

BP PLC
Form 20-F
March 29, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

..REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or (g) OF THE SECURITIES EXCHANGE
ACT OF 1934

OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended 31 December 2018
OR

..TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

OR

..SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

Commission file number: 1-6262

BP p.l.c.
(Exact name of Registrant as specified in its charter)

England and Wales
(Jurisdiction of incorporation or organization)

1 St James's Square, London SW1Y 4PD
United Kingdom
(Address of principal executive offices)

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act

Title of each class	Name of each exchange on which registered
Ordinary Shares of 25c each	New York Stock Exchange*
Floating Rate Guaranteed Notes due 2019	New York Stock Exchange
Floating Rate Guaranteed Notes due 2021	New York Stock Exchange
Floating Rate Guaranteed Notes due 2022	New York Stock Exchange
2.237% Guaranteed Notes due 2019	New York Stock Exchange
1.676% Guaranteed Notes due 2019	New York Stock Exchange
1.768% Guaranteed Notes due 2019	New York Stock Exchange
2.315% Guaranteed Notes due 2020	New York Stock Exchange
2.521% Guaranteed Notes due 2020	New York Stock Exchange
4.500% Guaranteed Notes due 2020	New York Stock Exchange
4.742% Guaranteed Notes due 2021	New York Stock Exchange
3.561% Guaranteed Notes due 2021	New York Stock Exchange
2.112% Guaranteed Notes due 2021	New York Stock Exchange
2.500% Guaranteed Notes due 2022	New York Stock Exchange
2.520% Guaranteed Notes due 2022	New York Stock Exchange
3.245% Guaranteed Notes due 2022	New York Stock Exchange
3.062% Guaranteed Notes due 2022	New York Stock Exchange
2.750% Guaranteed Notes due 2023	New York Stock Exchange
3.216% Guaranteed Notes due 2023	New York Stock Exchange
3.994% Guaranteed Notes due 2023	New York Stock Exchange
3.535% Guaranteed Notes due 2024	New York Stock Exchange
3.814% Guaranteed Notes due 2024	New York Stock Exchange
3.224% Guaranteed Notes due 2024	New York Stock Exchange
3.790% Guaranteed Notes due 2024	New York Stock Exchange
3.506% Guaranteed Notes due 2025	New York Stock Exchange
3.796% Guaranteed Notes due 2025	New York Stock Exchange
3.119% Guaranteed Notes due 2026	New York Stock Exchange
3.410% Guaranteed Notes due 2026	New York Stock Exchange
3.017% Guaranteed Notes due 2027	New York Stock Exchange
3.279% Guaranteed Notes due 2027	New York Stock Exchange
3.588% Guaranteed Notes due 2027	New York Stock Exchange
3.723% Guaranteed Notes due 2028	New York Stock Exchange
3.937% Guaranteed Notes due 2028	New York Stock Exchange
4.234% Guaranteed Notes due 2028	New York Stock Exchange

* Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

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Ordinary Shares of 25c each	21,525,464,027
Cumulative First Preference Shares of £1 each	7,232,838
Cumulative Second Preference Shares of £1 each	5,473,414

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act. ☐

[†] The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ Other ☐

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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BP Annual Report and Form 20-F 2018 Growing the business and advancing the energy transition BP Annual Report and Form 20-F 2018

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Advancing energy to improve people's lives Contents Strategic report Financial statements Helge Lund succeeded Overview Carl-Henric Svanberg 113 Consolidated financial statements 2 BP at a glance as chairman. Helge of the BP group 4 How we run our business joined the board in July 134 Notes on financial statements and took the chair on 6 Chairman's letter 210 Supplementary information on 1 January 2019. oil and natural gas (unaudited) 8 Group chief executive's letter See page 6. 9 The changing energy mix Strategy 10 Our strategy Additional disclosures Corporate governance 12 BP investor proposition 273 Contents 14 Major project start-ups 58 Board of directors Including information on liquidity 63 Executive team and capital resources, oil and gas Performance 68 Introduction from the chairman disclosures, upstream regional 16 Measuring our progress analysis and legal proceedings. 70 Board activity in 2018 18 Global energy markets 74 Shareholder engagement 19 Group performance 74 International advisory board Shareholder information 22 Upstream 75 Audit committee 305 Contents 28 Downstream 81 Safety, ethics and environment Including information on dividends, 34 Rosneft assurance committee our annual general meeting 37 Other businesses and corporate 83 Remuneration committee and share prices. 38 Alternative energy 84 Geopolitical committee 315 Glossary 40 Innovation in BP 85 Chairman's committee 320 Non-GAAP measures reconciliations 43 Sustainability 86 Nomination and governance committee 323 Signatures 43 Safety and security 87 Directors' remuneration report 45 Climate change 324 Cross-reference to Form 20-F 48 Managing our impacts 325 Information about this report 49 Value to society 49 Human rights 50 Ethical conduct 51 Our people 53 How we manage risk Glossary 55 Risk factors Words and terms with this symbol are defined in the glossary on page 315. Cautionary statement This document should be read in conjunction with the cautionary statement on page 303.

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What we do Our people We provide customers with fuel for and our values transport, energy for heat and light, power for industry, lubricants to keep The BP values express who we are engines moving and the petrochemicals and what we stand for. They capture the products used to make everyday items individual and collective behaviours we such as paints, clothes and packaging. expect from everyone who works for us. Our people help build enduring Find out more about our activities on page 4. relationships based on mutual trust with governments, customers, partners, suppliers and communities. Read more about our people on page 51 Informing our thinking or visit bp.com/values. Global prosperity is shaping economic and energy trends. Safety By 2040: Respect GDP doubling Excellence >2.5 billion people lifted from low incomes Courage See how we consider a range of One team scenarios on page 9. Our performance in 2018 See how our businesses have performed and how we are reducing our emissions, Our strategy improving our products and creating low Our four strategic priorities are designed carbon businesses. to allow us to be competitive at a time Find out more on pages 16 to 56. when prices, policy, technology and customer preferences are evolving rapidly. Find out more on page 10. BP Annual Report and Form 20-F 2018 1

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BP at a glance We are a global energy business Scale with wide reach across the 73,000 78 19,945 world's energy system. We have employees countries million barrels of oil operations in Europe, North and equivalent – proved South America, Australasia, Asia hydrocarbon reserves and Africa. 18,700 63,000 Data as at or for the year ended 31 December 2018 retail sites square kilometres of unless otherwise stated. new exploration a On a combined basis of access subsidiaries and equity- accounted entities. Completed a significant Acquired Chargemaster, Purchased a 16.5% interest BP in action turnaround at our largest operator of the UK's in the UK's Clair field from Highlights of some of refinery, Whiting in largest electric vehicle ConocoPhillips – increasing our activities in 2018. the US. charging network. our share to 45.1%. Opened more than 220 REWE to Go® convenience retail sites in Germany. Signed a production-sharing Acquired a portfolio of agreement with SOCAR to unconventional assets from BHP explore and develop in the in some of the best basins across North Absheron basin in Texas and Louisiana. Azerbaijan's Caspian Sea. Signed an agreement with the governments of Opened our 440th Mauritania and Senegal BP-branded retail site to enable development of in Mexico. the BP-operated Greater Tortue Ahmeyim gas Formed a strategic alliance project. with Petrobras to explore joint projects in upstream, downstream, trading and low carbon. And accessed new acreage in the Santos basin, Gained approval for the offshore Brazil, making us the Ghazeer project to develop second-largest exploration the second phase of the holder in the basin. Khazzan field in Oman. 2 See Glossary BP Annual Report and Form 20-F 2018

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Strategic report – overview Performance Six major projects \$9.4bn 3.7 16 started up in 2018 profit attributable million barrels of oil tier 1 process to BP shareholders equivalent per day – safety events hydrocarbon productiona (2017 \$3.4 billion) KPI (2017 3.6mmboe/d) KPI (2017 18) KPI \$12.7bn 100% underlying replacement group proved reserves cost profit replacement ratio a a On a combined basis of KPI See key performance subsidiaries and equity-indicators on page 16. (2017 \$6.2 billion) KPI (2017 143%) KPI accounted entities. See pages 14 and 15. Completed a deal to Invested in PowerShare – a Chinese More on our develop resources in company that’s connecting EV renewables activity the Kharampurskoe and drivers, charge point operators Festivalnoye licence and power suppliers. And signed areas in Russia, jointly a memorandum of understanding with Rosneft. with NIO Capital to explore opportunities in advanced mobility. Investments in electric vehicle technology on page 42. Low carbon ambitions on pages 46-48. Took delivery of British Partner – the first of six state-of-the-art liquefied natural gas ships being constructed in South Korea. Fuelled the first non-stop flight from Perth to London with Air BP jet fuel produced at our nearby Kwinana refinery. Lightsource BP delivered its first Indian solar project. And BP sanctioned the second phase of the KG D6 development in the ‘Satellite cluster’ deepwater gas fields in India with Reliance. BP Annual Report and Form 20-F 2018 See Glossary 3

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How we run our business Business model foundations Safe and reliable operations Talented people From the deep sea to the desert, We strive to create and maintain a safe We work to attract, motivate, develop and from rigs to retail, we deliver operating culture where safety is front and retain the best talent the world offers and energy products and services centre. This is not only safer for people equip our people with the right skills for and the environment – it also improves the the future. Our performance and ability to people around the world. reliability of our assets. to thrive globally depend on it. We provide customers with fuel for See Safety and security on page 43. See Our people on page 51. transport, energy for heat and light, power for industry, lubricants to keep engines moving and the petrochemicals products used to make everyday items such as paints, clothes and packaging. 1 Finding oil and gas We have a diverse portfolio across businesses, resource types and geographies. Having upstream, downstream and renewables businesses, along with well-established trading capabilities, helps to mitigate the impact of commodity pricing cycles. Our geographic reach gives us access to growing markets and new resources, as well as diversifying exposure to geopolitical events. We are helping to meet the dual challenge of society's need for more energy while reducing emissions through our 'reduce, improve, create' framework (see page 46). We believe that our long history, well-recognized brands and customer offers, combined with our unique partnership with Rosneft, help differentiate us from our peers. 2 Developing and extracting oil and gas Creating value Our role in society The energy we produce helps support 1 Finding oil and gas We also seek to grow or extend the life of existing fields – such as our Clair Ridge project, economic growth and improve quality New access allows us to renew our portfolio, which is helping unlock additional resources of life for millions of people. We strive to discover additional resources and replenish from the Clair field in the UK North Sea. be a world-class operator, a responsible our development options. We focus our corporate citizen and a great employer. exploration activities in the areas that are See Upstream on page 22. We believe the societies and competitive in the portfolio, and develop and 3 Transporting and trading communities we work in should benefit use technology to reduce costs and risks. We move oil and gas through pipelines and by from our presence. We aim to create 2 Developing and extracting ship, truck and rail. We also trade a variety of positive, meaningful and sustainable oil and gas impacts in those communities through products including oil, natural gas, liquefied our social investments. We develop the resources that meet our natural gas, power and carbon products, as return threshold and produce hydrocarbons well as derivatives and currencies. BP's traders We contribute to economies around that we then sell to the market or distribute serve more than 12,000 customers across the world by employing local people, to our downstream facilities. Our upstream some 140 countries in a year. Our customers helping to develop national and local pipeline of future projects gives us choice range from independent power producers to suppliers, and through the funds we about which we pursue. utilities and municipalities. We are the largest pay to governments from taxes and trader of natural gas in North America. other agreements. We use our market intelligence to analyse See bp.com/society for more information supply and demand for commodities across on how we generate value to society. our global network. 4 BP Annual Report and Form 20-F 2018

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Strategic report – overview 5 risk management systems and policy Venturing See bp.com/venturing. See Alternative energy on page 38 and Climate change on page 45. See How we manage risk on page 53 See How we manage risk on page 57. and Corporate governance Governance and oversight 6 And in solar energy we target the growing large-scaledemand for projects solar BP. Lightsources worldwide through Our r provide a consistent and clear framework The board reporting risks. and managing for regularly reviews how we identify, evaluate risks. manage and We invest in high-tech companies help to new commercialize and accelerate business and products technologies, models. Our focus is on five areas that are core our to strategy for advancing the advancedenergy transition: mobility, carbon carbon products, low and bio management, digital and transformation storage. and power BP Annual Report and Form 20-F 2018 Generating renewable energy Generating renewable 5 o build enduring relationships Generating renewable energy renewable Generating See Downstream on page 28. See Rosneft on page 34 and Upstream analysis See Rosneft on page 34 and by region on page 279. Partnerships collaboration and 5 to thirdto parties. In petrochemicals our proprietary technology solutions deliver leading cost positions to addition In competitors. our to compared our own petrochemicals plants, we work with partners technology our license and We aim t partners, customers, with governments, suppliers countries the communities and in operate. we where using one of the world's most sustainable and renewable produce to feedstocks advantaged ethanol and We also power. provide renewable power through our significant interests in onshore wind energy in the US, and develop and deploy technology drive to efficiency. We have been investing in renewables for many years. Our focus is on biofuels, solar energy wind energy. and biopower, We operate a biofuels business in Brazil, Manufacturing and marketing 4 Venturing 6 echnologies help us produce energy Manufacturing and marketing fuels fuels marketing and Manufacturing and products products and See Innovation in BP on page 40. See Innovation in BP on page Transporting and trading and Transporting Technology and innovation 3 4 safely and more efficiently. We selectively invest in areas with the potential add to greatest value our to business, now and in the future, carbon businesses. lower building including New t We produce refined petroleum products at our refineries and supply distinctive fuels and convenience retail services to consumers. Our advantaged infrastructure, logistics network and partnerships key help us have to differentiated fuels businesses offers, compelling deliver customer and carbon products. lower including premium has business lubricants Our brands and access growth to markets. It also leverages technology and customer relationships, all of which we believe gives us competitive advantage. We serve energy industrial, and marine automotive, world. the across markets lubricant

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Chairman's letter I am of the view that more energy with fewer emissions – the dual challenge – can be met if a progressive and pragmatic approach is taken to the energy transition. Dear fellow shareholder, 2018 has been a year of very good operating performance, important strategic progress and continued change. Our teams have delivered strong results across the business and we are well positioned to continue to deliver value as we play our part in the dual challenge of delivering more energy with fewer emissions. It was an honour to be appointed chairman of BP. I have huge respect for the responsibilities that come with the role and I will do my utmost to provide thoughtful leadership to the board of directors and support for Bob Dudley and his team as we advance BP in a changing energy landscape. BP's strong position is a great tribute to my predecessor as chairman, Carl-Henric Svanberg. During his nine-year tenure Carl-Henric did an outstanding job of guiding our company through difficult times. On behalf of the board, I want to thank him for his contribution. It has been a pleasure to get to know my new colleagues on the board, and I believe we have a wide ranging combination of diversity, skills, experience and knowledge that we need to steer the company through a landscape that is both uncertain and presents possibilities. Last year we welcomed Dame Alison Carnwath and Pamela Daley to the board, each with extensive experience gained in a range of executive and non-executive roles in large companies. And this year we say farewell to Alan Boeckmann and Admiral Frank 'Skip' Bowman. Alan and Skip have \$8.1bn both made valuable contributions during their tenures, particularly total dividends distributed through their leadership and membership of our safety, ethics and to BP shareholders environment assurance committee. Strengthening organizational culture and capability 6.3% The work of the board will continue to evolve over time to make sure that BP is best positioned to advance the energy transition, embrace ordinary shareholders digital disruption and meet society's changing expectations of major annual dividend yield companies. In my short time so far at BP I have already seen for myself many examples of the commitment of our people. Their drive and determination have brought BP to where it is today, and I want to thank 6.4% them for their hard work. It is critically important we continue to strengthen our organizational capabilities – both by developing our ADS shareholders people and by continuing to attract the world's top talent. We look annual dividend yield forward to doing this by continuing to foster a diverse and inclusive culture, where everyone feels valued. 6 See Glossary BP Annual Report and Form 20-F 2018

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Strategic report – overview 7 More information Corporate governance Page 57 29 March 2019 BP Annual Report and Form 20-F 2018 Our clear purpose Finally, I think it is important for BP's success that we have a clear purpose – one that is strongly linked society's to needs. That is why one of the first things I have done with the board review is our purpose in line with our strategy and values. Our purpose is advance to energy Lund Helge Chairman to improve people's lives. the world Today needs more energy than ever but with emissions. fewer help meet this To dual challenge we have to be financially strong and sure we make continuous to be an energy transition. the through attractive investment I look forward working to with Bob and the team as we advance the values our guided by strategy, our through energy delivering transition, and inspired by our purpose. I also look forward hearing to from you, and meeting many of you, in the coming months and years as we look to confidence and trust your BP. in reward This the board year, is pleased support to a resolution that has been proposed by a group of investors at our annual general meeting in May. The resolution, if passed, will pave the way for additional reporting to help investors better understand how BP's strategy is consistent with the Paris climate goals. We see this as an important opportunity for investors appraise to our progress in responding the to dual challenge. Further details can be found in the Notice of Meeting, to be published in April. in to play to our part in reducing greenhouse gas emissions. I am of the view that more energy with emissions fewer – the dual challenge – can be met if a progressive and pragmatic approach is taken the to energy transition. In BP we recognize that energy in many forms will be required, produced in ways that are cleaner and better. That is why we see ourselves not just as an oil and gas business but as a global energy business. We also recognize that we must be constantly improving and seeking out new ideas and possibilities. We must be able learn to fast and harness all the potential of the rapid advances in digital and other new technologies. share. I believe they help build to trust with our people, partners, company. the Above all, our primary focus has always to be on operating safely and reliably, minute by minute, day after day. Protecting day. people, the environment and our assets is always our top priority and the bedrock on which success is built. I think of it as having the tightest defence in the league, a good like football team. If you have a strong defence, you can be more forward looking, compete harder and be better positioned to win. We value the dialogue we have with you and others, sharing our achievements, our challenges and our plans and seeking your views. This report is one of many ways we update you on our activities progress. and Earning trust through strong values Pursuing this approach, BP is guided by its values of safety, respect, excellence, courage and one team. These are values I personally more energy meet to growing global demand as emerging economies develop and provide people with a better quality of life. The other is the communities in which we work, and with you, the owners of There are two defining priorities for our industry. One is to produce Our progressive, Our pragmatic approach the to energy transition

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Group chief executive's letter Our strategy is delivering value for you, our shareholders, while being flexible and agile for the energy transition underway. Advancing the energy transition The deals we made and the strategy we have in place are evidence that BP is a forward-looking energy business. One that is already playing an active role in advancing the energy transition. That's why we are making bold changes across our entire business to reduce emissions in our operations, improve products to help customers reduce their own emissions, and to create new low carbon businesses. This is our 'reduce, improve, create' (RIC) framework which we are backing up with clear targets. I am pleased to report we are making good progress against these targets. BP is also working with peers on a range of fronts, in particular to tackle methane emissions and create opportunities for carbon capture, utilization and storage. You'll see this in our work with the Oil and Gas Dear fellow shareholder, Climate Initiative, which I chair, and whose members now represent 30% of global oil and gas production. I am pleased to report that 2018 was another remarkable year for BP. Our safety performance continued to improve overall, helping to create As well as action across the industry, at BP we understand that meeting record operational reliability, which led to strong production, and record our own low carbon ambitions is a shared responsibility across our refining throughput. entire business. That's why we are now incentivizing around 36,000 employees who are eligible for an annual cash bonus to play a role by Strength in numbers linking their reward to one of our emissions reduction targets. This ultimately contributed to us maintaining a healthy balance sheet Possibilities everywhere as we more than doubled our underlying profit, nearly doubled our return on average capital employed, and significantly increased We will continue to be open and transparent about our ambitions, plans operating cash flow. and progress, recognizing that the trust of our shareholders and other stakeholders is essential to BP remaining a reliable and attractive It was a year in which we secured our biggest deal in 20 years, acquiring long-term investment. And only by ensuring we remain a world-class BHP's world-class unconventional oil and gas onshore US assets. We investment, can we most effectively play our part in advancing a low also made progressive moves in mobility, such as the acquisition carbon future. of the UK's leading electric vehicle charging network to create BP Chargemaster. As a global energy business with scale, expertise and strong relationships around the world, we don't just believe we have an BP is in good shape. Our strategy is delivering value for you, important part to play in the dual challenge, we see value-generating our shareholders, while being flexible and agile for the energy opportunities for BP throughout the energy transition. transition underway. We're making good progress delivering our strategy while flexing and • We continued to focus on advantaged oil and gas in the Upstream, adapting to an environment that is changing fast. We have a great team delivering new supplies of gas from four of our six new major projects at BP and I would like to thank them all for their continued dedication and brought online in 2018. We are also expanding our LNG portfolio and relentless commitment to advancing the energy transition. developing new markets in transport and power. • In the Downstream, we expanded our retail offer, as seen by more than 25% growth in our convenience partnerships, to around 1,400 sites worldwide. • As we pursue venturing and low carbon across multiple fronts, Lightsource BP doubled its global solar presence to 10 countries. Bob Dudley • And we underpinned all this by continuing to modernize our plants, Group chief executive processes, and portfolio by harnessing the potential of digital and new 29 March 2019 technologies to provide greater efficiencies, reliability and safety. GAAP equivalents Profit attributable to shareholders: \$9.4bn (2017: \$3.4bn) Average capital employed: \$165.5bn (2017: \$159.4bn) 8 BP Annual Report and Form 20-F 2018

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Strategic report – overview 9 Rapid transition Rapid Evolving transition Evolving 2 1 This scenario is consistent with the Paris goals, and is broadly similar to the reduction in carbon emissions in Sustainable Development IEA's the Scenario. This scenario assumes that government policies, technology and social preferences continue to evolve in a manner and speed seen past. recent the over More information 20 BP Energy Outlook See bp.com/energyoutlook for more information on our projections of future energy trends and factors that could affect them out to 2040. BP Technology Outlook See bp.com/technologyoutlook for information on how technology could influence the way we meet the energy challenge into the future. 1 BP Annual Report and Form 20-F 2018 and storage. and Gas offers a cleaner alternative coal to for power generation and can lower emissions at scale. It also provides a valuable partner for temperatures high the at heating delivers intermittency, renewables required by industry and is increasingly used in transportation. Across That said, oil and gas could meet at least 50% of the world's energy needs in 2040 – even in a scenario consistent with the Paris goals, with the share of gas growing aided by increasing use of carbon capture, use our scenarios, gas grows robustly, overtaking coal as the second-largest source of energy by 2030. Oil demand grows for the next years 10 in our evolving transition scenario, before gradually levelling out due factors to such as accelerating gains in vehicle efficiency and greater use of biofuels, natural gas and electricity. The largest source of oil demand growth is the non-combusted use of oil, for example as a feedstock for petrochemicals. 2020; 2030; 2040; oil energy consumption grows by emissions from energy decline emissions use from 2017 to 2040 decreases by 14Mb/d. Rapid transition Biofuels grow by 4Mb/d. by around 45% by 2040. fifth. one around Glob Oil de CO 10 2 • • • 2020; 2030; 2040; oil gas account for more than half of energy demand increases by one third emissions from energy increase emissions use from 2 BP Outlook Energy explores the forces shaping the 2020; 2030; 2040; Oil an global energy in 2040. by 7% by 2040. by 7% from 2017 to 2040. to from 2017 1 Rapid transition 2020; 2030; 2040; Actual energy mix 2010; 2020; 2030; 2040; on tonne oil equivalent 2020; 2030; 2040; oil energy consumption 2040 – projections In all the scenarios considered, world GDP more than doubles by 2040 economies. fast-growing developing prosperity in increasing by driven In the evolving transition scenario, this improvement in living standards causes energy demand increase to by a third by 2040, driven mainly by India, China and other developing Asian economies. The rate of growth however is slower than in the previous 20 years, as the world increasingly learns produce to more with less energy. Despite this, a substantial proportion of the world's population in 2040 could live in countries where low. energy per person relatively consumption average is the At the same time, the energy mix is changing as technology advances, Renewables shift evolve. policy and measures preferences consumer The demand for energy is set increase to significantly – growing support economies need energy to industry their infrastructure. and are now the fastest-growing energy source in the world today and in our evolving transition scenario we estimate that they could account for 15% of all energy consumption in 2040 – and in other scenarios more. • • • global energy transition out to 2040 and the key uncertainties surrounding that transition. use We the scenarios the in Outlook together with a range of other analysis and information when forming our long-term strategy. The The changing energy mix

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Our strategy Society is demanding solutions for more energy, delivered in new Growing advantaged oil and better ways for a low carbon and gas in the upstream future. Our strategy is designed to meet this dual challenge. Through new technologies, energy will be produced more efficiently and in new ways, helping to meet the expected rise in demand. Our strategy allows us to be competitive at a Invest in more oil and gas, time when prices, policy, technology and producing both with increasing customer preferences are evolving rapidly. efficiency. We believe having a balanced portfolio with advantaged oil and gas, a competitive Key highlights downstream and a range of low carbon activities, with the flexibility of our strategy, Transforming US onshore gives us optionality whatever path the transition takes. With the experience we have and the portfolio we've created, we can embrace the energy transition in a way that enhances our investor proposition, while continuing to meet the need for energy. More information Purchased unconventional assets from BHP, Financial framework How this underpins our commitment giving us access to some of the best basins to disciplined investment and growing in the onshore US. shareholder value. See page 13. See Upstream on page 24. Collaborative partnerships Signed a new production-sharing agreement with SOCAR, Azerbaijan's state oil and gas company, to jointly explore and develop block D230 in the Caspian Sea. And formed a strategic alliance with Petrobras to explore joint projects in upstream, downstream, trading and low carbon in Brazil. See Upstream analysis by region on page 279. Project approvals Sanctioned Ghazeer in Oman – the second phase of development in the Khazzan gas field; Alligin and Vorlich in the UK North Sea; the Cassia Compression and Matapal gas projects in Trinidad; KG D6 Satellites in India; Zinia 2 in Angola; Manuel and Atlantis Phase 3 in the Gulf of Mexico; and Tortue in Mauritania and Senegal. See Upstream on page 22. Major project start-ups Started up six major projects, making a significant contribution to the 900,000 barrels per day of expected new production from major project start-ups between 2016 and 2021. See Upstream on page 22. 10 See Glossary BP Annual Report and Form 20-F 2018

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Strategic report – strategy 11 See page 52. See Innovation in BP on page 40. See Innovation in BP on page 40. four platforms in the US Gulf of Mexico. The cloud-based tool helps reduce the time it problem a diagnose to engineers take could from hours minutes. to Trialled new technologies, such as smart glasses in the US and digital vests in Oman, helpt to increase safety and efficiency at our operations. Cloud-based technologies Deployed Plant Operations Advisor on our Intelligent operations Installed APEX technology across all our BP-operatedupstream data gather to assets identifyabout help and every efficiency well improvements. Process automation Reduced the time it takes complete to manual contract as management such tasks, and customer data processing, by using robotic process automation. This is helping optimize to productivity and drive processes, business our satisfaction. customer improve Modernizing the whole group wearableUsing technologies Simplify our processes and enhanceSimplify our processes digitalour productivity through solutions. for @ by pipeline for 2 BP Annual Report and Form 20-F 2018 See Innovation in BP on page 42. See Climate change on page 45. See bp.com/sustainability for more information. See Climate change on page 45. use at their planned their US commercial-scale at use waste-to-fuels plant. Venturing and lowVenturing carbon across multiple fronts Cleaner powerCleaner Working with the Oil and Gas Climate Initiative progressto the Clean Gas Project, which plans then and power, generate gas to natural use to transport and capture CO the of Chargemaster, operator of the largest UK's network. charging electric vehicle Advancing solar Lightsource BP has doubled the number of countries where it has a presence since 2017. December waste to fuelTurning Licensed technology, developed by BP and Johnson Matthey, Fulcrum to BioEnergy to meet evolving technology, trends. consumer and policy Harnessing battery power Made a series of investments in electric vehicle technology and infrastructure help to battery for demand rising to respond us charging facilities, including acquisition the Pursue new opportunities storage in a formation under the southern North Sea. sponsorship and sponsorship retail sites in Germany, taking the total See Downstream page 28. See Downstream on page 28. See Downstream on page 28. @ Market-led growth in the downstream Strong brands and partnerships lubricants our Strengthened fuels and partnership with Renault Sport Racing – extending our BP Castrol broadening the relationship include to joint development of advanced mobility solutions technologies. new and Sustainable aviation fuel Entered an into innovative collaboration between Air BP and Neste, a leading renewable products producer, secure to and promote the supply of sustainable aviation fuel. Expanded our network 440 to BP-branded retail sites in Mexico and opened our first Indonesia. in sites Growing retail new in markets Convenience partnerships Opened more than 220 additional REWE to Go number of convenience partnership to convenience of number sites around 1,400 across our global retail network. Innovate with advanced productsInnovate with advanced and strategic partnerships. Key highlightsKey

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BP investor proposition of demand in a low carbon world. We have strong incumbent positions in many of the world's top hydrocarbon basins and a robust pipeline of growth opportunities – see page 27. We started up six major projects in 2018. Fit for the Focused on Safer The Downstream business has a strong and focused presence. We future returns have advantaged manufacturing facilities, considerable potential for growth in our marketing businesses, and are expanding our retail network in rapidly growing markets such as Mexico, Indonesia and China. We also provide products – such as fuels with ACTIVE technology Safe, reliable A distinctive Value based, – and offers that help consumers lower their emissions – see page 28. and efficient portfolio fit for a disciplined Through our well-established supply and trading function we generate execution changing world investment and value by providing the link between our businesses and third-party cost focus customers. In November BP and partners in banking and trading launched VAKT, the world's first blockchain platform for managing post-trade oil and commodities commercially. And we're increasing our activity in renewables, building on our existing solar, wind and biofuels businesses, and creating new business models. For example Lightsource BP has doubled the number of countries Growing sustainable free where it has a presence since December 2017 – see page 47. cash flow and distributions Embedded within our strategy is our commitment to advance a low to shareholders over the long term carbon future. We plan to deliver this across our entire business by reducing emissions in our operations, improving our products and services, and creating low carbon businesses. See Our low carbon ambitions on page 46. Our investor proposition is to grow sustainable free cash flow and distributions to shareholders over the long term. We believe our strategy We are actively managing the portfolio to remain resilient in a enables this, through a focus on safe, reliable and efficient execution, changing world and believe we have enough flexibility in our portfolio leveraging our distinctive portfolio, and disciplined investment to support to reshape our business and balance sheet in around 10 years should growing returns. we need to. This enables us to monitor changing trends and legislation, and provides us with optionality to adjust our portfolio and adapt to Safer the future. Safety is one of our core values and our number one priority. We are focused on being systematic, disciplined and process driven. Focused on returns A safe business doesn't just protect people, it also helps improve We have a disciplined financial framework that is central to our strategy, operating performance, leading to improved business and financial and clear growth plans out to 2021 and beyond. performance. In recent years overall safety events have declined, and Recent portfolio additions and new long-term agreements – for example we've increased upstream plant reliability and downstream refining our purchase of BHP's unconventional onshore assets in the US and availability . the new production-sharing agreement we signed with SOCAR in Azerbaijan – have strengthened our position. See Measuring our progress on page 16 and Safety on page 43. We have held our capital frame of \$15-17 billion a year for organic Fit for the future expenditure for the past three years and expect to do so at least out to As an integrated business, we benefit from having upstream, 2021. We believe we can continue to generate robust organic growth downstream, renewable energy businesses and an established trading within this framework and that the strength of our balance sheet will function. Our balanced portfolio spans resource types and geographies allow us to deal with any near-term volatility. with a strong and distinctive set of assets, brands and relationships. We remain confident in our guidance on returns of greater than 10% In the Upstream we are growing 'advantaged' oil and gas – that by 2021 at an oil price of \$55/bbl (based on real 2017 Brent oil prices). means low cost or high margin. This improves the likelihood that See Group performance on page 19. the hydrocarbons we produce are resilient and competitive in terms Distributions to shareholders Our commitment to growing distributions to shareholders is underpinned 2.5% \$8.1bn by our progressive dividend policy and share buyback programme. dividend increase total dividends distributed in July to BP shareholders in 2018 In July 2018 we announced a 2.5% increase to our dividend, and over the year distributed total dividends to shareholders of \$8.1 billion. We have remained active in our share buyback programme, buying back 50 million ordinary shares in 2018 at a cost of \$355 million including fees and stamp duty. 12 See Glossary BP Annual Report and Form 20-F 2018

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Strategic report – strategy Our financial framework We maintain a disciplined financial framework, which underpins our investment choices and supports growth in sustainable free cash flow, returns and distributions to shareholders. Our balance sheet and cash cover metrics are strong, and during 2018 this enabled us to acquire the BHP Lower 48 assets, funded using available cash. Alongside the real momentum across our businesses, and in line with growing free cash flow and the receipt of divestment proceeds, we continue to expect to deliver the 2021 targets laid out two years ago. 2018 outcome Guidance 2019-2021 Capital expenditure Organic capital expenditure was \$15.1 We expect organic capital expenditure to be billion*, at the bottom end of our guidance, in the range of \$15-17 billion per year. Divestments Total divestment and other proceeds of We expect more than \$10 billion of \$3.5 billiona achieved. This was in line with divestments over the next two years. This guidance of more than \$3 billion for the year, includes divestments announced as part of the BHP transaction. Gulf of Mexico oil spill 2018 payments totalled \$3.2 billion, in line We expect payments of around \$2 billion in payments with our guidance of just over \$3 billion. 2019, stepping down to around \$1 billion per year for the next 14 years. Gearing Gearing at the end of 2018 was 30.3%** . We expect gearing to be in the range of 20-30%.

Group return on average ROACE was 11.2%***, almost double that We expect ROACE to be more than 10% by capital employed (ROACE) in 2017. 2021 at \$55/bbl (based on real 2017 Brent oil prices). Distributions We increased the quarterly dividend by 2.5% Progressive dividend and a continued share in July and repurchased 50 million ordinary buyback programme, which is expected to shares at a cost of \$355 million in 2018. fully offset the impact of scrip dilution since the third quarter of 2017 by the end of 2019. Our published guidance will be updated for any impacts associated with the new lease accounting standard, IFRS 16 'Leases', during 2019. a This includes a \$0.6 billion loan repayment to BP relating to the refinancing of Trans Adriatic Pipeline AG. Divestment proceeds for 2018 were \$2.9 billion. Nearest equivalent GAAP measures * Capital expenditure: \$25.1 billion. ** Gross debt ratio: 39.3%. *** Numerator: Profit attributable to BP shareholders \$9.4 billion; Denominator: Average capital employed \$165.5 billion. BP Annual Report and Form 20-F 2018 See Glossary 13

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Major project start-ups Atoll Phase 1, Egypt Thunder Horse Northwest Expansion, US We developed and delivered first gas from Atoll Phase 1 less than three years after its discovery. It supports our commitment to help realize Egypt's oil and gas potential and meet the increasing demand from its growing population. Operator Pharaonic Petroleum Company Partners BP (100%) Project type Conventional gas 16 months from sanction to first oil Cairo We started up the Thunder Horse 110km Northwest Expansion project 16 months subsea tieback after it was sanctioned. The project is on our largest platform in the deepwater 6,400 Gulf of Mexico. metres Operator BP well depth, <3 years Partners BP (75%), ExxonMobil more than Mount to deliver (25%) Kilimanjaro Project type Deepwater oil Suez Clair Ridge, UK North Sea Clair Ridge is the second phase development of the Clair field – the largest in the UK continental shelf. Operator BP Partners BP (45.1%), Shell (28%), Chevron (19.4%), Conoco Phillips (7.5%), Project type Conventional oil 14 BP Annual Report and Form 20-F 2018

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Strategic report – strategy 15 Turkey 2,760 metres the highest point of the pipeline, TANAP 1,850km Turkey eastern in Georgia 2 new compressor stations the approximately each of 20size football pitches Conventional oil and gas BP Annual Report and Form 20-F 2018 Conventional gas Taas Rosneft Oil India, (50.1%), Indian Oil, Bharat PetroResources (29.9%), BP (20%) BP BP (28.8%), SOCAR PETRONAS (16.7%), (15.5%), Lukoil NICO (10%), TPAO (19%) (10%), Partners type Project Taas-Yuryakh expansion, RussiaTaas-Yuryakh Led by our partner Rosneft, the Taas-Yuryakh expansion project in Eastern Siberia is an example of successful collaboration in the remote Russian region of Sakha (Yakutia). Operator 2 new bridge-2 new linked platforms constructed by 5,000+ workers and installed in Caspianthe Sea Azerbaijan Shah Deniz Stage was 2 our biggest major project start-up in 2018. It includes complex offshore and onshore projects with Southern the across Gas developments pipeline Corridor. Operator Partners type Project LNG Woodside BP, BHP, Chevron, WoodsideShell, and Japan LNG Australia (16.67% each) subsea wells 26 500km Photo credit: Woodside Energy Ltd. Shah Deniz Stage Azerbaijan 2, Operator Partners Located off the north-west coast of Australia, the Western Flank B project develops five fields via an eight subsea well tie back the to Goodwynplatform. A Project type Project Western Flank Australia B, of subsea flow lines

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Strategic report – performance 17 �� �� �1 ���� ���� ���� ���� ���� ���� ���� activity and the 10��� is calculated as is ���� 8���� (%) ���� ����11

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Annual Report and Form 20-F 2018 � 1� ��200 ��2�8 ��2�� 2 We started up six major projects in �on
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201� 201� 201� 201� ���� 201� 201� 201� 201� P����������

major projects to gauge whether we are delivering our core pipeline of projects under time. on construction Projects take many years to complete, requiring differing amounts of resource, so a smooth or increasing trend should not be anticipated. Major projects are defined as those with a BP net investment of at least \$250 million, or considered to be of strategic importance or of a high to BP, degree of complexity. performance 2018 Production is a useful measure for tracking how our major projects are helping to grow our business. We report production of crude oil, condensate, natural gas liquids (NGLs), natural bitumen and natural gas on a volume per day basis for equity-accounted and subsidiaries our is gas Natural entities. converted to barrels of oil equivalent at 5,800 standard cubic feet of natural gas = 1 boe. 2018 performance including production, reported total BP's Upstream and Rosneft segments, was 2.4% higher than in This2017. was due to major project ramp-ups and improved reliability.plant Each year we report the percentage of women and individuals from countries other than the UK and the US among BP's leaders. group 2018 performance While the percentage of our group leaders who are non-UK/US remained the same, the percentage of female group leaders rose. As a global business we are committed to increasing the diversity of our workforce and leadership.

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Our GHG 2, other than BP's share 100 e�u�e�alent� e�e� 2 e�1 and equity-accounted and entities. 20 80 ever, lower than 2017reflecting increased how and associates and e�0 e�0 Fit for the future REM 2018 201� 201� 201� 201� 201� 201� 201� 201�

���� 201� 201� 201� ���� 201� This measure helps to demonstrate our success in accessing, resources. extracting and exploring 2018 performance The ratio of 100.4% was in line with our five-year average reserves replacement ratio, due to new projects. existing our in revisions and investments project maintenance, particularly at our Gelsenkirchen refinery. Gelsenkirchen particularly our maintenance, at Refining availability represents Solomon Associates' Associates' Solomon represents availability Refining operational availability. The measure shows the percentage of the year that a unit is available for processing after deducting the time spent on turnaround activity and all mechanical, process and regulatory downtime, operational the of indicator important an is availability Refining businesses. Downstream performance our of 2018 performance Refining availability remained strong, programmes. improvement reliability global our by underpinned The result was, Proved reserves replacement ratio is the extent to which the year's production has been replaced

by proved reserves added base. reserve our to Theratio is expressed in oil-equivalent terms and includes recovery and improved discoveries, from resulting changes extensions and revisions to previous estimates, but excludes disposals. acquisitions and The ratio from changes resulting subsidiaries both reflects We provide data on greenhouse gas (GHG) emissions material to our business on a carbon dioxide-equivalent basis. This comprises direct emissions of CO KPI comprises 100% emissions from subsidiaries and the percentage of emissions equivalent to our share of joint arrangements of Rosneft. 2018 performance The primary reasons for the overall decrease include actions taken by our businesses to reduce emissions in areas such as flaring, methane and energy increased gas as such changes operational and efficiency, being captured and exported to the liquefied natural gas facility Angola. In Refining availability and

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Strategic report – performance 19 25 20 15 Other businesses and corporate Page 37 Oil and gas disclosures for the group Page 285 See Glossary ax 10 (57) 115
 2016 483 and t Group RC profit (loss) before interest and tax and interest before (loss) profit RC Group (430) (999) 6,746 2,467 2,585 (3,162) (1,597) (1,865) \$
 million \$ 29.418 5 erest More information Upstream Page 22 Downstream Page 28 Rosneft Page 34 (79) 2017 225 (325) 40.0 40.0 (853) ore int neft 6,166 9,474
 2,761 3,730 3,389 (3,712) (2,294) 30.979 except per share amounts Ros e (includes (5) 0 55) 55) 78 2018 801 (195) (198) 40.5 (643) 9,986 9,383 3,380 (7,145)
 (2,6 12,723 19,3 30.568 wnstream nt – UPII UPII – stment (10) Do nd corporat es and dju a RC profit (loss) bef tion siness u lida BP Annual Report and Form 20-F
 2018 b t ent (15) ream nso her Co Ot costs related to the Gulf of Mexico oil spill) Upst 2018 2017 2016 (\$ billion) Segm and fair value fair and ts operating cash
 flow (2017 \$18.9 billion) \$22.9bn fi , before tax e expense relating pensions to – pence nanc a fi , before tax t fi s s) fors) the year t (los t fi t (loss) before interest
 and taxation t (los fi fi accounting effects accounting effects and other post-retirement bene post-retirement other and \$9.4bn to attributable profit shareholders BP
 (2017 \$3.4 billion) \$12.7bn (RC) cost replacement underlying profit (2017 \$6.2 billion) Profit (loss) attributable to BP shareholders. BP to attributable (loss) Profit
 Dr Brian Gilvary Group chief financial officer We saw significant growth in earnings, cash and returns. The and returns. in earnings, cash significant growth We
 saw balance cash flow growth underpins the continued strong more the BHP acquisition and deliver sheet as we absorb than \$10 billion of divestments over the
 next two years. than \$10 billion of Underlying RC pro Dividends paid per share – cents Taxation Taxation charge (credit) on inventory holding gains and losses pro
 RC Taxation charge (credit) on non-operating items and fair value Inventory holding (gains) losses (gains) holding Inventory Net (favourable) adverse impact of
 non-operating items a Non-controlling interests Pro Pro Financial and operating performance Finance costs and net Group performance Group

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Results Adjusting for inventory holding impacts, non-operating items which Profit for the year ended 31 December 2018 was \$9.4 billion, compared include the impact of the US tax rate change, fair value accounting with \$3.4 billion in 2017. Including inventory holding losses, replacement effects and the deferred tax adjustments as a result of the reduction cost (RC) profit was \$10.0 billion, compared with \$2.8 billion in 2017. in the UK North Sea supplementary charge in 2016, the adjusted ETR After adjusting for a net charge for non-operating items of \$2.8 billion on RC profit was 38% in 2018 (2017 38%, 2016 23%). The adjusted and net favourable fair value accounting effects of \$68 million (both on ETR for 2017 was higher than 2016, predominantly due to changes a post-tax basis), underlying RC profit for the year ended 31 December in the geographical mix of profits, notably the impact of the renewal 2018 was \$12.7 billion, an increase of \$6.6 billion compared with 2017. of our interest in the Abu Dhabi onshore oil concession. In the current The increase was predominantly due to higher results in Upstream, environment the adjusted ETR in 2019 is expected to be around 40%. as well as Downstream and Rosneft segments, partly offset by Cash flow and net debt information higher taxes. The upstream result reflected higher oil prices, record plant reliability and the benefit of new major projects start-ups. The \$ million 2018 2017 2016 downstream result reflected stronger refining margins and strong fuels Operating cash flow 22,873 18,931 10,691 marketing growth. The Rosneft segment result primarily reflected Net cash used in investing higher oil prices. activities (21,571) (14,077) (14,753) Profit for the year ended 31 December 2017 was \$3.4 billion, compared Net cash provided by (used in) with \$115 million in 2016. Excluding inventory holding gains, RC profit financing activities (4,079) (3,296) 1,977 was \$2.8 billion, compared with a loss of \$1.0 billion in 2016. After Cash and cash equivalents at end adjusting for a net charge for non-operating items of \$3.3 billion and of year 22,468 25,586 23,484 net adverse fair value accounting effects of \$96 million (both on a Capital expenditure post-tax basis), underlying RC profit for the year ended 31 December Organic capital expenditure (15,140) (16,501) (16,675) 2017 was \$6.2 billion, an increase of \$3.6 billion compared with 2016. Inorganic capital expenditure (9,948) (1,339) (777) The increase was predominantly due to higher results in both Upstream (25,088) (17,840) (17,452) and Downstream segments. The upstream result reflected higher oil and gas prices and increased production. The downstream result Gross debt 65,799 63,230 58,300 reflected strong refining performance, including an improved margin Net debt 44,144 37,819 35,513 environment and growth in fuels marketing. Gross debt ratio (%) 39.3% 38.6% 37.6% Net debt ratio (%) 30.3% 27.4% 26.8% Non-operating items The net charge for non-operating items was \$2.8 billion post-tax in Operating cash flow 2018, mainly related to additional charges for the Gulf of Mexico oil spill, Net cash provided by operating activities for the year ended 31 environmental and other provisions, and further restructuring costs. December 2018 was \$22.9 billion, \$4.0 billion higher than the \$18.9 The group restructuring programme originally announced in 2014 has billion reported in 2017. Operating cash flow in 2018 reflects \$3.5 billion now been completed. of pre-tax cash outflows related to the Gulf of Mexico oil spill (2017 The net charge for non-operating items was \$3.3 billion post-tax in \$5.3 billion). Compared with 2017, operating cash flows in 2018 2017. This includes a charge of \$1.7 billion recognized in the fourth reflected improved business results, including a more favourable price quarter relating to business economic loss and other claims associated environment and higher production, partly offset by working capital with the Gulf of Mexico oil spill and a \$0.9 billion deferred tax charge effects, and a \$1.7 billion increase in income taxes paid. following the change in the US tax rate enacted in December 2017. Movements in working capital adversely impacted cash flow in the In addition, the net charge also reflected an impairment charge year by \$4.8 billion. There was an adverse impact on working capital in relation to upstream assets. from the Gulf of Mexico oil spill of \$3.1 billion. Other working capital More information on non-operating items and fair value accounting effects, principally an increase in other current and non-current assets effects can be found on pages 276 and 320. See Financial statements – partially offset by a decrease in inventory, had an adverse effect of Note 2 for further information on the impact of the Gulf of Mexico \$1.7 billion. BP actively manages its working capital balances to oil spill on BP's financial results. optimize and reduce volatility in cash flow. Taxation There was an increase in net cash provided by operating activities of The charge for corporate income taxes was \$7,145 million in 2018 \$8.2 billion in 2017 compared with 2016, of which \$1.7 billion related compared with \$3,712 million in 2017. The increase mainly reflects the to lower pre-tax cash outflows related to the Gulf of Mexico oil spill. higher level of profit in 2018. In 2017 the charge for corporate income Compared with 2016, operating cash flows in 2017 were impacted taxes included a one-off deferred tax charge of \$0.9 billion in respect by improved business results, including a more favourable price of the revaluation of deferred tax assets and liabilities following the environment and higher production, working capital effects, and reduction in the US federal corporate income tax rate. A further credit of a \$2.5-billion increase in income taxes paid. \$121 million following a clarification of the legislation has been included in 2018. The effective tax rate (ETR) on the profit or loss for the year was 43% in 2018, 52% in 2017 and 107% in 2016. The ETR for all three years was impacted by various one-off items. 20 See Glossary BP Annual Report and Form 20-F 2018

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Strategic report – performance 21 2016 a 1,329 1,939 8,679 3,268 2,048 17,810 10,333 43,368 supported by 2017 7,744 7,075 2,164 1,431 2,260 3,595 8,949 18,441 10,672 45,060 See Glossary 2018 2,191 9,757 1,355 3,683 8,659 2,328 11,456 19,945 49,239 b c (mmboe) (mmb) Equity-accounted entities (net of royalties) Subsidiaries Equity-accounted entities Because of rounding, some totals may not agree exactly with the sum of their component parts. Includes BP's share of Rosneft. See Rosneft on page 34 and Supplementary information on oil and natural gas on page for 210 further information. Includes BP's share of Rosneft. See Rosneft on page 34 and Oil and gas disclosures for the group on page 285 for further information. divestment proceeds, we expect gearing move to towards the middle of our targeted range of 20-30% in 2020. Net debt and the net debt ratio are non-GAAP measures. See Financial statements – Note 27 for gross debt, which is the nearest equivalent measure on an IFRS basis, and for further information on net debt. Cash and cash equivalents at the end of were For \$3.12018 billion information lower than on 2017. financing the activities, group's see Financial statements – Note 29 and Liquidity and capital resources on page 277. Group reserves and production (including Rosneft segment) Natural gas (bcf) Total hydrocarbons Total by 8% compared with The December 31 change includes 2017. net a acquisitions increase from disposals and 1,498mmboe of (increase of 993mmboe within our subsidiaries, increase of 505mmboe within equity-accounted our Acquisition activity entities). subsidiaries our in occurred in the US and the UK, and divestment activity in our subsidiaries was in the US and the UK. In our equity-accounted acquisitions entities, occurred Russia. in hydrocarbon Total production for the group was higher 2% compared The increase with comprised 2017. decrease an 8% increase (1% for liquids increase and for 17% gas) for subsidiaries and a 5% decrease (5% decrease for liquids decrease and 5% for gas) for equity-accounted entities. BP Annual Report and Form 20-F 2018 Liquids a b c hydrocarbon Total proved reserves at December 31 2018, on an oil- equivalent basis including equity-accounted increased entities, Estimated net proved reserves Production (net of royalties) (mb/d) Liquids Of which: Debt Gross debt at the end increased of 2018 by \$2.6 billion from the end of The gross debt ratio 2017. at the end increased of 2018 Net by 0.7%. debt at the end increased of 2018 by \$6.3 billion from year-end the 2017 position. The net debt ratio at the end increased of 2018 by 2.9%. At current oil prices, and in line with growing free cash flow Of which: Natural gas (mmcf/d) Total hydrocarbons (mboe/d) (mboe/d) hydrocarbons Total for 2018 were for \$2.9 2018 billion \$3.4 (2017 billion, . In addition, we received \$0.8 billion in relation the to 2016 \$2.62016 billion). In addition, we received a \$0.6-billion loan repayment relating the to refinancing Trans Adriatic of Pipeline AG, and total divestment and other proceeds amounted for 2018 \$3.5 to billion. In divestment 2017 proceeds included amounts received for the disposal of our interest in the Shanghai SECCO Petrochemical Company Limited joint venture initial public offering of BP Midstream Partners LP's common units, shown within financing activities in the group cash flow statement, and total divestment and other proceeds amounted for 2017 \$4.3 to billion. BP intends complete to more than billion \$10 of divestments over the next two years, which includes plans announced following the BHP transaction. activities financing in used cash Net Net cash used in financing activities for the year ended 31 December was 2018 \$4.1 billion, compared with \$3.3 billion used in financing activities This was mainly in 2017. the result of an increase of \$0.9 billion in net proceeds from financing offset billion reduction by a of \$1.1 in cash received in relation non-controlling to interests and an increase in dividend payments of \$0.5 billion. the net In cash 2017 used in financing activities reflected a reduction of \$3.5 billion in net proceeds from financing. The total dividend paid in cash was billion \$1.5 in 2017 higher than in 2016. dividends Total distributed shareholders to were in 40.50 2018 cents per share, 0.50 cents This higher amounted than a total to distribution 2017. shareholdersto of \$8.1 billion billion, billion), \$7.9 (2017 \$7.5 2016 of which shareholders elected receive to billion, billion \$1.4 \$1.7 (2017 \$2.9 2016 billion) in shares under the scrip dividend programme. The total amount distributed in cash during the year amounted \$6.7 to billion \$6.2 (2017 billion, \$4.6 2016 billion). of which organic capital expenditure billion \$16.5 (2017 was \$15.1 billion). Sources of funding are fungible, but the majority of the group's funding requirements for new investment comes from cash generated by existing operations. We expect organic capital expenditure be to in the range billion of \$15-17 in 2019. Divestment proceeds of \$6.7 billion in relation the to BHP acquisition and a reduction of \$0.6 billion in net disposal proceeds. The decrease of \$0.7 billion compared in 2017 with mainly 2016 reflected an increase of \$0.8 billion in disposal proceeds. There were no significant cash flows in respect of acquisitions in 2017 and 2016. capital Total expenditure billion), was for 2018 billion \$25.1 \$17.8 (2017 by \$3.4 billion. There was an adverse impact on working capital from the Gulf of Mexico oil spill \$5.2 of billion. Other working capital effects, arising from variety a of different factors had a favourable effect of \$1.8 billion. Receivables and inventories increased during the year principally due higher to oil prices. The effect of this on operating cash flow was more than offset by a corresponding increase in payables. Net cash used in investing activities Net cash used in investing activities for the year ended December 31 increased 2018 billion by \$7.5 compared with 2017. The increase mainly reflected higher inorganic capital expenditure Movements in working capital adversely impacted cash flow in 2017

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Upstream 2018 has been a good year for Upstream, where we increased confidence in 2021 delivery and underpinned our ability to continue growth well into the next decade. Bernard Looney Chief executive, Upstream 63,000km² 95.7% 7 Upstream profitability (\$ billion) 14.3 new exploration access BP-operated upstream successful completion 2018 14.6 plant reliability of turnarounds 5.2 2017 (2017 28,000km²) (2017 94.7%) (2017 6) 5.9 0.6 2016 -0.5 -0.9 2015 9 6 2.5 1.2 8.9 2014 final investment decisions major project start-ups million barrels of oil equivalent 15.2 per day – hydrocarbon production Replacement cost (RC) profit (loss) before interest and tax (2017 3) (2017 7) (2017 2.5mmb/d) Underlying RC profit (loss) before interest and tax Business model The Upstream segment is responsible for our activities in oil and natural gas exploration, field development and production. We do this through five global technical and operating functions. Exploration Wells and projects Global operations organization The exploration function is responsible The global wells organization and The global operations organization is for renewing our resource base through the global projects organization are responsible for safe, reliable and compliant access, exploration and appraisal, while responsible for the safe, reliable and operations, including upstream production the reservoir development function is compliant execution of wells (drilling and assets and midstream transportation and responsible for the stewardship of our completions) and major projects. processing activities. resource portfolio over the life of each field. Strategy Our strategy has three parts and is enabled by: Quality execution Growing advantaged oil and gas Returns-led growth We want to be the best at what we do – We will manage our portfolio through We want to grow – but not at any cost. We everywhere we work. This starts with disciplined investment in many of the world's always look to grow returns and value. We executing our activity safely. In every basin, great oil and gas basins. We plan to grow both believe this growth will come from many we will benchmark against the competition oil and gas production. Natural gas is a big lever sources – production growth, expanding and and aim to be the best – whether it be for reducing greenhouse gas emissions. This managing our margins, operational efficiency, operating facilities reliably and cost effectively, means taking a leadership role in tackling the unit cost reduction, and capital efficiency with with a focus on emissions, drilling wells, challenge of methane. Our gas portfolio will disciplined levels of capital reinvestment. managing our reservoirs, exploring, building be complemented by advantaged oil assets – projects, or deploying technology. Through oil we can produce at a lower cost or higher the quality of our execution, scale and margin, creating a portfolio that is flexible for infrastructure, we aim to be competitive in different price environments. every basin, and as a business, get more from a unit of capital than our peers. 22 See Glossary BP Annual Report and Form 20-F 2018

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Strategic report – performance 23 574 2016 1.90 2.46 2.84 (542) 17.31 (1,116) 43.73 28.24 38.27 39.99 34.63 43.34 \$ million \$ 33,188 14,344 \$ per barrel \$ per barrel pence per therm per pence 2017 644 3.11 3.19 2.36 51.71 54.19 50.79 5,221 26.00 49.92 35.38 5,865 44.95 13,763 45,440 \$ per thousand cubic feet cubic thousand per \$ \$ per barrel of oil equivalent See Glossary \$ per million British thermal units 2018 222 2.43 3.92 3.09 29.42 60.38 67.81 64.98 43.47 71.31 65.20 12,027 14,550 14,328 56,399 f b e and and c gas price d e a d marker prices fair value accounting value effects fair revenues Point gas price interest and tax and interest of non-operating items Includes sales to other segments. A reconciliation to GAAP information at the group level is provided on page 275. Realizations are based on sales by consolidated subsidiaries only, which excludes equity-accounted entities, bitumen, and condensate Includes All traded days average. Henry Hub First of Month Index. US natural gas Liquids Natural gas liquids liquids gas Natural West Texas Intermediate Texas West Average natural gas gas natural hydrocarbons Total Brent Average oil marker prices Underlying RC profit (loss) before before (loss) profit RC Underlying BP average BP realizations Net (favourable) adverse impact RC profit before interest and tax Organic capital expenditure BP Annual Report and Form 20-F 2018 bal technical ve glove fi on average than our than average on e, procurement and supply ural gas (LNG), power and natural nanc fi ed nat fi gas liquids (NGL). In our 2018 activities took place in 33 countries. The US Lower 48 business continues operate to as a separate, asset-focused, onshore business, and changed its name BPX to Energy in October. With the exception of BPX Energy, we deliver our exploration, development and production activities through in the Upstream. We believe in the potential of this agenda transform to the efficiency of our business, and we are delivering real value today the to bottom line. In addition our to core Upstream exploration, development and production activities, the segment is responsible for midstream trade and market also We processing, and transportation, storage natural gas, including lique functions. operating and We optimize and integrate the delivery of our activities across regions, 12 with support provided by global functions in specialist areas of expertise: technology, chain, human resources, information technology and legal. In we identified 2016 a future growth target of 900,000 barrels of oil equivalent per day of production from new major projects by 2021 and we remain on track deliver to that. We expect this production to operating higher cash margins 35% deliver at sustainably improving both performance and how it feels work to Underpinning our business model and strategy is our transformation model Underpinning our business strategy is our and agenda. We have around 1,000 projects across the Upstream aimed 2015 upstream 2015 assets, which supports our value over volume strategy. We see our scale and long history in many of the great basins in the world as a differentiator for BP and believe in the strength of our incumbent positions. We believe we are balanced and flexible – in terms of geography, hydrocarbon type and geology – and rather than being restricted by a traditional way of working, we have and will continue use to creative business models generate to value.

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Growing advantaged oil and gas in the upstream 470,000 acres of access Transforming United States US onshore 194,000 Oklahoma ~720 ~85,000 BP is transforming its US New Mexico onshore oil and gas business Texas with our purchase of world-class Haynesville Permian Houston unconventional assets from BHP. Louisiana This acquisition gives us access Eagle Ford to some of the best basins in the 83,000 194,000 onshore US and positions BP as a top producer in the region. ~3,400 ~1,400 The transaction includes 470,000 acres ~29,000 ~83,000 of licences across a new position in the liquids-rich Permian-Delaware basin, and two premium positions in the Eagle Ford and Size Number of Current production Haynesville basins. Together these assets will (acres) drilling sites (boe/d) significantly increase the liquid hydrocarbon Permian • Delaware sub-basin of the Permian in proportion of our production and resources – West Texas, helping to upgrade and reposition BPX Energy, • 83,000 acres with around 3,400 drilling sites, which was previously known as the US Lower • Current production – around 29,000boe/d 48 business. (~70% liquids). BPX Energy has operated as a separate Eagle Ford • Karnes Trough and Eagle Ford in South Texas, business since 2015. Its innovative approach • 194,000 acres with 1,400 gross to using new technology such as big-data drilling locations, analytics, augmented reality, drones and • Current production – around 83,000boe/d advanced drilling techniques, have helped (~70% liquids), the business achieve significant improvements Haynesville • East Texas and Louisiana, in operational and financial performance. • 194,000 acres with 720 gross drilling locations. We plan to apply this approach to operations • Current production – around 85,000boe/d, at our newly acquired basins, all gas. As at 31 December 2018. 24 BP Annual Report and Form 20-F 2018

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Strategic report – performance 25 See Glossary to be higher than due 2018 to . ct underlying production ct oil prices will continue to be volatile in the near term.

reamcapital investment is expected increase, to largely as resulta OPEC quotas and entitlement impacts in our production-sharing major projects. The actual reported outcome will depend on the exact timing of project start-ups, acquisitions and divestments, agreements Five new major projects expected start to up in 2019. We expe Upst of our increased presence in the onshore US. We expe lower exploration write-offs. exploration lower Compared with result the 2016 reflected 2017 higher liquidsrealizations, and higher production including the impact of the Abu Dhabi onshore concession renewal and major projects start-ups, partly offset by higher exploration higher and amortization, and depletion depreciation, write-offs. Organic capital expenditure billion. was \$12.0 In total, disposal transactions generated billion \$2.1 in proceeds in 2018, with a corresponding reduction in net proved reserves of 229mmboe subsidiaries. our Thewithin major disposal transactions 2018 during were the disposal of our interests in the Bruce, Keith and Rhum fields in the UK North Sea and our interest in the Greater Kuparuk Area in the US, the consideration for which was a 16.5% interest in the Clair field in North Sea. More information on disposals is provided in Upstream analysis by region on page 279 and Financial statements – Note 4. tax was significantly higher in compared2018 This primarily with 2017. reflected higher liquids and gasrealizations, higher production and Fair value accounting effects had an adverse impact of \$39 million relative management's to view of performance. The result included 2017 a net non-operating charge of \$671 million, primarilyrelated impairment to charges associated with a number of assets, following changes in reserves estimates, and the decision to dispose of certain assets. Fair value accounting effects had a favourable impact of \$27 million relative management's to view of performance. The result 2016 included a net non-operating gain of \$1,753 million, primarilyrelated the to reversal of impairment charges associated with a number of assets, following a reduction in the discount rate applied and changes future to price assumptions. Fair value accounting effects had an adverse impact of \$637 million. non-operatingAfter for adjusting accounting value fair and items and interest before result cost underlyingeffects, replacement the following changes in reserves estimates, the decision dispose of to certain assets and the decision relinquish to a number of leases expiring in the near future, partiallyly offset by reversals of prior year impairment charges. See Financial statements – Note 5 for further information. Outlook for 2019 • • Exploration The group explores for oil and natural gas under a wide range contractual agreements. other arrangement and licensing, joint of We may do this alone more frequently, or, with partners. Our exploration and new access teams work optimize to our resource base and provide us with a greater number of options. In the current environment, we are spending less on exploration and we will spend a material part of our exploration budget on lower-risk, shorter-cycle-time opportunities positions. incumbent our around • • BP Annual Report and Form 20-F 2018 – F–ear ran–F–ear ran–prices. Asian spotprices rose \$9.76/ to 2 201– 201– 201– 201– –tu– – –l– 2018 2018 –an Fe– –ar Apr –un –ul Au–ep –t –o–an Fe– –ar Apr –a–un –ul Au–ep –t –o– – 120 –0 –0 –0 1–0 Henry Hub prices decreased \$3.09/mmBtu to from in 2018 \$3.11/ The UK NationalmmmBtu in 2017. Balancing Point hub price was 60.38 pence per therm in 2018, 34% higher than (44.95), in 2017 on the back of increasing coal, oil and CO of more than \$110 seen in 2011-13. Prices drifted seen in 2011-13. of more than higher \$110 over the first half then of the year, rose more rapidly reach to an annual peak near \$85 in October, before falling sharply and ending the year at an annual low point of about \$50. Oil demand recorded a fourth consecutive above-average increase, growing by 1.3mmb/d. Global production increased by an even more robust 2.6mmb/d, with all of the increase coming from non-OPEC countries (2.7mmb/d); the US recorded record production growth of 2.2mmb/d. OPEC production fell slightly (-0.1mmb/d) for a second consecutive year as the group engaged with co-operating non-OPEC countries in production restraint early in the althoughyear, OPEC production began recover to in the second half of the year as production restraint was eased. Dated Brent crude oil prices averaged \$71.31 per barrel – a in 2018 second consecutive annual increase but still well below the average which a significant proportion of production is priced directly or indirectly. Market prices Market Brent remains an integral marker the to production portfolio, from higher production and higher gas marketing and trading revenues. Replacement cost profit before interest and taxfor the segment included a net non-operating charge of \$183 million. This primarily relates impairment to charges associated with a number of assets, mmBtu supported in 2018, up from \$7.13/mmBtu by higher coal, and oil prices as well as a relatively tight LNG market – except in the later part of 2018, where ample LNG supplies combined with warm weather caused Asian spot prices drop to below to \$9/mmBtu. For more information on global energy markets see in 2018 page 18. Financial results Sales and other operating revenues increased for 2018 compared with primarily reflectingrealizations,higherliquids higher production 2017, and higher gas marketing and trading revenues. The increase in 2017 compared with primarily 2016 reflected higher liquidsrealizations, – B––

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Strategic report – performance 27 82 86 2016 179 184 494 943 1,122 1,025 1,939 5,796 8 4 85 93 64 2017 199 207 547 302 269 889 5,302 064 1,149 2,1 1,263 1,356 1,208 1, 2,466 2,208 6,436 5, thousand barrels per day per thousand barrels million cubic feet per day See Glossary 8 96 88 211 474 121 129 2018 1,172 1,139 7,374 1,051 1,268 2,328 6,900 2,539 thousand barrels of oil equivalent per day a c c c c b y-accounted entities y-accounted entities y-accounted entities y-accounted entities y-accounted entities idiaries idiaries idiaries idiaries Subs Subsidiaries Subsidiaries Equit Subsidiaries Equit Subsidiaries Equit Subs Equit Equit Because of rounding, some totals may not agree exactly with the sum of their component parts. bitumen. and condensate Includes Includes BP's share of production of equity-accounted entities in the Upstream segment. Total liquids Total Natural gas Production (net of royalties) of commodity derivative contracts. It also enhances margins and generates fee income from sources such as the management of risk and creating incremental trading opportunities through the use price risk on behalf of third-party customers. Our trading financial risk governance framework is described in Financial statements – Note 29 and the range of contracts used is described in Glossary – commodity trading contracts on page 315. on production see Oil and gas disclosures for the group on page 285. In aggregate, underlying production increased versus 2017. The group and its equity-accounted entities have numerous long-term sales commitments in their various business activities, all of which are expected to be sourced from supplies available to the group that are not subject to curtailments or other restrictions. No single contract or group of related contracts is material to the group. and compliance trading of set consistent one and markets trading gas risk management processes, systems and controls. We are expanding our LNG portfolio, which includes global partnerships with utility companies. gas and oil national and distributor gas companies. The activity primarily takes place in North America, Europe and price market managing LNG supports activities, Asia, and group a b c Our total hydrocarbon production for the segment was in 2018 3.0% higher compared The increase with comprised 2017. increase a 7.6% (0.9% decrease increase for liquids for gas) and for subsidiaries 17.2% and a 30.0% decrease for liquids (37.6% for gas) and 13.4% for equity-accounted entities compared For more information with 2017. Gas and power marketing and trading activities Our integrated supply and trading function markets and trades our own and third-party natural gas (including LNG), biogas, power and NGLs. This provides us with routes liquid into markets for the gas we produce and generates margins and fees from selling physical products parties, asset third with income from together derivatives to and optimization and trading. This means we have a single interface with Liquids oil Crude Natural gas liquids hydrocarbons Total BP Annual Report and Form 20-F 2018 Oil Gas Type . Location Trinidad Egypt US Gulf of Mexico Trinidad UK North Sea India India Oman Indonesia Egypt UK North Sea US Gulf of Mexico US Gulf of Mexico US Gulf of Mexico UK North Sea Angola Azerbaijan Australia Egypt UK North Sea Russia US Gulf of Mexico a e source types: oil, conventional across split e of development types: brownfield to exploration from a raphic spread: across six of the seven continents. a mix of r unconventional and gas conventional oil, deepwater and near-field. and geog a rang Production commenced in early 2019. a 2021 Beyond We have a deep hope of projects that are currently under appraisal. Our focus here is ensure to we maximize value and select the optimum project concept before we move it forward design. into We do not expect progress to all of the projects – only the best. This includes: • Alligin* Phase 3 Atlantis Constellation Mad Dog Phase 2* Manuel* Vorlich* Zinia 2 KG D6KG R-Series D6KG Satellites Khazzan Phase 2* Expansion* Tangguh West Nile Delta Giza and Fayoum* West Nile Delta Raven* Expected start-ups 2019-2021 Expected start-ups Projects under construction currently Angelin* Compression* Cassia Culzean 2018 start-ups 2018 Shah Deniz Stage 2* Western Flank B Atoll Phase 1* Ridge* Clair Expansion Taas Thunder Horse North West Expansion* *BP operated Project •• Our project pipeline Production Our offshore and onshore oil and natural gas production assets include wells, gathering centres, in-field flow lines, processing facilities, storage facilities, offshore platforms, export systems (e.g. transit lines), pipelines and LNG plant facilities. These include production from conventional and unconventional assets. Our principal areas of production are Angola, Argentina, Australia, Azerbaijan, Egypt, Oman, Trinidad, the UAE, the UK and the US. With BP-operated plant reliability increasing from around 96% to 86% in 2018, in 2011 efficient delivery of turnarounds and strong infill drilling performance, we have maintained base decline at less than on 3% average over the last five years. Our long-term expectation for managed base decline remains at the 3-5% per annum guidance we have previously given.

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Downstream In 2018 we have continued to demonstrate, through the execution of our strategy, that we have a competitively advantaged business. Our strategy is fit for now and fit for the future. Tufan Erginbilgic Chief executive, Downstream 10% 1,400 46% Downstream profitability (\$ billion) fuels marketing earnings convenience of lubricant sales 6.9 2018 7.6 growth (17% on an partnership sites were premium grade 7.2 underlying RC profit basis) 2017 7.0 5.2 (2017 >10%) (2017 1,100) (2017 44%) 2016 5.6 7.1 2015 7.5 3.7 94.9% 1.7 11.9 2014 4.4 refining availability million barrels of oil million tonnes of refined per day petrochemicals produced Replacement cost (RC) profit before interest and tax Underlying RC profit before interest and tax (2017 95.3%) (2017 1.7mmb/d) (2017 15.3mmte) Business model The Downstream segment has global marketing and manufacturing operations. It is the product and service-led arm of BP, made up of three businesses Fuels Lubricants Petrochemicals Includes refineries, logistic networks and Manufactures and markets lubricants and Manufactures and markets products that are fuels marketing businesses, which together related products and services to the produced using industry-leading proprietary with global oil supply and trading activities, automotive, industrial, marine and energy BP technology, and are then used by others make up our integrated fuels value chains markets globally. We add value through to make essential consumer products such (FVCs). We sell refined petroleum products brand, technology and relationships, such as food packaging, textiles and building including gasoline, diesel and aviation fuel, as collaboration with original equipment materials. We also license our technologies and have a significant presence in the manufacturing partners. to third parties. convenience retail sector and a growing presence in the advanced mobility and low carbon sectors. Strategy We aim to run safe and reliable operations across all our businesses, supported by leading brands and technologies, to deliver high-quality products and services that meet our customers' needs. Our strategy is to deliver underlying earnings growth and build competitively advantaged businesses. It is fit for now and fit for the future. The execution of our strategy in 2018 has continued to deliver, with underlying replacement cost profit growing to \$7.6 billion in the year. Safe and reliable operations Advantaged manufacturing Simplification and efficiency This remains our core value and first priority We aim to have a competitively advantaged This remains central to what we do to support and we continue to drive improvements in refining and petrochemicals portfolio performance improvement and make our personal and process safety performance. underpinned by operational excellence and businesses even more competitive. to grow earnings potential, making the businesses more resilient to margin volatility. Profitable marketing growth Transition to a lower carbon We invest in higher-returning fuels marketing and digitally enabled future and lubricants businesses with growth We are delivering and developing new potential and reliable cash flows. products, offers and business models that support the transition to a lower carbon and digitally enabled future. 28 See Glossary

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Market-led growth in the downstream Strategic report – performance Convenience partnerships Throughout 2018 BP continued We increased the number of convenience to transform its global retail partnership sites by over 25% in 2018 – taking the total to around 1,400 sites across our business. We’ve refreshed our network. Much of this growth was in Germany, We have rolled out our forecourts, rolled out more BP where our strategic partnership with REWE fuels with ACTIVE technology and to Go@ is expanding rapidly. Since opening Ultimate fuel to forecourts further enhanced our customer our first site in 2014, we now have over 460 in China. offers. And that’s not all, we’re in the country, and around half of those opened in 2018. Our REWE to Go@ sites also rapidly expanding our deliver substantially higher returns than convenience partnerships. an industry average site, driven by our Global markets differentiated customer offer including fresh, Our footprint in Mexico is growing and we quality food and drink. now have 440 BP-operated sites, more than We also continue to grow our convenience 300 of which were opened in 2018. We are partnership model in established markets also continuing to progress our plans for >25% such as the UK with M&S Simply Food@ and growth in China, and in Indonesia we opened increase in convenience in October we opened our first partnership our first sites at the end of the year. partnership sites site in Luxembourg with MyAuchan@. BP Annual Report and Form 20-F 2018 29

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Financial performance Our fuels business \$ million Our fuels strategy focuses primarily on fuels value chains (FVCs). This 2018 2017 2016 includes building an advantaged refining portfolio through operating Sale of crude oil through spot reliability and efficiency, location advantage and feedstock flexibility, as and term contracts 62,484 47,702 31,569 well as commercial optimization opportunities. We believe that having Marketing, spot and term sales a quality refining portfolio connected to strong marketing positions is of refined products 195,020 159,475 126,419 core to our integrated FVC businesses as this provides optimization Other sales and operating opportunities in highly competitive markets. revenues 13,185 12,676 9,695 Our fuels marketing business comprises retail, business-to-business Sales and other operating and aviation fuels. It is a material part of Downstream with a strong revenue a 270,689 219,853 167,683 track record of growth. We have an advantaged portfolio of assets with b RC profit before interest and tax good growth potential, attractive returns and reliable cash flows. We Fuels 5,261 4,679 3,337 continue to grow our fuels marketing business through our differentiated Lubricants 1,065 1,457 1,439 marketing offers and strategic convenience partnerships. We also Petrochemicals 614 1,085 386 partner with leading retailers, creating distinctive retail offers that aim 6,940 7,221 5,162 to deliver good returns and reliable profit growth and cash generation. Net (favourable) adverse impact Underlying RC profit before interest and tax for our fuels business of non-operating items and was higher compared with 2017, reflecting continued growth in fuels fair value accounting effects marketing and refining despite 2018 having one of the highest levels Fuels 381 193 390 of turnaround activity in our history. This was partially offset by a weaker Lubricants 227 22 84 contribution from supply and trading. Compared with 2016, the 2017 Petrochemicals 13 (469) (2) result was higher, reflecting stronger refining performance and growth 621 (254) 472 in fuels marketing, partially offset by a weaker contribution from supply Underlying RC profit before and trading. interest and tax Refining marker margin Fuels 5,642 4,872 3,727 We track the refining margin environment using a global refining marker Lubricants 1,292 1,479 1,523 margin (RMM). Refining margins are a measure of the difference Petrochemicals 627 616 384 between the price a refinery pays for its inputs (crude oil) and the market 7,561 6,967 5,634 price of its products. Although refineries produce a variety of petroleum Organic capital expenditure c 2,781 2,399 2,102 products, we track the margin environment using a simplified indicator that reflects the margins achieved on gasoline and diesel only. The a Includes sales to other segments. b Income from petrochemicals produced at our Gelsenkirchen and Mülheim sites in Germany RMM may not be representative of the margin achieved by BP in any is reported in the fuels business. Segment-level overhead expenses are included in the fuels period because of BP's particular refinery configurations and crude and business result. product slates. In addition, the RMM does not include estimates of c A reconciliation to GAAP information at the group level is provided on page 275. energy or other variable costs. Financial results Sales and other operating revenues in 2018 were higher due to higher \$ per barrel Region Crude marker 2018 2017 2016 crude and product prices. Sales and other operating revenues in 2017 Alaska North were higher than 2016 due to higher crude and product prices as well US North West Slope 16.2 18.8 16.9 as higher sales volumes. West Texas Replacement cost (RC) profit before interest and tax for 2018 included US Midwest Intermediate 16.0 16.9 13.2 a net non-operating charge of \$716 million, primarily reflecting Northwest Europe Brent 11.1 11.7 10.0 restructuring costs. The 2017 result included a net non-operating gain Mediterranean Azeri Light 9.8 10.4 9.0 of \$389 million, primarily reflecting the gain on disposal of our share in Australia Brent 11.5 12.9 10.9 the Shanghai SECCO Petrochemical Company Limited (SECCO) joint BP RMM 13.1 14.1 11.8 venture in petrochemicals, while the 2016 result included a net non-operating charge of \$24 million, mainly relating to a gain on disposal in our fuels business which was more than offset by restructuring and The global RMM averaged \$13.1/bbl in 2018, \$1/bbl lower than in 2017. other charges. In addition fair value accounting effects had a favourable The RMM was lower mainly due to weaker gasoline margins as a result impact of \$95 million, compared with an adverse impact of \$135 million of lower demand growth and higher inventory levels in the US. in 2017 and \$448 million in 2016. BP refining marker margin �����l� After adjusting for non-operating items and fair value accounting effects, ��2 underlying RC profit before interest and tax in 2018 was \$7,561 million. Outlook for 2019 2� We anticipate lower industry refining margins, narrower North American heavy crude oil discounts and a lower level of turnaround activity than 1� in 2018. 8 2018 201� 201� F��e��e�ar ran��e��a� Fe��ar Apr��a� �un��ul Au��ep��t�o�o� ��e�� 30 See Glossary BP Annual Report and Form 20-F 2018

Strategic report – performance 31 See Glossary in operational and transactional processes and deliver compelling compelling deliver and processes transactional and operational in customer offers in the various markets where we operate. Through our retail business, we supply fuel and convenience retail services partnerships, convenience technology retail our of strength the by such as our advanced fuels and use of digital technology, as well as our enables growth This our differentiation in relationships. customer existing markets and supports our growth plans in new material markets such as Mexico, India, Indonesia and China. During we continued 2018 our expansion in Mexico with 440 BP-branded sites operational at the end In the of the fourth year. quarter we also of 2018 opened our first retail sites in Indonesia. Fuels marketing and logistics Across our fuels marketing businesses, we operate an advantaged storage pipelines, includes that network logistics and infrastructure terminals and tankers for road and rail. seek We drive to excellence consumersto through company-owned and franchised retail sites, as well as other channels, including dealers and jobbers. We also transport the supply in commercial customers industrial sectors. and Retail is the most material part of our fuels marketing business and a significant source of earnings growth through our strong market underpinned is This offers. customer distinctive and brands positions, BP Annual Report and Form 20-F 2018 % 2016 236 803 646 a 5.3 95.3 713 216 2017 773 9 1,702 1,685 thousand barrels per day per thousand barrels 241 781 2018 703 94.9 1,725 rates at 91% (2017 90%). (2017 As a result rates at 91% ab , a measure of the competitiveness of our refinery portfolio, ning availability nery throughputs fi fi This does not include BP's interest in Pan American Energy Group, which is reported through segment. Upstream the volumes. feedstock other and oil reflect crude Refinerythroughputs Total Re a b Re US Europe Rest of world Refining DecemberAt31 we owned 2018 refineries or had a share in 11 and extended lower carbon bio-processing more into of our refineries. The refiningresult was higher reflecting in compared2018 with 2017, in which operations, strong and optimization commercial increased North America allowed us capture to the benefits from higher North American heavy crude oil discounts, partially offset by lower industry refining margins and a higher level of turnaround activity. Compared with 2016, refining performance capturingcontinuedto improve in 2017, efficiency industryhigher and margins refining well as benefits as increased commercial optimization including the benefits of higher levels of advantaged feedstock. This was, partially however, offset by a higher level of planned turnaround activity. producing refined petroleum products that we supplyretailto and commercial customers. For a summary of our interests in refineries and average daily crude distillation capacities see page 284. Underlying growth in our refining business is underpinned by our multi-year business improvement plans, which comprise globally efficiency, and reliability operating on focused programmes consistent Operating optimization. commercial and feedstocks advantaged reliability is a core foundation of our refining business and in 2018 operations remained strong, with refining availability of 94.9% (2017 refinery utilization 95.3%) and we achieved record levels of refining throughput on a current portfolio basis despite high turnaround activity. Our refinery portfolio – along with our supply capability – enables us processto advantaged crudes. For example, in the US, our three location-advantaged crudes to have Canadian all access refineries In we delivered 2018 continued improvement in our net cash margin per barrel which are typically cheaper than other crudes. Our commercial optimization programme aims maximize to value from our refineries by capturing opportunities in every step of the value chain, from crude selection through yield to optimization and utilization improvements.

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We have a clear strategy and focused activity set for the transition to a Aviation lower carbon and digitally enabled future. We are actively implementing Our Air BP business is one of the world's largest suppliers of aviation and developing new offers and business models centred around digital fuels and services, selling fuel to commercial airlines, the military and advanced mobility trends. In 2018 we acquired Chargemaster, the and general aviation customers at around 800 locations across more operator of the UK's largest electric vehicle charging network and than 50 countries. We have marketing sales of more than 430,000 invested in StoreDot, a leading developer of ultra-fast charging battery barrels per day. Air BP's services include the design, build and operation technology and FreeWire, a manufacturer of mobile rapid charging of fuelling facilities, technical consultancy and training, supporting systems for electric vehicles. Our ambition is to roll out more than 2,000 customers to meet their lower carbon goals and digital fuelling solutions additional charging points in the UK, bringing the total to around 9,000 to increase efficiency and reduce risk. Our Air BP business is by 2021, including more than 400 new ultra-fast chargers at our retail differentiated through its strong market positions, brand strength, forecourts – see page 42. These investments and our differentiated partnerships, technology and customer relationships. Our strategy is fuels and convenience offers support BP's aim to become the leading to maintain a strong presence in our core geographies of Australia, fuel provider for both conventional and electric vehicles. New Zealand, Europe, the Middle East and the US, while expanding into major growth markets that offer long-term competitive advantages, Fuels marketing performance in 2018 was significantly higher compared such as Asia, Africa and Latin America. with 2017, reflecting the benefits from our strategic improvement programmes, enabling improved margin capture and supply chain In 2018 we continued to develop new offers and solutions in response optimization. Our convenience partnership model is now in around to the needs of our customers. This included a collaboration with Neste, 1,400 sites across our network, with more than 460 sites in Germany a leading producer of renewable products, to advance the supply with our REWE to Go® offer. Compared with 2016, fuels marketing of sustainable aviation fuels. We also launched the world's first performance in 2017 was higher, reflecting continued earnings growth commercially deployed airfield automation system that actively supported by higher premium fuel volumes, and the continued roll out of helps prevent misfuelling. This digital platform for operators and airports our convenience partnership model. provides an integrated, real-time, global solution to strengthen safety barriers and mitigate risks during the fuelling process. thousand barrels per day Sales volumes 2018 2017 2016 Oil supply and trading Marketing salesa 2,736 2,799 2,825 Our integrated supply and trading function is responsible for delivering Trading/supply salesb 3,194 3,149 2,775 value across the overall crude and oil products supply chain. This Total refined product sales 5,930 5,948 5,600 structure enables our downstream businesses to maintain a single interface with oil trading markets and operate with one set of trading Crude oilc 2,624 2,616 2,169 compliance and risk management processes, systems and controls. Total 8,554 8,564 7,769 It has a two-fold purpose: a Marketing sales include branded and unbranded sales of refined fuel products and lubricants First, it seeks to identify the best markets and prices for our crude oil, to both business-to-business and business-to-consumer customers, including service station dealers, jobbers, airlines, small and large resellers such as hypermarkets as well source optimal raw materials for our refineries and provide competitive as the military. supply for our marketing businesses. We will often sell our own crude b Trading/supply sales are fuel sales to large unbranded resellers and other oil companies. and purchase alternative crudes from third parties for our refineries c Crude oil sales relate to transactions executed by our integrated supply and trading function, primarily for optimizing crude oil supplies to our refineries and in other trading. 2018 includes where this will provide incremental margin. 102 thousand barrels per day relating to revenues reported by the Upstream segment. Second, it aims to create and capture incremental trading opportunities Number of BP-branded retail sites by entering into a full range of exchange-traded commodity derivatives, Retail sitesd 2018 2017 2016 over-the-counter contracts and spot and term contracts. In combination US 7,200 7,200 7,100 with rights to access storage and transportation capacity, it seeks to Europe 8,200 8,100 8,100 access advantageous price differences between locations and time periods, and to arbitrage between markets. Rest of world 3,300 3,000 2,800 Total 18,700 18,300 18,000 The function has trading offices in Europe, North America and Asia. Our presence in the more actively traded regions of the global oil markets d Reported to the nearest 100. Includes sites not operated by BP but instead operated by dealers, jobbers, franchisees or brand licensees under a BP brand. These may move to supports overall understanding of the supply and demand forces across or from the BP brand as their fuel supply or brand licence agreements expire and are these markets. renegotiated in the normal course of business. Retail sites are primarily branded BP, ARCO and Aral. Our trading financial risk governance framework is described in Financial statements – Note 29 and the range of contracts used is described in Glossary – commodity trading contracts on page 315. 32 BP Annual Report and Form 20-F 2018

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Strategic report – performance 33 See Glossary in Asia, where our partners are leading a number of joint arrangements Our petrochemicals business main three markets and Our petrochemicals manufactures business product lines: purified terephthalic acid (PTA), paraxylene (PX) and acetic acid. These have a large range of uses including polyester fibre, food packaging and building materials. We also produce a number of other specialty petrochemicals products. In addition, we manufacture olefins Germany, in Mülheim at solvents and Gelsenkirchen derivatives at and the income from which is reported in our fuels business. Along with the assets we own and operate, we have also invested in and PX licences announced globally. In we also 2018 signed a heads of agreement with SOCAR evaluate to the creation of a joint venture build to and operate a world-scale petrochemicals This complex facility in Turkey. would be the largest We do this through the execution of our business improvement our deploying efficiency, operational include which programmes and optimization commercial industry-leading technology, proprietary competitive feedstock sourcing. We also aim grow to our third-party technology licensing income create to additional value. We continue work to on reducing our carbon footprint through the application of our proprietary technologies, and are assessing further opportunities advance to the circular economy in the chemicals and plastics sector. In the 2018 petrochemicals business delivered an underlying RC profit before interest and tax that was higher compared with– 2017 which in turn was higher than 2016. The result 2018 reflected an improved margin environment, increased margin optimization and continued cost management focus, partially offset by a higher level of turnaround activity and the divestment of our 50% shareholding in the SECCO joint venture, which completed in the fourth quarter of 2017. Compared with 2016, the higher result reflected in 2017 an improved margin environment, higher margin optimization, the benefits from our efficiency programmes and a lower level of turnaround activity. This was partially offset by the impact of the divestment of our interest lower and than 15.3mmte, (2017 2016 2017 14.2mmte) 2016 due to interest activity our turnaround of of divestment the levels and higher in the SECCO joint venture in 2017. Our technology remains a significant source of competitive advantage. In we secured 2018 six new licensing agreements out PTA of the 10 and most competitive integrated PTA, PX and aromatics complex hemisphere. western the in companies in their domestic market. market. domestic their companies in Our strategy is grow to our underlying earnings and ensure the business is resilient margin to volatility, positioning ourselves capture to growth opportunities attractive market. an investment and in growing and in the SECCO joint venture. Our petrochemicals production million tonnes was in 2018 of 11.9

BP Annual Report and Form 20-F 2018 is a Castrol . and Aral BP , into China, into an engine oil that uses plant-derived 25% Our lubricants business We manufacture and market lubricants and related products and energy markets industrial, and marine services automotive, the to across the world. Our brands key are Castrol our expertise create to differentiated, premium lubricants and high- performance fluids for customers in on-road, off-road, sea and industrial applications.

In we extended 2018 the roll out of Castrol EDGE BIO-SYNTHETIC oil compounds while delivering a high level of performance. The lubricants business delivered an underlying RC profit before interest and tax The that results was 2018 lower reflected than 2017. continued premium brand growth, more than offset by the adverse lag impact of increasing base oil prices, as well as adverse foreign exchange rate movements. The results 2017 reflected growth in premium brands recognized brand worldwide that we believe provides us with significant competitive advantage. We are one of the largest purchasers of base oil in the market but have chosen not produce to it or manufacture additives at scale. Our participation choices in the value chain are focused on strength. and competitive differentiation can leverage we where areas Our strategy is focus to on our premium lubricants and growth markets customer and technology brands, strong our leveraging while relationships – all of which are sources of differentiation for our business. With 65% of profit generated from growth markets and 46% of our sales from premium grade lubricants, we have a strong base for further expansion and sustained profit growth. significantly Renault with relationship we strengthened our 2018 In through the continuation of our Renault Formula 1 sponsorship with Renault Sport Racing, and are exploring new opportunities work to globally with the Renault-Nissan-Mitsubishi Alliance. This includes collaborating in number of areas including fuel and lubricants supply and the joint development of advanced mobility solutions and new technologies. We have a robust pipeline of technology development through which we seek respond to engine to developments and evolving consumer apply We carbon options. lower including preferences, and needs and growth markets, offset by the adverse lag impact of increasing base oil prices.

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Rosneft Rosneft is the largest oil company in Russia, with a strong portfolio of current and future opportunities. Russia has one of the largest and lowest-cost hydrocarbon resource bases in the world and its resources play an important role in long-term energy supply to the global economy. BP's shareholding in Rosneft million barrels of oil equivalent million barrels of oil equivalent – BP share of Rosneft proved per day – BP share of Rosneft reserves hydrocarbon production 2017 12 1 (2017 7,864mmboe) (2017 1.1mmboe/d) 2017 2 18 2.33 >2,960 2017 2 1 2017 refineries – owned million barrels of oil retail service stations, or hold a stake in refined per day in Russia and abroad Annual or pre-owned; ear; le; nter; m (2017 18) (2017 2.29mmb/d) (2017 >2,960) et o; t; old; n; ta; e; Rosneft is the largest oil company in Russia and the largest publicly traded oil company in the world, based on hydrocarbon production New fuels volume. Rosneft has a major resource base of hydrocarbons onshore and offshore, with assets in all Russia's key hydrocarbon regions. Rosneft is the leading Russian refining company based on throughput. It owns and operates 13 refineries in Russia, and also holds stakes in three refineries in Germany, one in India and one in Belarus. Downstream operations include jet fuel, bunkering, bitumen and lubricants. Rosneft also owns and operates Rosneft-branded retail service stations, as well as BP-branded sites operating under a licensing agreement. Rosneft's largest shareholder is Rosneftegaz JSC (Rosneftegaz), which is wholly owned by the Russian government. Rosneftegaz's shareholding in Rosneft is 50% plus one share. 2018 summary • BP received \$620 million, net of withholding taxes, (2017 \$314 million, 2016 \$332 million), representing its share of Rosneft's dividends. • Rosneft implemented a new dividend policy in 2017, which provides for a target level of dividends of no less than 50% of IFRS net profit, and a target frequency of dividend payments of at least twice a year. • Rosneft and BP launched a new range of fuels featuring ACTIVE technology at all BP retail service stations in Russia. • BP remains committed to our strategic investment in Rosneft, while complying with all relevant sanctions. 34 BP Annual Report and Form 20-F 2018

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Strategic report – performance 35 t-ups 2018 in SeeGlossary 6 major project star Taas – one of BP's Taas llaborates on the provision of technical, HSE and See Innovation in BP on page 41. See Innovation in BP on page Collaboration BP co non-technical services on a contractual basis improve to functional asset performance. functional asset BP Annual Report and Form 20-F 2018 started up ember Rosneft 2017 and BP announced an ds a 20% interest in Taas-Yuryakh Neftegazodobycha eft (51%) and BP (49%)eft jointly (51%) own Neftegaz Yermak rtners with Rosneft generate to incremental value from Rosn in 2018. The project was delivered under budget and on schedule. In BP 2018 received the first dividends from of \$48Taas million, net of withholding taxes. BP's interest is reported in Taas through the Upstream segment. BP hol In Dec is reported through the Upstream segment. LLC (Yermak). This joint venture conducts onshore exploration in the West Siberian and Yenisei-Khatanga basins and currently holds seven exploration and production licences. The venture has also carried out further appraisal work on the Baikalskoye field, existing an Rosneft discovery in the Yenisei-Khatanga area of mutual interest. In September Rosneft and BP also agreed jointly to explore two additional oil and gas licence areas located in Sakha (Yakutia) republic of the Russian Federation via Yermak. Completion of the deal, subject external to approvals, is expected in 2019. BP's interest in Yermak This was the second of six BP major projects (Taas), together with and a consortium Rosneft (50.1%) Corporation Limited Oil Indian Limited, India Oil comprising and Bharat PetroResources Limited (29.9%). Taas completed commissioning of the main project facilities for the Srednebotuobinskoye oil and gas condensate field. agreement to develop resources within the Kharampurskoe the within resources develop to agreement Yamalo-Nenets in licence areas Festivalnoye and in northern Russia. In the second quarter BP of 2018 acquired a 49% stake in LLC Kharampurneftegaz and in December the 2018 licence transfer was completed. BP's interest is reported through the Upstream segment. Joint ventures s a 19.75% shareholdings a 19.75% and two directors on the 11-person • BP pa joint ventures and associates that are separate from BP's core shareholding. 19.75% • Rosneft Board of Directors BP ha board. Bob Dudley and Guillermo Quintero are currently elected to roles. those BP's strategy Russia in Our strategy is work to in co-operation with Rosneft increase to total shareholder return. This comprises support for our shareholding and partnering with Rosneft in building a material business in addition to the shareholding. This strategy is implemented through our activities in the following areas.

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Rosneft segment performance Balance sheet \$ million BP's investment in Rosneft is managed and reported as a separate 2018 2017 2016 segment under IFRS. The segment result includes equity-accounted Investments in associates c earnings, representing BP's 19.75% share of the profit or loss of (as at 31 December) 10,074 10,059 8,243 Rosneft, as adjusted for the accounting required under IFRS relating to BP's purchase of its interest in Rosneft and the amortization of the Production and reserves deferred gain relating to the disposal of BP's interest in TNK-BP. 2018 2017 2016 See Financial statements – Note 17 for further information.

Production (net of royalties) (BP share) \$ million Liquids (mb/d) 2018 2017 2016 Crude oil 919 900 836 Profit before interest and tax a 2,288 923 643 Natural gas liquids 4 4 4 Inventory holding (gains) losses (67) (87) (53) Total liquids 923 904 840 RC profit before interest and tax 2,221 836 590 Natural gas (mmcf/d) 1,285 1,308 1,279 Net charge (credit) for non-operating items 95 – (23) Total hydrocarbons (mboe/d) 1,144 1,129 1,060 Underlying RC profit before interest and tax 2,316 836 567 Estimated net proved reserve Average oil market prices \$ per barrel (net of royalties) (BP share) Urals (Northwest Europe – CIF) 69.89 52.84 41.68 Liquids (million barrels) a BP's share of Rosneft's earnings after finance costs, taxation and non-controlling interests Crude oil 5,539 5,402 5,330 is included in the BP group income statement within profit before interest and taxation. Natural gas liquids 154 131 65 b Includes \$(5) million (2017 \$(2) million, 2016 \$3 million) of foreign exchange (gain)/losses arising on the dividend received. Total liquids 5,693 5,533 5,395 Natural gas (billion cubic feet) g 14,325 13,522 11,900

Market price The price of Urals delivered in North West Europe (Rotterdam) averaged Total hydrocarbons (mmbbl) 8,163 7,864 7,447 \$69.89/bbl in 2018. The discount to dated Brent was \$1.42/bbl, similar c See Financial statements – Note 17 for further information. to 2017 (\$1.35/bbl). d Includes condensate. e Because of rounding, some totals may not agree exactly with the sum of their component parts. f Includes 356 million barrels of liquids (338 million barrels at 31 December 2017 and 347 million barrels at 31 December 2016) in respect of the 6.32% non-controlling interest Replacement cost (RC) profit before interest and tax for the segment (6.31% at 31 December 2017 and 6.58% at 31 December 2016) in Rosneft held assets in Russia including 24 million barrels (6 million barrels at 31 December 2017 and 6 million barrels at 31 December 2016) included a non-operating charge of \$95 million for 2018 and a non-operating charge of \$23 million for 2016, whereas the 2017 results did g Includes 1,211 billion cubic feet of natural gas (306 billion cubic feet at 31 December 2017 not include any non-operating items. and 300 billion cubic feet at 31 December 2016) in respect of the 8.60% non-controlling interest (2.30% at 31 December 2017 and 2.53% at 31 December 2016) in Rosneft held After adjusting for non-operating items, the increase in the underlying assets in Russia including 480 billion cubic feet (2 billion cubic feet at 31 December 2017 and 1 billion cubic feet at 31 December 2016) held through BP's interests in Russia other than Rosneft. operating gain of \$23 million for 2016, whereas the 2017 results did g Includes 1,211 billion cubic feet of natural gas (306 billion cubic feet at 31 December 2017 not include any non-operating items. and 300 billion cubic feet at 31 December 2016) in respect of the 8.60% non-controlling interest (2.30% at 31 December 2017 and 2.53% at 31 December 2016) in Rosneft held After adjusting for non-operating items, the increase in the underlying assets in Russia including 480 billion cubic feet (2 billion cubic feet at 31 December 2017 and 1 billion cubic feet at 31 December 2016) held through BP's interests in Russia other than Rosneft. higher oil prices and favourable foreign exchange, partially offset by adverse duty lag effects. Compared with 2016, the 2017 result was affected by higher oil prices partially offset by adverse foreign exchange effects. The 2017 result also benefited from a \$163-million gain representing the BP share of a voluntary out-of-court settlement between Sistema, Sistema-Invest and the Rosneft subsidiary, Bashneft. See also Financial statements – Notes 17 and 32 for other foreign exchange effects. 36 See Glossary

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Other businesses and corporate Strategic report – performance Comprises our alternative energy business, shipping, treasury and corporate activities, including centralized functions and the costs of the Gulf of Mexico oil spill. \$ million 2018 2017 2016 Sales and other operating revenues 1,678 1,469 1,667 RC profit (loss) before interest and tax Gulf of Mexico oil spill (714) (2,687) (6,640) Other (2,807) (1,758) (1,517) RC profit (loss) before interest and tax (3,521) (4,445) (8,157) Net adverse impact of non-operating items Gulf of Mexico oil spill 714 2,687 6,640 Other 1,249 160 279 Net charge (credit) for non-operating items 1,963 2,847 6,919 Underlying RC profit (loss) before interest and tax (1,558) (1,598) (1,238) Organic capital expenditure b 332 339 229 a Includes sales to other segments. b A reconciliation to GAAP information at the group level is provided on page 275. The replacement cost (RC) loss before interest and tax for the year Treasury ended 31 December 2018 was \$3,521 million (2017 \$4,445 million, Treasury manages the financing of the group centrally, with 2016 \$8,157 million). The 2018 result included a net charge for non- responsibility for managing the group's debt profile, share buyback operating items of \$1,963 million, including Gulf of Mexico oil spill programmes and dividend payments, while ensuring liquidity is related costs of \$714 million (non-operating items in 2017 \$2,847 sufficient to meet group requirements. It also manages key financial million, 2016 \$6,919 million). For further information, see Financial risks including interest rate, foreign exchange, pension funding and statements – Note 2. investment, and financial institution credit risk. From locations in the UK, US and Singapore, treasury provides the interface between BP and After adjusting for these non-operating items, the underlying RC the international financial markets and supports the financing of BP's loss before interest and tax for the year ended 31 December 2018 projects around the world. Treasury holds foreign exchange and interest was \$1,558 million, similar to prior year (2017 \$1,598 million, 2016 rate products in the financial markets to hedge group exposures. In \$1,238 million). addition, treasury generates incremental value through optimizing and Outlook managing cash flows and the short-term investment of operational cash Other businesses and corporate annual charges, excluding non- balances. For further information, see Financial statements – Note 29. operating items, are expected to be around \$1.4 billion in 2019. Insurance Shipping The group generally restricts its purchase of insurance to situations BP's shipping and chartering activities help to ensure the safe where this is required for legal or contractual reasons. Some risks are transportation of our hydrocarbon products using a combination insured with third parties and reinsured by group insurance companies. of BP-operated, time-chartered and spot-chartered vessels. At This approach is reviewed on a regular basis or if specific circumstances 31 December 2018 BP had three time-chartered vessels to support require such a review. operations in Alaska and 34 BP-operated and 22 time-chartered vessels for our international oil and gas shipping operations. In 2018 three new technically advanced LNG tankers were delivered into the BP-operated fleet, with a further three to be delivered in 2019. All vessels conducting BP shipping activities are required to meet BP approved health, safety, security and environmental standards. BP Annual Report and Form 20-F 2018 See Glossary 37

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Alternative energy 2.8 million tonnes of CO₂ equivalent avoided in 2018. BP has been in the renewable energy business for more than 20 years. Biofuels We remain one of the largest operators among our peers and we're We believe that biofuels offer one of the best large-scale solutions expanding in areas where we see opportunities for growth. to reduce emissions in the transportation system. Renewables are the fastest-growing energy source in the world today We produce ethanol from sugar cane in Brazil, which has life-cycle and we estimate that they could provide at least 15% of the global greenhouse gas emissions around 70% lower than conventional energy mix by 2040. transport fuels. In 2018 our three sites produced 765 million litres of ethanol equivalent. As part of our approach to building our alternative energy business, we aim to grow our existing businesses and to develop new businesses Brazil is one of the world's largest markets for ethanol fuel. In order and partnerships to deliver competitive value in the fastest-growing to better connect our ethanol production with the country's main fuels energy sector. markets, we established a joint venture in 2018 with Copersucar – one of the world's leading ethanol and sugar traders. This includes operating Solar energy a major ethanol storage terminal in Brazil's main fuels distribution hub. Solar could generate 12% of total global power by 2040, in a scenario based on recent trends. That could grow to 21% in a scenario consistent Our Tropical and Ituiutaba biofuels sites are certified to Bonsucro, an with the Paris climate goals. independent standard for sustainable sugar cane production. We are working towards certification for Itumbiara in 2019. We have a 43% share in Lightsource BP and plan to invest \$200 million over a three-year period. Lightsource BP aims to play a vital role in Our strategy is enabled by: shaping the future of global energy delivery by developing substantial • Safe and reliable operations – continuing to drive improvements solar capacity around the world, and we are working with Lightsource in safety performance. BP to expand its global presence. • Driving quality and improved efficiency in our feedstock – Lightsource BP has doubled the number of countries where it has concentrating our efforts in Brazil, which has one of the most a presence since December 2017 – see Climate change on page 45. cost-competitive biofuel sources in the world. • Domestic and international markets – selling ethanol and sugar domestically in Brazil and to international markets such as the US. Renewable products Butamax®, our 50/50 joint venture with DuPont, has developed technology that converts sugars from corn into bio-isobutanol, an energy-rich bio product. Bio-isobutanol has a wide variety of applications. For example, it can be used in the production of paints, coatings and lubricant components. It can also be blended with gasoline at higher concentrations than ethanol, which can be transported through existing fuel pipelines and infrastructure. Butamax® has upgraded its ethanol facility in Kansas to produce bio-isobutanol. 38 See Glossary BP Annual Report and Form 20-F 2018

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Strategic report – performance 39 see SeeGlossary More information Low carbon ambitions to reduce emissions in our operations, improve We have set targets and aims reduce their emissions and create low carbon our products to help customers businesses – see pages 46–48. BP Annual Report and Form 20-F 2018 Harnessing battery power on page 42. In we divested 2018 three wind energy operations as part in Texas, At our Titan 1 wind energy site in South Dakota, partnered we've testwith to how effectively Tesla wind energy canbe stored – of a broader restructuring programme designed optimize to our US long-term portfolio wind growth. for travelled a day 45,000km of just emitted from 2 absorbed by sugar cane during 2 martLog programme is helping improve Using technology in biofuels Our S performance across our three biofuels sites in Brazil. SmartLog is designed increase to efficiency across sugar cane cutting, loading and – transportation operations and consequently reduces the costs involved. Every day across our sites we make around 800 trips covering 45,000 kilometres. This takes place in remote locations with coverage. communications and poor network Using a combination of mobile satellite technology, sensors and radios we can connect our people and their vehicles a to central control room. Here we receive 24-hour real-time information about what's happening in the fieldto help manage activitiesremotely, as well as monitoring and analysing behaviours and giving advice or intervening about safety or efficiency. improvements on workers guides Automation such as how prioritize to harvest activities and indicates the optimum speed for harvesters runto at based on prevailing conditions. Since introducing SmartLog in 2018, we've reduced equipment needed by 20% and our remote monitoring is helping reinforce to our safety culture in the field. It has also helped lowerto emissions as the reduction in equipment means we use less diesel. Biopower We create biopower from bagasse, the fibre thatremains after crushing sugar cane stalks. In our 2018 three biofuels manufacturing facilities produced around 892GWh of electricity – enough renewable energy power to all of these sites, with the remaining 70% exported theto local electricity grid. This is a low carbon power source, with part of the CO its growth.its energy Wind BP has significant interests in onshore wind energy in the US. We operate sites in 10 seven states and hold an interest in another facility in Hawaii. they Together have a net generating capacity over 1,000MW. burning bagasse offset by the CO

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Innovation in BP Across the business we face the dual challenge of meeting society's need for more energy, while at the same time working to reduce carbon emissions. Our industry is changing rapidly, and the energy mix is shifting towards lower carbon sources, driven by technological advances and growing environmental concerns. Technology is ever-present in all that we do – from safely discovering and recovering oil and gas, to renewable energy and lower carbon fuels and products. And digital, big data and advanced technologies, as well BPme available in as an innovative mindset, are driving rapid > retail sites development of new ways to tackle emissions 6,000 and improve efficiency at BP. We also invest in high-tech companies A new way to pay to help accelerate and commercialize new Customers in six countries now have the technologies, products and business models. option to pay for fuel from their vehicle using BPme.

And since its launch our smartphone app has been downloaded more than one million times. Using a phone's GPS signal BPme locates the nearest BP site and provides details of opening times and facilities. Customers can use the app to activate their fuel pump and pay from inside their car. BPme is designed to appeal to people who don't want to leave children, pets or valuables 8 major alone while they go to pay for fuel, and it saves time queuing at the checkout. Over the coming technology months we plan to roll it out to new markets centres and introduce the option to order coffee and in the US, UK, receive offers and discounts from the app. Asia and Germany Group highlights \$429 million invested in research and development ~\$200 million used to develop options for new lower carbon businesses Collaborations with innovative academic programmes 24 hours to 20 minutes with APEX >4,000 granted and pending patent applications held by BP and its subsidiaries throughout 150 million+ the world data points a day with POA bp.com/technology 40 BP Annual Report and Form 20-F 2018

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Strategic report – performance 41

To hours hour 23 1 Robot inspections Robot Inspection robots are helping us deliver against our strategic priority of modernizing and Attransforming our Cherry BP. Point refinery in the adapted US we’ve a robotic solution that allows us inspect to equipment such as the hydrocracker reactor. The robot uses ultrasound technology spot to microscopic cracks in its walls by crawling along the reactor. This process would have previously taken more than 23 work hours, with engineers working inside the hydrocracker unit during a planned shutdown. Now they can gather the same information in just one hour with robots, and vehicles needed as well as a simplified derigging process – which is otherwise very consumingtime and challenging. The new node is the lightest, smallest and the world, and the lowest-cost in system project is on course help to change how future seismic is acquired. Its development will be completed with a large-scale field trial in early 2019. Soon after this we plan begin to the first commercial survey.

BP Annual Report and Form 20-F 2018

Wolfspar ~1,000km of data acquired in 143 hours and Schlumberger. The project aims move to beyond the existing limitations of bulky, heavy and expensive equipment, seismic onshore and at the same time provide better images of the reservoir. Following successful initial field trials in Norway and Abu Dhabi in 2017, ‘nimble node’ system was used safely to acquire 3D seismic data in the challenging climate of West Siberia in 2018. Early images show better data quality compared to people equipment, with fewer conventional And following our successful pilot in the Atlantis field, we are now using Plant Operations Advisor (POA), which was developed in partnership with BHGE, on all four BP-operated platforms in the US Gulf of Mexico. The cloud-based tool gives performance 1,200 important around on information pieces of process equipment – with more than 150 million data points analysed every If the day. system identifies an issue with any of the equipment, it sends an alert to our engineers so they can respond quickly. operations in anomalies pinpointing By and identifying causes, the problems that might once have taken hours for engineers to work through manually can be diagnosed in minutes. Following its success in the Gulf of Mexico, we now plan use the tool at more than 30 upstream locations worldwide by the end of 2019 . The ultra-low-frequency system New technologies are helping us build operations business. our throughout intelligent Across all our upstream-operated assets, we are creating ‘virtual copies’ of our production systems using APEX – our highly sophisticated simulation, surveillance and optimization toolkit. The technology recreates every element of a well network in digital ‘twin’ Intelligent operations form, and works in near real time gather to data about every well across our business. It can pinpoint where efficiency can be improved and helps our production engineers run simulations in seconds. With APEX, a full-field optimization that usedto hourstake now takes minutes. a few Engineers from proactively their sharing are world the around know-how and expertise across our global operations, as they embed the use of APEX it. startfrom and benefiting and conditions, BP’s developments in seismic seismic in developments BP’s conditions, and technology are allowing us see to deeper earth the with better accuracyinto ever than before. And the better we can see, the easier and safer it is find to oil and gas and unlock more of it from our existing assets. One of the big challenges for conventional seismic sources when surveying offshore in the Gulf of Mexico is the ability look to deep theinto earth without the thick horizontal salt layers above distorting the images captured. help tackleTo this we designed and built Wolfspar advanced other with our recordingworks technologies help to overcome the subsalt imaging challenge. We believe the clearer view will help reduce uncertainty about where the resources are, resulting in more drillable targets in the region. Having completed a series of successful proof-of-concept tests, BP plans move industrialize to to the technology with our strategic seismic partners, so that it can be used across our global subsurface portfolio. We also reached a major milestone in the development of an innovative land seismic recording system, in partnership with Rosneft Below land and sea, in challenging terrains terrains challenging in sea, and land Below

A clearer view below view A clearer theeath

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Venturing and low carbon across multiple fronts >6,500 UK charging points with BP Chargemaster in 2018 12 million electric vehicles projected on UK roads by 2040 in the BP Energy Outlook . Harnessing battery power As we support the transition to We also invested \$20 million in StoreDot, a lower carbon future and to help a company that develops ultra-fast charging battery technology for mobile and industrial meet our customers' changing markets. We anticipate the technology will Storing wind energy needs, we're making investments be used in mobile devices by 2020 and BP We've partnered with Tesla to test in electric vehicle technology and will be working with them to help transfer this how effectively wind energy can be infrastructure. Our work aims to technology to electric vehicles. StoreDot aims stored at our Titan 1 wind energy site support electric vehicle adoption to bring recharging times down to five minutes, in South Dakota. The electricity captured making the time it takes to charge an electric is then available for the site to use by tackling issues such as poor vehicle similar to that of filling a tank. battery life and slow charging whenever we need it – even when the wind isn't blowing. times. BP now has more than 6,500 charging points in the UK, through BP Chargemaster. The The pilot will help develop valuable To allow us to respond rapidly to demand business combines the complementary insights for energy storage applications for charging facilities at our forecourts, we expertise, experience and assets of BP and across our diverse portfolio. invested \$5 million in FreeWire. The US-based Chargemaster and is an important step company manufactures mobile rapid charging towards offering widened access to fast and systems, which we successfully piloted at a ultra-fast charging at BP sites across the UK. BP retail site in the UK, and are now exploring The chargers will start to become available options to offer FreeWire's innovative charging across our UK forecourts throughout 2019. StoreDot – aim to reduce services across the retail networks. electric vehicle recharging time to five minutes. 42 BP Annual Report and Form 20-F 2018

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[illegible]

2018 2017 2016 Cyber threats Tier 1 process safety events a 16 18 16 Cyber attacks are on the rise and our industry is subject to evolving risks Tier 2 process safety eventsb 56 61 84 from a variety of cyber threat actors, including nation states, criminals, Oil spills – numbersc 124 139 149 terrorists, hacktivists and insiders. We have experienced threats to the Oil spills contained 63 81 91 security of our digital infrastructure, but none of these had a significant impact on our business in 2018. Oil spills reaching land and water 57 58 58 Oil spilled – volume (thousand litres) 538 886 677 We have a range of measures to manage this risk, including the use Oil unrecovered (thousand litres) 131 265 311 of cyber security policies and procedures, security protection tools, ongoing detection and monitoring of threats, and testing of response a Tier 1 process safety events are losses of primary containment of greater consequence – such as causing harm to a member of the workforce, costly damage to equipment or and recovery procedures. exceeding defined quantities. To encourage vigilance among our employees, our cyber security b Tier 2 events are those of lesser consequence. c Number of spills greater than or equal to one barrel (159 litres, 42 US gallons). training programme covers topics such as email phishing and the correct classification and handling of our information. We collaborate closely In 2018 we saw a reduction in the number of tier 1 and tier 2 process with governments, law enforcement and industry peers to understand safety events. We investigate incidents including near misses. And we and respond to new and emerging threats. use leading indicators, such as inspections and equipment tests, to monitor the strength of controls to prevent incidents. We also use Security and response techniques that help teams to analyse and redesign tasks to reduce the We monitor for hostile actions that could harm our people or disrupt chance of mistakes occurring. our operations, focusing on areas affected by political and social unrest, Keeping people safe terrorism, armed conflict or criminal activity. We take steps to help All our employees and contractors have the responsibility and the people stay safe when they are travelling on business. Our 24-hour authority to stop unsafe work. Our safety rules guide our workers on response information centre monitors global events and related staying safe while performing tasks with the potential to cause most developments which means we can assess the safety of our people harm. The rules are aligned with our OMS and focus on areas such as and provide timely advice if there is an emergency. working at heights, lifting operations and driving safety. We run exercises and drills to test our procedures to help ensure our We monitor and report on key workforce personal safety metrics in line people are prepared in the event of an emergency. We conducted a with industry standards. We include both employees and contractors in two-day oil spill response drill in the UK North Sea involving more than our data. 200 people, including regulators. This was designed to test plans as part of our annual crisis and continuity management programme. We also Tragically we suffered one fatality in 2018. In our lubricants business a held a number of large-scale exercises in the US. heavy goods driver working for one of our contractors in the US was struck by a passing vehicle while checking a tyre. We are deeply Working with contractors and partners saddened by this loss and are working closely with our contractors to More than half of the hours worked by BP are carried out by contractors. continue to improve safety and to seek to prevent injuries in our work Through bridging and other documents, we define the way our safety together. management system co-exists with those of our contractors to manage risk on a site. For our contractors facing the most serious risks, we 2018 2017 2016 conduct quality, technical, health, safety and security audits before Recordable injury frequencyd 0.20 0.22 0.21 awarding contracts. Once they start work, we continue to monitor their Day away from work case safety performance. frequencye 0.048 0.055 0.051 Severe vehicle accident rate 0.04 0.03 0.05 Our OMS includes requirements and practices for working with contractors. Our standard model contracts include health, safety and d Incidents that result in a fatality or injury per 200,000 hours worked. security requirements. We expect and encourage our contractors and e Incidents that result in an injury where a person is unable to work for a day (shift) or more per 200,000 hours worked. their employees to act in a way that is consistent with our code of conduct and take appropriate action if those expectations, or their We saw an overall decrease in our recordable injury frequency and day contractual obligations, are not met. away from work case frequency. Our goals stay the same – to have no accidents, no harm to people and no damage to the environment. There Our partners in joint arrangements is always more we can do and we remain focused on achieving better In joint arrangements where we are the operator, our OMS, code results today and in the future. of conduct and other policies apply. We aim to report on aspects of our business where we are the operator – as we directly manage the Technology performance of these operations. We monitor performance and how New technologies are helping us increase the amount and quality of data risk is managed in our joint arrangements, whether we are the operator we gather from our operations and speed up our analysis, allowing us to or not. act more quickly. For example, our Brazilian biofuels business is spread across geographically remote locations, so we introduced a digital Where we are not the operator, our OMS is available as a reference platform to connect our people and vehicles to a central control room. point for BP businesses when engaging with operators and This provides 24-hour, real-time information about what's happening, co-venturers. We have a group framework to assess and manage helps us monitor and analyse behaviour and aids improvements around BP's exposure related to safety, operational and bribery and corruption learning and safety. We also use in-vehicle monitoring systems and risk from our participation in these types of arrangements. Where cameras to improve transportation safety. appropriate, we may seek to influence how risk is managed in arrangements where we are not the operator. Emergency preparedness The scale and spread of BP's operations means we must be prepared to respond to a range of possible disruptions and emergency events. We maintain disaster recovery, crisis and business continuity management plans and work to build day-to-day response capabilities to support local management of incidents. 44 See Glossary BP Annual Report and Form 20-F 2018

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Strategic report – performance consistent with the Paris goals. Subject to shareholder approval at our annual general meeting, we will provide more information on this in Climate change future reports. Risk management The world needs more energy but with fewer carbon We recognize the significance of the energy transition and the risks and emissions. BP is playing an active role in meeting opportunities it presents. As part of their review of BP's strategy, the this dual challenge. board and executive team considered risks and opportunities associated with climate change and the energy transition, in the context of different The Taskforce for Climate-related Financial Disclosures (TCFD) was paths expressed in the BP Energy Outlook – which looks at long-term established by the Financial Stability Board with the aim of improving the trends and develops projections for world energy markets over the next reporting of climate-related risks and opportunities. We support this aim. two decades. Our reporting provides information supporting the principles of the Under BP's risk management policy and the associated risk TCFD recommended disclosures. management procedures, our operating businesses are responsible for See bp.com/tcfd. identifying and managing their risks. Risks which may be identified include potential effects on operations at the asset level, performance at Strategy the business level and developments at the regional level from extreme Our strategy is designed to grow shareholder value while also helping weather or the transition to a lower carbon economy. to meet the dual challenge. We believe it is consistent with the climate goals of the Paris Agreement, which calls for the world to rapidly reduce As part of our annual planning process we review the group's principal greenhouse gas emissions in the context of sustainable development risks and uncertainties. Climate change and the transition to a lower and eradicating poverty. carbon economy has been identified as a principal risk (see page 55). This covers various aspects of how risks associated with the energy A key element of our strategy is our 'reduce, improve, create' transition could manifest such as in the policy, legal and regulatory framework, where we have set measurable, near-term targets for environment, technological developments and market changes. reducing greenhouse gas emissions in our own operations and Similarly, physical climate-related risks such as extreme weather ambitions for improving products to help our customers and are covered in our principal risks related to safety and operations. consumers lower their emissions, and creating low carbon businesses. See page 46. See page 53 for more information on how we manage risk. In 2019 we are supporting a resolution from a group of institutional investors to describe in our corporate reporting how our strategy is Climate governance BP's governance framework applies equally to the management and committees in BP bring together cross-segment and of the various aspects of climate change and the transition to a cross-functional expertise of relevance to this area, including lower carbon economy. In addition to the oversight provided by the those set out below. executive team, the board and relevant committees, various groups BP governance framework See page 69

Renewal committee Reviews strategic, commercial and investment decisions outside of core activity and related to new lines of business. Chaired by our deputy chief executive. New energy frontiers steering committee Oversees strategy and development of growth opportunities in low carbon business models that can be scaled up to create new businesses for BP. Chaired by our deputy chief executive. Carbon steering group Focuses on strategy, policy, performance oversight and collaboration relating to carbon management activities across the group. Chaired by our vice president of carbon management. Upstream carbon Downstream advancing the steering committee energy transition committee Focuses on the delivery of lower carbon plans in the Upstream. Develops and drives the implementation of advancing the energy Chaired by our chief operating officer of production, transformation transition in the Downstream. Chaired by our head of technology, and carbon, Upstream. Downstream and BP chief scientist. Key: Executive-level committee Cross-functional committee Business and segment committee BP Annual Report and Form 20-F 2018 45

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Our low carbon ambitions We have set targets and aims to reduce emissions in our operations, improve our products to help customers reduce their emissions and We aim to advance a low carbon future through what create low carbon businesses. We are already in action and have made we call our 'reduce, improve, create' framework. good progress in 2018 against these ambitions. See [bp.com/sustainability](https://www.bp.com/sustainability) for more information on the actions we are taking and [bp.com/targets](https://www.bp.com/targets) for specifics on our goals. Reducing Improving emissions in our operations our products We are targeting zero net growth in our operational emissions out We are continuing to innovate with fuels, lubricants and chemicals that to 2025. We aim to deliver this through sustainable greenhouse gas can help our customers and consumers lower their emissions. (GHG) emissions reductions totalling 3.5Mte by 2025, by targeting a methane intensity of 0.2% and, as necessary, with offsets to keep net emissions growth to zero. 2018 progress 2018 progress • Zero net growth in operational emissions. • Collaborated with Neste to explore opportunities to • :.5Mte of sustainable GHG emissions reductions increase supply of sustainable aviation fuel. since the beginning of 2016. This includes actions • Launched Castrol GTX ECO, made using a base oil to improve energy efficiency and reduce methane blend of at least 50% re-refined base oil, in the US. emissions and flaring. • Gave UK drivers the option to offset the CO2 • Methane intensity of 0.2%. emissions from the fuel they buy from us, through our BPme fuel payment app. From waste to fuel We've invested in Fulcrum BioEnergy®, which is constructing the first commercial scale waste-to-fuels plant in the US. The facility aims to use technology, developed by BP and Johnson Matthey, to help convert household rubbish that would otherwise be sent to landfill, into fuel for transport. Fulcrum, in which BP owns an 8% interest, estimates that when it begins commercial operations, the plant will be able to convert around 175,000 tons of waste into about 11 million gallons of fuel each year. 175,000 tons of waste to 11 million gallons of fuel Detecting methane As a colourless and odourless gas – detecting leaks of methane can be challenging. For several years we've used hand-held infrared cameras to detect small leaks before they become larger ones. Improvements in technology now make it possible to quantify the emissions that these cameras detect, helping us to better target and prioritize our responses. We piloted this technology in Azerbaijan and the US in 2018 and plan to deploy the cameras more widely in 2019. 46 BP Annual Report and Form 20-F 2018

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Strategic report – performance 2018 progress Creating low carbon businesses • Invested \$500 million in low carbon activities, such as FreeWire – which supports development of rapid mobile electric vehicle charging. We are building up our renewable energy portfolio – focusing on biofuels, biopower, wind and solar. And together with our dynamic • Worked with OGCI to help progress the Clean Gas venturing arm we are working on multiple fronts – through joint Project, see page 48. ventures, creative collaborations and new business models. As at 31 December 2018 Advancing solar Lightsource BP has doubled the number of countries UK Australia where it has a presence since December 2017. Completed the UK's biggest- Awarded the project to provide ever unsubsidized solar power 105MW of solar power to Belfast Lightsource BP sites deal to supply AB InBev, the Snowy Hydro, the country's Budweiser brewer, with fourth-largest national energy Wales 100MW of solar power at its retailer, through a 15-year UK operations in South Wales power purchase agreement. London Bath and Lancashire. US Agreed to bring 25MW of locally generated solar power to western US, Dublin and through new collaborations Limerick Amsterdam in California and New Mexico San Francisco Milan over 20+ year terms. Philadelphia Madrid Cairo Brazil Mumbai Announced plans to develop solar and smart energy storage Chennai solutions for Brazil's domestic, commercial and industrial sectors. São Paulo Sydney Melbourne India 5 new Egypt Established EverSource Capital Formed a joint venture with Everstone to manage the countries Europe with Hassan Allam Green Growth Equity Fund in 2018 Extended operations into Utilities to develop and aiming to raise up to \$700 million of the Italian and Iberian operate utility scale investment in low carbon energy renewable energy sectors. solar projects in Egypt. infrastructure projects across India. BP Annual Report and Form 20-F 2018 47

Metrics part of the project. This is currently \$40 per tonne of CO₂ equivalent, We report direct and indirect greenhouse gas (GHG) emissions on a with a stress test at a carbon price of \$80 per tonne. Until late January carbon dioxide equivalent (CO₂e) basis. Direct emissions include CO₂ 2019 we used these specific prices in industrialized countries, but have and methane from the combustion of fuel and the operation of facilities, now expanded this to apply globally. and indirect emissions include those resulting from the purchase of Working with others electricity and steam we import into our operations. We work with peers, non-governmental organizations and academic There was a decrease in our direct GHG emissions in 2018. The primary institutions to address the climate challenge. reasons for this include actions taken by our businesses to reduce The Oil and Gas Climate Initiative (OGCI) – currently chaired by our emissions in areas such as flaring, methane and energy efficiency as group chief executive Bob Dudley – brings together 13 oil and gas well as operational changes, such as increased gas being captured and companies to increase the ambition, speed and scale of the initiatives exported to the liquefied natural gas facility in Angola. undertaken by its individual companies to help reduce manmade GHG a Greenhouse gas emissions (MteCO₂e) emissions. OGCI announced a collective methane intensity target 2018 2017 2016 for member companies in 2018. The target aims to reduce the collective Operational controlb average methane intensity of the group’s aggregated upstream oil and gas operations to below 0.25% by 2025, compared with the baseline of Direct emissions 48.8 50.5 51.4 0.32% in 2017. See page 46 for information on BP’s methane intensity. Indirect emissions 5.4 6.1 6.2 BP equity sharec BP is working with OGCI Climate Investments to help progress the Direct emissions 46.5 49.4 50.1 UK’s first commercial full-chain carbon capture, use and storage project. The Clean Gas Project plans to capture CO from new efficient gas-fired Indirect emissions 5.7 6.8 6.2 2 power generation and transport it by pipeline to be stored in a formation a Our approach to reporting GHG emissions broadly follows the IPIECA/API/IOGP Petroleum under the southern North Sea. The infrastructure would also allow other Industry Guidelines for Reporting GHG Emissions. We calculate CO₂ emissions based on the industries in Teesside to store CO₂ captured from their processes. The fuel consumption and fuel properties for major sources. We report CO₂ and methane. We do not include nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride as project, which is currently undergoing a feasibility study, could be in they are not material to our operations and it is not practical to collect this data. operation by the mid-2020s. b Operational control data comprises 100% of emissions from activities that are operated by BP, going beyond the IPIECA guidelines by including emissions from certain other activities such as contracted drilling activities. c BP equity share data comprises 100% of emissions from subsidiaries and the percentage of emissions equivalent to our share of joint arrangements and associates , other than BP’s share of Rosneft. Managing our impacts The ratio of our total GHG emissions reported on an operational control We work hard to avoid, mitigate and manage our basis to gross production was 0.22teCO₂e/te production in 2018 (2017 2 environmental and social impacts over the life of 0.24teCO₂e/te, 2016 0.24teCO₂e/te). Gross production comprises upstream production, refining throughput and petrochemicals produced. our operations. Accrediting our lower carbon activities The way our businesses around the world understand and manage To reinforce our ambitions, we implemented our Advancing Low Carbon their environmental and social impacts is set out in our operating accreditation programme, which aims to inspire every part of BP to management system. This includes requirements on engaging with identify lower carbon opportunities. stakeholders who may be affected by our activities. To gain accreditation by BP, each activity must meet certain criteria, In planning our projects, we identify potential impacts from our activities including delivering what we call a better carbon outcome. This means in areas such as land rights, water use and protected areas. We use the either reducing GHG emissions, producing less carbon than competitor results of this analysis to identify actions and mitigation measures and or industry benchmarks, providing renewable energy, offsetting carbon implement these in project design, construction and operations. For produced, furthering research and technology to advance low carbon or example, as part of our exploration activities in São Tomé and Príncipe, enabling BP or others to meet their low carbon objectives. we are using underwater sound recorders and an autonomous vehicle to help understand the distribution and movement of marine mammals. Deloitte conducts independent assurance on the Advancing Low Carbon The outcomes of this will inform our approach to planning for potential Carbon activities, including assessing the application of BP’s process future activities. and criteria for accrediting activities, and GHG emissions offset and saved within the programme. Every year our major operating sites review their performance and set local improvement targets. These can include measures on flaring, A total of 52 activities met the criteria for accreditation or reaccreditation greenhouse gas emissions and the use of water. in 2019, up from 33 in 2018. These include emission reductions in our operations, carbon neutral products, more efficient ships, investments See page 44 for information on our oil spill performance. in electrification and support for low carbon technologies. Water See bp.com/advancinglowcarbon for details on the programme We review risks related to management of water in our portfolio and Deloitte’s assurance statement. each year, considering the local availability, quantity, quality and Calling for a price on carbon regulatory requirements. In our gas operations in Oman – an area BP believes that well-designed carbon pricing by governments provides where the availability of fresh water is extremely scarce – we withdraw the right incentives for everyone – energy producers and consumers brackish water under permit from a local underground aquifer that is only alike – to play their part in reducing emissions. It makes energy used for industrial purposes. We desalinate the water and use it for efficiency more attractive and makes lower carbon solutions, such drilling and hydraulic fracturing. We completed a modelling study in 2018 as renewables and carbon capture, use and storage, more cost to assess the sustainability of this water supply. The results of the study competitive. have been incorporated into a long-term water management plan to reduce water demand. We use a carbon price when evaluating our plans for certain large new projects and also those for which emissions costs would be a material Air quality We put measures in place to manage our air emissions, in line with regulations and industry guidelines designed to protect the health 48 See Glossary BP Annual Report and Form 20-F 2018

Strategic report – performance of local communities and the environment. In our shipping business, we disclose information on payments to governments for our upstream introduced three new liquefied natural gas carriers to our fleet in 2018. activities on a country-by-country and project basis under national The carriers are designed to use approximately 25% less fuel and emit reporting regulations such as those in effect in the UK. We also make less nitrogen oxides than our older ships. payments to governments in connection with other parts of our business – such as the transporting, trading, manufacturing and Hydraulic fracturing marketing of oil and gas. We aim to apply responsible practices to the design of our wells to mitigate potential risks associated with hydraulic fracturing. For example, We support transparency in the flow of revenue from oil and gas we install multiple layers of steel into each well and cement above and activities to governments. This helps citizens hold public authorities below any freshwater aquifers. We then test the integrity of each well to account for the way they use funds received through taxes and before we begin the fracturing process and again at completion. other agreements. Hydraulic fracturing creates very small earth tremors that are rarely felt We are a founding member of the Extractive Industries Transparency at the surface. Before we start work we assess the likelihood of our Initiative (EITI), which requires disclosure of payments made to and operations causing such activity. For example, we work to identify received by governments in relation to oil, gas and mining activity. natural faults in the rock. This analysis informs our development plans As part of the EITI, we work with governments, non-governmental for drilling and hydraulic fracturing activity, and we seek to mitigate this organizations and international agencies to improve the transparency risk through the design of our operations. of payments to governments. In 2018 we continued to support EITI implementation in a number of countries where we operate, including See bp.com/environment for more information. Iraq and Trinidad & Tobago. See bp.com/tax for our approach to tax and our payments to governments report. Value to society We aim to have a positive and enduring impact on the communities in which we operate. Human rights In supplying energy, we contribute to economies around the world We are committed to respecting the rights and by employing local staff, helping to develop national and local suppliers, dignity of all people when conducting our business. and through the funds we pay to governments from taxes and other agreements. We respect internationally recognized human rights as set out in the International Bill of Human Rights and the International Labour Additionally, our social investments support community efforts to Organization's Declaration on Fundamental Principles and Rights at increase incomes and improve standards of living. We contributed Work. These include the rights of our workforce and those living in \$114.2 million in social investment in 2018 (2017 \$89.5 million, 2016 communities potentially affected by our activities. \$61.1 million). In India we developed a training programme to help motorcycle mechanics working in small enterprises develop additional We set out our commitments in our human rights policy and our code skills in business management and customer service. Since it began in of conduct. Our operating management system contains guidance 2009, the programme has trained more than 200,000 mechanics. on respecting the rights of workers and community members. We aim to recruit our workforce from the community or country in We are incorporating the UN Guiding Principles on Business and which we operate. We also run programmes to build the skills of Human Rights, which set out how companies should prevent, address businesses and develop the local supply chain in a number of and remedy human rights impacts, into our business processes. Our locations. For example, in 2018 we launched an initiative with oil focus areas include the ethical recruitment and working conditions of and gas peers in Senegal to support local company efforts to achieve contracted workforces at our sites, responsible security, community international standards and improve their ability to bid for work with health and livelihoods, and mechanisms for workers and communities to companies like BP. raise their concerns. Nationals employed In 2018 our actions included: • Reviewing the risk of modern slavery in prioritized locations, including on-site assessments in some cases and addressing findings. • Working with a number of our peers to create an oil and gas industry framework for human rights supplier assessments with a particular Azerbaijan 91% focus on labour rights. Egypt 78% Trinidad Oman 77% • Developing clear expectations on labour rights and a systematic & Tobago 96% approach to modern slavery risk management to build into business Indonesia 96% systems and processes. Angola 87% • Continuing to develop capability on modern slavery and labour rights for our employees and selected contractors, as well as taking steps to raise worker awareness of their rights. • Assessing the practices of private security contractors and the way we See bp.com/society for more information on how we generate value to society. work with public security forces in our operations in Georgia, in line with our continued implementation of the Voluntary Principles on Tax and transparency Security and Human Rights. We are committed to complying with tax laws in a responsible manner See bp.com/humanrights for more information about our approach to and having open and constructive relationships with tax authorities. human rights. We paid \$7.5 billion in income and production taxes to governments in 2018 (2017 \$5.8 billion, 2016 \$2.2 billion). BP Annual Report and Form

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Anti-bribery and corruption BP operates in parts of the world where bribery and corruption present Ethical conduct a high risk. We have a responsibility to our employees, our shareholders and to the countries and communities in which we do business to be We are committed to conducting our business in an ethical and lawful in all our work. Our code of conduct explicitly prohibits ethical, transparent way, using our values and code engaging in bribery or corruption in any form. of conduct to guide us. Our group-wide anti-bribery and corruption policy and procedures include measures and guidance to assess risks, understand relevant Our values laws and report concerns. They apply to all BP-operated businesses. We provide training to employees appropriate to the nature or location of their role. A total of 10,957 employees completed anti-bribery and corruption training in 2018 (2017 12,500, 2016 13,000). We assess any exposure to bribery and corruption risk when working with suppliers and business partners. Where appropriate, we put in place a risk mitigation plan or we reject them if we conclude that risks are too high. We also conduct anti-bribery compliance audits on selected suppliers when contracts are in place. For example, our upstream business conducts audits for a number of suppliers in higher-risk regions to assess their conformance with our anti-bribery and corruption Our values represent the qualities and actions we wish to see in BP. contractual requirements. Potential areas for improvement are shared They inform the way we do business and the decisions we make. We with our suppliers and where necessary, this enables us to work with use these values as part of our recruitment, promotion and individual them to find ways to strengthen their procedures. We issued a total of performance management processes. 27 audit reports in 2018 (2017 36, 2016 25). We take corrective action with suppliers and business partners who fail to meet our expectations, See bp.com/values for more information. which may include terminating contracts. The BP code of conduct Lobbying and political donations Our code of conduct is based on our values and sets clear expectations We prohibit the use of BP funds or resources to support any political for how we work at BP. It applies to all BP employees and members of candidate or party. the board. We recognize the rights of our employees to participate in the political Employees, contractors or other third parties who have a question process and these rights are governed by the applicable laws in the about our code of conduct or see something that they feel is unethical or countries in which we operate. For example, in the US we provide unsafe can discuss these with their managers, supporting teams, works administrative support for the BP employee political action committee councils (where relevant) or through OpenTalk, a confidential helpline (PAC), which is a non-partisan committee that encourages voluntary operated by an independent company. employee participation in the political process. All BP employee PAC A total of 1,712 concerns or enquiries were recorded in 2018 (2017 contributions are reviewed for compliance with federal and state law 1,612, 2016 1,701) through these channels. The most commonly raised and are publicly reported in accordance with US election laws. concerns were about fair treatment of people, workplace harassment We work with governments on a range of issues that are relevant and protecting BP's assets. to our business, from regulatory compliance, to understanding our tax We take steps to identify and correct areas of non-conformance and liabilities, to collaborating on community initiatives. The way in which we take disciplinary action where appropriate. In 2018 our businesses interact with those governments depends on the legal and regulatory dismissed 50 employees for non-conformance with our code of conduct framework in each country. or unethical behaviour (2017 70, 2016 109). This excludes dismissals of We are members of multiple industry associations that offer staff employed at our retail service stations. opportunities to share good practices and collaborate on issues of importance to our sector. We aim for alignment between our policies See bp.com/codeofconduct for more information. and those of trade associations, but understand that associations' positions reflect a compromise of the assorted views of the Gulf of Mexico oil spill membership. The term of appointment of the ethics monitor, who was appointed under the administrative agreement with the US Environmental Protection Agency, came to an end in March 2019. In his final report the ethics monitor confirmed that BP had successfully completed the recommendations he had made. 50 BP Annual Report and Form 20-F 2018

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At the end of 2018 we had five female directors (2017 3, 2016 3) on our Strategic report – performance board. Our nomination committee remains mindful of diversity when considering potential candidates. For more information on the composition of our board, see page 58. BP's success depends on the wholehearted Workforce by gender contribution of a talented and diverse workforce. Members as at 31 December Male Female % Board directors 9 5 36 Executive team 11 2 15 Group leaders 286 89 24 Subsidiary directors 1,161 233 17 All employees 47,171 25,824 35 A total of 24% of our group leaders came from countries other than the UK and the US in 2018 (2017 24%, 2016 23%). Inclusion BP is committed to creating a positive and empowering workplace in which all employees feel valued for the work they do and the impact they make. Our goal is to create an environment of inclusion and acceptance, where everyone is treated equally and without BP employees discrimination. Number of employees at 31 December 2018 2017 2016 To promote an inclusive culture we provide leadership training and Upstream 16,900 17,700 18,700 support employee-run advocacy groups in areas such as gender, Downstream 42,700 42,100 41,800 ethnicity, sexual orientation and disability. As well as bringing employees Other businesses and corporate 13,400 14,200 14,000 together, these groups support our recruitment programmes and Total 73,000 74,000 74,500 provide feedback on the potential impact of policy changes. Each group is sponsored by a senior executive. Service station staff 17,400 16,800 16,200 Agricultural, operational and We made progress in a number of important areas in 2018. For example, seasonal workers in Brazil 3,400 4,300 4,600 we worked with MyPlus, a disability consultancy, to increase our Total excluding service station understanding of the needs of disabled candidates in our application and staff and workers in Brazil 52,200 52,900 53,700 hiring processes. And we launched our gender transition guidelines to support employees who are transitioning, or helping someone who is. a Reported to the nearest 100. For more information see Financial statements –

Note 35. We aim to ensure equal opportunity in recruitment, career development, Our industry relies on creative and scientific thinking to solve some of promotion, training and reward for all employees – regardless of the world's biggest energy problems. We focus on attracting and ethnicity, national origin, religion, gender, age, sexual orientation, marital developing innovative and capable individuals, while also maintaining status, disability, or any other characteristic protected by applicable laws. safe and reliable operations. Where existing employees become disabled, our policy is to provide The group people committee helps facilitate the group chief executive's continued employment, training and occupational assistance oversight of policies relating to employees. In 2018 the committee where needed. discussed remuneration policy, progress in our diversity and inclusion Employee engagement programme, modernizing and strengthening our attractiveness as an Managers hold regular team and one-to-one meetings with their staff, employer, our talent and learning programmes and long-term people complemented by formal processes through works councils in parts of priorities. Europe. We regularly communicate with employees on factors that Attraction and retention affect BP's performance, and seek to maintain constructive relationships A total of 296 graduates joined BP in 2018 (2017 314, 2016 231). We with labour unions formally representing our employees. were named the UK's highest-ranking recruiter in the oil and gas sector To better understand how employees feel about BP, we conduct an in The Times newspaper's Top 100 Graduate Employer rankings in 2018. annual survey. The overall employee engagement score in 2018 was We invest in employee development – with an average spend of around 66%. Pride in working for BP was at the highest level \$3,200 per person. This includes online and classroom-based courses in a decade at 76% in 2018. and resources, supported by a wide range of on-the-job learning and mentoring programmes. The area where our employees scored us as needing attention was in the efficiency of our processes and ways of working. We know we still Diversity have work to do to streamline our processes and drive the benefits of We are committed to making our workplaces reflect the communities digitization throughout BP. in which we are based. Share ownership The gender balance across BP as a whole is steadily improving, with We encourage employee share ownership and have a number of women representing 35% of BP's total population (2017 34%, 2016 employee share plans in place. For example, we operate a ShareMatch 33%). We are working to improve these numbers further by, for plan in more than 50 countries, matching BP shares purchased by our example, developing mentoring, sponsorship and coaching programmes employees. We also operate a group-wide discretionary share plan, to help more women advance.

But we still have work to do at the which allows employee participation at different levels globally and is executive and senior levels. linked to the company's performance. See bp.com/ukgenderpaygap for data and more information on our gender pay gap in the UK. BP Annual Report and Form 20-F 2018 See Glossary

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Modernizing the whole group Smart glasses used across BPX Energy Using wearable technologies New technologies are helping We are using augmented reality (AR) to modernize our operations devices such as 'smart glasses' across BPX Energy. Technicians can use the and improve safety, performance glasses to transmit real-time video to experts and efficiency right across our anywhere in the business and they can then Digital vests business. And we are testing a return AR-enabled instruction back to the range of wearable technologies to technician – all while keeping their hands In Oman, where temperatures can reach 55°C, we are testing technologies such understand how they can support free. We are now using the mobile platform to troubleshoot equipment, conduct safety as biometric vests to protect our people our people in a variety of roles. verifications and deliver remote training. working in high temperatures. Working in extreme heat can trigger fatigue, This is helping increase productivity and dehydration and stress – and this can contributing to improvements in the safety affect safety and effective performance. and efficiency of our operations. The lightweight vest is designed to prevent this by monitoring location and core body temperature and transmitting data about heart and respiratory rates. It sends an alert if there is a potential concern or a real emergency. As technologies like these evolve, we will continue to trial them in our operations, so that we can roll out those that are the best fit. Temperatures in Oman can reach 55°C 52 BP Annual Report and Form 20-F 2018

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Strategic report – performance 53 e, treasury, trading l reporting risks. l risks and associated risk nanc f nancia cant r f f 75-86. ial risk committee – for nanc rd. f olitical committee. wal committee – for strategic, commercial and investment committee. urce commitment meeting – for investment decision risks. utive team meeting – for strategic and commercial risks. p operations risk committee – for health, safety, security, p p ethics and compliance committee – for legal and regulatory p disclosure committee – for for – committee disclosure p risks. employee for – people committee p ty, ethics and environment assurance committee. environment and ethics ty, rt risks and their management the to appropriate levels blish a common understanding of risks on a like-for-like basis, rm prioritization of specific risk management activities and Exec Grou risks. integrity operations and environment Grou Reso Rene and cyber risks. Grou Grou Grou risks. ethics and compliance decision risks related new to lines of business. BP boa Audit Safe Geop See BP governance framework on page 69, Board activity in 2018 on page See BP governance framework on page 69, Board 70 and committee reports on pages Executive committeesExecutive Board and its committees of the organization. Esta Repo Info taking account into potential impact and likelihood. resource allocation. resource •••••••• ••••••••help to processes business key with alignment activitiesmanagement in enable decisions key be to risk informed. As part of BP’s annual planning process, the executive team and board review the principal group’s risks and uncertainties. These may be updated during the year in response changes to in internal and circumstances.external risk profile Our The nature of our business operations is long term, resulting in many of our risks being enduring in nature. Nonetheless, risks can develop and evolve over time and their potential impact or likelihood may vary in response internal to and external events. BP Annual Report and Form 20-F 2018 processes management Risk We aim for a consistent basis of measuring risk to: • Risk oversight and governance Key risk oversight and governance committees include thefollowing: • BP’s group risk team analyses the risk group’s profile and maintains the provides team audit group Our system. management risk group independent assurance the to group chief executive and board as to whether the system group’s of internal control is adequately designed and operating effectively respond to appropriately the to risks that are significant BP. to Businesses and functions review signi Board Set policy and principal monitor risks Oversight and governance functions corporate Executive andExecutive Plan, manage manage Plan, performance assure and Business and and Business strategic risk management Business functions segments and segments the identified risks in appropriate ways. appropriate in risks identified the rstand the risk environment, identify the specificrisks and assess rt up the management chain and the to board on a periodic basis tor and seek assurance of the effectiveness of the management rmine how best deal to with these risks manage to overall Moni Repo Unde Dete potential exposure. Manage of these risks and intervene for improvement where necessary. on how significant risks are being managed, monitored, assured and the improvements that are being made. the potential exposure for BP. Facilities, and assets operations Day-to-day risk management Identify, manage and risks report Day-to-day risk management – management and staff at our facilities, assets and functions seek identify to and manage risk, promoting safe, compliant and reliable operations. BP requirements, which take into account applicable laws and regulations, underpin the practical plans developed help to reduce risk and deliver safe, compliant and reliable operations as well as greater efficiency and sustainable financial results. Business and strategic risk management – our businesses and functions integrate risk management business key into processes such planning, performance capital strategy, and management,as resource allocation, and project appraisal. We do this by using a standard framework for collating risk data, assessing risk management activities, making further improvements and in connection with planning new activities. Oversight and governance – throughout the year functional committees board relevant and the team, executive leadership, the provide oversight of how significant risks BP to areidentified, assessed and managed. They help ensure to that risks are governed by relevant appropriately. managed are and policies Our risk managementOur activities ••••• BP’s risk management system management risk BP’s BP’s risk management system and policy is designed be to a consistent and clear framework for managing and reporting risks from the group’s operations management to and the to board. The system seeks avoid to incidents and maximize business outcomes by allowing us to: • BP manages, monitors and reports on the principal risks and uncertainties that can impact our abilitydeliver to our strategy. These risks are described in the Risk factors on page 55. processes, structures, organizational systems, management Our standards, code of conduct and behaviours together form a system of internal control that governs how we conduct the business of BP and risks. associated manage How we manage How we risk

We identify high priority risks for particular oversight by the board and We seek to manage this risk through a range of measures, which its various committees in the coming year. Those identified for 2019 include cyber security standards, security protection tools, ongoing are listed in this section. These may be updated throughout the year detection and monitoring of threats and testing of cyber response and in response to changes in internal and external circumstances. The recovery procedures. We collaborate closely with governments, law oversight and management of other risks, for example technological enforcement agencies and industry peers to understand and respond to change or the transition to a lower carbon economy, is undertaken in new and emerging cyber threats. We build awareness with our staff, the normal course of business and in the executive team, the board share information on incidents with leadership for continuous learning and relevant committees. and conduct regular exercises including with the executive team to test response and recovery procedures. There can be no certainty that our risk management activities will mitigate or prevent these, or other risks, from occurring. Safety and operational risks Further details of the principal risks and uncertainties we face are set Process safety, personal safety and environmental risks out in Risk factors on page 55. The nature of the group's operating activities exposes us to a wide range of significant health, safety and environmental risks such as incidents Risks for particular oversight by the board and its associated with releases of hydrocarbons when drilling wells, operating committees in 2019 facilities and transporting hydrocarbons. The risks for particular oversight by the board and its committees in Our operating management system helps us manage these risks and 2019 have been reviewed. These risks remain the same as for 2018. drive performance improvements. It sets out the rules and principles which govern key risk management activities such as inspection, Strategic and commercial risks maintenance, testing, business continuity and crisis response planning Financial liquidity and competency development. In addition, we conduct our drilling External market conditions can impact our financial performance. Supply activity through a global wells organization in order to promote a and demand and the prices achieved for our products can be affected by consistent approach for designing, constructing and managing wells. a wide range of factors including political developments, global economic conditions and the influence of OPEC. Security Hostile acts such as terrorism or piracy could harm our people and We seek to manage this risk through BP's diversified portfolio, our disrupt our operations. We monitor for emerging threats and financial framework, liquidity stress testing, maintaining a significant vulnerabilities to manage our physical and information security. cash buffer, regular reviews of market conditions and our planning and investment processes. Our central security team provides guidance and support to our businesses through a network of regional security advisers who advise Geopolitical and conduct assurance activities with respect to the management of The diverse locations of our operations around the world expose us to a security risks affecting our people and operations. We continue to wide range of political developments and consequent changes to the monitor threats globally and maintain disaster recovery, crisis and economic and operating environment. Geopolitical risk is inherent to many business continuity management plans. regions in which we operate, and heightened political or social tensions or changes in key relationships could adversely affect the group. Compliance and control risks We seek to manage this risk through development and maintenance Ethical misconduct and legal or regulatory non-compliance of relationships with governments and stakeholders and by becoming Ethical misconduct or breaches of applicable laws or regulations could trusted partners in each country and region. In addition, we closely damage our reputation, adversely affect operational results and monitor events and implement risk mitigation plans where appropriate. shareholder value, and potentially affect our licence to operate. Our code of conduct and our values and behaviours, applicable to all employees, are central to managing this risk. Additionally, we have The impact of the UK's exit from the EU various group requirements and training covering areas such as Following the referendum in 2016, we have been assessing the anti-bribery and corruption, anti-money laundering, competition/ potential impact of Brexit on BP. We have been preparing for anti-trust law and international trade regulations. We seek to keep different scenarios for the UK's exit from the EU but do not believe abreast of new regulations and legislation and plan our response to any of these scenarios will pose a significant risk to our business. them. We offer an independent confidential helpline, OpenTalk, for The board's geopolitical committee discussed this, most recently employees, contractors and other third parties. in January 2019. Trading non-compliance We continue to monitor developments in this area in line with our In the normal course of business, we are subject to risks around our risk management processes and procedures. trading activities which could arise from shortcomings or failures in our systems, risk management methodology, internal control processes or employee conduct. Cyber security The targeted and indiscriminate threats to the security of our digital We have specific operating standards and control processes to manage infrastructure continue to evolve rapidly and are increasingly prevalent these risks, including guidelines specific to trading, and seek to monitor across industries worldwide. The oil and gas industry is subject to compliance through our dedicated compliance teams. We also seek to evolving risks from a variety of cyber threat actors, including nation maintain a positive and collaborative relationship with regulators and the states, criminals, terrorists, hacktivists and insiders. A cyber security industry at large. breach could disrupt our business, injure people, harm the environment or our assets, or result in legal or regulatory breaches. 54 See Glossary BP Annual Report and Form 20-F 2018

the demand for our products, investor sentiment, our financial Security – hostile acts against our staff and activities could cause harm performance and our competitiveness. See Climate change on page 45. to people and disrupt our operations. Competition – inability to remain efficient, maintain a high quality Acts of terrorism, piracy, sabotage and similar activities directed against portfolio of assets, innovate and retain an appropriately skilled our operations and facilities, pipelines, transportation or digital workforce could negatively impact delivery of our strategy in a highly infrastructure could cause harm to people and severely disrupt competitive market. operations. Our activities could also be severely affected by conflict, civil strife or political unrest. Our strategic progress and performance could be impeded if we are unable to control our development and operating costs and margins, Product quality – supplying customers with off-specification products or to sustain, develop and operate a high quality portfolio of assets could damage our reputation, lead to regulatory action and legal liability, efficiently. We could be adversely affected if competitors offer superior and impact our financial performance. terms for access rights or licences, or if our innovation in areas such as Failure to meet product quality standards could cause harm to people exploration, production, refining, manufacturing, renewable energy or and the environment, damage our reputation, result in regulatory action new technologies lags the industry. Our performance could also be and legal liability, and impact financial performance. negatively impacted if we fail to protect our intellectual property. Our industry faces increasing challenge to recruit and retain diverse, Compliance and control risks skilled and experienced people in the fields of science, technology, engineering and mathematics. Successful recruitment, development Regulation – changes in the regulatory and legislative environment and retention of specialist staff is essential to our plans. could increase the cost of compliance, affect our provisions and limit our access to new growth opportunities. Crisis management and business continuity – failure to address an incident effectively could potentially disrupt our business. Governments that award exploration and production interests may impose specific drilling obligations, environmental, health and safety Our business activities could be disrupted if we do not respond, or are controls, controls over the development and decommissioning of a field perceived not to respond, in an appropriate manner to any major crisis and possibly, nationalization, expropriation, cancellation or non-renewal or if we are not able to restore or replace critical operational capacity. of contract rights. Royalties and taxes tend to be high compared Insurance – our insurance strategy could expose the group to material with those imposed on similar commercial activities, and in certain uninsured losses. jurisdictions there is a degree of uncertainty relating to tax law interpretation and changes. Governments may change their fiscal and BP generally purchases insurance only in situations where this is legally regulatory frameworks in response to public pressure on finances, and contractually required. Some risks are insured with third parties and resulting in increased amounts payable to them or their agencies. reinsured by group insurance companies. Uninsured losses could have a material adverse effect on our financial position, particularly if they arise Such factors could increase the cost of compliance, reduce our at a time when we are facing material costs as a result of a significant profitability in certain jurisdictions, limit our opportunities for new operational event which could put pressure on our liquidity and cash flows. access, require us to divest or write down certain assets or curtail or cease certain operations, or affect the adequacy of our provisions Safety and operational risks for pensions, tax, decommissioning, environmental and legal liabilities. Potential changes to pension or financial market regulation could also Process safety, personal safety, and environmental risks – impact funding requirements of the group. Following the Gulf of Mexico exposure to a wide range of health, safety, security and environmental oil spill, we may be subjected to a higher level of fines or penalties risks could cause harm to people, the environment and our assets and imposed in relation to any alleged breaches of laws or regulations, result in regulatory action, legal liability, business interruption, increased which could result in increased costs. costs, damage to our reputation and potentially denial of our licence Ethical misconduct and non-compliance – ethical misconduct or to operate. breaches of applicable laws by our businesses or our employees could Technical integrity failure, natural disasters, extreme weather or a be damaging to our reputation, and could result in litigation, regulatory change in its frequency or severity, human error and other adverse action and penalties. events or conditions could lead to loss of containment of hydrocarbons Incidents of ethical misconduct or non-compliance with applicable laws or other hazardous materials or constrained availability of resources and regulations, including anti-bribery and corruption and anti-fraud laws, used in our operating activities, as well as fires, explosions or other trade restrictions or other sanctions, could damage our reputation, result personal and process safety incidents, including when drilling wells, in litigation, regulatory action and penalties. operating facilities and those associated with transportation by road, sea or pipeline. Treasury and trading activities – ineffective oversight of treasury and trading activities could lead to business disruption, financial loss, There can be no certainty that our operating management system or regulatory intervention or damage to our reputation. other policies and procedures will adequately identify all process safety, personal safety and environmental risks or that all our operating activities We are subject to operational risk around our treasury and trading will be conducted in conformance with these systems. See Safety and activities in financial and commodity markets, some of which are security on page 43. regulated. Failure to process, manage and monitor a large number of complex transactions across many markets and currencies while Such events or conditions, including a marine incident, or inability to complying with all regulatory requirements could hinder profitable provide safe environments for our workforce and the public while at our trading opportunities. There is a risk that a single trader or a group facilities, premises or during transportation, could lead to injuries, loss of traders could act outside of our delegations and controls, leading of life or environmental damage. As a result we could face regulatory to regulatory intervention and resulting in financial loss, fines and action and legal liability, including penalties and remediation obligations, potentially damaging our reputation. See Financial statements – increased costs and potentially denial of our licence to operate. Note 29. Our activities are sometimes conducted in hazardous, remote or environmentally sensitive locations, where the consequences of Reporting – failure to accurately report our data could lead to regulatory such events or conditions could be greater than in other locations. action, legal liability and reputational damage. Drilling and production – challenging operational environments and External reporting of financial and non-financial data, including reserves other uncertainties could impact drilling and production activities. estimates, relies on the integrity of systems and people. Failure to report data accurately and in compliance with applicable standards could result Our activities require high levels of investment and are sometimes in regulatory action, legal liability and damage to our reputation. conducted in challenging environments such as those prone to natural disasters and extreme weather, which heightens the risks of technical integrity failure. The physical characteristics of an oil or natural gas field, and cost of drilling, completing or operating wells is often uncertain. We may be required to curtail, delay or cancel drilling operations or stop production because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions and compliance with The Strategic report was approved by the board and signed on its behalf governmental requirements. by Jens Bertelsen, company secretary on 29 March 2019. 56 See Glossary

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Corporate governance 57 BP Annual Report and Form 20-F 2018 the board disclosures corporate Governance Code compliance Governance corporate performance and pay outcomes action and governance committee governance and annual bonus outcome executive director outcomes and interests and outcomes director executive remuneration committee remuneration framework the reports its political committee intent and time commitment time and intent r workforce in 2018 committee chairmanship and executive director interests director executive and chairmanship -18 performance-18 share plan outcome ment with strategy with ment executive director remuneration policy for 2019 potential investors potential executive director remuneration policy and implementation for 2019 executive directors' pay for 2018 executive management teams executive ing and induction and ing d and committee attendance committee and d d evaluation il investors ty, ethics and environment assurance committee environment and ethics ty, pendence rman's committeeman's ls and expertise and ls ersity tive team tive 2018 p 2018 a 2018 2016 Align Exec Wide Stew Non-e Other d Exec Non- Exec Gover Boar Role of t Skil Div Instit Reta AGM Audit Safe Remu Geop Chai Nomin Inde CorUK Appo Train Boar Site v International advisory board Commi report remuneration Directors' Board of directors Exec Introduction from the chairman Board activity 2018 in Shareholder engagement 75 90 91 92 94 95 97 100 102 104 105 109 66 69 69 70 71 71 74 74 74 81 83 84 85 86 71 74 71 72 72 73 75 87 74 74 63 68 70 58 governance

Corporate

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See BP's board governance principles relating Board of directors to director independence on page 300. As at 29 March 2019 Helge Lund Bob Dudley Brian Gilvary Nils Andersen Alan Boeckmann Admiral Frank Dame Alison Pamela Daley Ian Davis Professor Dame Bowman Carnwath Ann Dowling Melody Meyer Brendan Nelson Paula Rosput Sir John Sawers Jens Bertelsen Reynolds Prior to Statoil, he was president and chief He has a degree in business economics from Helge Lund executive officer of Aker Kvaerner, an industrial the Norwegian School of Economics and Chairman conglomerate with operations in oil and gas, Business Administration in Bergen and a engineering and construction, pulp and paper Master of Business Administration from Tenure and shipbuilding. He has also held executive INSEAD business school in France. Appointed 26 July 2018 positions in Aker RGI, a Norwegian industrial Relevant skills and experience Board and committee activities holding company, and Hafslund Nycomed, an Helge Lund was appointed chair of the BP industrial group with business activities in Chair of the chairman's committee and board following a detailed process involving all pharmaceuticals and energy. nomination and governance committee, members of the board. Helge has an regularly attends the safety, ethics and He has worked as a consultant with McKinsey impressive track record of leadership in the oil environment assurance, audit, remuneration & Company and has served as a political and gas industry. His open-minded and and geopolitical committees adviser for the parliamentary group of the forward-looking approach will be vital as the Conservative party in Norway. industry focuses on the transition to a lower Outside interests carbon world. He has deep industry • Chairman of Novo Nordisk AS Helge is chairman of the board of Novo Nordisk knowledge and global business experience – • Operating Advisor to Clayton Dubilier & Rice AS, a global healthcare company. Prior to not only in the oil and gas industry but also in • Member of the Board of Trustees of the joining BP, he was a non-executive director of pharmaceuticals, healthcare and construction. International Crisis Group the oil service group Schlumberger from 2016 to 2018, and Nokia from 2011 to 2014. Age 56 Nationality Norwegian He is an operating adviser to Clayton Dubilier & Career Rice, a US investment firm. He is a member of Helge Lund became a board director on the Board of Trustees of the International Crisis 26 July 2018 and chairman of the BP board Group and served as a member on the United on 1 January 2019. Nations Secretary-General's Advisory Group on Sustainable Energy from 2011 to 2014. Helge served as chief executive of BG Group from 2015 to 2016, when the company merged with Shell. He joined BG Group from Statoil where he served as president and chief executive officer for 10 years from 2004. 58 BP Annual Report and Form 20-F 2018

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Corporate governance 59 Danish executive director of Unilever Plc and rman of Salling Group A/S rman of Færch Plast A/S rman of Akzo Nobel N.V. rman of WWF Denmark 60 Nationality Unilever NV Chai Chai Nils Andersen Nils non-executiveIndependent director Non- Chai Chai the Gulf Mexico, of and leadingthe 2015 settlement negotiations US with the government and states resolve to the outstanding federal and state claims. Brian also played a leadrole in the negotiations around the exit of TNK-BP and investment into Rosneft and led the recent acquisition the of BHP onshore Lower 48 assets. Brian has also been at the centre of the workgroup's on cyber securityrisk. addressing Brian Gilvary's performance been has evaluated by the group chief executive and considered by the chairman's committee. Tenure 2016 October 31 Appointed Board and committee activities Member of the safety, ethics and environment geopoliticalassurance, chairman's and committees interests Outside ••••• Age Career Nils Andersen was group chief executive of Møller-MærskA.P. from 2007 June to 2016. Prior this to he was executive vice president of Carlsberg A/S A/S Carlsberg and Breweries from 1999 2001, to becoming president and chief executive officer from 2001to 2007. Previous roles include non-executive director of Inditex S.A. and William Demant A/S. He has also served as managing director of Union Cervecera, chief and Hannen Brauerei executive officer of the drinks division of the Hero Group. Nils was elected as a member and chairman of the supervisory board of Akzo Nobel N.V. in April and 2018 was recently appointed as chairman of WWF Denmark. Nils received his graduate degree from the University of Aarhus. Relevant skills and experience Andersen experienceNils in extensive has having logistics, and goods, retail consumer integrated with corporations global led operations worldwide. He has substantial skill, knowledge and experience in marketing, brand shipping broad has He issues. reputation and energy industry upstream and experience which aligns with BP's shipping business. His leadership earlier in his career focused leaner businesses, of transformation the on competitiveness, increasing and organizations transparency and increasing as well as communication has with stakeholders. Nils recently moved from the audit committee to assurance environment and ethics safety, the BP Annual Report and Form 20-F 2018 British er Commission of Trilateral rary professor at Manchester University executive director of Air Liquide executive director of (Royal) Navy Board executive director of The Francis Crick t Britain Age Group Triathlete rman The of 100 Group 57 Nationality Institute Grea Brian Gilvary officer financial Chief Non- Non- Non- Chai Memb Hono transition to a lower carbon economy. Under carbon economy. lower a to transition his leadership, BP successfully acquired the lower 48 assets of BHP and in 2018 delivered six major projects as planned. been has performance Dudley's Bob considered and evaluated by the chairman's committee. Career Brian Gilvary was appointed chief financial officer on 1 January Therole 2012. includes tax,treasury, finance, for responsibility relations, investor acquisitions, and mergers services, information business global audit, technology and procurement. Healso has accountability for both integrated supply and responsible division shipping the and trading, for BP's tanker fleet. Brian joined BP in 1986 after obtaining a PhD in mathematics from the University of Manchester. Following a broadrange of roles trading in and downstream upstream, in Europe and the US, he became downstream's commercial director from 2002 2005. to From 2005 until 2009 he was chief executive of the BP's function, trading and supply integrated commodity trading arm. In he 2010 was appointed deputy group chief financial officer function. finance the for responsibility with He was a director of TNK-BP over two periods, from 2003 2005 to and from until 2010 the sale of the business and BP's acquisition of Rosneft equity in 2013. He served on the HM Treasury Financial Management Review Board from 2017. to 2014 Relevant skills and experience with career Brian Gilvary entire his spent has with broad experienceBP, of working across all facets of the group. This has provided him with deep insight BP's into assets and businesses. Brian has been player a key as BP has implemented its strategy transform to a into 'value over volume' based business where trading creator is a key of value throughout the business.integrated In addition underpinning to his role as chief financial officer, his deep understanding of finance and trading has been vital in adjusting capital structures and operational costs while ensuring the group continues be to capable of opportunities. new meeting He played a major role in overseeing the financial consequences of the oil 2010 spill in ••• Age Tenure Appointed the to board 1 January 2012 interests Outside ••••• American British and r of the BritishAmerican the of r Business er of the UAE/UK CEO Forum er of the Emirates Foundation er of the World Economic Forum er of the Management Tsinghua er of the US Business Council er of the US Business Roundtable executive director of Rosneft r of the Oil and Gas Climate Initiative ow of the Royal Academy of Engineering 63 Nationality (WEF) Council Business International (OGCI) Memb Chai University Advisory Board, Beijing, China Membe AdvisoryInternational Board Memb Memb Memb Memb Board of Trustees Group chief executive Fell Non- Memb Bob Dudley Career Bob Dudley became group chief executiveon 2010. October 1 Amoco 1979, joined Bob Corporation in working in a variety of engineering and commercial posts. Between 1994 and 1997 he Russia. in development corporate on worked In 1997 he became general manager for strategy for Amoco and in 1999, following the merger between BP and Amoco, was appointed a similar to role in BP. Between 1999 and 2000 he was executive assistant the to group chief executive, president vice group becoming subsequently for BP's renewables and alternative energy activities. In 2002 he became group vice president responsible for BP's upstream businesses in Russia, the Caspianregion, Angola, Egypt. Algeria and From 2003 2008 to he was president and chief executive officer of TNK-BP. On hisreturn to BP in 2009, he was appointed the to BP board and oversaw the activities group's in the Americas and Asia. During he 2010 served as the president and chief executive officer of BP's Gulf Coast Restoration Organization in theUS. He wasappointed directora Rosneftof in March following 2013 BP's acquisition of a stake in Rosneft. Since 2016, he has chaired the Oil and Gas Community of the World Economic Forum and is chair of the Oil and Gas Climate Initiative (OGCI). Relevant skills and experience Bob Dudley has spent his whole career in the oil and gas industry. As group chief executive, the board believes Bob has demonstrated has and vision and leadership outstanding transformed stronger BP a safer, into and simpler business. Over the past eight years, Bob has based this transformation on a consistent set of values and behaviours. BP is now more resilient and is able continue to delivering results in an uncertain economic environment. Bob continues lead to the development of the strategy, group's as BP adapts the to challenges of the advancing • Age •••••••• Tenure Appointed the to board 6 April 2009 interests Outside •

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committee where he will shortly take the chair. His broad business experience and his Admiral Frank Bowman Dame Alison Carnwath knowledge of safe operations in our industry Independent non-executive director Independent non-executive director makes him very well qualified for that role. Tenure Tenure Appointed 8 November 2010 Appointed 21 May 2018 Alan Boeckmann Board and committee activities Board and committee activities Independent non-executive director Member of the safety, ethics and environment Member of the audit and chairman's Tenure assurance, geopolitical and chairman's committees Appointed 24 July 2014 committees Outside interests Board and committee activities Outside interests • Member of Supervisory Board and Audit Chair of the safety, ethics and environment • President of Strategic Decisions, LLC Committee chair of BASF SE assurance committee; member of the • Director of Morgan Stanley Mutual Funds • Director and Audit Committee chair of Zurich remuneration, nomination and governance • Director of Naval and Nuclear Technologies, Insurance Group and chairman's committees LLP • Independent director of PACCAR Inc • Member of UK Panel on Takeovers and Outside interests Age 74 Nationality American Mergers • Non-executive director of Semptra Energy • Trustee of The Economist Group • Non-executive director of Archer Daniels Career Midland Frank Bowman served for more than Age 66 Nationality British 38 years in the US Navy, rising to the rank Age 70 Nationality American of Admiral. He commanded the nuclear Career submarine USS City of Corpus Christi and Dame Alison Carnwath qualified as a chartered Career the submarine tender USS Holland. After accountant before going on to hold a number Alan Boeckmann retired as non-executive promotion to flag officer, he served on the of senior financial advisory roles in London and chairman of Fluor Corporation in February joint staff as director of political-military affairs New York. 2012, ending a 35-year career with the and as the chief of naval personnel. He served company. Between 2002 and 2011 he held For more than 15 years, Dame Alison's career, over eight years as director of the Naval the post of chairman and chief executive in her capacities as senior adviser, director and Nuclear Propulsion Program where he was officer, having previously been president chairman, has enabled her to demonstrate her responsible for the operations of more than and chief operating officer from 2001 to expertise on financial, strategic and good 100 reactors aboard the US Navy's aircraft 2002. His tenure with the company included governance matters both in and outside of carriers and submarines. responsibility for global operations. As the board room. Her current roles include chairman and chief executive officer, he After his retirement as an Admiral in 2004, independent director of PACCAR Inc, director refocused the company on engineering, he was president and chief executive officer and audit committee chair of Zurich Insurance procurement, construction and maintenance of the Nuclear Energy Institute until 2008. Group and supervisory board member services. He served on the BP Independent Safety and audit committee chair BASF SE. Review Panel and was a member of the BP After graduating from the University of Previous roles of note include chairmanship America External Advisory Council. He holds Arizona with a degree in electrical engineering, of Land Securities Group plc as well as two masters degrees in engineering from he joined Fluor in 1974 as an engineer non-executive directorships of Barclays plc the Massachusetts Institute of Technology. and worked in a variety of domestic and and Man Group plc. He was appointed Honorary Knight international locations, including South Africa Dame Alison is a chartered accountant, holds Commander of the British Empire in 2005. and Venezuela. an undergraduate degree, has two honorary He was elected to the US National Academy degrees and in 2014 was appointed to the order Alan was previously a non-executive director of Engineering in 2009. of BHP Billiton and the Burlington Santa Fe of Dame Commander of the Most Excellent Frank is a member of the US CNA military Corporation, and has served on the boards Order of the British Empire for her services advisory board and has participated in studies of the American Petroleum Institute, the to business and diversity. of climate change and its impact on national National Petroleum Council, the Eisenhower Relevant skills and experience security, and on future global energy solutions Medical Center and the advisory board of Dame Alison has extensive financial and water scarcity. Additionally, he was Southern Methodist University's Cox School experience both as an executive and non- co-chair of a National Academies study of Business. executive director. Dame Alison has chaired investigating the implications of climate significant boards and has deep experience He led the formation of the World Economic change for naval forces. Forum's 'Partnering Against Corruption' of the workings of investors and the finance Relevant skills and experience initiative in 2004. industry in the City of London. She has Frank Bowman's exemplary safety record in worked with global organizations and brings Relevant skills and experience running the US Navy's nuclear submarine this broad range of skills to the BP board Alan Boeckmann has worked in a wide range program indicates his deep understanding and to the audit committee. of industries including engineering, of process safety and its implementation. construction, chemicals and the energy sector. Frank makes a substantial contribution to the He has been involved in delivering very large safety culture within BP. Combined with his projects particularly in the energy industry. In specific knowledge of BP's safety goals his senior roles he directed the focus of global from his work on the BP Independent Safety corporations towards the advanced technology Review Panel and his special interest in needed to remain competitive in response to climate change, he brings an important the growth of the internet, e-commerce and perspective to the board and the safety, the globalization of the workforce. At the same ethics and environment assurance committee. time, he actively promoted fairness, He has led the oversight of BP's compliance transparency, accountability and responsibility with the agreements with the US government in business dealings through the 'Partnering stemming from the Deepwater Horizon Against Corruption' initiative. oil spill. 60 BP Annual Report and Form 20-F 2018

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Corporate governance 61 Nationality American executive director of AbbVie Inc. ident of Melody Meyer Energy LLC or Advisor Cairn to India Limited tee of Trinity University ctor of the National Bureau of Asian ctor of National Oilwell Varco, Inc. 61 Research Melody Meyer Melody non-executiveIndependent director Pres Dire Trus Non- Seni Dire and the Royal Academy of Engineering and a foreign associate of the US National Academy of Engineering, the Chinese Academy of Engineering and the French Academy of 18 from honorary has degrees She Sciences. universities, including the University of Oxford, Imperial College London and the KTH Royal Institute of Technology, Stockholm. She was elected President of the Royal Academy of Engineering in September and 2014 in December was 2015 appointed the to Order of Merit. Relevant skills and experience Dame Ann is an internationally respected leader in engineering research and the practical application of new technology in industry. Her contribution in these fields has been widely recognized by universities around the world. Her academic background provides balance to the board and brings different a perspective to assurance environment and ethics safety, the committee, particularly in developments as technology accelerate. Her work in this area is supplemented by her chairing the company's technology advisory council. Dame Ann was chair of the remuneration committee from and 2015 stood down from that committee after the AGM. 2018 Dame Ann is a fellow the of Royal Society in Houston. Gulf Oil later merged with Chevron Melody where retirement her until remained • • Age Career Melody Meyer started her career with Gulf Oil in 1966. Melody with career Chevron, During her had Tenure Appointed May 2017 17 Board and committee activities Member of the safety, ethics and environment geopolitical assurance, chairman's and committees. interests Outside • • • leadership key roles in global exploration and projects international on working production, and operational assignments. In 2004 Melody became vice president for the Gulf of Mexico business unit, and in 2008 became president of the Chevron Energy Technology Company. Melody From 2011 was president of Asia Pacific the for responsible Production, Exploration and financial and operating performance the of upstream assets in nine countries in Chevron's Asia Pacific region. Melody was executive the Network and Women's Chevron the of sponsor continues as a mentor and advocate for the advancement of women in the industry. She was recognized as a 2009 Trinity Distinguished • BP Annual Report and Form 20-F 2018 vice-chancellor of professor and er of the Prime Minister's Council for g LLC g Nationality British Nationality British executive director Johnson of & executive director for All of Teach executive director of Smiths Group plc ident of the Royal Academy of 68 66 Non-executive director Majid of Al Futtaim Holdin Non-Inc. Johnson, Non- Science and Technology Technology and Science Mechanical Engineering at the University Cambridge of Memb Non- Professor Dame Ann Dowling non-executiveIndependent director Pres Engineering Deputy • • • Age Career Ian Davis is senior partner emeritus of McKinsey & Company. He was a partner at McKinsey for years 31 until and 2010 served as chairman and managing director between 2003 and 2009. Ian has a MA in Politics, Philosophy and Economics from Balliol College, University of Oxford. Relevant skills and experience Ian Davis brings global financial and strategic experience the to board. He has worked with and organizations global advised and companies in a wide variety of sectors including oil and gas and the public sector. in the Gulf of Mexico and chaired the Gulf of Mexico committee from its formation in 2010 until it was stood down in 2016. He was previously a non-executive director in the Cabinet Office, giving him an important perspective on government affairs which is an asset both to the board and the geopolitical committee. In his role as the senior independent director, Ian is responsible for the annual evaluation of performance search led the and chairman's the for a successor Carl-Henric to Svanberg as chairman, resulting in the appointment of Helge Lund. He is able draw to on knowledge of diverse issues and outcomes assist to the board and committees. its Ian led the board's oversight of the response • Career Dame Ann Dowling is a deputy vice-chancellor at the University of Cambridge where she was appointed a professor of mechanical engineering in the department of engineering in 1993. She was head of the department of engineering at the university from 2009 2014. Her to research is in fluid mechanics, acoustics and combustion, and she has held visiting posts at MIT and at advisory technical BP's chairs She Caltech. council. • Age Tenure Appointed 3 February 2012 Board and committee activities Member of the safety, ethics and environment committees chairman's assurance and interests Outside • • Nationality American rman of Rolls-Royce Holdings plc ctor of BlackRock, Inc ctor of SecureWorks, Inc 66 Chai Ian Davis director independent Senior Dire Dire Independent non-executive Independent director Pamela Daley Pamela Tenure Appointed 2 April 2010 Board and committee activities geopolitical, Member remuneration, the of nomination and governance and chairman's committees interests Outside • the General Electric Company. She joined GE in 1989 as tax counsel and held a number of senior executive roles in the company, serving most recently as senior vice president and senior advisor the to chairman from April to December 2013, when she retired from GE. Between 2004 and she 2013 was senior vice president of corporate business development at GE, where she was responsible for GE's mergers, acquisitions activities divestiture and worldwide, and prior that, to from 1991 2004, to counsel senior served and vice president as transactions. for Pamela Daley has served as a director of BlackRock since and 2014 of SecureWorks since 2016. She was a director of BG Group plc until 2016 from to its 2014 acquisition by Shell, a director from 2017 of Patheon to 2016 N.V. and its acquisition Thermountil by Fisher, was previously 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. Pamela Daley is a qualified lawyer, she worked in highly regulated industries, holding senior roles on other boards including chair of the at committee nominating and governance SecureWorks and chair of the audit committee BlackRock. at Relevant skills and experience Pamela Daley has deep experience of global business through her executive role at GE. She has also served on a UK board in the oil and gas industry which gave her further insight into that Pamela sector. has joined the audit committee which to she brings deep financial experience expertise. and joined She has also committee, remuneration her the where points investor and employee of understanding of view will provide important input. Career Pamela Daley spent most of her career with • Age Tenure Appointed 26 July 2018 Board and committee activities Member of the audit, remuneration and committees chairman's interests Outside •

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Alumni, with the BioHouston Women in Science insight into the challenges faced by global Award, was the ASME Rhodes Petroleum businesses by regulatory frameworks. He Sir John Sawers Industry Leadership Award recipient and in 2018 recently joined the remuneration committee. Independent non-executive director as an Influential Woman in Energy. Tenure Relevant skills and experience Paula Rosput Reynolds Appointed 14 May 2015 Melody Meyer has spent her entire career in Independent non-executive director the oil and gas industry. The breadth, variety Board and committee activities and geographic scope of her experience is Tenure Chair of the geopolitical committee; member of distinctive. Her career has been marked by a Appointed 14 May 2015 the safety, ethics and environment assurance, focus on excellence, safety and performance Board and committee activities nomination and governance and chairman's improvement. She has expertise in the Chair of the remuneration committee; member committees execution of major capital projects, creation of of the audit, nomination and governance and Outside interests businesses in new countries, strategic and chairman's committees • Chairman and partner of Macro Advisory business planning, merger integration and safe Outside interests Partners LLP and reliable operations. • Non-executive director of BAE Systems plc • Visiting professor at King's College London Melody brings a world-class operational • Non-executive director of TransCanada • Governor of the Ditchley Foundation perspective to the board, with a deep Corporation (until May 2019) • Trustee of the Bilderberg Association, UK understanding of the factors influencing safe, • Non-executive director of CBRE Group (until Age 63 Nationality British efficient and commercially high-performing May 2019) projects in a global organization. • Non-executive director of General Electric Career Company Sir John Sawers spent 36 years in public service Brendan Nelson Age 62 Nationality American in the UK, working on foreign policy, international security and intelligence. Independent non-executive director Career Sir John was chief of the Secret Intelligence Tenure Paula Rosput Reynolds is the former chairman, Service, MI6, from 2009 to 2014 – a period of Appointed 8 November 2010 president and chief executive officer of Safeco international upheaval and growing security Board and committee activities Corporation, a Fortune 500 property and threats, as well as closer public scrutiny of the Chair of the audit committee; member of the casualty insurance company that was acquired intelligence agencies. Prior to that, the bulk of his chairman's, nomination and governance and by Liberty Mutual Insurance Group in 2008. She career was in diplomacy, representing the British remuneration committees also served as vice chair and chief restructuring government around the world and leading officer for American International Group (AIG) for negotiations at the UN, in the European Union Outside interests a period after the US government became the and in the G8. He was the UK ambassador to • Non-executive director and chairman of the financial sponsor from 2008 to 2009. the United Nations from 2007 to 2009, political group audit committee of The Royal Bank of director and main board member of the Foreign Scotland Group plc Previously Paula was an executive in the energy Office from 2003 to 2007, special representative • Member of the Financial Reporting Review industry. She was chairman, president and chief in Iraq during 2003, ambassador to Egypt from Panel executive officer of AGL Resources Inc., an operator of natural gas infrastructure in the US, 2001 to 2003 and foreign policy adviser to the Age 69 Nationality British now a subsidiary of Southern Company. Prior Prime Minister from 1999 to 2001. Earlier in his to this, she led a subsidiary of Duke Energy career, he was posted to Washington, South Career Corporation that was a merchant operator of Africa, Syria and Yemen. Brendan Nelson is a chartered accountant. electricity generation. She commenced her Sir John is now chairman of Macro Advisory He was made a partner of KPMG in 1984. He energy career at PG&E Corp. Partners, a firm that advises clients on the served as a member of the UK board of KPMG intersection of policy, politics and markets. from 2000 to 2006, subsequently being Paula was awarded the National Association of appointed vice chairman until his retirement in Corporate Directors (US) Lifetime Achievement Relevant skills and experience 2010. At KPMG International he held a number Award in 2014. Sir John's deep experience of international of senior positions including global chairman, Relevant skills and experience political and commercial matters is an asset to banking and global chairman, financial services. Paula Rosput Reynolds has had a long career the board in navigating the geopolitical issues faced by a modern global company. Sir John He served for six years as a member of the leading global companies in the energy and brings a unique perspective and broad Financial Services Practitioner Panel and in 2013 financial sectors. Her financial background and experience which makes him ideal to lead the was the president of the Institute of Chartered deep experience of trading makes her ideally geopolitical committee. His knowledge and Accountants of Scotland. suited to serve on the audit committee. skills gained in government, diplomacy and Her experience with international and US Relevant skills and experience policy analysis and advice are invaluable to companies, including several restructuring Brendan Nelson has completed a wide variety both the board and the safety, ethics and processes and mergers, gives her insight into of audit, regulatory and due-diligence environment assurance committee. engagements over the course of his career. strategic and regulatory issues, which is an asset to the board. He played a significant role in the development Jens Bertelsen of the profession's approach to the audit of Paula currently serves as the chair of the banks in the UK, with particular emphasis on remuneration committee of BAE Systems plc. Company secretary establishing auditing standards. He continues Her experience there and her wider business Tenure to contribute in his role as a member of the experience and understanding of the views of Appointed 1 January 2019 Financial Reporting Review Panel. investors are well suited to her being the chair Jens Bertelsen is a solicitor and formerly This wide experience makes him ideally suited of the BP remuneration committee. deputy secretary. to chair the audit committee and to act as its financial expert. He brings related input from his role as the chair of the audit committee of a major bank. His specialism in the financial services industry allows him to contribute 62 BP Annual Report and Form 20-F 2018

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Corporate governance 63 Bernard Looney Bernard British tee of the John Foundation Lyons ow of the UK Royal Academy of ow of the Institute of Materials, Minerals ow of the Institute of Directors 58 Nationality David Eyton Group head of technology Fell Engineering Fell and Mining Fell Trus Executive team tenure Appointed 1 September 2018 interests Outside • Career As group head of technology, David Eyton is accountable for technology strategy and its implementation This includes across BP, and capital investments corporate venture areas in development conducting and research of corporate renewal. In this role, David sits on the Oil & Gas Climate Initiative Climate Board. Investments David joined BP in 1982 from Cambridge University engineering degree. with an • •

• Age Andy Hopwood Andy Strank Angela Dame BP Annual Report and Form 20-F 2018 Bob Fryar Schuster Helmut The executive team represents the principal executive leadership of the BP group. Its members include BP's executive directors (Bob Dudley and Brian Gilvary whose biographies appear on pages 58-62) and the senior management listed on these pages. er of the Turkish-British Chamber of er of the Strategic Advisory Board of Nationality Turkish British and 59 Commerce & Industry Board of Directors the University of Surrey Tufan Erginbilgic Tufan Chief executive, Downstream Memb Memb Career

ErginbilgicTufan was appointed chief executive, Downstream on 1 October 2014. Prior was this, to the chief Tufan operating officer of the fuels business, accountablefor BP's fuels value chains worldwide, the global fuels businesses and the refining, sales and commercial fuels. optimization functions for joinedTufan Mobil in 1990 and BP in 1997 and has held a wide variety of roles in refining various European Turkey, in marketing and UK. the and countries He became head of the European fuels business in 2004 and took up leadership of BP's lubricant business in 2006, before moving headto the group chief office. executive's In 2009 he became chief operating officerfor the chains and value fuels eastern hemisphere businesses. lubricants Outside BP, SusanOutside is a member BP, of the Board andAmerican Institute Petroleum Executive Committee, the Greater Houston Partnership Executive Committee, the and Ford's Theatre Board Executive Trustees of Committee. • Age Executive team tenure 2014 October 1 Appointed interests Outside • Dev Sanyal David Eyton Eric Nitcher Eric Tufan Erginbilgic Tufan 2019

American er of the American Petroleum Institute Partnership Houston Greater the of er er of the Ford's Theatre Board of Nationality 58 Board and Executive Committee Executive and Board Committee Executive Memb Committee Executive Trustees Memb Memb Susan Dio Chairman and president of BP America Susan Dio Susan As at 29 March Executive team Lamar McKay • • Age Career Susan Dio is chairman and president of BP oversight and leadership America, providing Executive team tenure Appointed 1 September2018 interests Outside • BP'sto US businesses, which employ around 14,000 people. These businesses include oil refining, production, and exploration gas and pipeline trading, and supply petrochemicals, alternative and retail, shipping, operations, energy. Since joining the company in 1984, she has held operational key and executive positions in the US, UK, and Australia. Before assuming Susan served role, chief as current her executive officer of BP shipping, where she managed the fleet of BP-operated and chartered vessels that move more than 200 million tonnes of products across the globe year. each She also previously served as head of audit for unit business segment, downstream as BP's leader of the Bulwer Island refinery, and as plant manager City of Texas chemicals.

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Most recently, Andy was appointed chief where he led BP's efforts to restructure the Bob Fryar operating officer, upstream strategy in April governance framework for TNK-BP. In 2009 Executive vice president, safety 2018. Lamar was appointed chairman and president and operational risk of BP America, serving as BP's chief Bernard Looney representative in the US. In January 2013, he Executive team tenure became chief executive, upstream, Appointed 1 October 2010 Chief executive, Upstream responsible for exploration, development and Outside interests Executive team tenure production, serving in the role until April 2016. No external appointments Appointed 1 November 2010 Age 55 Nationality American Outside interests Eric Nitcher • Fellow of the Royal Academy of Engineering Group general counsel Career • Fellow of the Energy Institute Bob Fryar is responsible for strengthening Executive team tenure Age 48 Nationality Irish safety, operational risk management and the Appointed 1 January 2017 systematic management of operations across Career Outside interests the BP group. He is group head of safety and Bernard Looney is responsible for the No external appointments operational risk, with accountability for Upstream segment which consists of Age 56 Nationality American group-level disciplines including engineering, exploration, development and production. health, safety, security, remediation Career management and the environment. In this Bernard joined BP in 1991 as a drilling Eric Nitcher is responsible for legal matters capacity, he looks after the group-wide engineer, working in the North Sea, Vietnam across the BP group. operating management system and the Gulf of Mexico. In 2005 he became implementation and capability programmes. senior vice president for BP Alaska before Eric began his career in the late 1980s working becoming head of the group chief executive's as a litigation and regulatory lawyer in Wichita, Bob has over 30 years' experience in the office in 2007. Kansas. He joined Amoco in 1990 and over the oil and gas industry, having joined Amoco years has held a wide variety of roles, both Production Company in 1985. Between 2010 In 2009 he became the managing director within and outside the US. and 2013 Bob was executive vice president of of BP's North Sea business in the UK and the production division, accountable for safe Norway. At the same time, Bernard became In 2000, Eric moved to London to work in the and compliant exploration and production a member of the Oil & Gas UK Board. He mergers and acquisitions legal team where operations and stewardship of resources became executive vice president, he played a key role in the formation of the across all regions. developments in October 2010, and in Russian joint venture TNK-BP. Eric returned to February 2013 became chief operating officer, Houston in 2007 where he served as special Prior to this, Bob was chief executive of BP production, serving in the role until April 2016. counsel and chief of staff to BP America's Angola and also held several management chairman and president. positions in Trinidad, including chief operating officer for Atlantic LNG and vice president of Lamar McKay Most recently he played a leading role in operations. Bob has also served in a variety of Deputy group chief executive the settlement of the Deepwater Horizon US engineering and management positions in government claims and resolution of many of onshore US and the deepwater Gulf of Mexico. Executive team tenure the remaining private claims. Appointed 16 June 2008 Andy Hopwood Outside interests Dev Sanyal No external appointments Executive vice-president, chief operating Chief executive, alternative energy and officer, upstream strategy Age 60 Nationality American executive vice president, regions Executive team tenure Career Executive team tenure Appointed 1 November 2010 Lamar McKay is accountable for group Appointed 1 January 2012 Outside interests strategy and long-term planning, group Outside interests No external appointments economics, safety and operational risk, group • Independent non-executive director Age 61 Nationality British technology and the legal function. In addition of Man Group plc to supporting the group chief executive, he • Member of the Accenture Global Career also focuses on various corporate governance Energy Board Andy Hopwood is responsible for BP's upstream activities including ethics and compliance. • Member of the Board of Advisors of strategy. Lamar started his career in 1980 with Amoco The Fletcher School of Law and Diplomacy, Tufts University Andy joined BP in 1980, spending his first 10 and held a range of technical and leadership • Member, International Advisory Board of the years in operations in the North Sea, Wytch Farm roles. Ministry of Petroleum and Natural Gas, and Indonesia. In 1989 Andy joined the corporate During 1998 to 2000, he worked on the Government of India planning team formulating BP's upstream BP-Amoco merger and served as head of • Member of the Advisory Board of the Centre strategy and subsequent portfolio rationalization. strategy and planning for the exploration and for European Reform Andy held commercial leadership positions in production business. In 2000 he became Age 53 Nationality British and Indian Mexico and Venezuela before becoming the business unit leader for the central North Sea. upstream's planning manager. In 2001 he became chief of staff for Career exploration and production, and subsequently Following the BP-Amoco merger, Andy spent Dev Sanyal is responsible for alternative for BP's deputy group chief executive. Lamar time leading BP's businesses in Azerbaijan, energy globally and for the group's interests in became group vice president, Russia and Trinidad & Tobago and onshore North America. In the Europe and Asia regions. 2009 he joined the upstream executive team as Kazakhstan in 2003. He served as a member head of portfolio and technology and in 2010 was of the board of directors of TNK-BP between Dev joined BP in 1989 and has held a variety of appointed executive vice president, exploration February 2004 and May 2007. international roles in London, Athens, Istanbul, Vienna and Dubai. He was general manager, and production. In 2007 he was appointed executive vice former Soviet Union and Eastern Europe, prior president, BP America. In 2008 he became to being appointed chief executive, BP Eastern executive vice president, special projects 64 BP Annual Report and Form 20-F 2018

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Corporate governance 65 BP Annual Report and Form 20-F 2018 Nationality British rare Fellow of the Energy Institute rare Professor of Earth Sciences, executive director plc of Severn Trent ow of the Royal Society ow of the Royal Academy of Engineering 66 Non- Fell Fell Hono Hono Dame Angela Strank Angela Dame BP chief scientist and head of downstream technology, University Manchester of • • Executive team tenure Appointed 1 September 2018 interests Outside • • Age Career Dame Angela Strank is responsible for petrochemicals, BP's across technology refining, fuels and lubricants businesses. As BP's chief scientist she is accountable for in advances from insights strategic developing capability in technology managing and science BP. Dame Angela joined BP in 1982 as a geologist in exploration and has held various technical across roles leadership commercial and chief including: downstream and upstream BP/ officer lubricants financial (Americas), business Nigeria, manager alliance Statoil Angola, technology manager development vice president, and head of the BP group chief office. executive's In Dame 2010 Angela won the UK First Award Women's in Science and Technology, and was in 2018 the first woman receive the UK Energy Institute's Cadman Award. Dame In 2017 Angela was awarded a Dame Commander of the Order of the British Empire in Her Majesty the Queen's Birthday Honours List for services to the oil industry and women and engineering technology, science, in mathematics (STEM). Angela from honorary Dame holds degrees Royal Holloway University, London (DSc) and the University of Bradford. • Nationality British Austrian and executive director of Ivoclar 58 Non- Helmut Schuster Helmut Executive vice president, group human director resources Vivadent AG, Germany Mediterranean in 1999. In November 2003 he was appointed chief executive, Air BP International and in June 2006 was appointed head of the group chief office. executive's In 2007, he assumed the role of group vice During this treasurer. group and president period he was also chairman of BP investment accountable management was the and for aluminium group's interests. Until April 2016, Dev was executive vice president, strategy and regions. Executive team tenure Appointed 1 March 2011 interests Outside • Age Career became Schuster Helmut human group resources (HR) director In this in March 2011. role he is accountable for the BP human function. resources He completed his post graduate diploma in international relations and his PhD in economics at the University of Vienna and then began his career working for Henkel in a marketing capacity. Since joining BP in 1989 Helmut has held a number of leadership roles. He has worked in BP in the US, UK and continental Europe and within most parts of power. and gas and trading marketing, refining, Before taking on his current role, his portfolio of responsibilities as vice president, HR included the refining and marketing segment of BP and corporate and functions. That role saw him leading the people agenda for roughly 60,000 people across the globe that included petrochemicals, businesses as such fuels value chains, lubricants and functional experts group. the across Outside of his role, Helmut is a non-executive director of Ivoclar Vivadent. Additionally, he is an alumni and advocate of AFS, which is an NGO that promotes intercultural learning.

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Executive management teams Upstream 1. David Campbell 3. Murray Auchincloss 6. Nigel Jones 9. Tony Brock President, BP Russia Chief financial officer Associate general counsel Head of safety and operational risk 2. William Lin 4. Gordon Birrell 7. Andy Hopwood Chief operating officer, Chief operating officer, production, Chief operating officer, 10. James Dupree upstream regions transformation and carbon upstream strategy Chief operating officer, developments and technology 5. Kerry Dryburgh 8. Bernard Looney Head of human resources Chief executive 8 10 1 6 3 5 4 2 7 9 Other business and functions leaders 1. Steve Fortune 4. Geoff Morrell 7. Nick Wayth 10. Joan Wales Chief information officer, information Group head of communications Chief development officer, Head of safety and operational technology and services and external affairs alternative energy risk, other businesses and corporate 2. Craig Marshall 5. David Anderson 8. David Jardine 11. Jan Lyons Group head of investor relations Chief financial officer, Group head of audit Group head of tax alternative energy 3. Camille Drummond 9. David Bucknall Vice president of global 6. Trudi Charles Group controller and chief financial business services Associate general counsel, officer, other businesses and corporate integrated supply and trading and BP shipping 3 9 4 7 2 8 11 6 1 5 5 10 66 BP Annual Report and Form 20-F 2018

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Corporate governance 67 22 23 9 21. Spencer21. Dale Group chief economist Saxena Rahul 22. compliance and officer ethics Group Thomson Kate 23. treasurer Group 10 9. Andy Holmes Holmes Andy 9. Chief operating officer, fuels ASPAC and Air BP Strank Angela 10. Head of technology and scientist chief BP 21 20 8 and disciplines that support our executive team's work. These include experts in fields such as renewable energy, finance, trading, technology and digital, and tax and treasury. Job titles correct as at 1 January 2019. Our diverse and talented leaders have a wide range of skills 18 19 7 17 18. Alan Haywood Chief executive officer, integrated trading and supply 19. Robert Lawson Global head of mergers acquisitions and 20. Laura Folse Chief executive officer, energywind, alternative BP Annual Report and Form 20-F 2018 6. Rita Griffin Chief operating officer, petrochemicals Michael7. Sosso Associate counsel, general shipping BP and downstream 8. Mike O'Sullivan Chief financial officer 6 5 16 4 15 3 strategic planning strategic Lindenhayn Mario 16. Chief executive officer, biofuels, energyalternative Knight Lucy 17. president, vice resources Human corporate activities business functions and 15. Dominic Emery Vice president, group 3. Tufan Erginbilgic Tufan 3. executive Chief Gardiner Evelyn 4. Head of human resources Sparkman Doug 5. Chief operating officer, fuels, Northfuels, America 14 2 13 1 12 Other business and functions leaders lubricants 2. Guy Moeyens Chief operating officer, fuels, Southern and AfricaEurope Downstream Mandhir Singh 1. Chief operating officer, 12. David Windle Head of solar and renewable products, energyalternative Howle Carol 13. Chief executive officer, BP shipping and chief operating officer, global oil, trading and supply integrated Pillai Ashok 14. Vice president, group reward

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Introduction from the chairman engagement it has with both our people and with our wider community of stakeholders. As a board, we fully support this – it builds on the work we already do, and we will continue to evolve and enhance this engagement and provide more detail next year. Our oversight of the significant risks (such as operational, compliance and cyber security) facing BP continues. Both the audit committee and the safety, ethics and environmental assurance committee (SEEAC) continue to review these in depth and receive assurance from management as to how they are understood and mitigated to the level of risk acceptable to the board. In this regard, I want to once again pay tribute to the exceptional service over many years of Alan Boeckmann and Admiral Frank Bowman on the SEEAC and welcome Nils Andersen to the role of SEEAC chair. Brendan Nelson continues to chair the audit committee and brings enormous financial and regulatory experience and expertise to the role. I also want to thank Sir John Sawers for all his work chairing the geopolitical committee. John brings unique insight and experience to BP's culture is well grounded with the right his role and the committee does important work overseeing significant values and behaviours embedded by the political and related risks in key geographies where BP operates. board and the senior leadership. The nomination and governance committee continues to review the skills that we need while always considering diversity and the need for independent thinking and challenge. The committee will also continue to review the size of the board to confirm that it is appropriate with a good mix of skills, experience and knowledge and the ability to maintain It is now nine months since I joined BP, initially as a non-executive appropriate oversight of the executive team and provide constructive director. In that time, my experience has confirmed the very positive challenge and support. impression of BP's culture and values I arrived with. Based on my time spent in the business, the values of safety, respect, excellence, courage Executive remuneration remains a significant issue and we appreciated and one team are clearly embedded and genuinely lived. I see a culture the strong support that was given to our remuneration report at last that is grounded, responsible and humble – by which I mean one where year's AGM. This was the second year in which our three-year policy, people have confidence in their capabilities and the strategy, but not developed following extensive engagement with shareholders, was in complacency or arrogance, and with a strong desire to learn and develop. effect. Paula Reynolds is working with the remuneration committee in I firmly believe that is the right combination for maintaining safe implementing that policy this year and to develop the new three-year operations, earning the trust of stakeholders and embracing the policy for which shareholder approval will be sought in 2020. Paula is challenges and opportunities the energy transition presents. A priority for currently in the process of reducing her directorship commitments my chairmanship is to see that the board continues to help sustain and with other companies during 2019 to ensure that she can retain her evolve this positive culture by having the right capability around the table strong focus on chairing the remuneration committee. and the right engagement with stakeholders outside the boardroom. You will see from Paula's report on page 83 that the committee continues to exercise appropriate discretion in relation to executive Board capability remuneration. From 2019 we are linking BP's progress towards one BP's board has evolved considerably during Carl-Henric Svanberg's of our emissions reduction targets to the remuneration of a significant tenure. Together we will look to continue its development and find number of our employees, including executive directors. the right balance of continuity and renewal. In my letter on page 6, I mentioned Dame Alison Carnwath and Pamela Daley joining the board Engaging with stakeholders in 2018, and that this year we are losing the distinguished services of Remuneration is just one issue where I believe dialogue is invaluable, Admiral Frank Bowman and Alan Boeckmann. and I will continue to encourage the board to meet with a range of Ian Davis is now in his 10th year as a director and continues as our senior stakeholders, including investors, partners, and our people, and gain independent director, having held this role since 2017. I have huge first-hand experience of BP's businesses and operations around the respect and regard for Ian's skills and experience and, to provide the world. Over the past year, board members visited BP operations in the continuity that I believe is critical I have asked him to extend his service US, UK and Oman and individual members also took opportunities to to at least the AGM in 2020. Ian continues to demonstrate constructive visit BP sites when travelling and pursuing their other interests and challenge and engagement both in the board and with executive business activities. Personally, I have already visited our operations in management. The board therefore retains complete confidence in Ian's several countries including in the UK, the US, China, Oman and the independence and supports his re-election in this capacity. Netherlands. I look forward to making many more visits this year and sharing my observations and reflections in due course. Governance and remuneration processes Finally, I am grateful to Bob, the executive team, our employees and my We have spent considerable time evaluating the work of the board and colleagues on the board for all of their hard work, their commitment to its committees, for which we also brought in external expertise to BP and for the way that they have so warmly welcomed me into the facilitate our discussions. This was a very valuable exercise and resulted company. I am excited for our future. in a number of recommendations that I am considering with the board, and certain changes to our ways of working have already been made. Details of these changes will be included in a revised set of board governance principles to be published later this year. Looking outwards, there were changes to UK legislation and governance requirements during 2018 that have now come into effect. Helge Lund In particular, the board is required to understand more deeply the Chairman 68

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Corporate governance 69 utive gation ernance 64 4 6 4 21 6 2 6 1 6 6 6 Chairman's Chairman's committee Gov Dele Exec limitations process model
Delegation of Delegation through authority policy with monitoring Accountability Assurance through and monitoring reporting BP board BP governance
principles: • BP goal • • • Accountability 3 3 6 4 32 33 1 2 1 6 1 6 6 6 3 3 6 6 iance Nomination governance and committee (if More information putation
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bp.com/governance governance principles. ormation equested) integrity auditor adviser (if relevant) Ind advice r Ind (assurance needed) Safe ope Grou
and Busi Exte re and rese Ind Ind Monitoring, inf • • • • • and as and • Group audit Finance • • • 21 2 4 1 4 4 4 4 3 3 6 6 Geopolitical committee ttee Group
renewal renewal Group committee Audit Audit commi See page 75 7 7 4 4 3 3 6 6 Remuneration Remuneration committee CM) (R ng mitments mitments
mittee meeti Resource com Geopolitical com See page 84 31 2 1 44 4 3 7 7 7 7 Paula Reynolds missed a board meeting due to a pre-existing external
commitment. John Sawers missed a board meeting due to other commitments. BP Annual Report and Form 20-F 2018 Joint audit/Joint SEEAC Group ethics
compliance and committee (GECC) Safety, ethics and environment assurance committee See page 81 266 2 4 1 6 4 4 1 6 2 3 76 6 4 5 66 4 4 3 6 4 4 3 4 SEEAC
ittee BP board Group people people Group comm (GPC) Audit Audit committee Owners/shareholders Group chief executive Executive management Executive
mittee ttee ttee Strategy/group risks/annual plan Strategy/group B B A B A B A B A B A B A B A B) Group chief executive's delegations executive's chief
Group losure Chairman's Chairman's com See page 85 Group disc commi (GDC 499 4 5 7 4 9 9 59 3 54 9 29 9 4 9 4 2 9 8 9 9 8 9 8 9 9 8 9 9 8 7 6 1 1 4
4 9 9 9 9 A A Board ttee nancial fi) C k k committee Remuneration See page 87 commi Group Group ris (GFR C) governance Group operations risk committee
(GOR See page 86 Nomination and committee Delegation Paul Anderson Paul Alan Boeckmann+ Frank Bowman Alison Carnwath Pamela Daley Ian Davis Ann
Dowling Helge Lund+ Meyer Melody Brendan Nelson+ Paula Reynolds+ John Sawers+ Executive directors Bob Dudley Nils Andersen Nils Non-executive
directors Carl-Henric Svanberg Brian Gilvary A = Total number of meetings the director was eligible to attend. B = Total number of meetings the director did
attend. + Committee chair. Nils Andersen missed a board meeting due to a pre-existing external commitment, personal circumstances, unforeseen to due board the
of Alan meetings Boeckmann missed Pamela Daley missed a board meeting due to a pre-existing external commitment. Melody Meyer missed a board meeting
due to other commitments. Board and committee and Board attendance BP governance framework The board operates within a system of governance that is set
out in the BP board governance principles. These principles define the role of the board, its processes and its relationship with executive management. This system is
reflected in the governance of the subsidiaries, group's

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Board activity in 2018 Role of the board The board is responsible for the overall conduct of the group's business. Directors have duties under both UK company law and BP's Articles of Association. The primary tasks of the board in 2018 included: 1Active consideration and direction Monitoring of BP's Ensuring that the principal risks and Board and executive of long-term strategy and approval performance against the uncertainties to BP are identified and that management of the annual plan strategy and plan systems of risk management and control succession are in place Strategy Performance and monitoring During the year the board It received regular reports on The board reviews financial • Quarterly and full-year results. provided input on the group's the progress and implementation and operational performance • Shareholder distributions. strategy to senior management. of the strategy – through updates at each meeting. It receives The board reviews the quarterly This included a two-day strategy from management and by means regular updates on the group's and full-year results, including session in September where it of a strategic performance performance for the year across the shareholder distribution examined developments in the scorecard which is discussed a range of metrics as well as the policy. The 2018 annual report wider environment and debated at each board meeting. latest view on expected full-year was assessed in terms of the strategic themes relating to delivery against external BP's segments, key functions The board monitored the directors' obligations and scorecard measures. Updates and the impact of the lower company's performance against appropriate regulatory are also given on various carbon transition on the group's the annual plan for 2018 and requirements. components of value delivery for business model. The board approved the forward framework discussed the transition to a for the annual plan for 2019. BP's business. Regular reports The board monitors employee lower carbon world frequently presented to the board include: opinion via an annual 'pulse' The board reviewed the BP survey which includes during the year. • Chief executive's report. Energy Outlook, updated measurement of how the BP • Group performance report. The board also held several in February 2018, which looks values are incorporated into long-term strategy sessions at long-term energy trends and • Group financial outlook. culture around our global covering upstream, downstream projections for world energy • Effectiveness of investment operations. and the future plans for the markets. review. integrated supply and trading function that supports them. Risk Succession The board, either directly The board reviewed the group The board, in conjunction with • Paul Anderson stood down or through its monitoring risk of cyber security in 2017 – the nomination and governance from the board at the 2018 committees, regularly reviews with the audit committee and and chairman's committees, AGM. the processes whereby risks SEEAC assessing elements of reviews succession plans for • Alison Carnwath was elected are identified, evaluated and cyber security risk in their work executive and non-executive as a director at the 2018 AGM. managed. programme for the year. The directors on a regular basis. allocation of the group cyber The board needs to ensure • Helge Lund and Pamela Activities include: security risk to the board (with that potential candidates are Daley joined the board in • Assessing the effectiveness of additional monitoring by the audit identified and evaluated as July 2018 as non-executive the group's system of internal and SEEA committees) remains current directors reach the director and chairman control and risk management unchanged for 2019. The group end of their recommended designate, and non-executive as part of the review of the risks allocated to the committees term of office, including in the director, respectively. BP Annual Report and Form for review over the year are event of a director leaving 20-F 2017. • Carl-Henric Svanberg stepped outlined in the reports of the unexpectedly. down as non-executive • Identification and subsequent committees on pages 75-86. The board employs executive director and chairman of the allocation of risks to the board Further information on BP's search firms when it concludes board effective 31 December and monitoring committees system of risk management is that this is an effective way of 2018, succeeded by Helge (the audit, SEEA and outlined in How we manage risk finding suitable candidates. In Lund with effect from geopolitical committees) for on page 53. 2018 Egon Zehnder assisted 1 January 2019. 2018, and confirmation of the in the search for non-executive schedule for oversight. • Alan Boeckmann and directors. Egon Zehnder has no Frank Bowman will stand other connection with the down from the board at company or individual directors. the 2019 AGM. 70 BP Annual Report and Form 20-F 2018

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Corporate governance 71 3 5 8 1 1 9 6 1 2 8 4 4 Tenure (years) Non Non UK/US Evaluation Female Diversity Regulatory/ government affairs Brand/ marketing/ reputation annual re-election annual shareholders. by While the chairman's letter of appointment sets out the time commitment expected of him, those for NEDs do not set a fixed-time commitment, but instead set a general guide of between 30-40 days The per year. time required of directors may fluctuate depending on demands of BP business and other events. They are expected to allocate sufficient time to BP perform their duties effectively and make themselves available for all regular and ad hoc meetings. The that, notwithstanding board appointments, believes other NEDs' they have sufficient time to fulfil their BP duties. Executive directors are permitted to take up to one board appointment at an external listed company, subject to the agreement of the chairman. term limit on a director's service, as BP proposes all directors for The board is satisfied that there is no compromise to the independence and nothing of, give rise to conflicts of interest for, directors who serve together as directors on the boards of other entities or who hold other external appointments. The nomination and governance committee keeps the other interests of the NEDs under review to ensure that the effectiveness of the board is not compromised. Ian Davis is proposed for re-election notwithstanding he will be in his consideration, careful Following non-executive a director. as year tenth the board believes that Ian continues to provide to constructive challenge and robust scrutiny of matters that come before the board. Accordingly, the board is satisfied that Ian continues to demonstrate the qualities of independence in carrying out his role as senior independent director. Appointment commitment time and The chairman and NEDs have letters of appointment. There is no BP Annual Report and Form 20-F 2018 of new directors Training including Training site visits and induction Safety Financial expertise Engineering/ Engineering/ technology Diversity including skills, ethnicity experience, gender, tenure and Oil and gas/ extractives/ energy Background Succession planning to to planning Succession diversity future ensure balance and Alan Boeckmann Frank Bowman Alison Carnwath Pamela Daley Ian Davis Ann Dowling Lund Helge Meyer Melody Nelson Brendan Paula Reynolds John Sawers Non-executive director Andersen Nils Background and diversity in character and judgement and free from any business or other that with exercising interfere could materially that relationship judgement. It is the board's view that all NEDs are independent. Diversity Diversity BP recognizes the importance of diversity, including gender, at the board and all levels of the group. We are committed to increasing diversity across our operations and have a wide range of activities to support the development and promotion of talented individuals, regardless of gender and social and ethnic background. The board operates a policy that aims to promote diversity in its composition. Under this policy, director appointments are evaluated against the existing balance of skills, knowledge and experience on the board, with directors asked to be mindful of diversity, inclusiveness and meritocracy considerations board. nominations the when examining to Implementation of this policy is monitored through agreed metrics. During its annual evaluation, the board considered diversity as part of on our board Our of 14. nomination and governance committee actively considers diversity in seeking potential candidates for appointment to board. the The board looked at gender and wider diversity across the group as part of its annual review of HR, capability and talent management. BP continues to take action to address the broader issue of diversity within the group. Independence Non-executive directors (NEDs) are expected to be independent the review of its performance and effectiveness. At the end of 2018, there were five female directors 3, 2016: 3 (2017: Skills and expertise and Skills In order to carry out its duties on behalf of shareholders, the board needs to manage its overall membership and continuously maintain its knowledge and expertise benefit to the business. It does this through four activity sets:

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Fees received for an external appointment may be retained by the Board evaluation executive director and are reported in the directors' remuneration report BP undertakes an annual review of the board, its committees and (see page 87). Neither the chairman nor the senior independent director individual directors. The chairman's performance is evaluated by are employed as an executive of the group. the chairman's committee and his evaluation is led by the senior independent director. The evaluation operates on a three-year cycle, Training and induction with one externally led evaluation followed by two subsequent years To help develop an understanding of BP's business, the board continues of internal evaluations carried out using a questionnaire prepared by to build its knowledge through briefings and site visits. In 2018, the an external facilitator. board continued to receive training on ethics and compliance. Activity following prior year evaluation NEDs are expected to visit at least one business a year as part of their Actions arising from the 2017 evaluation and how these were learning programme. In 2018, the board as a whole visited operations addressed included: at the Khazzan gas field in Oman. Members of the SEEAC and other • Ongoing focus on capital allocation: the board continued to develop directors also visited the Cooper River petrochemicals plant in the US and deepen its understanding of the capital allocation process and and the Thunder Horse platform in the Gulf of Mexico. the way in which investment decisions were taken. Newly appointed NEDs follow a structured induction process. In 2018, • Longer term vision and strategy: the board held three 'deep dive' Helge Lund, Alison Carnwath and Pamela Daley all participated in the discussions to explore the group's longer-term vision and strategy, induction programme, which includes one-to-one meetings with including challenges in BP's core businesses as well as the transition management and the external auditors and other management who to a lower carbon economy. support the board and committees. Pamela Daley's induction is set out below as an example. • Employee views on safety and culture: the board developed a greater understanding of employee views within the group, particularly through review of more detailed data from the annual Pulse Survey, by using the Technology Advisory Council (TAC) reports and through site visits, town halls and employee engagement forums. • International advisory board: the board reviewed the relationship Director induction programme between the board, the geopolitical committee and the international advisory board (IAB). Directors were invited to IAB dinners to hear the debate on broader issues. I deeply appreciate the 2018 evaluation quality of the BP induction The evaluation was undertaken through a questionnaire facilitated by programme and the BP an external consultant (Independent Audit) and individual interviews team's dedication to between the consultant and the chairman and each director and other educating me. executives. The results of the evaluation and feedback from the interviews were collectively discussed by the board and will be incorporated into a revised version of the board governance principles that will be published later this year. Pamela Daley Non-executive director Pamela Daley, appointed in 2018, followed a tailored induction process. The programme of topics included: Board and governance Functional input • BP's board governance • Communications and model, directors' duties, corporate reporting interests and potential • Ethics and compliance conflicts. • External audit • Finance Business introduction • Human resources, including • Alternative energy capability and reward • BP's business • Legal, including litigation • BP's performance relative • Safety to competitors • Treasury • Downstream (refining, • Tax marketing and lubricants) • Integrated supply and Audit committee specific trading (IST) • Reporting and disclosure • Lower carbon transition • Business 'deep dives' • Strategy including IST risks and • Financial planning compliance and procurement • Upstream (exploration, • Cyber security and trading development, production, regulations. overview of our operations) 72 BP Annual Report and Form 20-F 2018

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Corporate governance 73 Workforce engagement Melody Meyer visited the Muscat office in March meet to with women from BP Oman, Houston, US Alongside the SEEAC visit in members July, of the board also spent time in the Houston office, following the damage caused by Hurricane They Harvey spent time in 2017. with BP's US-based integrated supply and trading team and learned about the execution of business continuity planning following Harvey. They visited group key monitoring, across centres response and communication multiple businesses. as part of an empowering women in business supporting and helping advocated She event. women saying, all have "we a part play to in this, we can help ensure our female colleagues' voices Melody are heard." highlighted the need focus to on driving value, creating advantage from change, showing contribution. valuing and respect Melody also conducted a town hall at our Houston office in July and Paula Reynolds led a BP international woman's network event at BP's London head office in December. Cooper US River, In September members of the SEEAC and other directors visited Cooper BP's River, Southpetrochemicals in Carolina. plant Board members met with site leaders and discussed business emergency continuity planning, safety, risk and operating culture at the plant. They also heard about new technologies. sustainability-related BP Annual Report and Form 20-F 2018 in the central processing facility control room. They met site staff over lunch and concluded their visit by meeting a local tribal leader who securing community in had been instrumental support Khazzan the for development. offices and accommodation, and spent time Manchester, UK Manchester, In May the board attended the ICAM, where they met with leading academics better to is research in understand investment how advance helping fundamental understanding and use of materials across a variety of energy applications. industrial and Site visits Site Khazzan, Oman The board visited the Khazzan gas field in Oman, touring the facility and meeting with local staff. They experienced the scale of the field first hand following start-up of the project. camp residential new They the visited also SEEAC and the audit committee chair visited Thunder Horse in Their July. trip included a half-day session with the Gulf of Mexico upstream leadership team followed by a day offshore. The regional president led the site visit and facilitated thorough discussion of challenges and risks the practices, working faced on site and management of those risks. The visit demonstrated the safety culture on board the rig. Thunder Horse, US NEDs visit at least one business every year help to deepen their operational understanding. In 2018, the board visited the Khazzan gas field in Oman and the International Centre for Advanced Materials (ICAM), of which BP is a significant sponsor, at the University of Manchester. Members of the SEEAC and other directors visited upstream and downstream operations in the Gulf of Mexico and South Carolina respectively. The board met local management and were briefed at each visit and subsequently provided their feedback the to appropriate committee and the to board. A number of non-executives took the opportunity engage to directly with the local workforce as described below.

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Shareholder engagement Institutional investors Retail investors The company operates an active investor relations programme. The BP held a further event for retail investors in conjunction with the UK board receives feedback on shareholder views through results of an Shareholders' Association (UKSA) in 2018. The chairman and head of anonymous investor audit and reports from management and those investor relations gave presentations on BP's annual results, strategy directors who meet with shareholders each year. In 2018 the chair of and the work of the board. Shareholders' questions were focused on the remuneration committee undertook extensive engagement on BP's activities and performance. the application of the remuneration policy prior to the AGM in May (see the remuneration committee report on page 83). Helge Lund also AGM held one-to-one meetings with 14 major institutional investors during Voting levels increased in 2018 to 67.3% (of issued share capital, the last quarter of the year prior to him becoming the chairman. including votes cast as withheld), compared to 50.8% in 2017 and Senior management regularly meets with institutional investors 64.3% in 2016. through road shows, group and one-to-one meetings, events for All resolutions were passed at the meeting. Each year the board socially responsible investors (SRIs) and oil and gas sector receives a report after the AGM giving a breakdown of the votes conferences throughout the year. and investor feedback on their voting decisions to inform them on In April, the chairman and all board committee chairs held an annual any issues arising. investor event. This meeting enabled BP's largest shareholders to hear about the work of the board and its committees and for investors UK Corporate Governance Code compliance to share their views directly with NEDs. BP complied throughout 2018 with the provisions of the 2016 UK Corporate Governance Code except in the following aspects: More information B.3.2 Letters of appointment do not set out fixed-time commitments See bp.com/investors for investor since the schedule of board and committee meetings is subject to and strategy presentations, including change according to the demands of business and other events. the group's financial results and information on the work of the board Our letters of appointment set a general guide of a time and its committees. commitment of between 30-40 days per year. All directors are expected to demonstrate their commitment to the work of the board on an ongoing basis. This is reviewed by the nomination Shareholder engagement cycle 2018 and governance committee in recommending candidates for annual re-election. • Fourth quarter and full year 2017 results and D.2.2 The remuneration of the chairman is not set by the remuneration strategy update committee. Instead, the chairman's remuneration is reviewed by • Investor roadshows with executive management the remuneration committee which makes a recommendation to – fourth quarter and full year 2017 results the board as a whole for final approval, within the limits set by • BP Energy Outlook presentation shareholders. This wider process enables all board members to discuss and approve the chairman's remuneration, rather than Q1 • US SRI meetings on remuneration solely the members of the remuneration committee. • Investor meetings on remuneration, continuing BP remains cognizant of the new UK Corporate Governance Code and into Q2 will report accordingly in our 2019 Annual Report and Form 20-F. A copy • BP Annual Report 2017 launch of the UK Corporate Governance Code is available at frc.org.uk. • BP Sustainability Report 2017 launch • BP Technology Outlook launch • Chairman and board committee chairs meetings International advisory board • UKSA (retail shareholders') meeting with the chairman BP's international advisory board (IAB) advises the chairman, group chief Q2 • First quarter 2018 results presentation executive and the board on geopolitical and strategic issues relating to the company. This group meets once or twice a year and between • Annual general meeting meetings IAB members remain available to provide advice and counsel • Advancing the Energy Transition launch when needed. • BP Statistical Review of World Energy launch Membership of the IAB in 2018 comprised Lord Patten of Barnes, Josh Bolten, President Romano Prodi, Dr Ernesto Zedillo, John Key and Dr Javier Solana. The chairman, chief executive and Sir John Sawers • Second quarter 2018 results presentation attend meetings of the IAB. Issues discussed in 2018 included the Q3 • Investor roadshows with executive management global economy, developments in the Middle East, political events in following 2Q results Latin America and the political and economic outlook in the US. The IAB discussed the UK's potential exit from the European Union at both of its meetings during 2018. • Third quarter 2018 results presentation Q4 • Upstream investor day in Oman 74 BP Annual Report and Form 20-F 2018

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Corporate governance 75 Member since November and 2010 chair since April 2011 Member since October resigned 2016; September 2018 Member since May 2018 Member since October 2018 Member since May 2015

being the appointment, remuneration, independence appointment, the remuneration, being and owing the systems in place enable to those who work for BP to owing financial statements and other and financial other disclosures and financial owing statements owing the effectiveness of the group audit function, BP's igation of financial risks is appropriately addressed by the group group the by addressed appropriately is risks financial of igation raise concerns about possible improprieties in financial reporting or financial in improprieties possible about concerns raise other issues and for those matters be to investigated. Monitoring and obtaining assurance that the management or the obtaining assurance that and Monitoring mit chief executive and that the system of internal control is designed and implemented effectively in support of the limits imposed by the board ('executive limitations'), as set out in the BP board principles. governance Revi requirements. listing and legal relevant with compliance monitoring Revi Overs performance of the external auditor and the integrity of the audit process as a whole, including the engagement of the external auditor supply to non-audit services BP. to Revi internal financial controls and systems of internal control and risk management. Members Nelson Brendan Nils Andersen Alison Carnwath Pamela Daley Reynolds Paula Meetings and attendance and Meetings There were nine committee meetings in 2018, of which three were by teleconference. All directors attended every meeting during the period in which they were committee members, except for Nils Andersen, Alison Carnwath and Paula Reynolds who all missed a meeting each due pre-existing to external commitments. Regular attendees at the meetings include the chief financial officer, group controller, chief accounting officer, group head of audit, group general counsel and auditor. external Role of the committee The committee monitors the effectiveness of the financial group's reporting, systems of internal control and risk management and the processes. audit internal and external group's the of integrity Key responsibilities • • • • • vice chairman of KPMG and president of the Institute of Chartered Accountants of Scotland. Currently he is chairman of the group audit committee of The Royal Bank of Scotland Group plc and a member of Financial the Reporting Panel. The Review board satisfied is is he that financial relevant committee audit and the member with recent experience as outlined in the UK Corporate Governance Code and competence in accounting and auditing as required by the FCA's Corporate Governance Rules It considers in DTR7. that the committee as a whole has an appropriate and experienced blend of commercial, financial and audit expertise to assess the issues it required is to address, as well as competence in the oil and gas The sector. board also determined that the audit committee meets the independence criteria provisions of Rule 10A-3 of the US Securities Exchange Act of 1934 and that Brendan may be regarded as an audit committee financial expert as defined 16A in Item of Form 20-F. Brendan Nelson is chair of the audit committee. He was formerly BP Annual Report and Form 20-F 2018 Audit committee The committee continued the to monitor system of group's internal control, risk management functions and work of key as as well reviewing as and challenging appropriate the disclosures and key judgements made by management. BP's financial reporting is balanced 'fair, and understandable'. In the 2018 committee focused on the effectiveness of a number of procurement, trading, and supply integrated including functions group tax, information technology and security, and shipping. We also received presentations regarding, and reviewed performance the Upstream of, segment and the lubricants business. These reviews were valuable in not only informing the committee of the work and future plans of those functions and businesses but also examining the risks key (and associated mitigations) faced by each of them. In addition, the committee carried out reviews the into group risks of financial liquidity, regulations. business with cyber compliance security and The transition Deloitte to from EY was completed in 2018. We met with both EY and Deloitte during as 2018 the transition occurred and oversaw and monitored Deloitte's work as they settled their into role. We meet lead partner. regularly audit with the Nils Andersen retired from the committee in September as 2018 he joined the SEEAC. I would thank to like Nils for his service the to committee, and for the challenge and perspective he provided as a member. We were very pleased welcome to Dame Alison Carnwath Chairman's introduction Chairman's As in previous years, the committee has continued review to the integrity of the financial group's reporting by challenging and debating the judgements made by management, including the estimates which are made. We receive reports from management and the external and issues accounting significant highlighting quarter each auditor judgements and have used these inform to our debate on whether to the to committee in May with 2018 Pamela Daley also joining in October 2018. Each of them bring excellent financial and other relevant skills to committee. the Nelson Brendan Committee chair Committee reports

Activities during the year Financial disclosure and compliance functions, Financial liquidity: including the development of the anti-bribery risk associated with external The committee reviewed the considered whether the period and corruption elements of market conditions, supply and quarterly, half-year and annual covered by the company's viability the programme, enhanced demand and prices achieved for financial statements with statement was appropriate. policies, tools and training and BP's products which could impact management, focusing on the: The committee considered the strengthening of counter-party risk financial performance. measures, including due diligence. • Integrity of the group's BP Annual Report and Form 20-F The committee reviewed the key The committee also reviewed key financial reporting process. 2017 and assessed whether the price assumptions used by the areas of BP's legal function that • Clarity of disclosure. report was fair, balanced and group for investment appraisal and advise on compliance matters. • Compliance with relevant legal understandable and provided the judgements underlying those and financial reporting standards. the information necessary for Cyber security risk: including proposals, the cost of capital and its • Application of accounting shareholders to assess the inappropriate access to or misuse application as a discount rate to policies and judgements. group's position and performance, of information and systems and evaluate long-term BP business business model and strategy. In As part of its review, the disruption of business activity. projects, liquidity (including credit making this assessment, the committee received quarterly rating, hedging, long-term committee examined disclosures

The committee reviewed ongoing updates from management and commercial commitments and during the year, discussed the developments in the cyber the external auditor in relation to credit risk) and the effectiveness requirement with senior security landscape, including accounting judgements and efficiency of the capital management, confirmed that events in the oil and gas industry estimates including those relating investment into major projects . representations to the external and within BP itself. The review to the Gulf of Mexico oil spill, These assumptions also impacted auditors had been evidenced and focused on the improvements recoverability of asset carrying financial reporting (see page 79). reviewed reports relating to made in managing cyber risk, values and other matters. internal control over financial including the application of the BP's principal risks are listed on The committee keeps under reporting. The committee made three lines of defence model and page 55. examining the indicators review the frequency of results a recommendation to the board, For 2019, the board has agreed associated with risk management reporting during the year. who in turn reviewed the report that the committee will continue and barrier performance. The committee reviewed the as a whole, confirmed the to monitor the same four group assessment and reporting of assessment and approved the risks as for 2018. longer-term viability, risk report's publication. management and the system of Other disclosures reviewed internal control, including the included: Other reviews reporting and categorization of risk • Oil and gas reserves. across the group and the Other reviews undertaken in 2018 performance, risk management • Pensions and post-retirement examination of what might by the committee included: and controls, audit findings, key benefits assumptions. litigation and ethics and constitute a significant failing or • Lubricants: including strategy • Risk factors. compliance findings. weakness in the system of and strategic progress, financial • Legal liabilities. internal control. It also examined performance, risk management • Capability and succession in • Tax strategy. the group's modelling for stress and controls, audit findings, key BP's finance function, including • Going concern. testing different financial and litigation and ethics and the group's finance • IFRS 16 (lease accounting). operational events, and compliance findings. modernization programme. • Upstream: including vision and • Assessment of financial metrics Risk reviews priorities, structure and for executive remuneration: portfolio, financial controls and consideration of financial The principal risks allocated to the integrated supply and trading the balance sheet, an overview performance for the group's audit committee for monitoring in function's risk management of tangible and intangible assets 2018 annual cash bonus 2018 included those associated programme, including and a review of the segment's scorecard and performance with: compliance with regulatory finance organization. share plan, including developments and activities in adjustments to plan conditions Trading activities: including risks • Shipping: including an overview response to cyber threats. and NOIs. arising from shortcomings or failures of BP shipping's role and in systems, risk management Compliance with applicable operating model, financial • Auditor transition: regular methodology, internal control laws and regulations: including performance, strategy, risk reports from the external processes or employees. ethical misconduct or breaches of management and controls and auditor regarding its transition applicable laws or regulations that the impact of IFRS 16 (lease into the role including detailed In reviewing this risk, the could damage BP's reputation, accounting standard). updates on issues identified by committee focused on external adversely affect operational results the external auditor. market developments and how • Tax: including strategy and and/or shareholder value and BP's trading function had strategic progress, key • Internal controls: assessments potentially affect BP's licence responded – including new areas drivers of the group's effective of management's plans to to operate. of activity, such as emissions tax rate, the global indirect tax remediate the external auditors trading and impacts on the The committee reviewed the environment and the tax findings in relation to IT access control environment. group's ethics and compliance modernization programme. risks. programme, including the work of The committee further • Procurement: including strategy the business integrity and ethics considered updates in the and strategic progress, financial 76 See Glossary BP Annual Report and Form 20-F

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Corporate governance 77 usions/outcomes December 2018. ignificant number of BEL claim aining uncertainties.aining e recognized during the year. f of Mexico licences and believes it is -tax charge billion of \$1.2 in relation the to Concl settlements the in the degree year, of judgement necessary determine to the year-end provision had reduced significantly. the capitalize to continue to appropriate costs. The group income statement includes a pre GulfMexico of oil spill. on information includes Disclosure rem The audit committee noted that following the s billion Exploration write-offs \$1.1 totalling wer BP remains committed developing to the Gul billion \$16.0 totalled Exploration intangibles at D 31 BP Annual Report and Form 20-F 2018 Training The committee held a review on reserves and pensions. It received technical updates from the chief accounting officer on developments in financialreporting and accounting policy, in particularregarding the introduction of IFRS 'Leases' 16 accounting from the start 2019. of visit trading and supply Integrated In October, the committee held its meeting at BP's integrated supply and trading (IST) business in London and conducted its annual tour of the business which covered oil and gas market fundamentals, finance and risk, IST's strategy, and presentations on oil products LNGand trading. ommittee activityommittee eam intangibleeam including the assets, ision related business to economic loss losure of uncertainties the of losure to relating ual intangible asset certification process group's quarterly due diligence process. diligence due quarterly group's delines for compliance with oil and gas Audit c Audit Received the output of management's ann (BEL) and other claims related the to Gulf of continuing the including spill, oil Mexico effect of the Fifth Circuit opinion May 2017 on the matching of revenues with expenses claims. BEL when evaluating Held an in-depth review of BP's policy and gui reserves regulation, disclosure including the reservesgroup's governance framework controls. and Reviewed exploration write-offs as part of the Received briefings on the status of upstr used ensure to accounting criteria to intangible carry exploration to the continue balance are met. A review of the provisioning for and disc Particular focus was given updates to the to prov status of items on the intangibles assets 'watch-list', including certain Gulf of Mexico licences which expired and in 2013 2014. GulfMexico of oil spill was undertaken each quarter as part of the review of the stock announcement. exchange The the committee reviewed effectiveness internal of audit. The audit committee held also private meetings with the group ethics and compliance officer year. the during rnal control rnal risk and management Inte Oil and natural gas accounting, including reserves BP uses technical and commercial judgements exploration, gas and oil for accounting when in and expenditure appraisal development and determining the estimated group's oil and gas reserves. management's based on Reserves estimates commodity have prices future for assumptions a direct impact on the assessment of the recoverability of asset carrying values reported in the financial statements. Judgement is required determine to whether it is appropriate continue to carry to intangible assets related exploration to costs on the sheet. balance Gulf of Mexico oil spill BP uses judgement in relation the to recognition of provisions relating the to Gulf of Mexico oil spill. The timing and amounts of the remaining cash flows subjectare to uncertainty and estimation is required to determine the amounts provided for. Key judgements and estimates Key in financialreporting The committee received quarterly reports on the findings of group audit in 2018. The committee met privately with the group head audit of and key members his of leadership team. Accounting judgements and estimates Areas of significant judgement considered by the committee in and 2018 how these were addressed included:

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Key judgements and estimates Audit committee activity Conclusions/outcomes in financial reporting Recoverability of asset carrying values Determination as to whether and how much Reviewed the group's oil and gas price The group's long-term price assumptions for an asset, cash generating unit (CGU) or group assumptions. Brent oil, and Henry Hub gas were of CGUs containing goodwill is impaired unchanged from 2017. Reviewed the group's discount rates for involves management judgement and impairment testing purposes. The group's discount rates used for estimates on uncertain matters such as future impairment testing were also unchanged. commodity pricing, discount rates, production Upstream impairment charges, reversals profiles, reserves and the impact of inflation on and 'watch-list' items were reviewed as Impairments of \$0.1 billion were recorded in operating expenses. part of the quarterly due diligence process. the year, net of impairment reversals. Investment in Rosneft Judgement is required in assessing the level of Reviewed the judgement on whether the BP has retained significant influence over control or influence over another entity in group continues to have significant Rosneft throughout 2018 as defined by which the group holds an interest. influence over Rosneft. IFRS. BP uses the equity method of accounting for Considered IFRS guidance on evidence its investment in Rosneft and BP's share of participation in policy-making processes. Rosneft's oil and natural gas reserves is Received reports from management which included in the group's estimated net proved assessed the extent of significant influence, reserves of equity-accounted entities. including BP's participation in decision The equity-accounting treatment of BP's making. 19.75% interest in Rosneft continues to be dependent on the judgement that BP has significant influence over Rosneft. Derivative financial instruments For its level 3 derivative financial instruments, Received a briefing on the group's trading BP has assets and liabilities of \$3.6 billion and BP estimates their fair value using internal risks and reviewed the system of risk \$3.1 billion respectively recognized on the models due to the absence of quoted market management and controls in place, balance sheet for level 3 derivative financial pricing or other observable, market- including those covering the valuation of instruments at 31 December 2018, mainly corroborated data. level 3 derivative financial instruments, relating to the activities of the integrated Judgement may also be required to determine using models where observable market supply and trading function (IST). pricing is not available. whether contracts to buy or sell commodities BP's use of internal models to value certain meet the definition of a derivative. The committee annually reviews the control of these contracts has been disclosed in process and risks relating to the trading Note 30 in the financial statements. business. 78 See Glossary BP Annual Report and Form 20-F 2018

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Corporate governance provisions/outcomes remained largely unchanged. Provisions from deficits of \$8.4 billion were recognized on the balance sheet obligation at the end of 2018. The amount recognized on the balance sheet at the end of 2018 was a nominal rate – based of 3% on long-dated bonds, government US

The method for determining the group's assumptions and a sensitivity analysis of the impact of possible changes on the benefit expense and obligation are provided in Note 24. At 31 December 2018, surpluses of \$6.0 billion and decommissioning provisions of \$13.6 billion were determined by BP. The impact of this revised rate has been disclosed on the balance sheet in relation to pensions and benefits, post-retirement provisions, including requirements, the governance and controls for the development and approval of cost estimates and provisions in the financial statements. The fair value of certain exploration and appraisal assets where management override of controls, risk of impairment in certain cash-generating units which are 3 of derivative financial instruments valuations within the financial derivative valuations within instruments of 3 relating to structured commodity transactions in the integrated accounting for pensions and other post- particularly sensitive changes to in the assumptions, key in particular assumptions, price gas long-term and the oil there could be potential indicators of impairment through licence expiry and/or partner withdrawal. The integrated supply and trading function which involve using bespoke models valuation and/or unobservable inputs. The retirement benefits involves making estimates making benefits involves retirement pension plan group's the measuring when deficits, and surpluses estimates. These require assumptions to be made about rates, discount including uncertain events, inflation and expectancy. Pensions and other post-retirement benefits and Pensions Accounting Key judgements and estimates Key in financial reporting Provisions BP's most significant provisions relate to remediation environmental decommissioning, litigation, and The group holds provisions for the future decommissioning 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 dates, technology, legal requirements and discount rates. The timing and amounts of future cash flows subject to uncertainty and estimation is required in determining the amounts of provisions to be recognized. Following a regular review of 30 from estimates, cost decommissioning June 2018 present value of the decommissioning provision was determined by discounting the estimated cash flows expressed in expected future prices, i.e. taking account expected of inflation. Prior to 30 June 2018, the group estimated future cash flows in terms of real ••• External audit risk The external auditor set out its audit strategy for 2018, identifying significant audit risks to be addressed during the course of the audit. These included: •

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Audit effectiveness Auditor appointment and independence The effectiveness, performance and integrity of the external audit The committee considers the reappointment of the external auditor process was evaluated through separate surveys completed by each year before making a recommendation to the board. The committee members and those BP personnel impacted by the audit, committee assesses the independence of the external auditor on an including chief financial officers, controllers, finance managers and ongoing basis and the external auditor is required to rotate the lead audit individuals responsible for accounting policy and internal controls over partner every five years and other senior audit staff every seven years. financial reporting. No partners or senior staff associated with the BP audit may transfer to the group. The survey sent to management comprised questions across five main criteria to measure the auditor's performance: Non-audit services The audit committee is responsible for BP's policy on non-audit • Robustness of the audit process. services and the approval of non-audit services. Audit objectivity and • Independence and objectivity. independence is safeguarded through the prohibition of non-audit tax • Quality of delivery. services and the limitation of audit-related work which falls within defined categories. BP's policy on non-audit services states that the • Quality of people and service. auditor may not perform non-audit services that are prohibited by the • Value added advice. SEC, Public Company Accounting Oversight Board (PCAOB), UK Auditing Practices Board (APB) and the UK Financial Reporting The 2018 evaluation was the last of EY as the outgoing auditor. It also Council (FRC). included certain questions about the effectiveness of the transition to the incoming auditor, Deloitte. The results of the survey indicated that The audit committee approves the terms of all audit services as well as the external auditor's performance had remained largely consistent in permitted audit-related and non-audit services in advance. The external key areas compared with the previous year. Areas with high scores and auditor is considered for permitted non-audit services only when its favourable comments included quality of accounting and auditing expertise and experience of the company is important. judgement and the working relationship with management. Areas for Approvals for individual engagements of pre-approved permitted improvement were identified but none impacted on the effectiveness services below certain thresholds are delegated to the group controller of the audit. The results of the questions regarding auditor transition or the chief financial officer. Any proposed service not included in the indicated that management were confident that Deloitte would be permitted services categories must be approved in advance either by effective in their role. The results of the survey were discussed with the audit committee chairman or the audit committee before Deloitte for consideration in their 2018 audit approach. engagement commences. The audit committee, chief financial officer The committee held private meetings with the external auditor during and group controller monitor overall compliance with BP's policy on the year and the committee chair met separately with the external audit-related and non-audit services, including whether the necessary auditor and group head of audit at least quarterly. pre-approvals have been obtained. The categories of permitted and pre-approved services are outlined in Principal accountant's fees and The effectiveness of the external auditor is evaluated by the audit services on page 301. The committee's policies were updated in 2018 committee. The committee assessed the new auditor's approach to to clarify the engagement of the incoming auditor, Deloitte, and the providing audit services as the team undertook its first audit. On the outgoing auditor (and auditor of Rosneft) EY. basis of such assessment, 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 Committee evaluation ability to provide the services together with a demonstrable depth of The audit committee undertakes an annual evaluation of its performance knowledge, robustness, independence and objectivity as well as an and effectiveness. appreciation of complex issues. The team had posed constructive 2018 evaluation challenge to management where appropriate. For 2018, an external assessment was used to evaluate the work of the Audit transition committee as part of a wider review of the operation of the board as a Deloitte was appointed for the statutory audit, with effect from 2018 whole. The review concluded that it had performed effectively. following a tender process in 2016. The committee monitored the Areas of focus for 2019 include succession planning for membership of transition of BP's statutory auditor from EY to Deloitte. This included: the committee, a site visit to global business services Kuala Lumpur and • Receiving reports from the audit transition team, including an integrated supply and trading Singapore and a further review of capital overview of operational activities and the termination of non-audit spending. services being provided by Deloitte to BP – which would be prohibited when Deloitte became the group's statutory auditor. This included Deloitte stepping down as independent adviser to BP's remuneration committee. • Requiring management to report to the committee on any services undertaken by the statutory auditor in line with the group's policies relating to non-audit services. • Requiring confirmation of Deloitte's compliance with BP's independence and ethics and compliance rules. Deloitte confirmed its independence to the committee in October 2017. EY resigned on 29 March 2018 following completion of the 2017 audit. The committee also received reports from the external auditor's transition team in April, May and July 2018 and an update to their plan in December 2018. 80 BP Annual Report and Form 20-F 2018

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Corporate governance 81 Member since September and 2014 chair since May 2016 Member since December 2018 Member since February 2010; resigned May 2018 Member since November 2010 Member since February 2012 Member since May 2017 Member since July 2015 Members Alan Boeckmann Nils Andersen Anderson Paul Frank Bowman Ann Dowling Meyer Melody John Sawers Role of the committee The role of the SEEAC is to look to at the processes adopted by BP's executive management identify to and mitigate significant non-financial process and personal of management the monitoring includes This risk. safety and receiving assurance that processes identify to and mitigate in effective and design their in appropriate are non-financial such risks implementation. their Meetings and attendance and Meetings There were six committee meetings in 2018. All directors attended every meeting for which they were eligible, apart from Alan Boeckmann who missed two meetings due unforeseen to personal circumstances. In addition the to committee members, all SEEAC meetings were attended by the group chief executive, the executive vice president for safety and operational risk (S&OR) and the head of group audit or his delegate. The external auditor attended some of the meetings and has access the to chair and secretary the to committee as required. The group general counsel and group ethics and compliance officer also attended some of the meetings. At the conclusion of each meeting the committee members the for sessions committee scheduled private withoutonly, the presence of executive management, discuss to any issues arising and the quality of the meeting. The group chief executive receives invitations join to the private meetings on an ad hoc basis and at least once a year the head of group audit and at least twice a year the group ethics and compliance officer are invited to a private meeting with the committee. Key responsibilities segments business the reports from specific receives committee The as well as cross-business information from the functions. These include, but are not limited the to, safety and operational risk function, group group and integrity business compliance, and ethics group audit, security. The SEEAC can access any other independent advice and counsel it requires on an unrestricted basis. The SEEAC and audit committee worked together, through their chairs and secretaries, ensure to that agendas did not overlap or omit coverage risks of any key during the year. BP Annual Report and Form 20-F 2018 ronment envi . BP Sustainability Report 2017 assurance committee (SEEAC) At every At site visit, we engage with the local leadership who help to embed a culture focused on operational risk mitigation. Safety, ethics Safety, and The committee made two site visits in the year (see page 73). In July members of the committee visited the Thunder Horse platform in the Gulf of Mexico, and in September members visited Cooper River petrochemicals plant in South Carolina. The level of access the into operations on such visits gives the directors first hand and direct insight. This framework provides an opportunity for meaningful and open dialogue with the local site teams, allowing the committee to better fulfil its obligations. In May 2018, Paul Anderson retired from the board and the committee. In preparation for stepping my down from the BP board at the annual general meeting in May 2019, Nils Andersen, who was appointed the to committee in December 2018, will assume the role of the chair of SEEAC from April 2019. Boeckmann Alan Committee chair Act (MSA) statement in 2018, the committee again reviewed related work practices in BP and will continue review to progress in developing and embedding those practices. In it 2018 also reviewed the The committee's focus continued be to on working with executive management drive to safe, ethical and reliable operations. It continued provide to constructive challenge as part of its review of the executives' management of the highest priority non-financial group risks assigned SEEAC. to The risks under our remit remained the marine, same as for 2017: wells, pipelines, explosion or release at facilities, major security incidents and cyber security in the process control network. The committee receives reports on each of these risks and monitors their management and mitigation. Modern second Slavery company's the of publication Following Chairman's introduction Chairman's

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Activities during the year Committee evaluation In 2018, the committee examined its performance and effectiveness System of internal control and risk management through an externally facilitated evaluation which included individual interviews. Discussion focused on the responsibilities of the committee, The review of operational risk and compliance officer and the group the balance of skills and experience among its members, the quality and performance forms a large part of auditor met in private with the timeliness of information the committee receives, the level of challenge the committee's agenda. chairman and other members of between committee members and management and how well the the committee over the course of Group audit provided quarterly committee communicates its activities and findings to the board to both the year. During the year the reports on their assurance work inform and drive discussion. committee received separate and their annual review of the reports on the company's The evaluation results continued to be positive. Committee members system of internal control and risk management of risks relating to: considered that they continued to possess the right mix of skills and management. background, had an appropriate level of support and received open and • Marine. The committee also received transparent briefings from management. The committee agreed to • Wells. regular reports from the group review its remit in 2019. • Pipelines. chief executive and vice president • Explosion or release Site visits remained an important element of the committee's work, for S&OR on operational risk, at our facilities. acknowledged through the responses in the evaluation process. These including regular reports prepared • Major security incidents. gave members the opportunity to examine and witness risk on the group's health, safety and • Cyber security (process management processes embedded in businesses and facilities, environmental performance and control networks). including the right management culture. Joint meetings between the operational integrity. These SEEAC and the audit committee were considered important in included meeting-by-meeting The committee reviewed these reviewing and gaining assurance around financial and operational risks measures of personal and process risks and their management and where there was overlap between the committees, particularly in safety, environmental and mitigation in depth with relevant relation to ethics and compliance (see below). regulatory compliance, security executive management. and cyber risk analysis, as well as quarterly reports from group audit. In addition, the group ethics and Site visits In July members of the visited the petrochemicals plant, committee, and other directors, Cooper River, in South Carolina. visited the Houston office and During the visit, directors were went offshore to Thunder Horse able to discuss business in the Gulf of Mexico. The continuity planning and Houston visit included time with emergency response which had various teams understanding the been in effect just prior to the effects of Hurricane Harvey, how visit as a result of Hurricane central office-based functions Florence. For all visits, committee support the offshore community members and other directors and other group monitoring received briefings on operations, teams. In preparation for the the status of conformance with offshore visit to Thunder Horse BP's operating management the directors met with the Gulf of system, key business and Mexico leadership. Offshore, operational risks and risk there was a full tour of the asset management and mitigation. Joint meetings of the audit and safety, ethics and including control room, topsides Committee members reported environment assurance committees and drilling rig and plenty of back in detail about each visit to The audit committee and SEEAC hold joint meetings on a quarterly opportunity was provided to the committee and subsequently basis to simplify reporting of key issues that are within the remit converse with employees on the to the board. See page 73 for of both committees and to make more effective use of the rig. In September, committee further details. committees' time. Each committee retains full discretion to require members, and other directors, a full presentation and discussion on any joint meeting topic at their respective meeting if deemed appropriate. The committees jointly met four times in 2018, with the chairmanship of the meetings Corporate reporting alternating between the chairman of the audit committee and chairman of the SEEAC. Topics discussed at the joint meetings The committee was responsible worked with the external auditor were the quarterly ethics and compliance reports (including for the overview of the BP with respect to their assurance significant investigations and allegations) and the 2019 forward Sustainability Report 2017. The of the report. programmes for the group audit and ethics and compliance committee reviewed content and functions.

82 BP Annual Report and Form 20-F 2018

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Corporate governance 83 Member since September and chair 2017 since May 2018 Member since May 2015 Member since January 2019 Member since July 2010 Member since July and chair 2012 since May resigned 2015; May 2018 Member since May 2017 mine the terms of engagement, benefits of remuneration, and terms the mine tor the alignment of incentives and remuneration for all ive, and take account into as appropriate, regular updates on ge independent consultants or other advisers as the committee tain appropriate dialogue with shareholders on remuneration remuneration on shareholders with dialogue appropriate tain re terminationre terms and payments executive to directors and insightre from data sources on pay ratio, gender pay gap and hairman and the executive directorswhile considering policies ove theove principles of any equity plan that requires shareholder changesove the to design of remuneration for BP group leaders, are the annual remuneration report shareholders to show to how ew the relevant remuneration principles policies and remuneration for relevant the ew for employees below the board. the below employees for Ensu Appr Rece Ensu Main matters. Moni employees below the executive team with the expected values and behaviours. Enga may from time time to deem necessary, at the expense of the company. Recommend the to board the remuneration principlesand policy for the c Deter termination of employment for the chairman and the executive directors, executive team and the company secretary in accordance with the policy. Revi team. executive the below employees Prep the policy has been implemented. Appr approval. the executive team are fair. as proposed by the group chief executive. workforce views and engagement initiatives related remuneration. to considered as are outcomes workforce remuneration other appropriate. Members Reynolds Paula Alan Boeckmann Pamela Daley Ian Davis Ann Dowling NelsonBrendan • • • Role of the committee The role of the committee is determine to and recommend the to board the remuneration policy for the chairman and executive directors. In determining the policy, the committee takes account into various factors, including structuring the policy promote to the long-term success of thecompany and linkingreward business to performance. The committee recognizes the remuneration principles applicable all to level. board below employees Key responsibilities • • • • • • • • BP Annual Report and Form 20-F 2018 Remuneration committee As the new committee I took chair, the opportunity in the autumn to engage with some of our institutional shareholders. In a changing governance landscape, it has been important ensure to our stakeholders continue be to heard. We have reviewed the responsibilities of the committee and have extended the scope include to oversight of remuneration below board level. We have continued operate to under the policy approved by shareholders Our focus will for 2019 of course in 2017. be the preparation new of a Policy for approval by shareholders at the 2020 AGM. Pamela Daley has joined the remuneration committee from 1 January 2019. We welcome Pamela the to committee and look contribution. valuable her to forward PricewaterhouseCoopers independent LLP our as continued has adviser following their PwC appointment has in other 2017. engagements with the company provide to certain services none of which are deemed material in this context. Paula Rosput Reynolds Chair's introduction Committee chair

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Meetings and attendance The chairman and the group chief executive attend meetings of the committee except for matters relating to their own remuneration. The group chief executive is consulted on the remuneration of the chief financial officer, the executive team and more broadly on remuneration across the wider employee population. Both the group chief executive and chief financial officer are consulted on matters relating to the group's performance. The group human resources director attends meetings 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. The committee met seven times during the year. All directors attended each meeting that they were eligible to attend, either in person or by telephone, except Alan Boeckmann who was not able to attend two Geopolitical committee meetings due to unforeseen personal circumstances. Activities during the year Chairman's introduction In the period before the 2018 AGM, the committee focused on the outcomes for 2017. This involved reviewing directors' salaries and the I am pleased to report on the work of the geopolitical committee in group's performance outcome which in turn determined the annual 2018, which continued to develop and evolve during the year. During bonus and the performance share plan. 2018 I also joined discussions of the international advisory board. PwC has continued as independent adviser during 2018. The committee Paul Anderson stood down in May 2018. I want to thank Paul for his continued to monitor developments in potential regulation and legislation valuable contribution. We welcomed Nils Andersen to the committee and resulting implications. It also considered the company's disclosure in August 2018 and his experience is invaluable given he was CEO of on the UK gender pay gap. major companies, such as Carlsberg and Mærsk, which had operations in many jurisdictions with significant political risk In each of its meetings, the committee focused on the overall quantum considerations. Other board members joined our meetings from time of executive director remuneration and its alignment to the broader to time. group of employees in BP. It has sought to reflect the views of shareholders and the broader societal context in its decisions. Sir John Sawers Committee chair Shareholder engagement There was engagement with shareholders and proxy voting agencies ahead of the 2018 AGM, carried out by the chair of the committee, the Role of the committee chairman and company secretary as required. The new committee chair The committee monitors the company's identification and management continued engagement throughout the year, primarily with larger of geopolitical risk. shareholders and representative bodies, in light of evolving regulation and related remuneration issues. Key responsibilities Committee evaluation • Monitor the company's identification and management of major and correlated geopolitical risk and consider reputational as well as An externally facilitated evaluation was undertaken to examine the financial consequences: committee's performance in 2018. The evaluation concluded that the committee had worked well and had responded to the previous – Major geopolitical risks are those brought about by social, evaluation by increasing its remit to take on oversight of economic or political events that occur in countries where BP has remuneration below board level. material investments. Focus areas for 2019 include responding to regulation and – Correlated geopolitical risks are those brought about by social, governance reform and planning for the new remuneration policy economic or political events that occur in countries where BP may to be brought to shareholders for approval in 2020. The commitment or may not have a presence but that can lead to global political to stay focused on external developments and emerging 'best instability. practice' and improving remuneration reporting remained. See • Review BP's activities in the context of political and economic page 87 for the Directors' remuneration report. developments on a regional basis and advise the board on these elements in its consideration of BP's strategy and the annual plan. 84 BP Annual Report and Form 20-F 2018

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Corporate governance 85 mine any other matter that is appropriate be to considered by e on any matter referred it to by the chairman of any committees utive. ew thew structure and effectiveness of the business organization. thew systems for senior executive development and determine Chairman's and nominationChairman's and governance committees Evaluate the performance and the effectiveness of the group chief exec Revi Revi succession plans for the group chief executive, executive directors and other senior members of executive management. Dete non-executive directors. Opin non-executive directors. of solely comprised • Members the join Directors non-executive directors. all comprises The committee committee immediately on their appointment the to board. The group chief executive attends meetings of the committee when requested. BP Annual Report and Form 20-F 2018 Chairman's committeeChairman's Role of the committee provide a forumTo for matters be to discussed by the non-executive directors. Key responsibilities • • • • Chairman's introductionChairman's The chairman's and the nomination and governance committees were actively involved in the evolution of the board in 2018. In October, Carl-Henric Svanberg stood down as chairman of both committees and I pay tribute his to exceptional service since 2010. The board expanded the nomination committee's remit in September help to 2018 fulfilrequirements provided in the new UK Corporate Governance Code and it was re-named the nomination and governance committee. It also continues focus to on board renewal and diversity as well as the talent in the senior levels of executive management and development of future leaders. Lund Helge Chair of the committees Member since September and 2015 chair since April 2016 Member since August2018 Member since September resigned 2015; May 2018 Member since September 2015 Member since September 2016 Member since May 2017 NilsAndersen AndersonPaul FrankBowman Ian Davis Meyer Melody Members John Sawers The committee reviewed its performance through feedback from the external evaluation of its work and of the work of the board as a whole. The evaluation concluded that the committee was working well and considering the right issues. The committee currently meets four times meetings. additional considering is and year a The committee and board felt that there should be greater integration between the work of the board, the committee and the international advisory board. This is being further considered during 2019. Committee evaluation The committee developed and broadened its work It over the year. discussed BP's involvement in the countries key where it has existing investments or isconsidering investment in detail. These included the US, Russia, Mexico, Brazil, India and China. It considered broader policy issues such as the US domestic and foreign policy and the political and economic impact of a low oil price on countries. producing We reviewed the geopolitical background BP's to global investments and the politics around climate change. Activities during the year The chairman and group chief executive regularly attend committee meetings. The executive vice president, regions and the vice president, government and political affairs attend meetings as required. The committee met four times during All the year. directors attended each meeting that they were eligible attend. to Meetings and attendance and Meetings

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Meetings and attendance Nomination and governance committee The committee met six times in 2018. All directors attended all the Role of the committee meetings for which they were eligible, except that Nils Andersen was excused from two meetings due to a potential conflict of interest and The committee ensures an orderly succession of candidates for Alan Boeckmann missed two meetings due to unforeseen personal directors and the company secretary and oversees corporate circumstances. governance matters for the group. Bob Dudley and Brian Gilvary joined meetings where the chairman's Key responsibilities succession was discussed. Matters relating to the business of the nomination and governance committee were also discussed at some • Identify, evaluate and recommend candidates for appointment or meetings. reappointment as directors. • Review the outside directorships/commitments of the NEDs. Activities during the year • Review the mix of knowledge, skills experience and diversity of the • Evaluated the performance of the chairman and the group chief Board to ensure the orderly succession of directors. executive. • Identify, evaluate and recommend candidates for appointment as • Considered the composition of and the succession plans for the company secretary. executive team. • Review developments in law, regulation and best practice relating to • Discussed the strategy options for the company, including the corporate governance and make recommendations to the board on transition to a lower carbon future. appropriate actions to allow compliance. Committee evaluation Members The committee continues to work well. The balance of skills and experience amongst its non-executive director membership ensures it is Helge Lund Member since July 2018 and chair since best able to support and challenge the company as it implements its September 2018 strategy. Carl-Henric Member since September 2009 and chair Svanberg since January 2010; resigned as chair September 2018 and from committee December 2018 Alan Boeckmann Member since April 2016 Ian Davis Member since August 2010 Ann Dowling Member since May 2015 and resigned May 2018 Brendan Nelson Member since September 2018 Paula Reynolds Member since May 2018 John Sawers Member since April 2016 Meetings and attendance The committee met three times in 2018. During the second half of the year, matters relating to the appointment of new directors were considered jointly with the chairman's committee. All directors attended each meeting that they were eligible to attend, except Paula Reynolds due to pre-existing external commitments. Activities during the year The committee continued to monitor the composition and skills of the board. The committee will continue to focus on ensuring that the board's composition is strong and diverse. During the year, it was agreed that the committee would assume oversight of governance. Committee evaluation Following the board evaluation, it was agreed that the committee would also focus on governance requirements arising from the new UK Corporate Governance Code. 86 BP Annual Report and Form 20-F 2018

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Corporate governance 87 Results and progress 2018 in BP delivered another year of disciplined execution in 2018, alongside further progress against our five-year strategy to 2021. for growth. We delivered a further six major projects in 2018, bringing the over total 19 to the 2016-18 cycle. Strong operating performance across all all performance across operating Strong doubled than more has businesses our underlying our to cost replacement profit billion, \$12.7 with operating cash flow excluding Gulf of Mexico oil spill payments of \$26.1 billion. BP distributed \$8.1 billion in dividends in 2018, and continued the share buyback programme started offset to in 2017 the dilutive effects of the scrip shares. BP continues play to an active role in relation the energy transition. We are carefully considering our mix of natural gas and oil, while investing in new technology and businesses that have the potential contribute to a lower to carbon world through our 'reduce, improve, framework. create' Our acquisition Chargemaster, of the UK's (see company charging electric vehicle largest page 42), and further expansion of the solar company Lightsource BP (see page 47), are among the most promising investments advancing to commitment with our consistent a lower carbon future. At the same time we continue sustain to our traditional reserves Our organic business. replacement ratio for the year was 100%, and our acquisition of BHP assets provides us with reserves opportunities and significant new BP Annual Report and Form 20-F 2018 Chair of the remuneration committee Chair of the remuneration Targets are strongly aligned with Targets are strongly priorities, the company's strategic and require they are ambitious achieve outcomes. material effort to Paula Rosput Reynolds Dear shareholder, Following shareholder extensive consultation led by board my colleague Professor Dame Ann Dowling, BP introduced our current remuneration Thus policy 2018 in 2017. was our second year using this policy. The committee remuneration the believes structure remains fit for purpose, the targets are strongly aligned with the company's ambitious and are priorities, they strategic require material effort achieve to outcomes, and the rewards conferred date to align with progress. strategic and results financial our Please the to refer 'Remuneration at a glance' table for an overview. The policy delivers remuneration in three parts: a market-aligned foundation of base salary, benefits and retirement provision; annual reflect that our based measures on incentives assessed against targets require that strategy, progressive improvement year-on-year; and a material opportunity earn to shares at the end of a three-year performance period, which is accompanied by a shareholding requirement ensure to our executive directors' interests align with your own. Of course it is not enough rely to on a purely formulaic application of policy. Therefore the committee engages in a dialogue with Bob Dudley, Brian Gilvary and particularly colleagues, board on our those assurance environment and ethics safety, the committee (SEEAC) and the main board audit committee (MBAC) test to the reasonableness of the outcomes. This dialogue ensures we are well equipped apply to and explain discretion and judgement as needed. disclosures annual bonus outcome executive director director executive executive director director executive tive director director tive tive directors' pay directors' tive r workforce in 2018 arduous and executive executive and arduous -18 performance share -18 performance with strategy with ment outcomes remuneration policy for 2019 Execu policy and remuneration 2019 for implementation Non-e Stew Non-e interests and outcomes Other d director interests for 2018 Wide 2018 a 2018 2016 outcome plan Align Execu 2018 performance 2018 and pay Contents 105 109 104 102 95 97 100 91 92 94 90 Directors' remuneration report remuneration Directors' report remuneration Directors'

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Directors' remuneration report Remuneration at a glance Key features Purpose and link to strategy Outcomes for 2018 Implementation in 2019 • Salary is reviewed annually and, if • Fixed remuneration reflecting • Bob Dudley's salary unchanged • Bob Dudley's salary appropriate, increased following the scale and complexity of our at \$1,854,000. to remain at \$1,854,000. the AGM. business, enabling us to attract • Brian Gilvary's salary increased • Brian Gilvary's salary increased and keep the highest calibre • Relates to market and our wider by 2% to £775,000. by 2% to £790,500. global talent. benefits workforce. Salary and • Benefits remain unchanged. • Benefits remain unchanged. • Bob is a member of both US • To recognize competitive • Bob's defined benefit pension • Arrangements for Bob will pension (defined benefit) and practice in home country. did not increase in 2018. His continue unchanged. retirement savings (defined actual and notional company • Brian has offered to accelerate contribution) plans. contributions were more than the scheduled reductions in offset by investment losses • Brian is a member of a UK final his cash allowance. These will within his retirement savings salary defined benefit pension now reduce by 5% of salary at plans, hence he received no plan, and receives a cash each of 1 June 2019, 2020 and net benefit in 2018. allowance in lieu of further 2021, and a further 5% of service accrual. • Brian's accrued defined benefit salary at 1 June 2023, taking pension increase was below his cash allowance to 15% inflation. He received a cash of salary. benefits allowance at 35% of salary, • These proposed changes Retirement Retirement which is included in the single reduce Brian's cash figure table. supplement sooner than the transition for other members of the BP UK defined benefits plan. He will not receive any form of compensation related to the reductions. • 112.5% of salary at target, and • To incentivize delivery of our • Against our scorecard of safety • We will include an 225% at maximum. annual and strategic goals. and operational risk (20%), environmental target, weighted reliable operations (30%) and at 10%, in our performance • 50% of the bonus is paid in cash • The 50% deferral reinforces financial performance (50%), scorecard for 2019. and 50% is mandatorily deferred the long-term nature of our our performance score is 81% bonus Annual and held in BP shares for three business and the importance of target (40.5% of maximum). years. of sustainability. • Annual grant of performance • To link the largest part of • Against our balanced scorecard • Awards granted in 2017 at shares, representing the remuneration opportunity with of financial measures (67%), 500% (group chief executive) maximum outcome. the long-term performance of and strategic imperatives (33%), and 450% (chief financial the business. The outcome our 2016-18 performance score officer) of salary will vest in —500% of salary for group chief varies with performance against is 90.5% of maximum. proportion to success against executive. measures linked directly to the measures of our 2017-19 • The committee has exercised —450% of salary for chief financial returns and strategic scorecard. discretion to reduce the actual financial officer. priorities. vesting outcome to 80%. • Awards granted in 2019 will be • Shares only vest to the extent granted at 500% (group chief performance conditions are met. executive) and 450% (chief shares financial officer) of salary. Performance Performance • For awards granted in 2019, strategic priorities will be weighted at 30% (previously 20%) with return on average capital employed reducing to 20%. • Executive directors are required • To provide alignment between • Both executive directors • In 2019 we will engage with to maintain a shareholding the interests of executive materially exceed the share stakeholders to review and equivalent to at least five times directors and our shareholders. ownership requirements. revise, as appropriate, our post their salary. employment shareholding • The executive directors maintain policy for 2020 onwards. • Additionally, they are expected to their commitment to retain maintain shareholdings of at least shareholdings of at least two two and a half times salary for two and a half times salary for two requirement Shareholding years post employment. years post employment. 88 BP Annual Report and Form 20-F 2018

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Corporate governance 89 In this Directors' remuneration report RC profit (loss), underlying RC profit, return on average capital employed, operating cash flow excluding Gulf of Mexico oil spill payments are non-GAAP refining reliability, plant upstream and These measures measures. availability, major projects and underlying production and reserves replacement ratio are defined in the Glossary on page 315. Paula Rosput Reynolds Chair of the remuneration committee 29 March 2019 Looking ahead to 2019 We recently announced our support for a shareholder resolution at the annual 2019 general meeting that would broaden our corporate reporting describe to how our strategy is consistent with the goals of the Paris Agreement. We welcome this resolution as an opportunity provide to further detail on our strategy and on our attractiveness as an investment proposition in the energy transition, and for continued investor engagement. We believe that all constituencies will be well served by our increasing the target financial rewards relating to how a greenhouse gas emissions reduction measure for our bonus 2019 scorecard. This means that of the outcome 10% will now reflect our progress in emissions reduction (consequently reducing slightly the relative weighting of other customary measures in our bonus plan). The 2019-21 performance share plan scorecard will continue focus to on relative total shareholder return, absolute returns on average capital employed over the three years, and a focused suite of strategic progress measures. better reflect To the importance of strategic progress, we navigate the low-carbon transition. this end, we have To introduced which includes BP's role in the energy transition, we are increasing the weighting of this measure from 20% 30%, to while reducing the returns measure from 30% 20%. to Following our review of their total remuneration, we have decided to keep Bob's salary unchanged, and propose increase to salary Brian's from by 2% the date of the AGM. We have also agreed accelerate to the reductions the to cash supplement Brian receives in lieu of further defined benefit pension service accrual, which will now start from 1 June 2019. More broadly, our committee activity has in 2019 included a review of the committee charter, approving remuneration decisions in respect of the executive team, deepening our understanding of wider workforce appropriate under the as measures adopting and other remuneration revised UK Corporate Governance Code, including an examination of the implications of pay and benefits differences across the workforce. We will be reviewing BP's strategic progress in the context of share programmes approved under policy, the in particular 2017 progress related to the challenges a lower of carbon world. These evaluations will take time and thoughtful discussion and will lead the in to important business of engaging with our major shareholders and representative bodies ahead of our new policy approval in 2020. In that regard, we will be consulting widely on the ways in which we reflect the strategic imperatives of the company within a competitive global remuneration structure. BP Annual Report and Form 20-F 2018 set stretching targets for the annual 2018 bonus scorecard. Therefore, despite the strong business results we assessed for the year, 2018 performance as below of target plan, (40.5% at 81% of maximum). Following our discussions with SEEAC and MBAC, we found no reason adjust to this formulaic scorecard outcome. Half of the bonus for the executive directors will be delivered as shares and held for three years. was 2018 the final year of the 2016-18 performance share award, the measures with financial strategic and policy, 2014 under our grant last Performance and remuneration outcomes 2018 in As we seek incentivize to year-on-year improvement, the committee Directors' remuneration report remuneration Directors' as shown in the table on page 93. BP again ranked first place relative on TSR, delivered robust operating cash and flow, exceeded maximum expectations for major project delivery. These strong results across the range of measures led a formulaic to vesting outcome of 90.5% of maximum. execution, project and TSR, flow, including cash results, The foregoing were delivered alongside an almost 50% return shareholders to over the same three-year between period. directional alignment is Thus, there executives and shareholders. the formula However, from which the outcome was calculated originated in the plan 2014 which we substantially The committee revised in 2017. recognized that merely applying a dated formula might not best serve the interests of the to delivered clear value the despite stakeholders. Therefore, shareholders and the relatively muted annual bonus outcome, we concluded we should apply downward discretion on the executive directors' long term award outcomes. We will vest the 2016-18 performance shares at 80% rather than at the 90.5% formulaic outcome. scorecard In exercising our judgement we have opted apply to the more challenging scales policy of our 2017 in measuring performance outcomes relating operating to cash flow, major project delivery and safety and operational risk.

This adjustment brings the vintage 2016 EDIP outcome harmony into with the policy that was approved by shareholders This adjustment in 2017. reduced incentive 2018 pay by \$1.45 million for Bob and £0.54 million for Brian. In addition, the committee has again acted on Bob's request re-base to his 2016-18 award from its original 550% grant level the to 500% of salary grant level established policy. in the This 2017 adjustment reduces Bob's vesting outcome million, by a further thus reducing \$1.10 his incentive pay by \$2.70 million overall. The single figure total of remuneration for Bob and Brian \$14.67 are million and £7.98 million respectively, as reported on page 95. This represents decrease a 3% for Bob, reflecting significant reductions in both his annual bonus and the investment return on his retirement savings, partly offset by an increase attributable share to price growth. For Brian, this represents increase, a 12% largely due vesting to of deferred awards from bonus, his 2015 and the increase attributable to share price growth. In our committee deliberations, we considered these outcomes and believe they are appropriate given the operational and financial performance of BP this year and the tremendous recovery that BP has made over the past three years.

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Corporate governance 91 y performance cators on page 16. indi See ke See out of 2.0 a KPI out of 2.0 a Formulaic score 0.81 0.10 0.81 0.11 0.03 0.18 0 0.33 0.07 \$26.1bn 0.00 \$12.7bn \$7.15/bbl 0.40 0.198/200k hrs 0.21 94.9% 95.7% 0.21 16 events 16 Outcome Outcome 40.5% of maximum bonus \$31.4bn 0.4 \$13.0bn 0.4 \$6.61/bbl 0.2 0.164/200k hrs 0.2 95.8% 0.3 97.3% 0.3 12 events 0.2 Maximum (2) Final scorecard outcome 2.0 of out 0.81 Financial performance 0.40 To avoid windfall To outcomes in our financial measures, and drive genuine year-on-year improvement, we adjust our financial targets reflect to any pricing impacts, i.e. the stronger oil price environment led of 2018 a to proportional increase in our profit and cash flow targets. This is the fourth occasion in the last seven years in which we have adjusted our and price positive out strip environments performance to measurement better reflect financial improvement in underlying terms. Unadjusted, the scores would all have been significantly higher, leading to remuneration outcomes greater than we would have intended. Consequently, and despite another strong year of results and delivery for shareholders, our bonus of target, outcome or is for 81% 2018 40.5% of maximum, compared with 143% of target, of or 71.5% maximum, in 2017. BP Annual Report and Form 20-F 2018 16 events \$28.9bn \$28.9bn 0.2 \$12.2bn 0.2 \$7.01/bbl 0.1 0.200/200k hrs 0.1 95.3% 0.15 95.3% 0.15 0.1 Target (1) No adjustment MBAC discretion 19 events 0 \$26.4bn 0 \$11.4bn 0 \$7.41/bbl 0 0.219/200k hrs 0 94.8% 0 93.3% 0 Threshold (0) Reliable operations 0.21 10% 20% 20% 10% 10% 15% 15% Weighting No adjustment SEEAC SEEAC discretion KPI KPI KPI KPI KPI KPI KPI (20% weight) Measures used for the 2017 remuneration policy. ating cash flow flow cash ating Safety 0.21 REM cost profit costs frequency (Solomon Associates) (Solomon operational availability) (defined by API) (excluding Gulf of Mexico spilloil payments) Formulaic Formulaic scorecard outcome 2.0 of out 0.81 Financial performance weight) (50% Reliable operations weight) (30% Safety Underlying replacement replacement Underlying production unit Upstream Financial performance outcome Safety outcome Safety BP-operated upstream reliability plant outcome operations Reliable Recordable injury Downstream refining availability Measures Tier 1 process safety events 2018 annual bonus annual 2018 Oper Formulaic score Annual bonus Due to rounding, the total does not agree exactly with the sum of its component parts. a Scorecard For the 2018 committee established a bonus scorecard of seven measures across three areas of focus: safety and operational risk, operations financial reliable and performance. align measures These with our strategy and, in particular, reflect the annual plan. Six of the seven measures are identical scorecard. our to 2017 The seventh 'BP-operated measure, replaces 'Upstream reliability', plant upstream operating efficiency' bringing unplanned from 2017, downtime into account which provides closer a comparison with the equivalent Downstream. the for measure In order build to the on the committee strong results set of 2017, notably stretching targets for each of these measures. For instance, our 2018 threshold outcomes for safety performance were set at the level of our outcomes, 2017 meaning we had results exceed to 2017 achieve to even a minimum contribution the to bonus. 2018 Directors' remuneration report remuneration Directors' bonus annual outcome 2018

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Directors' remuneration report Shareholders will note that the most significant divergence from our Notwithstanding this outcome, we discussed and agreed Bob's decision 2018 targets is in operating cash flow. Even though the 2018 outcome to adjust the group performance element of annual bonus for the wider of \$26.1 billion is 8% higher than 2017, it fell marginally short of the workforce (employees below senior leadership level) and consequently threshold level of \$26.4 billion on an adjusted basis. This meant a score these 32,600 employees received 2018 annual bonus based on an of zero on an element that contributes 20% of the overall bonus target. adjusted group performance score of 100%, rather than 81%, of target. We feel this is a reflection of the rigor in our policy and target-setting. The annual bonus outcome is unrelated to the BP share price, and process, delivering a nil outcome even in a year which saw underlying therefore no part of the bonus is attributable to share price appreciation. profit more than double, and returns almost double. As shown below, half of the bonus is paid in cash after year end, and As in previous years, in order to confirm the final bonus score we have half is deferred into shares that will vest in three years, according to 2017 discussed the formulaic score with the chairs of the safety, ethics and policy terms. The full value of the 2018 bonus, including the deferred environment assurance committee (SEEAC) and the main board audit shares, is included in the 2018 single figure table. This differs from committee (MBAC). This year, neither of these committees raised reporting in respect of the 2014 policy, under which deferred shares issues for which we felt any need to adjust. On this basis, and in view are included in the single figure for the year in which they vest. of the demanding target levels we had set for 2018 performance, we believe that the formulaic score, and the annual bonuses that result, Deferred fairly reflect and reward 2018 performance for the executive directors Adjusted Paid into BP and senior leadership of BP. Accordingly we have made no discretionary Name outcome in cash shares adjustments to the formulaic scorecard outcome, which applies to the Bob Dudley \$1,689,458 \$844,729 \$844,729 executive directors and BP's senior leadership (approximately 4,400 Brian Gilvary £706,219a £353,109 £353,109 employees). a Due to rounding, the total does not agree exactly with the sum of its component parts. 2016-18 performance share plan outcome Vesting levels for the 2016-18 performance share awards we granted ratio over the period, which yields vesting at 80% of maximum for this in 2016 are determined under the terms of the 2014 policy, in line with element. We will confirm our final outcome for this measure once the performance measures and outcomes shown on the scorecard on competitor data is published in full later in the year. page 93. As before, we have assessed performance against the safety and Assessed against these scorecard measures, the group's performance for operational risk measure by looking back at tier 1 process safety the three years from 2016 to 2018 is strong. Notably, we placed first on incidents and recordable injury frequency over the three-year period. relative total shareholder return (with 49.3%) which measures us against This is a detailed assessment looking at year-on-year performance our super-major peers, Chevron, ExxonMobil, Shell and Total. We also for which we sought input from the SEEAC. Based on continuing placed first in the 2015-17 performance cycle. Total shareholder return reductions in tier 1 events and in recordable injury frequency, and the represents the change in value of a shareholding over a three-year period, SEEAC overview, we assessed a score of 88% of maximum for this assuming that dividends are re-invested to purchase additional shares. element of the performance shares scorecard. BP's standard practice is to calculate this change in value based on the While the scorecard provides a balanced view of longer-term results, average US market prices over the fourth quarter immediately before, as a committee we wish to take a broader view of performance in order and at the end of, the three-year performance cycle. Using a three- to ensure reward outcomes are proportional and appropriate. Our first month period average helps to counter the impact of share price concern is to ensure outcomes align with shareholders' own experience volatility. of both returns, and of the company's positioning to generate value into the future. In this regard we believe the scorecard has worked well. The choice of basis period for calculating share price growth can be a material factor in the ranking result. This generally explains why our Clearly there are also broader societal views to consider, together with peers who use relative TSR in their remuneration plans can arrive at a the general experience of the wider workforce as a key stakeholder different result. For example, in the three year scorecard period just group. These broader considerations create a compelling case for ended, BP and Shell showed different relative TSR rankings because restraint on quantum, even as they emphasize the need to align to unlike BP's average of the calendar quarter approach, Shell's standard performance. basis is to use a 90-day averaging period around the start and end of the Therefore while we believe that 2016-18 performance has been performance period. exemplary, and that the business is both operationally and strategically We have again made strong progress in major project delivery, well positioned for the future, the committee has nonetheless decided exceeding the top of the measurement scale (13) with 19 major to reduce vesting of the performance share award from the formulaic projects delivered over the three-year period, allowing maximum 90.5% to a discretionary 80% of maximum. In applying this judgement vesting for this element. and making this reduction the committee decided to apply the more challenging measurement scales of our 2017 policy. The committee Our \$68 billion cumulative operating cash flow excluding the Gulf studied the impact of share price appreciation on pay outcomes and is of Mexico oil spill payments for the period exceeds the threshold satisfied that the gains arising are an appropriate and necessary design performance level of \$61.2 billion, following adjustments for oil price feature of a long-term incentive. We believe there should be no routine in line with the 2014 policy. For the purposes of this report, we have adjustment, either for gains that in part reflect low grant prices, or for forecast a second place outcome for our relative reserves replacement shortfalls that reflect the opposite. 92 BP Annual Report and Form 20-F 2018

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Corporate governance 93 y performanceey cators on page 16. c b indi See ke See KPI 33.3% 27.3% 8.9% 11.1% 5.0% 90.5% 4.8% 29.8% 60.7% Outcome First \$67.8bn Second 19 80% final vesting after committee discretion Formulaic vesting 90.5% First \$73.2bn First 13 Maximum performance BP Annual Report and Form 20-F 2018 The value of vested shares reflects the share price appreciation all three-year the shareholders experienced over period. 2016-18 For this award cycle, the original grant was calculated based on ordinary share and American depositary share (ADS) prices of £3.72 and \$33.81 fourth-quarter 2018 the while respectively, £5.33 prices are average and \$41.48. Consequently, share price appreciation accounts for \$2.04 million of the value (18.5%) of Bob's vested shares, and for £1.23 million (30.2%) of the value vested of Brian's shares. The committee did not regard this as a direct reason exercise to discretion, although overall pay outcomes have been a partour of consideration of downward discretion. Third 9 Assessment of improvement over the three years Third \$61.2bn Threshold performance £535,863 and re-basingand \$2,698,677 due to discretion discretion to due Reduction in value value in Reduction a Strategic imperatives 29.8% shares vested Value of Committee review of stakeholder context and experience over three-year period of plan 33.3% 33.3% 11.1% 11.1% 11.1% Weighting £4,082,769 \$11,043,179 KPI KPI KPI Shares vesting KPI including KPI dividends 765,998 1,597,374 b KPI Shares awarded 786,559 1,809,582 a Measures used for the 2014 remuneration policy. Formulaic Formulaic vesting 90.5% Financial 60.7% Total formulaicTotal vesting REM Financial Cumulative operating cash flow

Major project delivery Safety and operational risk: – Process safety tier 1 events – Recordable injury frequency Relative reserves replacement ratio reserves replacement Relative Measures Relative total shareholder return 2016-18 performance2016-18 shares Strategic imperatives Performance shares Performance Due to rounding, the total does not agree exactly with the sum of its component parts. Due to rounding, the sum of the weightings does not agree with the actual total, which is 100%. This original award was based on 550% of salary, according to the terms of the 2014 policy. Bob Dudley's award is granted in respect of American depositary shares (ADSs). The numbers in this table reflect calculated equivalents in ordinary shares. One ADS equates to ordinarysix shares. Forecast position, to be confirmed after external data becomes available later in 2019. Scorecard a b c a b Name Bob Dudley Directors' remuneration report remuneration Directors' Brian Gilvary In addition, and in line with treatment last the committee year, has agreed Bob's to request re-base to his original grant from 550% of salary 500% to salary, of recognizing the change from the policy 2014 to the 2017 policy. theto The 2017 impact these decisions have on pay outcomes for Bob and Brian are detailed below.

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Directors' remuneration report Alignment with strategy The strategy we set in 2017 commits us to a balance of short-term Our longer-term view is explicitly covered in the strategic progress goals and long-term ambitions, encompassing both conventional element for our performance shares, alongside measures that focus and emerging sources of energy. To help the board and executive on shareholder returns and return on average capital employed (ROACE) management assess delivery against this strategy, we track progress over each three-year cycle. These are the measures we established two against a number of key performance indicators (KPIs) – see page 16. years ago with our 2017 policy, and we will see the first cycle of results This strategy and these KPIs represent the foundation of our investor under that policy when we report the 2017-19 performance shares proposition. Importantly the majority of our KPIs translate directly into outcome in next year's report. Looking ahead, the committee has the measures we use to assess our annual bonus and performance decided to increase the weighting of the strategic progress measure share awards. This helps us align the focus of our board and executive from 20% to 30% to better reflect its importance. This will apply for the management with the interests of our shareholders. To maintain this performance shares we grant in 2019 as part of the 2019-21 cycle. As a alignment over time, we will adjust our bonus and performance share result, we will reduce the weighting on ROACE from 30% to 20%. measures as and when BP's strategy evolves or finds new areas To ensure we take a rounded view in our performance assessment, the of focus. performance share plan also features an underpin to bring absolute TSR, The annual bonus rewards activities that assure our success in the near safety and environmental factors into account. This underpin allows the term, with measures focused on safety, reliable operations, financial committee to embrace the energy transition in a way that enhances our performance and, from 2019, a new emissions reduction target. investor proposition and allows us to be competitive at a time when Ensuring our near-term health is a critical building block for the longer prices, policy, technology and customer preferences are volatile and term, providing the funds for us to invest, innovate, pursue new evolving, while managing the alignment between remuneration opportunities and enhance our productivity. For instance, the reliable outcomes and our strategic progress. operations measure in our annual plan has a strong and direct bearing on the financial measures for our three-year performance share Reducing our Improving Creating outcomes. Our new sustainable emissions reduction measure, with a emissions in our low carbon 10% weighting for 2019, connects bonus outcomes directly with the our operations products businesses progress we make under the reduce element of our 'reduce, improve, create' (RIC) framework for a low carbon transition. See our low carbon ambitions on page 46. BP set out an update of its strategy in 2017, which was reinforced in the results announcements in February 2018 and 2019. The foundations for strong performance are safe and reliable operations, a balanced portfolio, and a focus on returns. How we align Safer Fit for Focused on Growing our strategy and future returns sustainable free remuneration cash flow and measures distributions to Safe, reliable A distinctive Value based, shareholders over and efficient portfolio fit for a disciplined the long term execution changing world investment and cost focus Annual bonus Safety Environment Reliable operations Financial performance Performance shares Total shareholder return Return on average capital employed Strategic priorities Underpin: absolute TSR and safety/ environmental factors 94 BP Annual Report and Form 20-F 2018

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Corporate governance c e 95 £38 2017 £611 £611 £186 £752 £263 £936 £7,115 £1,060 £3,595 (thousand) Brian Gilvary e b £0 2018 £67 £769 £269 £353 £353 £7,977 £1,876 £2,083 £4,083 c d -- 2017 \$70 \$746 \$1,491 \$1,491 \$1,854 \$1,349 \$9,455 \$15,108 (thousand) Bob Dudley Bob d b -- \$0 2018 \$79 \$845 \$845 \$1,854 \$2,042 \$11,043 \$14,666 BP Annual Report and Form 20-F 2018 a g Shares – deferred for three years Cash bonus Performance shares Deferred share awards from bonuses prior-year Salary retirement and Pension savings value – increase Benefits Cash in lieu of future accrual f 38 for ordinary shares and include accrued dividends on shares vested. Brian Gilvary has voluntarily agreed defer to performance assessment 01 for 01 ordinary shares and \$39.85 for ADSs. In May 2018, after the external data became available, the committee reviewed the relative ear after retirement, therefore the performance period is expected exceed to the minimum term of three years. As stated in the 2017 pension (Savings) Plan (ECSP) account under Bob’s US retirement savings arrangements. In Bob 2018 incurred investment losses formance achieved under the rules of the plan and includes accrued dividends on shares vested. In accordance with UK regulations, the vesting iods. This additional line shows the value of those awards that is directly attributable share to price appreciation, being the number of shares directors’ remuneration report, Bob voluntarily deferred performance assessment and vesting of the deferred 2014 and matching awards until at least one year after retirement – see the Deferred shares table on page for further 101 details on these awards. The values shown for performance shares and deferred share awards include the share price appreciation experienced over the three-year vesting per vesting, including accrued dividends, multiplied by the increase in share price from grant date vesting to date. Bob Dudley has voluntarily agreed defer to performance assessment and vesting of the awards related annual his to 2015 bonus until at least one y Represents the assumed vesting of shares following in 2019 the end of the relevant performance period, based on a preliminary assessment of per price of the assumed vesting is the average market price for the fourth quarter which of 2018 was £5.33 for ordinary shares and \$41.48 for ADSs. The final vesting will be confirmed by the committee in the second quarter of and 2019 provided in the directors’ 2019 remuneration report. by less than inflation, hence the net increase reported is zero as per regulations. Full details are set out on page 96. For Brian Gilvary this represents the annual increase in accrued pension, net of inflation, multiplied by 20. In Brian’s salary 2018 increased of \$193,910 in this account, hence this aggregate value is negative and reported as per zero regulations. Full details are set out on page 96. and vesting of the matching awards related annual his to 2015 bonus for a further two years – see the Deferred shares table on page for further 101 details on these awards. The amounts reported relate the annual to for 2014 2017 bonus and have been adjusted from the number provided in the directors’ 2017 remuneration report include to the accrual and vesting of accrued dividends. The amounts reported relate for 2018 the annual to 2015 bonus deferred over three years, which vested February on 19 at the 2019 market price of £5. For Bob Dudley this represents the aggregate value of the company match and investment gains on the accumulating unfunded BP Excess Com Remuneration is reported in the currency in which the individual is paid In accordance with UK regulations, single in the 2017 figure table, the performance outcome values were based fourth-quarter on average prices reserves replacement ratio position, and this resulted in no adjustment the to final vesting of 70%. On 22 198,306 May 2018, ADSs for Bob Dudley and 603,831 ordinary shares for Brian Gilvary vested at prices of \$47.09 and £5.88 respectively. On July 31 an additional 2019 2,599 ADS and 7,795 ordinary shares vested, representing accrued dividends at prices of \$45.09 and £5.73 for Bob and Brian respectively. The reported 2017 values for the total vesting have therefore thousand increased for by Bob \$1,168 and by £614 thousand for Brian. of £5. Total remuneration Total Performance shares Discontinued plans Retirement benefits Retirement Annual bonus Value attributable to share price appreciation price share to attributable Value Due rounding, to the total does not agree exactly with the sum of its component parts. Salary and benefits g f e d c b a Single figure table – executive directors (audited) Directors’ remuneration report remuneration Directors’ Executive directors’ pay for 2018 for pay directors’ Executive

Directors' remuneration report Overview of single figure outcomes Bob has requested that the committee delay the performance assessment and hence the vesting of his 2015 deferred and matching The single figures of total remuneration for Bob Dudley and Brian Gilvary awards. This reflects his commitment to the long-term success of BP are \$14.67 million and £7.98 million respectively. This is a 3% decrease and adds to his alignment with shareholders' interests. These awards for Bob, and a 12% increase for Brian. In both cases 2018 remuneration will now vest, subject to an assessment against the original safety and includes material value from share price appreciation over the 2016 to environmental sustainability conditions, after his retirement. Similarly, 2018 period. Both individuals pay a majority of their taxes in the UK. After Brian has requested a two-year extension to the performance these tax and social security liabilities on this BP income, the net values assessment and vesting date of his 2015 matching award. of 2018 total remuneration are approximately \$7.77 million for Bob, and approximately £4.23 million for Brian. For the 2015 deferred award for Brian, the committee considered operational and financial performance and reviewed safety and Salary and benefits environmental sustainability performance over the 2016-18 period, Bob Dudley's salary remained at \$1,854,000 throughout 2018. Brian seeking input from the SEEAC on safety and sustainability measures. Gilvary's salary was increased by 2% to £775,000 with effect from The committee concluded that safety performance continues to show 21 May 2018. Both executive directors received car-related benefits, improvement, with safety embedded in the culture of the organization assistance with tax return preparation, security assistance, insurance and supporting strong operational and financial performance. The and medical benefits. In 2018 BP reimbursed Brian for holiday committee concluded that the deferred award should vest in full. curtailment costs incurred due to BP commitments. Part of this reimbursement is considered non-business related, hence is subject 2015 bonus – deferred and matching awards to tax and included as a benefit in the single figure table. Total shares vesting, 2018 annual bonus and 2016-18 performance shares Shares Vesting including Total value at Please refer to pages 91-93 for details of the performance measures, Name granted agreed dividends vesting targets, and outcomes, and the related reward outcomes Bob Dudleya for annual bonus and performance shares. Deferred award 551,784 –a – Discontinued plans: deferral of 2015 bonus – deferred and Matching award 551,784 –a – matching awards of shares Brian Gilvaryb In accordance with 2014 policy, Bob Dudley and Brian Gilvary deferred Deferred award 318,042 100% 387,160 £2,082,921c two thirds of their 2015 annual bonus. As a result, they each received Matching award 318,042 –b – an equivalent value deferred award of BP shares, together with a a matching award of BP shares. Both the deferred and matching awards Vesting of deferred and matching awards deferred until at least one year after retirement, subject to conditions. were subject to a three-year performance period which ended on b Vesting of matching award deferred for two years, subject to conditions. 31 December 2018. c Based on a vesting share price of £5.38. Conclusions of the safety and sustainability assessment No systemic No major incidents Safety culture and values Strong safety performance issues identified embedded within the supports efficiency and financial global organization results across the group Retirement benefits This cash allowance is a feature of the UK pension arrangement, and Bob Dudley is a member of the US pension and retirement savings plans will transition down to 15% of salary by 1 June 2023 – see page 105 described on page 108. His normal retirement age is 60. In 2018 Bob's for more detail. The committee continues to review the value of pension accrued defined benefit pension did not increase. In accordance with the benefits for individual directors and its alignment to the broader workforce. requirements of the UK regulations, the amount included in the single History of group chief executive remuneration figure table on page 95 is therefore zero. In 2018 Bob made contributions to the BP Employee Savings Plan (ESP) totalling \$27,000 and BP made Total Annual bonus Performance Group chief remuneration % of shares vesting matching contributions to the ESP, and notional contributions to the BP Year executive thousands a maximum % of maximum Excess Compensation (Savings) Plan (ECSP), totalling \$129,780. 2009 Tony Hayward £6,753 88.9b 17.5 However, investment losses of \$193,910 in his unfunded ECSP account 2010c Tony Hayward £3,890 0 0 (aggregating the unfunded arrangements relating to his overall service Bob Dudley \$8,057 0 0 with BP and TNK-BP), exceeded the sum of these contributions, hence the amount included in the single figure table is zero. 2011 Bob Dudley \$8,439 66.7 16.7 2012 Bob Dudley \$9,609 64.9 0 Brian Gilvary is a member of the UK pension arrangement described on 2013 Bob Dudley \$15,086 88.0 45.5 page 108 in common with more than 3,800 UK employees employed 2014 Bob Dudley \$16,390 73.3 63.8 prior to 2010 (or before 2014 in the North Sea). His normal retirement age is 60, although benefits accrued before 1 December 2006 may be 2015 Bob Dudley \$19,376 100.0 74.3 paid from age 55 with BP's consent. Brian's 2018 salary increase was 2016 Bob Dudley \$11,904 61.0 40.0 below inflation, and his accrued defined benefit pension increase was 2017 Bob Dudley \$15,108 71.5 70.0 therefore likewise below inflation. In accordance with the requirements 2018 Bob Dudley \$14,666 40.5 80.0 of the UK regulations, the amount included in the single figure table is a Total remuneration figures include pension. The total figure is also affected by share vesting therefore zero. outcomes and these amounts represent the actual outcome for the periods up to 2011 or the adjusted outcome in subsequent years where a preliminary assessment of the performance Brian has exceeded the lifetime allowance under UK pension legislation for EDIP was made. For 2018 the preliminary assessment has been reflected, and now receives a cash allowance of 35% of base salary in lieu of b 2009 annual bonus did not have an absolute maximum and so is shown as a percentage of the maximum established in 2010. further service accrual. This amount has been separately identified c 2010 figures show full-year total remuneration for both Tony Hayward and Bob Dudley, in the single figure table on page 95. although Bob Dudley did not become GCE until October 2010.

96 BP Annual Report and Form 20-F 2018

Corporate governance 97 Performance shares for our executive directors performance group same the assessed using are leader performance group the for scorecard used weightings. the to adjustment some with shares, Annual bonus for executive directors is directly performance group same the measures to related without but workforce, wider the as outcomes and individual and performance area business element. the Other than the addition of security-related addition of the Other than benefits, our executive director benefit packages are broadly aligned with other employees who joined BP in the same country at the same time. The salaries of our executive directors and executive team form the basis of their total remuneration, and salaries these annually. review we The primary purpose of the review is stay to aligned ensure comparators, we although market relevant with any increases are kept within the budgets set for our wider workforce salary review. Comparison with executive director remuneration director executive Comparison with 4,000); and all BP Annual Report and Form 20-F 2018 Looking beyond much pay, the of workforce experience atBP is centred on a disciplined approach performance to management, for which employees set annual priorities related both to safety and value creation, balanced with behavioural objectives that give focus the to importance of good conduct. This deeply embedded programme has served to develop the management skills of team leaders and drives quality dialogue between employees and their managers. We agree with the executive view that team's the time invested in managing performance both aligns individual effort corporate to goals and allows employees to understand the value of their own contribution. The benefit of this approach is largely qualitative, through direction and feedback, but the individual contribution is also measured and then rewarded as part of the annual bonus. For a more immediate impact, BP is also encouraging more 'in the moment' feedback through our new global recognition introducedprogramme in 'energize!'. 2018. Energize! has been well received in all business areas and locations, with 77% of employees recognized at least once, at a frequency of around 1,500 recognition moments every day by year end. With strong emphasis on diversity and inclusion create to teams that reflect their communities, and with the enduringfoundation of BP's values and behaviours build to respect, we believe BP employees work in a supportive, meritocratic and progressive environment. This positive environment is reflected in being the highest-ranked recruiterUK in the oil and gas sector in the Times newspaper's 100 Graduate Top Employer 2018. rankings other professional employees (approximately 35,000 potential participants, of whom 20% will participate). Vesting is subject group to performance outcomes for the group only. population leader We operate a performance share plan with three-year vesting for employees from our professional entry level and above. Operation varies based on seniority in three broad (approximately 400); leaders senior (approximately leaders group tiers: Approximately half of our global workforce participate in an annual cash bonus plan that multiplies a target bonus amount by a performance factor in the range 2. 0 to The performance factor is an average of performance outcomes measured at a group, business area and individual level. This structure places equal emphasis on the team, broad their of success the contribution, personal employee's an importance of and the results achieved by BP. where parts business distinct our those of for plans bonus different operate We and trading our as such different, markedly are market the models in remuneration businesses. marketing We offer market-aligned benefits packages reflecting normal practice in each country in which we operate. Where appropriate, and subject scale, to we offer significant elements of personal benefit choiceto our employees. Our 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. non-unionized employees. all for salary review annual an conduct we and As we determine salaries in this review, we take account of comparable pay rates at other relevant employers, the skills, knowledge and experience of each individual, relativitypeers to individual within BP, performance, and the overall budget we set for each country. In setting the budget each we year, assess how employee pay is currently positioned business and increases, further market any of forecasts rates, market to relative context related such to things as growth plans, workforce turnover and affordability. Policy features forthe wider workforce shares benefits Salary Performance Performance Annual bonus bonus Annual Pensions and and Pensions Summary of remuneration structure for employees below the board Element Directors' remuneration report remuneration Directors' Widerin workforce 2018 Workforce experience Delivery our of strategy, both near and long term, depends upon BP's success in attracting and engaging a highly talented workforce, and on equipping our people with the skills for the future. While the board is currently considering ways engage to more deeply with the workforce, and about the workplace in its broadest sense, the remuneration committee continues receive to and review information on pay outcomes and processes for our wider workforce. We are building insight the into remuneration models used in different BP entities and stay informed on the pay structures and typical salary budgets for the core areas of the business. group's For example, we have looked at data from the organization's gender pay reporting, at progression of reward across the hierarchyjob of levels, and reviewed the reward structures and processes in BP's trading business. Overall we observe a well-balanced and structured approach reward to (summarized in the table below), and the to 'non-financial' reward engaged an productive and environment. to contribute that elements This context has informed our decision making on executive director pay and our views on incentive outcomes across the group. In our consideration the of annual bonus scorecard for 2018, for instance, while we felt the formulaic result delivered appropriate outcomes for BP's senior leadership, we agreed with Bob's decision apply to a more generous outcome the to wider workforce on the basis that, individually, they have limited influence over financial outcomes such as cash flow.

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Directors' remuneration report Group chief executive-to-employee pay ratio Percentage change comparisons: GCE remuneration versus professional workforce In 2016 and 2017 we disclosed the ratio between our group chief executive's (GCE) total remuneration and the median (P50) Comparing remuneration of a comparator group of our UK and US professional 2018 to 2017 Salary Benefits Bonus workforce (representing 38% of our global professional workforce). % change in GCE We believe this representation offers a valuable data point, highlighting remuneration 0% 8.0% -43.4% relevant pay differentials within BP. On this basis, our 2018 GCE % change in comparator group to median pay ratio is 106:1. remuneration 4.4% 0% -7.8% GCE pay ratios The comparator group used here is the same as used in our voluntary P50 pay ratio disclosures since 2017, i.e. our professional and managerial ratio on total P50 total grade staff in the UK and US. This group is employed on readily Year Method remuneration P50 salary remuneration comparable terms to the group chief executive, and represents a 2017 BP voluntary 105:1 \$112,100 \$136,865 approximately one third of our total employee base. 2018 BP voluntary 106:1 \$114,800 \$138,101 Relative importance of spend on pay (\$ million) a Re-based from original 92:1 to reflect final value at vesting of 2015-17 performance shares.

With effect from year ending 31 December 2019, the UK government are older; all employees will require that we calculate the total remuneration of the three BP UK employees whose remuneration represents the 25th, 50th and 75th 1st percentile of our entire UK workforce. We are then required to disclose the ratio of our group chief executive's total remuneration against each of those three representative employees.

10:20:8:210a:201:201:201;a Distributions to shareholders comprise dividend payments of \$8,080 million (\$7,867 million in 2017) and share buybacks at a cost of \$355 million (\$343 million in 2017). See page 275 for details. 98 BP Annual Report and Form 20-F 2018

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Corporate governance 99 8% 12% 17% 37% 37% 38% 52% 58% Men Women BP ExplorationBP Limited OperatingCompany ExplorationBP activities upstream covers in the UK, principally North Sea operations. ExpressBP Shopping Limited BP Express Shopping is our largest UK employing business, concerned with retail operations concernedbusiness, retail with supporting our UK-wide network of forecourts. 92% 88% 83% 63% 63% 62% 48% 42% The illustration below, from our UK 2018 gender pay gap reporting, highlights the representation issue and how it relates the to gender pay gap for each entity. For instance, our larger gender pay gaps relate BP to Exploration and BP p.l.c. where we have the largest differential between female representation in the top and bottom pay quartiles. By contrast, we reported negative a pay gap in BP Chemicals, where male female to consistent. more is representation BP Annual Report and Form 20-F 2018

Lower Lower Upper Upper 7% 15% 18% 24% 31% 32% 37% 56% 29% 30% 40% 64% 60% 36% corporate in employees covers predominantly p.l.c. BP BP Oil represents our downstream our represents Oil BP lubricants businesses. and fuels BP p.l.c. 71% 70% integrated our including functions, and business businesses. BP Air and trading and supply BP Chemicals is our petrochemicals business our Chemicals is BP in the UK, principally our operations in Hull. 69% 68% 44% 85% 82% 76% BP Chemicals Limited 93% BP Oil UK Limited 63% Lower Lower Lower Proportion of females and males in each quartile band These charts show how men and women are represented in each pay band. An even distribution across the quartiles would tend minimize to the gender pay gap. Equal pay and UK gender pay gap reporting As well as looking at pay structures,the committee hasspent time understanding how effectively current pay policies and processes manage fairness and avoid bias in payoutcomes. noted We the February UK 2018 gender pay gapreporting for the five legal entities covered by the regulations, and the explanations provided in the reporting. BP's accompanied that narrative anti-discrimination the Overall that committeeassured the feels Directors' remuneration report remuneration Directors' controls written pay into policies, and the quality of processes behind individual pay decision making, are effective in delivering an equal pay environment (like pay work) for like for the wider workforce. While the UK gender pay gap reporting showed pay gaps in favourmen of for four out of the five entities, we understand that these gapsresult largely from the relative under-representation of women in senior roles, and that the primary group's focus should therefore be on improving female representation, rather than adjusting pay practices. Thereforewe have reviewed the various initiatives taken by management address to these representation concerns and will continue monitor to progress in issues. underlying the addressing Upper Upper Upper

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Stewardship and executive director interests We believe that our executive directors should have a material interest Multiple of in the company, both during their tenure and after they leave BP. Our Value of salary achieved shareholding policy therefore requires executive directors to build a Director Appointment date current shareholding (policy requires 5x) personal shareholding of five times their salary within five years of their Bob Dudley October 2010 \$27,185,318 14.66 x salary appointment. They are expected to maintain personal shareholdings of Brian Gilvary January 2012 £12,256,532 15.80 x salary at least two and a half times salary for two years post employment. The executive directors have interests in both performance shares and deferred bonus shares under the executive directors' incentive plan Directors' shareholdings (audited) (EDIP). The share interests are shown in aggregate and by plan in the The tables below detail the personal shareholdings of each executive tables below. These figures show the maximum possible vesting levels. director, and demonstrate that both significantly exceed the policy The actual number of shares/ADSs that vest will depend on the extent requirement as at 15 March 2019. These figures include all beneficial and to which performance conditions are satisfied. non-beneficial ownership of shares of BP (or calculated equivalents) that have been disclosed to the company and exclude the anticipated vesting Unvested Unvested Unvested of the 2016-18 performance shares. ordinary shares ordinary shares Changes from ordinary shares or equivalents or equivalents as 31 Dec 2018 to or equivalents at Director at 1 Jan 2018 31 Dec 2018 15 Mar 2019 15 Mar 2019 Ordinary Ordinary shares Ordinary shares shares or Changes from or equivalents Bob Dudleya 6,569,010b 6,825,606b 1,459,350 8,284,956 or equivalents equivalents at 31 Dec 2018 to total at Director at 1 Jan 2018 31 Dec 2018 15 Mar 2019 15 Mar 2019 Brian Gilvary 3,329,274 3,291,614 400,709 3,692,323 Bob Dudleya 3,065,520 3,718,284 -210b 3,718,074 a Held as ADSs. b This shareholding has been re-based to reflect the 500% of salary grant level of the 2017 Brian Gilvary 1,709,243 2,043,899 205,006 2,248,905 policy, in place of the original 550% per the 2014 policy. a Held as ADSs. b This reflects change in the equivalent value of BP ADRs under the BP Employee Savings Plan ('ESP'), due to the BP ADR price movement. See page 108 for explanation of the ESP. Performance shares (audited) Share element interests Interests vested in 2018 and 2019 Date of award Potential maximum performance sharesa Number of of performance At 1 Jan Awarded At 31 Dec ordinary shares Face value of Performance period shares 2018 2018 2018 vested Vesting date the award, £ Bob Dudleyb 2015-17 11 Feb 2015 1,365,240 -- 1,205,430c 22 May 2018d -- 2016-18 4 Mar 2016 1,645,074 -- 1,645,074 e 1,597,374 f 2019f -- 2017-19 g 19 May 2017 1,571,628h -- 1,571,628 -- 7,418,084 2018-20i 22 May 2018 -- 1,395,600 1,395,600 -- 8,206,128 Brian Gilvary 2015-17 11 Feb 2015 685,246 -- 611,626 c 22 May 2018d -- 2016-18 4 Mar 2016 786,559 -- 786,559 765,998f 2019f -- 2017-19 g 19 May 2017 722,093 -- 722,093 -- 3,408,279 2018-20i 22 May 2018 -- 696,705 696,705 -- 4,096,625 a For awards under the 2015-17 and 2016-18 plans, performance conditions are measured one third on TSR relative to Chevron, ExxonMobil, Shell and Total ('comparator companies'); one third on operating cash flow; and one third on a balanced scorecard of strategic imperatives. There is no identified overall minimum vesting threshold level but to comply with UK regulations a value of 44.4%, which is conditional on the TSR, operating cash flow, each of the strategic imperatives and strategic progress reaching the minimum threshold, has been calculated. For awards under the 2017-19 plan, performance conditions are measured 50% on TSR relative to Chevron, ExxonMobil, Shell and Total over three years; 30% on ROACE based on performance in 2019 and 20% on strategic progress assessed over the performance period. For awards under the 2018-20 plan, performance conditions are measured on the same basis as the 2017-19 plan, except ROACE which will be based on performance in the last two years of the performance period (i.e. 2019 and 2020). Each performance period ends on 31 December of the third year. b Bob Dudley received awards in the form of ADSs. The above numbers reflect calculated equivalents in ordinary shares. One ADS is equivalent to six ordinary shares. c Represents vestings of shares made at the end of the relevant performance period based on performance achieved under rules of the plan and includes reinvested dividends on the shares vested. The market price of each share at the vesting date of 22 May 2018 was £5.88 and for ADSs was \$47.09. These totals include the additional accrual of dividends which vested on 31 July 2018. d The 2015-17 award vested on 22 May 2018. Details can be found in the single figure table on page 95. e Bob Dudley has requested that the EDIP performance shares vesting in respect of the performance period 2016-18 is based on the 500% maximum annual award level which applies under the 2017 directors' remuneration policy, rather than the 550% maximum annual award level which applies under the 2014 directors' remuneration policy. The number reported here has been re-based to 500%. f For the assumed vestings in the second quarter of 2019 a price of £5.33 per ordinary share and \$41.48 per ADS has been used. These are the average prices from the fourth quarter of 2018. g The face value has been calculated using the market price of ordinary shares on 19 May 2017 of £4.72. h In our 2017 report, the 31 December 2017 value for this award was incorrectly stated as 1,428,750. i The face value has been calculated using the market price of ordinary shares on 22 May 2018 of £5.88. 100 BP Annual Report and Form 20-F 2018

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Corporate governance ----- 101 787,529 749,447 655,861 655,861 696,870 696,870 344,890 344,890 the award, £ award, the 1,311,722 1,170,395 1,015,283 1,015,283 Face value of 1,330,268 2,030,565 28 Feb 2020 ----- rcisable Expiry date imum vesting threshold level. Vesting date Vesting rst exe 19 Feb 2019 20 Feb 2018 20 Feb 2018 fi 01 Sep 2019 07 Sep 2014 07 Sep 2021 Date from which j j h ed min ----- fi - vested Interests vested in 2018 and 111,161 111,161 £5.27 Number of 193,580 193,580 ordinary shares Market price at date of exercise rs with a further one-year retention period. The face values 2018 ve yea 73,070 73,070 At 31Dec fi £3.72 £2.90 147,642 147,642 147,054 147,054 551,784 176,576 294,108 159,021 159,021 318,042 275,892 275,892 Option price ----- a 2018 c Awarded Awarded 2018 127,457 127,457 226,236 226,236 3,103 At 31 De -- Share element interests element Shar

Annual Report and Form 20-F 2018 Post employment share ownership interests As we reported last maintain to year, their alignment with shareholders and in keeping with the long-term nature of our business, our executive directors will retain significant interests in BP post employment. These ongoing interests are centred on a) the personal commitment by each executive director maintain to actual holdings equivalent two to and a half times salary for two years post employment, and b) their anticipated interests in share awards under group plans which remain subject to vesting and/or holding periods at the time they leave BP.

At 1 Jan 73,070 73,070 Potential maximum deferred shares maximum deferred Potential 88,288 88,288 147,642 147,642 147,054 147,054 551,784 176,576 294,108 159,021 159,021 318,042 275,892 275,892 Exercised 100,000 400,000 i --- lculated equivalents in ordinary shares. One ADS is equivalent to six ordinary shares. Granted ect ca fl 4 Mar 2016 4 Mar 2016 4 Mar 2016 4 Mar 2016 4 Mar 2016 deferred shares deferred 11 Feb2015 11 11 Feb 2015 11 11 Feb2015 11 Feb2015 11 Feb2015 11 11 Feb2015 11 Date of awardDate of of 19 May19 2017 19 May19 2017 19 May19 2017 19 May19 2017 22 May2018 22 May 2018 k d d d d d i i 3,103 period 500,000 2017-19 2017-19 2015-17 2015-17 2015-17 2017-19 2017-19 2015-17 2015-17 2015-17 2016-18 2016-18 2016-18 2016-18 2018-20 2018-20 2016-18 b Performance SAYE BP 2011 Vol Vol Vol Vol Type Option type At 1 Jan 2018 Mat Mat Mat Mat Mat Mat Comp Comp Comp Comp Comp Comp Comp Comp a f f c e g year 2015 2016 2016 2014 2017 2017 2014 Bonus 2015 b 2011' means 2011' the BP plan. 2011

These options were granted to Brian Gilvary prior to his appointment as a director and are not subject to performance conditions. Represents vesting of shares at the end of the relevant performance period based on performance achieved under rules of the plan. Includes reinvested dividends on the shares vested. Brian Gilvary has voluntarily agreed to defer the performance assessment and vesting of these awardsperformance until the later of three period years post is expected award or one to exceed year post the minimum employment, term of three years. therefore the Bob Dudley has voluntarily agreed to defer the performance assessment and vesting of these awards until exceed at least the minimum one year after term of three retirement, years. therefore the performance period is expected to The face value has been calculated using the market price of ordinary shares on 4 March 2016 of £3.68. The market price at closing of ordinary shares on May 19 2017 was £4.72 and for ADSs was \$36.94. TheThe sterling market price value has at closing been used of ordinary to calculate the shares face on value. 22 May 2018 was £5.88 and for ADSs was \$47.09. TheRepresents sterling value vestings has been of shares used to made calculate at the end the of the face relevant value. performance period based on performancevested. achieved The market under price rules of each of the plan share and used includes to determine reinvested the total value dividends at vesting on on the the shares vesting date of 20 Februarywhich 2018 vested was £4.75. on 22 May These 2018 and totals 31 July include 2018. the additional accrual of dividends Brian Gilvary has voluntarily agreed to defer the performance assessment and vesting of these matching awards for a total of Since 2010, vesting of the deferred shares has been subject to a safety and environmental sustainabilitydeterioration hurdle, and this will in safety continue. and environmental If the committee performance, assesses that there or there has have been been a material major incidents, eitherconclude of which reveal that underlying shares should vest weaknesses only in part, in safety or not and at all. environmental In reaching its management, conclusion, then the itcommittee may Bob will Dudley obtain received advice awards from the in the SEEAC. form of ADSs. There The is no above identi numbers re The face value has been calculated using the market price of ordinary shares February on 11 2015 of £4.46. have been calculated using the market prices of £4.46 per ordinary share February on 11 2015 and £3.68 per ordinary share on 4 March 2016. The market price of each shareused to determine the total value on the vesting date February of 19 2019 was £5.38. 'BP The closing market price of an ordinary share on 31 December 2018 was £4.96. During 2018 the highest market price was £5.98 and the lowest market price was £4.60. Neither Bob Dudley or Brian Gilvary have any interest in BP preference shares, debentures or option plans (other than as listed above), and neither have interests in shares or loan stock of any subsidiary company. No directors or other executive team members (see page 63) own more of the ordinarythan 1% shares in issue. MarchAt 15 2019, our directors and other executive team members collectively held interests of 17,436,602 ordinary shares or their calculated equivalents, 5,978,567 restricted share units (with or without performance 11,977,279 equivalents, calculated their or conditions) shares or their calculated options over equivalents and 4,417,149 ordinary shares or their calculated equivalents, under BP group share schemes. option Brian Gilvary Brian a b In common with many of our UK employees, Brian Gilvary holds options under the BP group save as you earn (SAYE) schemes as shown below. These options are not subject performance to conditions. Share interests in share options plans (audited) i j k f g h b c d e a Bob Dudley Bob Deferred shares (audited) Directors' remuneration report remuneration Directors' Brian Gilvary Brian

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Non-executive director outcomes and interests The board's remuneration policy for the chairman and non-executive Non-executive directors fee structure directors (NEDs) was approved at the 2017 AGM and implemented The table below shows the fee structure for non-executive directors, during 2017. There has been no variance of the fees or allowances for the chairman and the NEDs since approval in 2017. Fees £ thousand a Chairman Senior independent director 120 Board member 90 The fee structure for the chairman, which has been in place since May Audit, geopolitical, remuneration and 2013, is £785,000 per year. The chairman is not eligible for committee SEEA committees chairmanship feesb 30 chairmanship and membership fees or intercontinental travel allowance. Committee membership fee 20 As chairman throughout 2018, Carl-Henric Svanberg had the use of a Intercontinental travel allowance 5 fully maintained office for company business, a car and driver, and a The senior independent director is eligible for committee chairmanship fees and security advice in London. He received a contribution to an office and intercontinental travel allowance plus any committee membership fees. secretarial support as appropriate to his needs in Sweden. The table b Committee chairmen do not receive an additional membership fee for the committee they chair. below shows the fees paid for the year ended 31 December 2018. c For members of the audit, geopolitical, SEEA and remuneration committees. 2018 remuneration (audited) 2018 remuneration (audited) £ thousand Fees Benefitsa Total £ thousand Fees Benefitsa Totalb 2018 2017 2018 2017 2018 2017 2018 2017 2018 2017 2018 2017 2018 2017 Carl-Henric Svanberg 785 785 24 35 809 820 Nils Andersen 132 115 11 17 144 132 a Benefits include travel and other expenses relating to attendance at board and other Paul Andersonc 69 155 6 27 76 182 meetings. Amounts disclosed have been grossed up using a tax rate of 45%, where relevant, as an estimation of tax due. Alan Boeckmann 155 165 10 11 165 176 Admiral Frank Bowman 160 155 14 15 174 170 The figures below include all the beneficial and non-beneficial interests Dame Alison Carnwathd 74 – 47 – 121 – of the chairman in shares of BP (or calculated equivalents) that have e been disclosed according to the disclosure guidance and transparency Pamela Daley 55 – 42 – 97 – rules in the Financial Conduct Authority handbook ('the DTRs') as at the Ian Davis 170 154 2 2 172 156 applicable dates. The chairman's holdings as at 31 December 2018, as a Professor Dame Ann percentage of the shareholding policy, were 1,312%. Dowlingf 158 145 2 5 159 150 Helge Lunde 46 – 122g – 169 – Ordinary Melody Meyerh 160 86 26 23 186 109 Ordinary Ordinary Change from shares or shares or shares or 31 Dec 2018 equivalents Brendan Nelson 150 138 12 14 162 152 equivalents at equivalents at to total at Paula Rosput Reynolds 166 146i 33 8 200 154i Chairman 1 Jan 2018 31 Dec 2018 15 Mar 2019 15 Mar 2019 Sir John Sawers 150 145 1 5 151 150 Carl-Henric Svanberga 2,076,695 2,076,695 – – a Benefits include travel and other expenses relating to the attendance at board and other meetings. Amounts disclosed have been grossed up using a tax rate of 45%, where relevant, a Resigned on 31 December 2018. as an estimation of tax due. b Due to rounding, the totals may not agree exactly with the sum of its component parts. Helge Lund assumed the role of chairman with effect from 1 January c Resigned on 21 May 2018. d Appointed on 21 May 2018. 2019. His share interests are disclosed on page 103. e Appointed on 26 July 2018. f Fee includes £25 thousand for chairing and being a member of the BP technology advisory council. g Benefits include relocation expenses. h Appointed on 17 May 2017. i Amended from £140 thousand (fees) and £148 thousand (total) as originally disclosed in our 2017 report. 102 BP Annual Report and Form 20-F 2018

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Corporate governance – 103 91% 67% 151% 417% 107% 107% 126% 135% 757% 273% 305% 446% achieved % of policy a – £81,914 £60,168 £60,168 £96,465 £274,113 \$181,797 \$181,797 £121,644 shareholding \$128,627 \$150,957 \$327,358 £681,250 \$535,214 Value of current £3,270,000 £3,270,000 c c c c – 17,700 17,592 11,040 44,772 15,030 73,200 24,864 20,646 50,296 125,000 600,000 15 Mar 15 2019 equivalents at equivalents Ordinary shares or – 22,320 ----- 15 15 2019 Changes from from Changes 31 Dec 2018 to c c c c – BP Annual Report and Form 20-F 2018 17,700 17,592 44,772 15,030 73,200 24,864 20,646 50,296 600,000 31 Dec 2018 Ordinary shares or equivalents at c c c c – – 14,198 11,040 11,040 47,500 44,772 22,320 22,320 24,864 20,646 30,000 58,200 125,000 125,000 1 Jan 2018 Ordinary shares or equivalents at threshold for such d b e f Resigned on 21 May 2018. Appointed on 21 May 2018. policy achieved based on annual equivalent fee for role of chairman. Based on share and ADS prices March at 15 2019 of £5.45 and \$43.87. Appointed on 26 July 2018. Held as ADSs. Appointed 26 July 2018. Became chairman with effect from 1 January 2019. Percentage of Helge Lund Professor Dame Ann Dowling Paul AndersonPaul Alan Boeckmann Ian Davis Admiral Frank Bowman Payments for loss of office and payments to past directors (audited) We made no payments for loss of office during or respectin to of 2018 directors. former or current Sir Ian Prosser (who retired as a non-executive director of BP in April 2010) was appointed as a director and non-executive chairman of BP Pension Limited Trustees on 1 October 2010. During 2018, he received £100,000 for this role. Other than this, we made no payment any past to director of BP during (we 2018 have no minimis de a disclosures). NilsAndersen Non-executive directors' interests (audited) The figures below indicate and include all the beneficial and Directors' remuneration report remuneration Directors' non-beneficial interestsof each non-executive director of the company in shares of BP (or calculated equivalents) that have been disclosed the to company under the DTRs as at the applicable dates. d e f b c Pamela Daley Brendan NelsonBrendan Dame Alison Carnwath Sir John Sawers Melody Meyer Melody Paula Rosput Reynolds Rosput Paula

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Other disclosures Historical TSR performance Shareholder engagement F��� 100 �� Throughout 2018 we continued to discuss remuneration policy and approach with many of our largest shareholders, as well as investor �2�0 representative bodies. We plan to continue this dialogue in 2019, as we consider updates to our remuneration and minimum shareholdings policies for 2020. �200 The table below shows the votes on the report for the last three years. AGM directors' remuneration report vote results �1�0 Year % vote 'for' % vote 'against' Votes withheld et��al �100 �old�n��100 t� et��al 2018 96.42% 3.58% 42,741,541 �100 2017 97.05% 2.95% 63,453,383 2016 40.70% 59.30% 464,259,340 �alue o���po o��alue ��0 The remuneration policy was approved by shareholders at the 2017 AGM on 17 May 2017. The votes on the policy are shown below. 200� 2010 2011 2012 201� 201� 201� 201� 201� ���� 2017 AGM directors' remuneration policy vote results Year % vote 'for' % vote 'against' Votes withheld This graph shows the growth in value of hypothetical £100 investments 2017 97.28% 2.72% 36,563,886 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 2008 to External appointments 31 December 2018. The board supports executive directors taking up appointments Independence and advice outside the company to broaden their knowledge and experience. Each executive director is permitted to retain any fee from their external The board considers all committee members to be independent appointments. Such external appointments are subject to agreement by with no personal financial interest, other than as shareholders, in the the chairman and reported to the board. Any external appointment must committee's decisions. Further detail on the activities of the committee, not conflict with a director's duties and commitments to BP. Details of advice received and shareholder engagement is set out in the appointments as non-executive directors of publicly listed companies remuneration committee report on page 83. during 2018 are shown below. During 2018 David Jackson, the then company secretary, and Appointee Additional position subsequently Hannah Ashdown, both of whom were employed by the Director company held at appointee company Total fees company and reported to the chairman of the board, acted as secretary Bob Dudley Rosnefta Director 0 to the remuneration committee. Brian Gilvary Air Liquide Non-executive director Euros 70,500 The committee also received advice on various matters relating to the a Bob Dudley holds this appointment as a result of the company's shareholding in Rosneft. remuneration of executive directors' and senior management from Helmut Schuster, executive vice president, group human resources, and Ashok Pillai, vice president, group reward. Committee membership Please refer to the committee report on page 83 for details of PricewaterhouseCoopers LLP ('PwC') continued to provide membership of the remuneration committee during 2018. independent advice to the committee in 2018, following its appointment as independent adviser to the committee in September 2017, following a competitive tender process. PwC is a member of the Remuneration Consulting Group and, as such, operates under the code of conduct in relation to executive remuneration consulting in the UK. The committee is satisfied that the advice received is objective and independent. Freshfields Bruckhaus Deringer LLP provided legal advice on specific compliance matters to the committee. PwC and Freshfields provide other advice in their respective areas to the group. During the year, PwC provided BP with services including subsidiary company secretarial support. Total fees or other charges (based on an hourly rate) for the provision of remuneration advice to the committee in 2018 (save in respect of legal advice) were £179,200 to PwC. 104 BP Annual Report and Form 20-F 2018

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Corporate governance 105 ial performance – 50%. performance – ial onment – 10% ty – 20% able operations – 20% 19, performance will be assessed against: mmittee holds discretionadjust to outcomes reflect to ition, the executive directors have voluntarily elected to rpin – the committee will then review broader fits will remain unchangedfor 2019. These include e changes reduce Brian’s cash supplement sooner supplement cash Brian’s reduce changes e ting from 1 June 2019, we agreed reduce to Brian’s cash Safe Envir Reli Financ impacting safety environmental or sustainability, by the committee. Bonus is subject malus to and clawback provisions or restatement misconduct, as such events following Malus miscalculation. and results, of misstatement may also be applied following a material failure decided as circumstances exceptional other or Performance shares are subject malus to and clawback misconduct, as such events following provisions and results, of misstatement or restatement miscalculation. applied be also following Malus may a material failure impacting safety or environmental as circumstances exceptional other or sustainability, decided by the committee. – – – – defer the vesting date of certain other share awards, with performanceassociated otherwise conditions, would which unrestricted. been have In add For 20 Unde TSR, and safety absolute including performance, environmental factors in order determine to the final outcome. vesting Bene car-relatedpreparation, benefits,return assistance tax with security medical and benefits. assistance, insurance Star supplement of by salary 5% each year reach to 20% of salary with effect from 1 June 2021, with a further reduction, 5% Thes to 15% of salary,15% to with effect from September 1 2023. The co than the transition for other members of the BP UK defined UK BP the members of other for transition the than benefits plan, and Brian will not receive anyform of normal His reductions. the to related compensation retirement age is 60, although benefits accrued before 1 December 2006 may be paid from age 55 with BP’s consent. performance considerations. broader • • • • • BP Annual Report and Form 20-F 2018 lative oil to and gas majors – 50% weighting. E – averaged over the full period – 20% weighting. onus earned is paid in cash, 50% is deferred into res against our strategic objectives – 30% es aligned to BP strategy and shareholders’ interests. interests, shareholders’ and strategy BP to aligned es d Brian are expected maintain to a holding of at least orecard measures for the bonus are set annually to ffect from the AGM, Brian Gilvary’s salary will increase ecard outcome of 1.0, reflecting target on each e 2019-21 cycle, vesting level will first be assessed on ompares an to average increase of over 3.5% our to UK surement scale on every measurea scorecard – n is a member of the BP UK defined benefits pension ROAC Prog TSR re weighting. rual under his defined his benefitarrangements. under rual pension ding of five times salary. ee-year holding period.ee-year holding – – – The table below shows how the remuneration policy approved by shareholders at the 2017 AGM by shareholders at the 2017 policy approved shows how the remuneration The table below . go to bp.com/remuneration full remuneration policy, please in 2019. For the will be implemented Continuing requirement for executive directors maintain to a hol Bob an two and a half times salary for two years post employment. outcome of 2.0. scales measurement sets priorities. reflect committee The year-on-year require that (disclosed retrospectively) improvement. Three-year performance further by period, followed thr Measur For th areas: these in years three performance the over future years. His normal retirement age is 60. Maximum bonus requires performance at the top of the mea A scor maximum bonus. of half delivers scale, measurement 50% of b shares for three years. The sc Bob Dudley’s salary will remain at \$1,854,000 for 2019. With e by £790,500. to 2% This c salaried staff, effective on our annual salary review date 1 April. Since September 2016, Bob has had no further service acc The 401(k) benefits have been partially cappedfor Bria plan and he receives a cash supplement in lieu of further participants other service as in terms same accrual the on the plan, currently 35% of salary. • • • • • • • • • • Directly linked long-term to performance and represents the largest part of total remuneration. Reinforces alignment with shareholder interests, and stewardship of the enterprise. Salary and benefitsreflect the scale and complexity of the role, and competitive practice in the market. The bonus links variable pay safety, to environmental goals, reliable operations and financial performance for the year. 2019 CFO – 450% of salary reflects Vesting three-year performance GCE – 500% Share ownership Long-term shareholding obligation Performance shares Annual bonus Reflectshome country market Reflectsrole and home country market benefits Retirement Salary and benefits Up 225% to of salary annual with Aligned objectives Executive director remuneration policyremuneration director Executive Directors’ remuneration report remuneration Directors’ 2019 for and implementation

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Salary and benefits Bob's annual salary will remain at \$1,854,000 for 2019. Brian's salary increases over the last five years will increase by 2% to £790,500 from the date of the 2019 AGM. For Bob Dudley Brian Gilvary reference, the April 2019 annual pay review of our salaried employees in the UK was subject to a budget in excess of 3.5%. We expect to maintain benefits at the current level.

We have amended our bonus measures to include changes in plan conditions (including oil and gas prices and refining environmental measure (10%) alongside safety (20%), reliable margins) when reviewing financial outcomes at year end, and retains operations (20%) and financial performance (50%). This approach discretion to review outcomes in the context of overall performance. will provide a balanced assessment of how the business has performed Awards will be subject to malus and clawback provisions as described over the course of the year and of our progress in addressing emissions in the 2017 policy. reduction. We are also changing downstream refining availability to BP-operated upstream plant reliability measure. maximum bonus score of 2.0. In accordance with the 2017 policy, the bonus payable for performance which meets the annual plan The committee has set the 2019 targets after consultation on the safety (i.e. a bonus score of 1.0 out of a maximum of 2.0) is half of maximum, targets with the SEEAC and on the financial targets with the MBAC.

The following year For any bonus earned, 50% will be delivered in cash and 50% will be deferred into shares that will vest after three years. Measures for 2019 annual bonus Element Safety Environment Financial performance Reliable operations

Measures Weighting Measures Weighting Measures Weighting Measures Weighting include for 2019 include for 2019 include for 2019 include for 2019

Recordable injury 10% Sustainable emissions 10% Operating cash 20% BP-operated upstream 10% frequency KPI reduction KPI flow xcluding Gulf of Mexico oil spill payments KPI BP-operated 10% safety events KPI Underlying 20% downstream refining replacement availability (Solomon cost profit KPI Associates' operational Upstream unit 10% availability) KPI production costs KPI 106 BP Annual Report and Form 20-F 2018

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Corporate governance 107 t-led downstream growth the in over and renewables trading renewables and over ing gas and advantaged oil in the uring and low carbon across multiple fronts Grow upstream Marke Vent Gas, p growth marketing and • Strategic progress 30% • • • KPI b BP Annual Report and Form 20-F 2018

Future growthFuture Measures for the strategic element are directly focused on deliveryof resilience portfolio the for positioning long-term strategy, company's the and future growth. We will be following the implementation of our strategy through the four measures relating the to strategic priorities set out below. The committee has also sought input from the board specific the regarding measures. Detailsthe of strategic progress targets – which carry a 30% weighting in the vesting calculation – are commercially sensitive and are not included in this report. the committee However, intends provide to detailed retrospective disclosure after the end of the performance period so that shareholders will be able review to the basis of our assessment.The board regularly reviews progress on the strategic quarterly BP's announcement and year priorities results the throughout progress. strategic group's the on updates includes Broader performance assessment – the underpin Prior approving to vesting outcomes, the committee will also consider the broader performance of the business including absolute TSR (including factors performance, environmental with safety and together consideration issues of around greenhouse gases) over the three-year period. this to We refer as the underpin. The underpin will be applied after the formulaic outcome for the performance shares but before the finalvesting outcome has been determined. In looking at environmental factors, the committee will consider the improving emissions, reducing as such issues on progress group's our products and creating low carbon businesses – see page 46. Return average capital on employed 20% 12.5% return on average12.5% capital employed 0% of element 8.5% return on average capital employed 100% of element KPI a 25% of element25% Third out five of 100% of element place First 50% Threshold vesting Maximum vesting Relative TSR versus oil majors Based on the average of performance over 2019, 2020 and 2021. There will be straight-line vesting for performance between the threshold and maximum vesting level. Adjustments may Element be required in certain circumstances (e.g. to reflect changes in accounting standards). Nil vesting for fourth and fifth place.Vesting of 80% for second place. Measures performance for 2019-21 shares a b Performance shares Performance Directors' remuneration report remuneration Directors' In line with policy, our the2017 performance share awards for our 2019-21 cycle will be granted at in the 2019 level of 500% of salary for Bob and 450% of salary for Brian. Performance will then be measured over three years, with any vested shares being subject a mandatory to holding period further of a three years. These awards are subject to malus and clawback provisions as set out in the policy. The measures for the 2019-21 cycle of performance shares focus on shareholder value, capital discipline and future growth. Shareholder value The TSR element is measured on a relative basis against the oil majors: Chevron, ExxonMobil, Shell We maintain and Total. our belief that the current comparator group remains appropriate as it is used for benchmarking across a range of activities in otherparts of the group. This measure carries a 50% weighting in the vesting calculation, with targets shown below. disciplineCapital ROACE is calculated by dividing the underlying replacement cost profit (after adding back net interest) by average capital employed excluding cash and goodwill (see Glossary on page for full definition). 315 ROACE is measured based on the actual price environmentfor each of the years in question; there will be no adjustments for changes plan to conditions. For the 2019-21 performance shares award, this assessment will be averaged over the full three-year period. This ROACE measure carries a 20% weighting in the vesting calculation, and targets are shown in the table below.

Retirement benefits Bob Dudley Bob is provided with pension benefits and retirement savings through a provided directly by the company rather than through the BPPS. The combination of tax-qualified and non-qualified benefit plans. His normal rules of this non-qualified arrangement are designed to mirror the design retirement age is 60. of the approved BPPS. The BP Supplemental Executive Retirement Benefit Plan (SERB) is a The BPPS is closed to new hires, but for existing participants the plan non-qualified defined benefit pension plan which provides a pension of continues to provide a pension of one sixtieth of final base salary for 1.3% of final average earnings for each year of service, less benefits each year of service, up to a maximum of two thirds of final base salary, paid under all other BP (US) tax-qualified and non-qualified pension and a dependant's benefit of two thirds of the member's pension. plans. In 2016 Bob reached the SERB service limit of 37 years of service On 1 April 2011, Brian elected to stop future service accrual and instead and therefore no longer builds up further service accrual under these receive a cash allowance. His accrued benefits in the approved and pension plans. However the accrued benefit remains linked to highest unapproved plans remain linked to his final base pay. average earnings within the final 10 years. The benefit payable under the The rules of the BPPS were amended in 2006 to introduce a normal SERB is unreduced at age 60 or older. retirement age of 65, but in common with other BPPS participants in The BP Employee Savings Plan (ESP) is a US tax-qualified defined service on 30 November 2006, Brian has a normal retirement age of 60. contribution plan to which both Bob and BP contribute. BP matches Subject to the consent of the committee, Brian may retire between age Bob's salary contributions to a maximum of 7% of base salary, up 55 and 60 and be entitled to an immediate pension, with a reduction to the IRS limit. The BP Excess Compensation (Savings) Plan (ECSP) (currently 3%) for each year before normal retirement age in respect of is a non-qualified, unfunded, retirement savings plan to which BP the benefit that relates to service since 1 December 2006 and no notionally contributes 7% of base salary above the annual IRS limit. reduction in respect of the remainder of his benefit. In common with around 2,000 other participants, Bob does not Irrespective of this, on leaving in circumstances of total incapacity, an contribute to the ECSP. immediate unreduced pension would be payable from his leaving date. Under both savings plans, Bob is entitled to make investment elections, BPPS members can elect to stop accrual and instead receive a cash involving the actual investment holdings in the case of the ESP, allowance of 35% of salary until March 2021, then progressively and the notional investment holdings in the case of the ECSP. Benefits reducing to 15% of salary by March 2024 (or such earlier date that they payable under the ECSP are unfunded and will therefore be paid from would have accrued a maximum two-thirds pension under the BPPS corporate assets. Accordingly annual investment returns on the ECSP had they not opted out). As noted above, on 1 April 2011 Brian elected are recognized as income for the single figure table, in addition to the to stop future service accrual and receive this cash allowance. Currently notional contributions themselves. Conversely, annual investment over 650 employees have elected to stop future service accrual under losses are offset against the value of contributions and notional the final salary plan and instead receive the 35% cash allowance. Brian contributions by BP and therefore reduce the amount recognized as has offered to accelerate the schedule of this progressive reduction. income for the single figure table. Accordingly reductions to 30%, 25% and 20% will be made with effect Brian Gilvary from 1 June 2019, 2020 and 2021 respectively, and a final reduction to 15% with effect from 1 September 2023 being the date on which Brian Brian is provided with pension benefits and retirement savings through would have reached a maximum two-thirds pension under the BPPS a combination of tax-qualified and non-qualified benefit plans and a had he not opted out. cash allowance. His normal retirement age is 60, although benefits accrued before 1 December 2006 may be paid from age 55 with BP's consent. Brian is a member of a UK final salary defined benefit pension plan, the BP Pension Scheme (BPPS), along with over 3,800 other UK employees. Pension benefits that have been accrued in the BPPS in excess of the individual lifetime tax allowance set by legislation are provided to Brian via a non-qualified, unfunded pension arrangement Shareholding requirements Both executive directors remain subject to the share ownership requirement of five-times salary, which they currently exceed. Based on the commitments each director has made to the committee, we expect that Bob and Brian will each maintain shareholdings of at least 250% of salary for two years post employment. 108 BP Annual Report and Form 20-F 2018

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Corporate governance 109 . BP Annual Report and Form 20-F 2018 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. Non-executive directors are reimbursed for all reasonable travelling and subsistence expenses (including any relevant tax) incurred in carrying out their duties. The reimbursement of professional fees incurred by non-executive directors based outside the UK in connection with advice and assistance on UK tax compliance matters. The level and structure of non-executive directors' remuneration is reviewed by the chairman, the GCE and the company secretary who make a recommendation to the board. Non-executive directors do not vote on their own remuneration. Remuneration for non-executive directors is reviewed annually. Non-executive directors receive an allowance to reflect the global nature of the company's business. The intercontinental travel allowance is payable for the purpose of attending board or committee meetings or site visits. The allowance is paid in cash following each event of intercontinental travel. The chairman is provided with an office and full-time secretarial and administrative support in London and a contribution to 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 is reimbursed. Remuneration is in the form of cash fees, payable monthly. Remuneration practice is consistent with recognized best practice standards for non-executive directors' remuneration 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 chairmanship and membership and for the role of senior independent director. Remuneration is in the form of cash fees, payable monthly. The level and structure of the chairman's remuneration will be compared to best UK practice. The quantum and structure of the non-executive chairman's remuneration is reviewed annually by the remuneration committee, which makes a recommendation to the board. The chairman is provided with support and reasonable travelling expenses. The table below shows the remuneration policy approved by shareholders at the 2017 AGM. The table below shows the remuneration policy, please go to bp.com/remuneration for the full remuneration policy. Operation and Opportunity Approach Benefits and expenses Approach Approach Non-executive chairman Fees The maximum fees for non-executive directors are set in accordance with the Articles of Association. Directors' remuneration report 2019 for remuneration director This directors' remuneration report was approved by the board and signed on its behalf by Jens Bertelsen, company secretary on 29 March 2019.

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Pages 110-111 have been removed as they do not form part of BP's Annual Report on Form 20-F as filed with the SEC.

126 Consolidated financial statements of the BP group

Financial statements	Independent auditor's reports	<u>126</u>	Group statement of changes in equity	<u>131</u>
	<u>Group income statement</u>	<u>129</u>	<u>Group balance sheet</u>	<u>132</u>
	Group statement of comprehensive income	<u>130</u>	<u>Group cash flow statement</u>	<u>133</u>

134 Notes on financial statements

1. Significant accounting policies	<u>134</u>	22. Trade and other payables	<u>172</u>
2. Significant event - Gulf of Mexico oil spill	<u>151</u>	23. Provisions	<u>172</u>
3. Business combinations		Pensions and other post-	