



# Meeting with BP Chairman and Committee Chairs

**23<sup>rd</sup> March 2011**  
St James's Square



# Introduction

**Carl-Henric Svanberg**

23<sup>rd</sup> March 2011



# Gulf of Mexico Committee

**Ian Davis**

23<sup>rd</sup> March 2011

# Formation of Gulf of Mexico Committee



- Committee formed in recognition of the scale of the long-term response and to oversee the activities of BP's Gulf Coast Restoration Organisation (GCRO)
  - Enables board to devote attention to oversight and strategic direction of group as a whole
- The work of the committee is fully integrated with the work of the board on reputation, safety, strategy and financial planning, and the board retains ownership of the group's response to the incident

# Gulf of Mexico Committee: Members and attendees



## Committee membership:

- Ian Davis (Chair) #
- Paul Anderson § ‡
- Sir William Castell §
- George David # ‡

# Also Audit Committee member

§ Also SEEAC member

‡ US-based

## Standing meeting attendees:

- Lamar McKay, President of the GCRO
- Jack Lynch, General Counsel to the GCRO
- Chairman, Chief Executive and Group General Counsel join meetings whenever possible

# Areas of focus



- Legal
  - Includes all government, civil and criminal investigations, the multi district litigation, and the Natural Resources Damages Assessment process
- Claims
  - Individuals and businesses (since late August administered by the GCCF); and government entities (administered by BP)
- Remediation
  - Operations and clean-up activities
- Reputation
  - Political landscape and public opinion



# Safety, ethics and environment assurance committee

**Sir William Castell**

23<sup>rd</sup> March 2011

# SEEAC: Membership and attendees



## Members:

- **Sir William Castell (Chair):** *Chairman of Wellcome Trust and director of General Electric*
- **Paul Anderson:** *non-executive director of BAE Systems Ltd and formerly chief executive of BHP Billiton and Duke Energy*
- **Frank “Skip” Bowman:** *former head of the nuclear programme for the US Navy and member of the Baker Panel*
- **Antony Burgmans:** *formerly chairman of Unilever*
- **Cynthia Carroll:** *Chief Executive of Anglo American plc*

## Attendees:

- Bob Dudley (Group Chief Executive)
- Mark Bly (Executive Vice President Safety & Operational Risk)
- Rupert Bondy (Group General Counsel)
- David Viles (General Auditor)
- Allister Wilson (lead partner, Ernst & Young)



# Areas of focus for SEEAC in 2010



- Safety and operations
  - Safety and operational risk function
  - Executive oversight (GORC)
- Gulf of Mexico
  - BP Investigation Report
- Independent Expert
  - Continued assessment of progress against Baker Panel recommendations
- Texas City
  - OSHA citations
  - Committee site visit
- Crisis and continuity management
- HSE in TNK-BP

# 2011 Plans and Priorities



- Gulf of Mexico
  - Monitoring implementation of Bly Report recommendations
- Safety & Operational Risk
  - Development and structure of S&OR
  - Clarity of accountabilities
  - Embedding OMS and group standards
- Enhanced leading and lagging indicators of safety performance
- Environmental performance
  - Measurement and compliance
- Code of Conduct
  - Reinforcing “speak up” culture
- Security



# Audit committee

**Douglas Flint**  
23<sup>rd</sup> March 2011

# Audit Committee: Membership and attendees



## Members:

- **Douglas Flint (Chair):** *Chairman (and formerly Finance Director) HSBC*
- **George David:** *Formerly Chief Executive and Chairman of UTC*
- **Ian Davis:** *Formerly Chairman and Managing Director of McKinsey*
- **Brendan Nelson:** *Formerly Global Chairman banking and financial services, KPMG International – joined 8<sup>th</sup> November 2010*
- **Phuthuma Nhleko:** *Group Chief Executive MTN Group – joined 1<sup>st</sup> February 2011*

## Attendees:

- Byron Grote (Chief Financial Officer)
- Rupert Bondy (Group General Counsel)
- Brian Gilvary (Deputy CFO)
- Brian Puffer (Group Controller)
- Roger Harrington (Chief Accounting Officer)
- David Viles (General Auditor)
- Allister Wilson (Lead Partner, Ernst & Young)

# Areas of focus for the Audit Committee in 2010



- Gulf of Mexico incident
  - Reporting and accounting: including provisioning methodology
  - Internal controls: initial response and in GCRO
- Business controls and risk
  - US fuels value chain
  - TNK-BP
  - Trading
  - Procurement
- Executive oversight of BP's financial risk
  - Group Financial Risk Committee
- Audit, risk management and fraud

# 2011 Plans and Priorities



- Financial risk assessment
  - Including work programme of internal audit function
- Debt and liquidity management
- Controls in new environments
  - Upstream re-organisation
  - JVs and acquisitions/disposals
- Audit Committee changes
  - New Chair from April: Brendan Nelson
  - Phuthuma Nhleko joined in February



# Remuneration committee

**Dr DeAnne Julius**

23<sup>rd</sup> March 2011

# Remuneration Committee: Members and attendees



## Members:

- **Dr DeAnne Julius (Chair):** *Chairman of the Royal Institute of International Affairs and previously a member of the Bank of England Monetary Policy Committee*
- **Antony Burgmans § :** *formerly chairman of Unilever*
- **George David # :** *Formerly Chief Executive and Chairman of UTC*
- **Ian Davis # :** *Formerly Chairman and Managing Director of McKinsey*

## Attendees:

- Carl-Henric Svanberg (Chairman)
- Bob Dudley (Group Chief Executive) – when requested

# Also Audit Committee member

§ Also SEEAC member



# 2010 Pay Decisions Dominated by Deepwater Horizon Incident



- **Salaries frozen during 2010**
  - Except for promotion of Bob Dudley to CEO
  - Last increase for others in July 2008
- **Annual bonuses eliminated or greatly curtailed**
  - No bonus for Dudley, Hayward or Inglis
  - Bonus for Conn and Grote limited to 'on-target' for their segment results only, despite strong performance
- **No vesting of 2008- 2010 Share Element**

# 2011 Remuneration Policy



- **Policy approved by shareholders in 2010 remains intact**
  - Salary increases for Conn and Grote
  - Annual bonus – 150% of salary at target and 225% maximum
  - Deferred bonus – 1/3<sup>rd</sup> mandatory deferral, additional 1/3<sup>rd</sup> voluntary deferral, both matched 1-for-1, vesting after 3 years subject to review of safety and environment sustainability
  - Share element – 5.5 times salary for CEO and 4 times for others, 3 year performance period, 3 year retention period
- **Performance measures aligned with strategy**
  - Bonus measures include safety metrics
  - Share element measures - 50% TSR, 20% reserves replacement, 30% balanced scorecard of strategic imperatives for rebuilding trust (safety culture, reputation, staff alignment and morale)



- **RemCo remit expanded to include more active role on pay policy and practice below Board**
  - Major review underway (with the Group Chief Executive)
  - Single policy approach for all leadership team (top 600)
  - Focus on long-term sustainable value creation
  
- **Antony Burgmans takes over as RemCo Chairman from AGM**



# Nomination and chairman's committees

**Carl-Henric Svanberg**

23<sup>rd</sup> March 2011

# Focus of the Nomination Committee in 2010



- Rapid Board evolution
  - Executive and Non-Executive
- Chief Executive succession
- Ensure appropriate Board skills

# Focus of the Chairman's Committee in 2010



- Forum for NED discussion
- Support for company's response to Gulf of Mexico
- Succession and performance of group chief executive
- Succession planning within the group
- Working with Nomination Committee on Board skills and experience



## Nomination Committee

- Return to normal rhythm of Board evolution
- Focus on diversity within membership
- Committee composition

## Chairman's Committee

- Monitoring and support for the new Group Chief Executive
- Capability and succession planning for senior management
- Continued focus on structure and effectiveness of new organisation