

Section 172 statement

How the board complied with its Section 172 duty.

The board welcomes the new reporting requirement as an opportunity to explain how dialogue with stakeholders has informed and helped to shape its decisions. For example the board's engagement with Climate Action 100+ in the lead up to the 2019 AGM.

Following the announcement of Bernard Looney's appointment as chief executive officer (CEO) in October 2019, the board engaged with Bernard and the leadership team to develop the company's new purpose, net zero★ ambition and aims. This was supported by extensive dialogue with investors, governments, employees and other stakeholders.

Through working collaboratively with management and listening to feedback from the company's many stakeholders, the board believes that BP is well positioned to respond to increasing uncertainty. We are embarking on a period of change to deliver on our purpose to reimagine energy for people and our planet, while reinventing BP so that we can succeed over the long term. This means continuing to deliver our investor proposition, while responding to society's expectations.

Delegation of authority

The board believes governance of BP is best achieved by delegation of its authority for the executive management of BP to the CEO, subject to defined limits and monitoring by the board. The board routinely monitors the delegation of authority, ensuring that it is regularly updated, while retaining ultimate responsibility.

The board has adopted a long-standing corporate governance framework, which includes principles outlining:

- The board's relationship with shareholders and executive management.
- The conduct of board affairs and the tasks and requirements for board committees.
- The board's focus on activities that enable it to promote shareholders' interests, including development of strategy, monitoring of executive action and ongoing board and executive management succession.

The framework is being reviewed to ensure it is best suited to support the evolving strategy and BP's new purpose, ambition and aims.

The current framework covers the following principal areas:

1. **Company purpose:** pursuing BP's purpose and accountability to shareholders for the company's actions. This means focusing primarily on strategic issues, while having regard to economic, political and social issues and other relevant external matters which may influence or affect the development of BP's business and exemplify through the board principles (including the executive limitations), its expectations for the conduct of the BP business and its employees.
2. **Strategy:** responsibility for establishing and reviewing the long-term strategy and the annual plan (the plan) for BP, based on proposals made by the CEO for achieving BP's purpose.

3. **Monitoring decisions and actions of the CEO and the performance of BP:** including implementation of, and performance against, the strategy and the plan; and the exercise of authority delegated to the CEO. The board satisfies itself that emerging and principal risks to BP are identified and understood, systems of risk management, compliance and controls are in place to mitigate such risks and expected conduct of BP's business and its employees is reflected in a set of values established by the CEO.

4. **Succession:** ensuring systems and processes are in place for succession, evaluation and compensation of the CEO, executive and non-executive directors and key members of senior management.

Those delegated to by the directors to take decisions have access to functional assurance support to identify matters which may have an impact on a proposed decision.

The Companies Act 2006 (CA2006) sets out a number of general duties which directors owe to the company. New legislation has been introduced to help shareholders better understand how directors have discharged their duty to promote the success of the company, while having regard to the matters set out in section 172(1)(a) to (f) of the CA2006 (s172 factors). In 2019 the directors continued to exercise all their duties, while having regard to these and other factors as they reviewed and considered proposals from senior management and governed the company on behalf of its shareholders through the BP board.

Further information as to how the board has had regard to the s172 factors:

Section 172 factor	Key examples	Page
Consequence of any decision in the long term	New ambition and purpose	6
	Investment process	19
	Strategy	16
Interests of employees	Engagement, below and page	88
	Sustainability 'Our people'	47
	Parental leave	89
	Alignment of ACB and option to carbon offset	34, 41, 44
Fostering business relationships with suppliers, customers and others	Engagement, below and page	88
Impact of operations on the community and the environment	New ambition and purpose	6
	See our support for CA100+ resolution and response	6
Maintaining high standard of business conduct	Engagement, below and pages	40-45, 48
	Governance, pages	81-99, 101
Acting fairly between members	Sustainability	40-49
	Stakeholder engagement, below and page	88
Balanced long-term decision making	Investor proposition	18

How we engage and foster strong relationships with some of our key stakeholders

Customers

- Original equipment manufacturer collaborations.
- Global customer brand tracking.
- Customer events.

i See bp.com/sustainabilityreport.

Employees

- Pulse survey.
- Town halls.
- Helios awards.

i See Sustainability on page 47 and Corporate governance on page 88.

Government and regulators

- Country economic impact reports.
- Multi-stakeholder groups.
- Government lobbying.

i See bp.com/tradeassociations and bp.com/tax.

Investors and shareholders

- Annual engagement programme.
- Quarterly and year-end results.
- Annual general meeting.

i See Corporate governance on page 88.

Partners and suppliers

- Industry events and memberships.
- Supplier workshops and training.
- University collaborations.

i See bp.com/technology.

Society

- Social media.
- Community workshops and training.
- Social investment programmes.

i See Sustainability on page 39 and bp.com/sustainabilityreport.

How our board considers stakeholders in decision making

Strategy

At every board meeting the directors review, with the management team, the progress against strategic priorities and the changing shape of the business portfolio. This collaborative approach by the board, together with the board's approval of the company strategy, helps it to promote the long-term success of BP. The board assesses different areas of the business so that BP is well positioned to deliver on its ambition to become a net zero company by 2050 or sooner, and to help the world get to net zero. Ultimately board decisions are taken against the backdrop of what it considers to be in the best interest of the long-term financial success of the company and BP's stakeholders, including shareholders, employees, the community and environment, our suppliers and customers.

We made strong progress with our divestment plans and built exciting new opportunities in fast-growing markets in 2019. BP's flexible strategy allows it to grow in ways that can make a significant contribution to the energy transition, helping deliver the lower carbon energy the world wants and needs, while fostering strong relationships with our stakeholders. This further strengthens the company's balance sheet, enabling us to pursue new advantaged opportunities for BP's portfolio within our disciplined financial framework.

Performance

In order to become a net zero company by 2050 or sooner, BP must perform as we transform.

The board regularly reviews and monitors BP's safety, reliability and environmental performance, with the aim of continually making BP safer for our entire workforce and minimizing our environmental impact. It also focuses on maintaining financial discipline and delivering strong earnings, cash flow and returns to shareholders.

In 2019, BP increased its stake in Lightsources BP, see page 73; formed a new joint venture with BP Bunge Bioenergia, see page 64; partnered with the world-leading mobility platform, DiDi, to create a new electric vehicle charging network in China, see page 27; and is exiting BP's Alaska business as part of a two-year \$10 billion divestment programme.

In 2019 a recordable injury frequency rate of 0.166 was the lowest since reporting began, while the number of injuries recorded fell by 17%. Safety will always be one of our core values. This is important to our workforce, local communities and the environment, while securing strong operational availability and reliability is crucial to our partners, suppliers and customers.

People

BP's workforce is key to its success. Our people help us maintain our strong reputation for high standards of business conduct are fundamental in delivering our purpose to reimagine energy.

The past year was significant for BP, with the announcement of Bernard Looney as new CEO. As part of the succession planning for this role, the board considered a number of factors, including the values and leadership behaviours that this role requires. Bernard has been with BP since 1991 and has a strong sense of BP's culture and values. As chief executive of Upstream, he oversaw improvements in personal safety and initiated developments in the workplace in areas such as mental health, diversity and inclusion.

Together the board and new CEO reviewed the new organizational structure, including the appointment of the leadership team and restructuring plans.

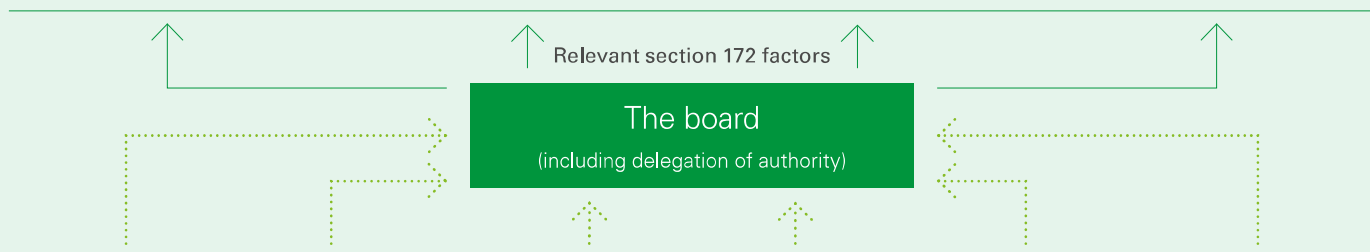
The board is reviewing the manner in which it engages with the workforce to enable it to better understand the interests and concerns of BP's people, see page 88.

Governance

The board, led by the chairman, believes that strong governance is essential to the success of the company. At the end of 2018, it participated in an external evaluation of its performance. The board discussed the findings of this review and the chairman introduced changes to the board's ways of working. It agreed to implement changes to board meetings, so that agendas will be structured around four distinct pillars in 2020 – strategy, performance, people and governance.

In light of BP's new corporate purpose, ambition and aims and the changing corporate governance landscape, the board is reviewing its governance framework in order to modernize its principles and processes. The new framework will continue to drive the highest levels of business standards and best practice, aligning these with BP's business purpose, values, strategy and culture.

The board will continue to assess and monitor culture and will look to obtain useful insight through effective dialogue with our key stakeholders and taking feedback into account in the board's decision-making process.



Customers

Our broad customer base spans industries, businesses and end consumers of our products and services. We work closely with our customers to understand their evolving needs so we can improve and adapt to meet them.

>10m

retail customers served every day

Employees

We work to attract, develop and retain the world's best talent, equipped with the right skills for the future. Our people have a crucial role in delivering against our strategy and creating value.

70,100

employees worldwide

Government and regulators

We aim to help countries around the world grow their domestic energy supplies and boost energy security. This in turn helps create jobs and generates revenues for governments. We aim to maintain dialogue with governments and engage in policy debates that are of concern to us and the communities in which we operate.

\$6.9bn

paid in income and production taxes to governments in 2019

Investors and shareholders

Our investment proposition is to grow sustainable free cash flow and distributions to shareholders over the long term. We rely on the support of our investors, analysts and proxy voting agencies and engage with global investment centres, sharing updates on our strategic progress and our financial and non-financial plans.

\$8.3bn

total dividends distributed to BP shareholders in 2019

Partners and suppliers

We depend on the capability and performance of our suppliers, contractors and other partners, such as small businesses, industry peers and academia, to help deliver the products and services we need for our operations and our customers.

\$364m

invested in research and development

Society

We consult with local people and NGOs to gain valuable perspectives on the ways in which our activities could impact the local community or environment. We typically engage well before any physical work begins on a project and continue the conversation throughout a project's lifespan.

\$84m

committed to social investment in 2019