety.	
Operation and opportunity	The bonus is based on performance against annual measures and targets set at the start of the year, evaluated over the financial year and assessed following the year end. The target annual bonus is half of the maximum available, and typically relates to delivery of performance in line with targets in the annual plan. Executive directors may earn a maximum annual bonus of 225% of salary. This maximum level would relate to performance at or above the highest end of the performance scale for every measure. The committee intends to set demanding requirements for maximum payment. Achievement of threshold performance would normally result in a payout of 0% of the maximum opportunity. Bonus calculation is based on salary as at 31 December in each performance year.	The final bonus outcome, following the formulaic assessment of performance relative to targets, is specifically reserved as a matter for the committee's judgement. Accordingly, the committee may exercise its discretion to adjust the formulaic outcome either upwards or downwards. Half the bonus is paid in cash, and half is deferred into bp shares for three years up until 'minimum shareholding requirement' (MSR) is met, as determined by the committee under the shareholding guidelines. Once met, 67% is paid in cash and 33% is deferred into bp shares. Dividends (or equivalents, including the value of any reinvestment) may accrue in respect of any deferred shares. Awards are subject to malus and clawback provisions as described on page 137.

Annual bonus		
Performance framework	The committee determines a scorecard of specific measures, weightings and targets each year to reflect the priorities in the annual plan and thus deliver the group's strategy. The committee holds discretion to choose the specific measures and weightings to be adopted within each of the three categories to better reflect the annual plan as agreed with the board.	The scorecard will typically include a balance of measures in three categories: safety and sustainability, financial and operational measures. Details of the measures and weighting will be reported in advance each year in the annual report on remuneration, while targets, where commercially sensitive, will be disclosed retrospectively.

Performance shares		
Purpose	To link the largest part of remuneration opportunity with the long-term performance of the business.	
Operation and opportunity	The maximum annual award level for the chief executive officer will be 500% of salary and 450% of salary for the chief financial officer. Annual awards of shares will vest based on performance relative to measures and targets that reflect the delivery of bp's strategy over a performance period of typically three years. The scorecard will typically measure performance against relative total shareholder return (rTSR), financials, environment, social and governance (ESG) and strategic progress measures. For each measure, the threshold level at which vesting is first triggered is not expected to yield vesting above 25% of the maximum.	The final performance shares outcome, following the formulaic assessment of performance relative to targets, is specifically reserved as a matter for the committee's judgement. Accordingly, the committee may exercise its discretion to adjust the formulaic outcome either upwards or downwards. The shares that vest are subject to a three year post vesting holding period. Dividends (or equivalents, including the value of reinvestment) may accrue in respect of share awards to the extent that they vest. Awards are subject to robust malus and clawback provisions as described on page 137.
Performance framework	Performance shares vest relative to performance achieved against a combination of financial, ESG and strategic progress measures. At the outset of each performance cycle the committee holds the discretion to review the measures that are to govern the award, along with weightings and targets, to ensure they remain focused on delivering the strategy and are in the interests of shareholders.	The committee will assess in year safety outcomes and long-term trends in safety outcomes over the performance cycle as an underpin in determining the final vesting percentage.

Shareholding requirements		
Purpose	To provide alignment between the interests of executive directors and our other shareholders.	
Operation and opportunity	The chief executive officer is required to build and maintain a minimum shareholding of five times base salary within five years of appointment, and to maintain that minimum shareholding for at least two years post-retirement.	Other executive directors are required to build and maintain a minimum shareholding of four and a half times base salary within five years of appointment, and to maintain that minimum shareholding for at least two years post-retirement.
Performance framework	Not applicable.	

★ See glossary on page 389

Notes to the policy table

1. New components and key changes from the 2020 policy

While the structure of the 2020 policy has been retained, the committee highlights the following modest changes:

- Introducing a reduced deferral rate for bp shares from 50% to 33% once an executive has met the MSR threshold. This will be applicable to the 2022 annual bonus, subject to approval at the AGM in April 2023.
- Lifting both the CEO and CFO's cash in lieu of retirement benefits from 15% to 20% of salary aligning them to a majority of the wider UK workforce.

2. How is variable pay linked to performance?

Annual bonus	Bonus aligned with company performance	<100% MSR[a]: 50% paid in cash; 50% in bp shares deferred for 3 years >100% MSR[a]: 67% paid in cash: 33% in bp shares deferred for 3 years
Performance bonus	Share award for meeting three-year targets	6 years; 3 year performance period + 3 year holding period
Share ownership	Long-term shareholding	Built up over 5 years and maintained for a further two years post-employment

a MSR: group chief executive to build a shareholding of at least five times salary, and other executive directors four and a half times salary, within five years of appointment.

The three elements described above provide a balance between focus on short-term, medium-term and long-term performance, while encouraging behaviours which are in the long-term interests of shareholders. The operation of variable pay is supported by a focus on stewardship. There is a requirement that the chief executive officer will build up a holding of five times salary, and other executive directors a holding of four and a half times salary, over a period of five years following appointment and maintain that level during employment and for a further two years post employment.

3. How are performance measures linked to strategy?

Variable pay is linked to performance measures designed to deliver the bp strategy. At the start of each year, the remuneration committee reviews the measures, targets and weightings to ensure they remain consistent with the priorities in the annual plan and the group strategy. For the annual bonus and performance shares, the approach to performance measurement is intended to provide a balance of measures to assess performance reflecting the global scale of the business, the unique characteristics of the energy sector, and progress in transitioning to an integrated energy company.

4. Our use of flexibility, judgement and discretion

The committee reviews bp's performance against specific measures and targets, and in doing so may make both quantitative and qualitative assessments of performance in reaching its decisions. This involves the application of judgement and discretion, in which the committee also seeks relevant input from the board's audit, safety and sustainability committees. Accordingly, the committee may decide to adjust the formulaic outcome derived from the relevant scorecards, either upwards or downwards, to reflect broader considerations. The committee continues to consider that the powers of flexibility, judgement and discretion are critical to the successful execution of the policy.

In framing the policy, the committee has taken care to ensure that these important powers continue to be available:

- Sufficient flexibility to take account of future changes in the industry environment and in remuneration practice generally. This allows the committee to respond to changes in circumstances, for example in applying particular performance measures and/or weightings within the plans, or in broadening the comparator group for the relative returns measure, in order to evolve with the company's strategy, without the need for specific shareholder approval.
- Power to exercise judgement in making a qualitative assessment in certain circumstances. A number of measures are used for annual or long-term incentive awards, many of which are numerical in nature and require a quantitative assessment of performance. Others may require a qualitative assessment, such as the strategic progress measures in the performance share plan.
- Scope for the committee to exercise discretion, mainly where it is desirable to vary a formulaic outcome that would otherwise arise from the policy's implementation. The committee considers that the ability to exercise discretion, upwards or downwards, is important to ensure that a particular outcome is fair in light of the director's own performance, the company's overall performance and positioning under particular performance measures and outcomes for shareholders.

The committee may make minor amendments to the remuneration policy to aid its operation or implementation without seeking shareholder approvals (e.g. for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation).

The committee intends to provide appropriate disclosure on the use of flexibility, judgement and discretion so that shareholders can understand the basis for its decisions.

5. How will we safeguard against payments for failure?

Performance based pay	A significant portion of remuneration varies with performance – where performance targets are not achieved, lower or no payments will be made under the plans.	
Discretion	The committee may vary formulaic outcomes where these do not suitably reflect performance or other circumstances over the relevant performance period.	
Malus and clawback	The robust malus provisions enable the committee to reduce the size of award, cancel an unvested award, or impose further conditions on an award made under this policy. The malus provisions may apply if, prior to the vesting or payment of an award, there is a negative event such as: • Material failure impacting safety or environmental sustainability. • Incorrect award outcomes due to miscalculation or based on incorrect information. • Restatement due to financial reporting failure or misstatement of audited results. • Material misconduct by the participant. • Such other exceptional circumstances that the committee consider to be similar in nature.	The robust clawback provisions enable the committee to require participants to return some or all of an award after payment or vesting. They may be applied under the following circumstances: • Incorrect outcomes due to miscalculation or based on incorrect information. • Restatement due to financial reporting failure or misstatement of audited results. • Material misconduct by the participant.

★ See glossary on page 389

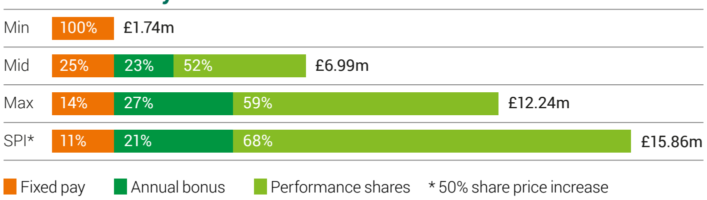
6. Differences from remuneration policy in the wider group

This executive director remuneration policy is structurally similar to remuneration for the majority of the wider workforce, but naturally differs in quantum, reflecting market norms for the differing size and complexity of roles, see page 118 for more detail on these differences.

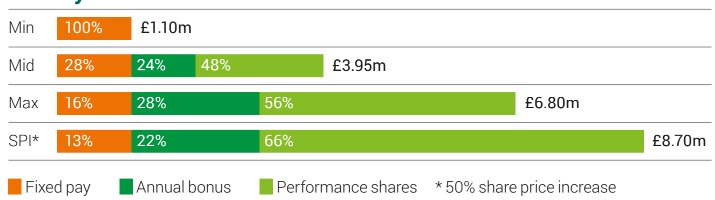
Illustrations of application of remuneration policy

The total remuneration opportunity for executive directors is strongly performance-based and weighted to the long term. The charts below provide scenarios for the total remuneration of executive directors at different levels of performance and are calculated as prescribed by UK regulations.

Bernard Looney



Murray Auchincloss



Due to rounding, the sum of the parts does not equal 100%.

Fixed components

For these illustrations salary, benefits and pension are the same in each scenario (annual values shown).

Salary	CEO (Looney)	£1,448,220	Bernard's salary, effective from the 2023 AGM
	CFO (Auchincloss)	£844,000	Murray's salary, effective from the 2023 AGM
Benefits and pension benefits	CEO (Looney)	£292,233	Based on cash in lieu of retirement benefits at 15% of salary, with an estimated £75k total for other benefits. Cash in lieu of retirement benefits will increase to 20% from 2024.
	CFO (Auchincloss)	£256,800	Based on cash in lieu of retirement benefits at 20% of salary, with an estimated £88k total for other benefits.

Variable components

Variable pay under the policy comprises annual bonus and performance shares.

Scenario	**Minimum**	**Mid**	**Maximum**
	↓	↓	↓
Annual bonus (including cash and deferred elements)	Threshold not met Nil	50% of maximum 112.5% of salary	100% of maximum 225% of salary
Performance shares	Threshold not met CEO – Nil CFO – Nil	50% vesting CEO – 250% of salary CFO – 225% of salary	100% vesting CEO – 500% of salary CFO – 450% of salary

Recruitment policy

The committee expects any new executive director to be engaged on terms that are consistent with the policy. However it recognizes that it cannot anticipate circumstances in which any new executive director may be recruited. The committee may determine that it is in the interests of the company and shareholders to secure the services of a particular individual which may require it to take account of the terms of that individual's existing employment and/or their personal circumstances.

Accordingly, the committee will ensure that:

- The salary level of any new director is appropriate to their role and the competitive environment at the time of appointment. Where appropriate it may appoint an individual on a lower salary (relative to any previous incumbent), then gradually increase salary levels as the individual gains experience in the role.
- Variable remuneration will be awarded within the parameters of the policy for current executive directors.
- The committee may tailor the vesting criteria for initial incentive awards depending on the specific circumstances.
- Where an existing employee is promoted to the board, the company may honour all existing contractual commitments including any outstanding share awards.
- The committee would expect any new director to participate in the company pension and benefit schemes that are open to other employees (where appropriate referencing the candidate's home country).
- Where an individual is relocating in order to take up the role, the company may provide certain one-off benefits such as reasonable relocation expenses, accommodation for a period following appointment, assistance with visa applications or other immigration issues and ongoing arrangements such as tax filing assistance, annual flights home and a housing/utilities allowance.
- Where an individual would be forfeiting remuneration or employment terms in order to join the company, the committee may award appropriate compensation. The committee would require reasonable evidence of the nature and value of any forfeited arrangements and would, to the extent practicable, ensure any compensation was of comparable commercial value and capped as appropriate, considering the terms of the previous arrangement being forfeited (for example the form and structure of award, timeframe, performance criteria and likelihood of vesting). Where appropriate, the committee prefers to deliver buy-outs in the form of restricted shares in the company.

In making any decision on the remuneration of a new director, the committee would balance shareholder expectations, current best practice and the circumstances of any new director. It would strive not to pay more than is necessary to recruit the right candidate and would give full details in the next remuneration report.

Service contract

Bernard Looney's and Murray Auchincloss' service contracts are with BP p.l.c.

Each executive director is entitled to retirement benefits as outlined on page 134.

Each executive director is also entitled to the following contractual benefits:

- If appropriate for security reasons, a company car and driver is provided for business and private use, with the company bearing all normal employment, servicing, insurance and running costs. Alternatively, where not required for security reasons, a cash allowance may be paid instead.
- Medical and dental benefits, sick pay during periods of absence and assistance with the preparation of tax returns.
- Indemnification in accordance with applicable law.
- Participation in bonus or incentive arrangements at the committee's sole discretion.

Each executive director may terminate their employment by giving 12 months' written notice. In this event, for business reasons, the employer may not necessarily hold the executive director to their full notice period.

The employer may lawfully terminate the executive director's employment in the following ways:

- By giving the director 12 months' written notice.
- Without compensation, in circumstances where the employer is entitled to terminate for cause, as defined for the purposes of their service contract.

The company may lawfully terminate employment by making a lump sum payment in lieu of notice equal to 12 months' salary, or by monthly instalments rather than as a lump sum.

The lawful termination mechanisms described above are without prejudice to the employer's ability in appropriate circumstances to terminate in breach of the notice period referred to above, and thereby to be liable for damages to the executive director.

In the event of termination by the company, each executive director may have an entitlement to compensation in respect of their statutory rights under employment protection legislation in the UK and potentially elsewhere. Where appropriate the company may also meet a director's reasonable legal expenses in connection with either their appointment or termination of their appointment.

Copies of the executive directors' service contracts, along with the non-executive director appointment letters, are available for inspection at the registered office of BP p.l.c.

★ See glossary on page 389

Termination payments

In determining overall termination arrangements, the committee will distinguish between types of leaver and the circumstances of their leaving. The committee would also consider all relevant circumstances, including whether a contractual provision in the director's arrangements complied with best practice at the time of termination and the date the provision was agreed, as well as the performance of the director in certain respects.

Where appropriate, the committee may consider providing certain benefits relating to termination including the provision of outplacement support or reasonable costs associated with relocation back to an individual's home country. Should it become necessary to terminate an executive director's employment, and therefore to determine a termination payment, the committee's policy is as follows:

Termination payments	The director's primary entitlement would be a termination payment in respect of their service agreement, as set out above. However the committee will consider mitigation to reduce the termination payment where appropriate to do so, taking into account the circumstances for leaving and the terms of the agreement. Mitigation would not be applicable where a contractual payment in lieu of notice is made.	If the departing director is eligible for an early retirement pension, the committee would consider, if relevant under the terms of the appropriate plan, the extent of any actuarial reduction that should be applied. UK directors who leave in circumstances approved by the committee may have a favourable actuarial reduction applied to their pensions (which to date has been 3%). Departing directors who leave in other circumstances may be subject to a greater reduction.
Annual bonus	The committee would consider whether the director should be entitled to an annual bonus in respect of the financial year in which the termination occurs.	Normally, any such bonus would be restricted to the director's actual period of service in that financial year.
Share awards	Share awards will be treated in accordance with the relevant plan rules. For awards granted under the executive directors' incentive plan (EDIP), the treatment can only be made in accordance with the framework approved by shareholders. The committee would consider whether conditional share awards held by the director should lapse on leaving or should, at the committee's discretion, be preserved. If awards are preserved, the award would normally continue until the vesting date. Awards may be pro-rated based on service over the performance period.	In deciding whether to exercise discretion to preserve EDIP awards, the committee would also consider the proximity of the award to its maturity date. To the extent that any such share award vests, the release of those shares to the former director will be made approximately one year after their date of termination (even if they would have been subject to a longer holding period had the executive remained in employment with bp).

Remuneration in the wider group

The committee considers employment conditions in the bp group when establishing and implementing policy for executive directors to ensure the alignment of and context for principles and approach. In particular, the committee reviews the policy and makes decisions for the most senior leaders (the bp leadership team that reports to the CEO). Decisions regarding remuneration for employees outside the most senior leaders are the responsibility of the chief executive officer. The committee does not consult directly with employees when formulating the policy. However, feedback from employee focus groups and employee surveys, that are regularly reported to the board, provide views on a wide range of employee matters including pay.

The wider employee group participates in performance-based incentives. Throughout the group, salary and benefit levels are set in accordance with the prevailing relevant market conditions and practice in the countries in which employees are based. Differences between executive director pay policy and that of other employees reflect the senior position of the individuals, prevailing market conditions and corporate governance practices in respect of executive director remuneration. The key difference in policy for executive directors is that a greater proportion of total remuneration is delivered as performance-based incentives.

Policy table – non-executive directors

The following table sets out the framework that will be used to determine the fees for non-executive directors during the term of this policy.

Non-executive chair	
Fees	
Approach	Remuneration is in the form of fees, payable monthly in cash. The level and structure of the chair's fee will primarily be compared against UK best practice.
Operation and opportunity	The quantum and structure of the non-executive chair's fee is reviewed annually by the remuneration committee, which makes a recommendation to the board.
Benefits and expenses	
Approach	The chair is provided with support and reasonable travelling expenses.
Operation and opportunity	The chair is provided with an office and full-time secretarial and administrative support in London and a contribution to an office and secretarial support in his home country as appropriate. A car and the use of a driver is provided in London, together with security assistance. All reasonable travelling and other expenses (including any relevant tax) incurred in carrying out his duties are reimbursed.

Non-executive directors	
Fees	
Approach	Remuneration is in the form of fees, payable monthly in cash. Remuneration practice is consistent with recognized best practice standards for non-executive directors and, as a UK-listed company, the level and structure of non-executive directors' remuneration will primarily be compared against UK best practice. Additional fees may be payable to reflect additional board responsibilities, for example, committee chairship and membership and for the role of senior independent director.
Operation and opportunity	The level and structure of non-executive directors' remuneration is reviewed by the chair, the CEO and the company secretary, who make a recommendation to the board. Non-executive directors do not vote on their own remuneration. Fee levels for non-executive directors are reviewed annually.
Benefits and expenses	
Approach	Non-executive directors are provided with administrative support and reasonable travelling expenses. Professional fees are reimbursed in the form of cash, payable following the provision of advice and assistance.
Operation and opportunity	Non-executive directors are reimbursed for all reasonable travelling and subsistence expenses (including any relevant tax) incurred in carrying out their duties. Professional fees incurred by non-executive directors based outside the UK in connection with advice and assistance on UK tax compliance matters are reimbursed.
Shareholding guidelines	
Approach	Chair and non-executive directors are encouraged to establish a holding in bp shares of the equivalent value of one year's base fee.

Letters of appointment for chair and non-executive directors	
Approach	The chair and non-executive directors each have letters of appointment. There is no term limit on a director's service, as bp proposes all directors for annual re-election by shareholders. There are no obligations arising from the non-executive directors' letters of appointment for remuneration or payments for loss of office, except for the chair whose appointment may be terminated in the following ways: • By either party giving three months' written notice, or • By the company for cause (as set out in the letter of appointment) and without compensation. The company may lawfully terminate the appointment by making a lump sum payment in lieu of notice equal to three months' fees. Copies of the executive directors' service contracts and non-executive directors' letters of appointment are available for inspection at the registered office of the company.

The maximum fees for non-executive directors are set in accordance with the Articles of Association.

Stewardship and executive director interests

We believe that our executive directors should build and maintain a material interest in the company. Our policy therefore requires the CEO and CFO to build a personal shareholding of five times and four and a half times, respectively, their salary within five years of their appointment. They are expected to maintain this level of personal shareholdings for two years post employment.

Directors' shareholdings and aggregated interests (audited)

The table below details the personal shareholdings of each executive director. These figures include all beneficial and non-beneficial ownership of shares of bp (or calculated equivalents) that have been disclosed to the company. Both the executive directors have met the minimum shareholding requirement under the policy. The committee has reviewed and confirmed this position and will continue to monitor compliance with this policy.

	Directors' shareholdings at 17 Feb 2023	Aggregated interests at 17 Feb 2023, all plans						
		Unvested awards not subject to performance conditions		Unvested awards subject to performance conditions				
Director	Ordinary shares or equivalents	Shares[d]	Options	Shares	Options	Current shareholding for MSR[c]	Value of current shareholding[a], £	Multiple of salary achieved
Bernard Looney	774,565	2,369,579	11,976	4,032,028	—	1,524,148	8,535,229	6.13
Murray Auchincloss[b]	433,562	1,221,861	157,185	2,059,509	—	837,543	4,690,242	5.86

a Based on ordinary share price at 17 February 2023 of £5.60.
b Includes interests of a person closely associated with Murray Auchincloss.
c Includes ordinary shares or equivalents and unvested awards not subject to performance conditions on a net-of-tax basis, excluding dividends.
d Includes deferred and restricted shares, and performance shares prior to application of the performance factor.

The executive directors have additional interests in performance, restricted and deferred bonus shares. These interests are shown in aggregate in the table above, and by plan in the tables below. For performance shares, the figures reflect maximum possible vesting levels (excluding the addition of reinvested dividends) even though the actual number of shares that vest will depend on the extent to which performance conditions are satisfied.

Performance shares (audited)

			Share element interests			Interests to vest in 2023		
			Potential maximum performance shares[a]					
	Performance period	Date of award of performance shares	At 1 Jan 2022	Awarded 2022	At 31 Dec 2022	Number of ordinary shares due to vest	Vesting date	Face value of award[c], £
Bernard Looney	2020-22[b]	11 Aug 2020	2,076,677	—	2,076,677	1,270,087	14 Aug 2023	—
	2021-23[d]	1 Jun 2021	2,218,853	—	2,218,853	—	—	6,989,387
	2022-24[d]	26 May 2022	—	1,813,175	1,813,175	—	—	7,887,311
Murray Auchincloss	2020-22[b]	11 Aug 2020	999,201	—	999,201	611,107	14 Aug 2023	—
	2021-23[d]	1 Jun 2021	1,122,009	—	1,122,009	—	—	3,534,328
	2022-24[d]	26 May 2022	—	937,500	937,500	—	—	4,078,125

a For awards under the 2020-2022 plans performance conditions were measured 40% on TSR relative to Chevron, ExxonMobil, Shell, Total, ENI, Equinor and Repsol ('comparator companies') over three years, 30% ROACE averaged over the full performance period, and 30% on strategic progress assessed over the performance period.
For awards under the 2021-2023 plans performance conditions are measured 20% on TSR relative to the comparator companies over three years, 20% ROACE averaged over the performance period, 20% EBIDA CAGR per share measured versus year ending June 2020 and 40% on strategic progress assessed over the performance period.
For awards under the 2022-2024 plans performance conditions are measured 20% on TSR relative to the comparator companies over three years, 20% ROACE averaged over the performance period, 20% EBIDA CAGR per share measured versus year ending June 2020 and 40% on strategic progress assessed over the performance period.
Each performance period ends on 31 December of the third year.
b Represents unvested shares, which will vest during 2023 but are not subject to further performance conditions, achieved under rules of the plan and includes notional dividends accrued until 17 February 2023. Bernard's and Murray's awards are due to vest on 14 August 2023, three years after the date of award. The average share price during 4Q 2022 was £4.73 for each share. The amounts reported as 2022 income on the single figure table are therefore £6.008m for Bernard and £2.891m for Murray.
c Face values have been calculated using market prices of ordinary shares at closing on the dates of the award, as follows; £3.15 on 1 June 2021; and £4.35 on 26 May 2022.
d Minimum vesting under these awards (below threshold performance) is 0%. At threshold performance of each measure, vesting would be 5% of maximum for 2021-23 and 2022-24.

Restricted shares (audited)

	Restricted period	Date of award of restricted shares	Share element interests: Number of restricted shares: At 1 Jan 2022	Awarded 2022	At 31 Dec 2022	Face value of award[b], £
Murray Auchincloss	2018-22[ad]	20 Mar 2018	43,170	–	43,170	200,309
	2020-22[cd]	28 Aug 2020	4,840	–	4,840	12,778
	2021-23[c]	25 Mar 2021	21,277	–	21,277	62,554
	2021-23[c]	16 Jun 2021	10,485	–	10,485	34,496
	2022-24[c]	22 Mar 2022	–	10,066	10,066	37,345
	2022-24[c]	17 Jun 2022	–	11,565	11,565	43,831

a Award made under the Restricted Share Plan II prior to appointment as a director.
b Face values have been calculated using market prices of ordinary shares at closing on the dates of award, as follows: £4.64 on 20 March 2018; £2.64 on 28 August 2020; £2.94 on 25 March 2021; £3.29 on 16 June 2021; £3.71 on 22 March 2022; and £3.79 on 17 June 2022.
c Interests of person closely associated with Murray Auchincloss.
d Awards vested and were released on 15 February 2023.

Deferred shares[a] (audited)

	Bonus year	Performance period	Date of award of deferred shares	Deferred share element interests: Potential maximum deferred shares: Number of ordinary shares at 31 Dec 2022	Face value of award[b], £
Bernard Looney	2021	2022-2024[a]	16 February 2022	292,902	1,183,324
Murray Auchincloss	2021	2022-2024[a]	16 February 2022	164,569	664,859
	2021	2022-2024[c]	22 March 2022	7,046	26,141

a Since 2010, vesting of the deferred shares under EDIP has been subject to a safety and environmental sustainability hurdle. If the committee assesses that there has been a material deterioration in safety and environmental performance, or there have been major incidents, either of which reveal underlying weaknesses in safety and environmental management, then it may conclude that shares should vest only in part, or not at all. In reaching its conclusion, the committee obtains advice from the S&SC. There is no identified minimum vesting threshold level. The 2022 bonus year deferred shares award is expected to be made following the conclusion of the 2023 annual general meeting.
b Face values have been calculated using the market price of ordinary shares on the date of award, as follows; £4.04 on 16 February 2022; and £3.71 on 22 March 2022.
c Interests of person closely associated with Murray Auchincloss. Award made under the IST Deferred Annual Bonus Plan.

Share interests in share option plans (audited)

In common with many of our UK employees, Bernard Looney holds options under the bp group Save As You Earn (SAYE) scheme as shown below. These options are not subject to performance conditions.

Director	Option type	At 1 Jan 2022	Granted	Exercised	At 31 Dec 2022[a]	Option price	Market price at date of exercise	Date from which first exercisable	Expiry date
Bernard Looney	SAYE	6,024	–	–	6,024	£2.49	–	01 Sep 2025	28 Feb 2026
Bernard Looney	SAYE	5,952	–	–	5,952	£2.52	–	01 Sep 2026	28 Feb 2027
Murray Auchincloss	SAYE[b]	3,614	–	–	3,614	£2.49	–	01 Sep 2023	28 Feb 2024
Murray Auchincloss	SAYE[b]	3,571	–	–	3,571	£2.52	–	01 Sep 2024	28 Feb 2025
Murray Auchincloss	Reinvent bp[b]	150,000	–	–	150,000	£3.15	–	11 Mar 2025	10 Mar 2031

a The closing market price of an ordinary share on 31 December 2022 was £4.75. During 2022 the highest market price was £5.04, and the lowest market price was £3.30.
b Interest of person closely associated with Murray Auchincloss.

Bernard and Murray have no interests in bp preference shares, debentures or option plans (other than as listed above), and neither do they have interests in shares or loan stock of any subsidiary company.

Directors and leadership team

No directors or other leadership team members own more than 1% of the shares in issue. At 17 February 2023, our directors and leadership team members collectively held interests of 6,138,193 ordinary shares or their calculated equivalents, 7,055,918 restricted share units (with or without conditions) or their calculated equivalents, 9,624,886 performance shares or their calculated equivalents and 5,959,427 options over ordinary shares or their calculated equivalents, under bp group share option schemes.

★ See glossary on page 389

Directors' remuneration report continued

Chair and non-executive director outcomes and interests

Fee structure

The table below shows the fee structure for the chair and NEDs. The chair is not eligible for committee chairship and membership fees.

At the time the board last approved changes to fee levels, it was decided to align the fee review cycle with the wider workforce salary review process. In practice and as provided for under the 2020 policy, fee levels are therefore reviewed annually alongside the wider workforce salaries and any changes that are agreed are put into effect from 1 April each year. Taking all factors into consideration, the board agreed to implement a 4% increase to the base fee for its NEDs and for the senior independent director, marginally lower than for the wider UK workforce (5.5%). Oversight and determination of the fees payable to the chair falls to the remuneration committee, which agreed to align the percentage increase of the chair's fee with the other non-executive board members.

Following board and remuneration committee approval, the remuneration arrangements for the chair and NEDs will be adjusted with effect from 1 April 2023 as per the below table.

	2023/24 fees £ thousand per annum[c]	2022 fees £ thousand per annum
Chair	**817**	785
Senior independent director[a]	**167**	160
Board member	**120**	115
Audit, remuneration and safety and sustainability committees chairship fees[b]	**35**	35
Committee membership fee	**20**	20

a The senior independent director is eligible for committee chairship and membership fees, but has waived her entitlement to the fee for membership of the people and governance committee. Fee includes board member fee.
b Committee chairs do not receive an additional membership fee for the committee they chair.
c From 2023, any changes to chair and NED fees will be made with effect from 1 April, in line with the wider workforce.

2022 remuneration (audited)

The table below shows the fees paid and applicable benefits for the year ended 31 December 2022. Benefits include travel and other expenses relating to the attendance at board and other meetings both inside and outside bp's headquarters in the UK. Under the terms of his engagement with the company, Helge Lund has the use of a fully maintained office for company business, a car and driver, and security advice in London. Benefits values have been grossed up using a tax rate of 45%, where relevant, as an estimation of tax due.

	Fees		Benefits		Total[a]	
£ thousand	**2022**	2021	**2022**	2021	**2022**	2021
Amanda Blanc[b]	**38**	–	**–**	–	**38**	–
Pamela Daley	**155**	145	**65**	46	**220**	191
Helge Lund (Chair)	**785**	785	**37**	19	**822**	804
Melody Meyer[e]	**180**	160	**34**	14	**214**	174
Tushar Morzaria[f]	**170**	136	**6**	–	**176**	136
Paula Rosput Reynolds	**215**	185	**23**	9	**238**	194
Karen Richardson[c]	**160**	123	**23**	12	**183**	135
Sir John Sawers[d]	**170**	145	**4**	3	**174**	148
Johannes Teyssen[e]	**145**	120	**14**	8	**159**	128

a Due to rounding, the totals may not agree exactly with the sum of the component parts.
b Amanda Blanc was appointed on 1 September 2022.
c Fee includes £25,000 p.a. for chairing the bp innovation advisory council.
d Fee includes £15,000 p.a. for chairing the bp geopolitical advisory council.
e Fee includes £10,000 p.a. for being a member of the bp geopolitical advisory council.
f Due to an administrative error Tushar Morzaria received an overpayment of £6,000 during 2022, which has been recovered in 2023. This overpayment has therefore not been included in this year's disclosure.

Chair and non-executive directors' interests (audited)

The figures below include all the beneficial and non-beneficial interests of the chair and each non-executive director of the company in shares of bp (or calculated equivalents) that have been disclosed according to the disclosure guidance and transparency rules in the Financial Conduct Authority handbook ('the DTRs') as at the applicable dates. Our 2020 policy encourages non-executive directors to establish a holding in bp shares of the equivalent value of one year's base fee during their tenure, which remains unchanged for the 2023 policy.

	Ordinary shares of equivalents at 1 Jan 2022	Ordinary shares or equivalents at 31 Dec 2022	Changes from 31 Dec 2022 to 17 Feb 2023	Ordinary shares of equivalents at 17 Feb 2023	Value of current shareholding[a]	% of guideline achieved
Amanda Blanc[b]	—	23,500	—	23,500	£131,600	114%
Pamela Daley	40,332	40,332	—	40,332	$269,014	190%
Helge Lund (Chair)	600,000	600,000	—	600,000	£3,360,000	428%
Melody Meyer	20,646	20,646	—	20,646	$137,709	97%
Tushar Morzaria	51,972	71,972	—	71,972	£403,043	350%
Paula Rosput Reynolds	73,200	78,378	—	78,378	$522,781	369%
Karen Richardson	10,746	29,316	—	29,316	$195,538	138%
Sir John Sawers	24,242	24,242	—	24,242	£135,755	118%
Johannes Teyssen	35,000	35,000	—	35,000	£196,000	170%

a Based on ordinary share and ADS prices at 17 February 2023 of £5.60 and $40.02. Where a US$ value is provided these shares are held as ADSs.
b Amanda Blanc was appointed on 1 September 2022.

Past directors

Payments for loss of office (audited)

No payments were made during the financial year for loss of office.

Payments to past directors (audited)

Since leaving employment, Bob Dudley and Brian Gilvary have received shares upon vesting of awards as detailed in the tables below. These relate to the deferred share element of prior year annual bonuses, as detailed below.

Deferred shares from prior year bonuses

	Bonus year	Type	Performance period	Date of award of deferred shares	Shares originally granted	Vesting date	Value of shares vested (including dividends)[b]
Bob Dudley[a]	2019	Compulsory	2020-22	18 Feb 2020	228,486	15 Feb 2023	$1,027,028
Brian Gilvary	2019	Compulsory	2020-22	18 Feb 2020	126,110	15 Feb 2023	£447,619

a This award was received in the form of ADSs. The above numbers reflect calculated equivalents in ordinary shares. One ADS is equivalent to six ordinary shares.
b Based on ordinary share and ADS prices at 15 February 2023 of £5.60 and $40.88 respectively.

Post-employment benefits

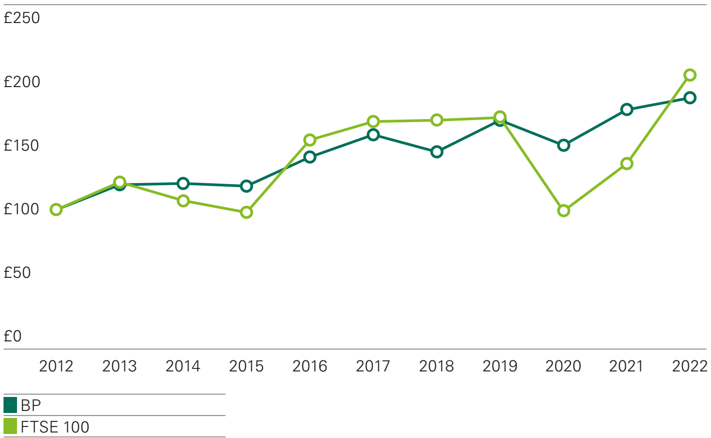
Bob Dudley and Brian Gilvary were provided with tax return preparation support amounting to £10,786 and £10,364 respectively.

We made no other payments within the scope of the disclosure requirements to any past director of bp during 2022 (we have no de minimis threshold for such disclosures).

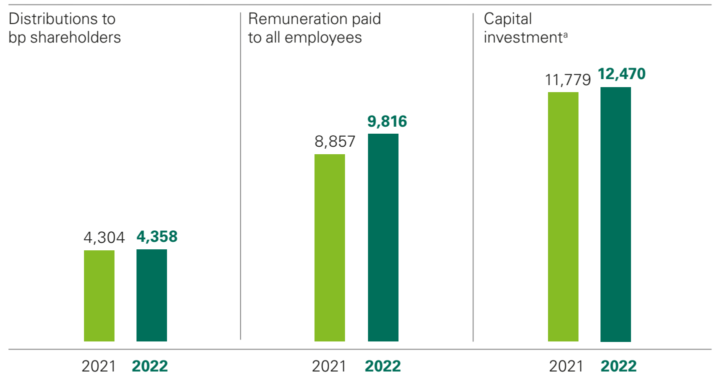
★ See glossary on page 389

Other disclosures

Historical TSR performance



Relative importance of spend on pay ($ million)



a Organic capital expenditure.

The graph above shows the growth in value of hypothetical £100 investments in BP p.l.c. ordinary shares, and in the FTSE 100 index (of which bp is a constituent), over 10 years from 31 December 2012 to 31 December 2022.

Independence and advice

The board considers all committee members to be independent with no personal financial interest, other than as shareholders, in the committee's decisions. Further detail on the activities of the committee in 2022 is set out in the remuneration committee report on page 112.

During 2022 Ben Mathews, who was employed by the company and reported to the chair of the board, acted as secretary to the remuneration committee.

The committee also received advice on various matters relating the remuneration of executive directors and senior management from Kerry Dryburgh, EVP people and culture and Ashok Pillai, SVP reward and wellbeing.

PricewaterhouseCoopers LLP (PwC) continued to provide independent advice to the committee in 2022. PwC advice included, for example, support with remuneration benchmarking and updates on market practice. PwC is a member of the Remuneration Consulting Group and, as such, operates under the code of conduct in relation to executive remuneration in the UK. The committee is satisfied that the advice received is objective and independent. The committee is comfortable that the PwC engagement partner and team who provides remuneration advice to the committee do not have connections with the company or its directors that may impair their independence.

Total fees or other charges (based on an hourly rate) for the provision of remuneration advice to the committee in 2022 (save in respect of legal advice) were £122,013 to PwC. Freshfields Bruckhaus Deringer LLP (Freshfields) provided legal advice on specific compliance matters to the Committee. PwC and Freshfields provide other advice in their respective areas to the group.

Considerations related to the Corporate Governance Code

When setting the 2023 policy, the committee concluded that a scorecard-based approach to setting targets and measuring outcomes helps it to engage transparently with shareholders and the wider workforce on remuneration. Thus, bp continues to operate a simple, clear structure of market-aligned salary with annual and three-year performance-based incentives. Risks are managed through careful setting of performance measures and targets and the committee retains the exercise of its discretion in assessing outcomes. These are complemented with robust malus and clawback measures. Remuneration outcomes are predictable, as shown in the scenario charts of the 2023 policy, and proportional by virtue of the challenging performance levels required to achieve target pay outcomes. Through material weighting in measures related to safety, sustainability and strategy, as shown on page 126, remuneration aligns closely with bp's culture, as expressed through our purpose and ambition.

Shareholder engagement

Throughout 2022, the committee engaged frequently on remuneration policy and approach with bp's largest shareholders, as well as their representative bodies. This dialogue will continue throughout 2023.

The table below shows the votes on the directors' remuneration report, and policy, for the last three years.

Year	% vote 'for'	% vote 'against'	Votes withheld
Directors' remuneration report			
2022	94.36%	5.64%	203,221,922
2021	95.20%	4.80%	220,577,221
2020	96.05%	3.95%	67,623,825
Directors' remuneration policy			
2020	96.58%	3.42%	65,652,222

Service contracts and letters of appointment

The service contracts of executive directors do not have a fixed term. Service agreements for each executive director are available for inspection at the company's registered office. Each executive director's service contract contains a 12-month notice period. Consistent with the best interests of the group, the committee will seek to minimize termination payments.

	Date of contract	Effective date
Bernard Looney	4 October 2019	5 February 2020
Murray Auchincloss	20 January 2020	1 July 2020

The non-executive directors (NEDs) have letters of appointment, which are available to view at the company's registered office. All directors are subject to annual re-election by shareholders at the annual general meeting. Normally, NEDs will be encouraged to serve for up to nine years from their appointment in line with the provisions of the 2018 Code, subject to annual re-election.

External appointments

The board supports executive directors taking up appointments outside the company to broaden their knowledge and experience. Each executive director is permitted to retain any fee from their external appointments. Such external appointments are subject to agreement by the chair and reported to the board. Any external appointment must not conflict with a director's duties and commitments to bp. Details of appointments as non-executive directors of publicly listed companies during 2022 are shown below.

	Appointee company	Additional position held at appointee company	Total fees
Bernard Looney	Rosneft[a]	Director	0
Murray Auchincloss	Aker BP ASA[b]	Director	0

a As of 27 February 2022, Bernard stepped down from his role as non-executive director of Rosneft.
b Held as a result of the company's shareholding in Aker BP ASA.

This directors' remuneration report was approved by the board and signed on its behalf by Ben J.S. Mathews, company secretary on 10 March 2023.

Other disclosures

Appointment and time commitment

The chair, senior independent director and other NEDs each have letters of appointment with BP p.l.c. and do not serve, nor are they employed, in any executive capacity by bp.

NEDs are generally appointed for three-year fixed terms; however, in line with what is considered good governance practice in the UK Corporate Governance Code (the Code), bp proposes all directors for annual re-election by shareholders at the annual general meeting (AGM) where letters of appointment for each NED are available for inspection.

Details on the skills and experience of each director seeking re-election, as well as their individual contributions to the long-term success of the company, are set out in the notice of AGM. In accordance with the recommendations of the Code, NEDs would not be expected to serve beyond nine years unless there are exceptional circumstances.

Of the 10 board meetings held in 2022, six were board meetings covering a full agenda across strategy, performance, people and governance. Three board meetings were focused on the quarterly results, with one meeting combining both a full agenda and the quarterly results.

Bernard was unable to attend one board meeting due to unforeseen personal circumstances and Amanda joined the board on 1 September 2022. Pam was unable to attend one audit committee meeting due to a pre-existing external commitment.

Appointments and succession plans

On behalf of the board, the people and governance committee reviews the formal appointment process and succession plan. Appointments and succession plans are both based on merit and assessed against objective criteria with the promotion of diversity, equity and inclusion as central considerations. This includes diversity of gender, social and ethnic backgrounds as well as cognitive and personal strengths.

In reviewing appointments and succession plans, due consideration is given to ensure smooth transition of board members with specific responsibilities (e.g. committee chair roles) by allowing sufficient time for a detailed handover. This is balanced by the need to have new board members join at regular intervals such that over time there is a controlled approach to board members reaching the end of their tenure.

Further details on succession and tenure are set out in the people and governance committee report on pages 98-101.

Time commitments

The expectation regarding time commitment for board members to effectively discharge their duties is set out in the directors' letters of appointment. The time commitment varies with the demands of bp business and other events.

The NEDs' external time commitments – whether through executive, non-executive, advisory or other roles – are regularly reviewed by the company secretary to ensure that they are able to allocate appropriate time to bp.

The review process takes into account outside appointments and other external commitments, factoring in the complexity of the company in question and the industry, in particular regulated and potentially competing sectors.

NEDs are also required to consult with the company secretary and chair before accepting any other role that may impact their ability to commit appropriate time to bp. The process for the approval of any new external appointment for an existing director reviews the time commitment required for the new external appointment in order to ensure the director has sufficient capacity for their role with bp. As part of that same review process, a review of independence and potential conflicts of interest is undertaken.

The board has concluded that, notwithstanding the NEDs' other appointments, they are each able to dedicate sufficient time to fulfil their bp duties.

As recommended by the Code, neither of the executive directors hold more than one non-executive directorship in a FTSE 100 company or other significant appointments, as set out on page 80.

Independence and conflicts of interest

All directors have a statutory duty to exercise independent judgement. Independence of non-executive directors (NEDs) is a crucial in bringing constructive challenge to the CEO and the leadership team at board meetings, while providing support and guidance to promote meaningful discussion and, ultimately, informed and effective decision-making. In addition, each director has a statutory duty to disclose actual or potential conflicts of interest. In accordance with the criteria set out in the Code, the chair was considered independent at the time he was appointed. NEDs are required to provide sufficient information to allow the board to evaluate their independence prior to and following their appointment.

Formal procedures are in place for new potential conflicts to be reported and recorded during the year. As a consequence of regular reviews in 2022, the board is satisfied that there were no matters giving rise to conflicts of interest which could not be authorized by the board. It has therefore concluded that all bp NEDs are independent.

Directors' statements

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. The directors are required by the UK Companies Act 2006 to prepare financial statements for each financial year that give a true and fair view of the financial position of the group and the parent company and the financial performance and cash flows of the group and parent company for that period. Under that law they are required to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the United Kingdom and applicable law and have elected to prepare the parent company financial statements in accordance with applicable United Kingdom law and United Kingdom accounting standards (United Kingdom generally accepted accounting practice), including FRS 101 'Reduced Disclosure Framework'. In preparing the consolidated financial statements the directors have also elected to comply with IFRS as issued by the International Accounting Standards Board (IASB) and IFRS as adopted by the European Union (EU).

In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Provide additional disclosure when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance.
- State that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the consolidated financial statements comply with the Companies Act 2006 and the parent company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Having made the requisite enquiries, so far as the directors are aware, there is no relevant audit information (as defined by Section 418(3) of the Companies Act 2006) of which the company's auditors are unaware, and the directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Each of the current directors, whose names and functions are listed on pages 80 to 83, confirms that to the best of their knowledge:

- The consolidated financial statements, prepared on the basis of IFRS as issued by the IASB, IFRS as adopted by the United Kingdom and EU and in accordance with the provisions of the Companies Act 2006 as applicable to companies reporting under international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the group.
- The parent company financial statements, prepared in accordance with United Kingdom generally accepted accounting practice, give a true and fair view of the assets, liabilities, financial position, performance and cash flows of the company.
- The management report, which is incorporated in the strategic report and directors' report, includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that they face.

Helge Lund
Chair
10 March 2023

UK Corporate Governance Code compliance

Throughout 2022, bp applied the principles and provisions of the 2018 UK Corporate Governance Code (Code). It has complied with all provisions of the Code. The Code can be found on the Financial Reporting Council website: *www.frc.org.uk*.

Risk management and internal control

Under the UK Corporate Governance Code 2018 (Code), the board is responsible for the company's risk management and internal control systems. In discharging this responsibility the board, through its governance principles, requires the chief executive officer to operate the company with a comprehensive system of controls and internal audit to identify and manage the risks including emerging risks that are material to bp. In turn, the board, through its monitoring processes, satisfies itself that these material risks are identified and understood by management and that systems of risk management and internal control are in place to mitigate them. These systems are reviewed periodically by the board, have been in place for the year under review and up to the date of this report and are consistent with the requirements of Principle O of the Code.

The board has processes in place to:

- Assess the principal and emerging risks facing the company.
- Monitor the company's system of internal control (which includes the ongoing process for identifying, evaluating and managing the principal and emerging risks).
- Review the effectiveness of that system annually.

Non-operated joint ventures and associates★ have not been dealt with as part of this process.

A description of the principal and emerging risks facing the company, including those that could potentially threaten its business model, future performance, solvency or liquidity, is set out in Risk factors on page 73. During the year, the board undertook a robust assessment of the principal and emerging risks facing the company. The principal means by which these risks are managed or mitigated are set out on page 69.

★ See glossary on page 389

Directors' statements continued

In assessing the risks faced by the company and monitoring the system of internal control, the board and the audit and safety and sustainability committees requested, received and reviewed reports from executive management, including management of the business segments, corporate activities and any functions, at their regular meetings. A report by each of these committees, including its activities during the year, is set out on pages 98-112.

During the year, the committees, as relevant, also met with management, the SVP, internal audit and other monitoring and assurance functions (including group ethics and compliance, safety and operational risk, group control, group legal and group risk) and the external auditor. Responses by management to incidents that occurred were considered by the appropriate committee or the board.

At a meeting in March 2023, the audit committee considered reports from the group risk function on the system of internal control and the function's categorisation of significant failings or weaknesses. The audit committee also considered a report from internal audit on their assessment of bp's systems of internal control and risk management, based on audit work conducted during 2022. In considering these reports and assessments, the audit committee noted that bp's system of internal control and risk management is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The board then considered the review undertaken by the audit committee and the proposed disclosures outlining the company's risk management and internal control systems prior to publication of the annual report and accounts.

A statement regarding the company's internal controls over financial reporting is set out on page 149.

Longer-term viability

In accordance with provision 31 of the Code, the directors have assessed the prospects of the company over a period significantly longer than 12 months. The directors believe that a viability assessment period of three years remains appropriate. This assessment is based on management's reasonable expectations of the position and performance of the company over this period, it's internal detailed budgets and planning timeframes and the targets and aims that it has set out.

Our risk management system, described in how we manage risk on page 69, outlines our risk identification, assessment and management approach for all risks, including our principal risks, described on page 73.

Taking into account the company's current position and its principal risks, the directors have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the next three years.

The directors' assessment included a review of the potential financial impact of, and the financial headroom that could be available in the event of, the most severe but plausible scenarios that could threaten the viability of the company. The assessment took into consideration the robust financial position of the group and the potential mitigations that management reasonably believes would be available to the company over this period. Mitigations considered include use of cash, access to debt facilities and credit lines, raising of capital, reductions in capital expenditure, divestments and dividend reductions.

The scenarios that have been modelled are based on the most severe but plausible outcomes and associated costs are based on actual experience where possible. The scenarios have been considered individually and as a cluster of events. They include:

- A significant process safety incident when operating facilities, drilling wells or transporting hydrocarbons.
- A sustained significant decline in oil prices over three years.
- A significant cyber-security incident.
- A loss of a significant market or producing asset for six months.

The directors also considered the impact on viability from an extended pandemic scenario, as well as the potential risks associated with climate change and the transition to a lower carbon economy. They consider that the most likely impacts of these risks are broadly captured and modelled through the sustained low oil price and loss of a producing asset scenarios.

In assessing the prospects of the company, the directors noted that such assessment is subject to a degree of uncertainty that can be expected to increase looking out over time and, accordingly, that future outcomes cannot be guaranteed or predicted with certainty.

Fair, balanced and understandable

The board considers the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

Going concern

In accordance with provision 30 of the Code, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Forecast liquidity has been assessed under a number of stressed scenarios to support this assertion. Reverse stress tests performed indicated that the group will continue to operate as a going concern for at least 12 months from the date of approval of the financial statements even if the Brent price fell to zero. For further information on financial risk factors, including liquidity risk, see Financial statements – Note 29.