

Vote Bulletin – BP Plc

Meeting Type – Annual

Meeting Date – 04/27/23

Key Issues – Compensation

Vote Decisions – State Street Global Advisors voted with management on the approval of the remuneration report

Management Resolutions

Item number	Item description	Management recommendation	SSGA vote
2	Approve Remuneration Report	FOR	FOR

Voting Rationale

For – Item 2 – Approve Remuneration Report

In 2022 BP Plc (bp) confronted an especially challenging year where four fatalities were recorded at facilities in the United States and Germany. Given this situation, safety was at the center of the remuneration discussion leading up to the company's 2023 annual meeting.

The process safety tier 1¹ and tier 2² events' metric carries a 15-percent weight in the CEO's overall bonus scorecard. For FY2022, the target was set at 61 events, while the outcome was 50 events. In determining the final outcome of the safety metric, the Remuneration Committee considered the four fatalities and bp's underlying safety performance and resolved to apply a downward adjustment to the bonus for the CEO and cascade this through the relevant members of the bp leadership team. The resulting bonus outcome for the CEO was reduced by 3.2 percent (arriving at 75.5 percent of maximum).

As we assessed whether this level of discretionary reduction to the CEO's overall bonus scorecard represents an adequate response to the four fatalities, we engaged with bp to better understand the rationale behind the Remuneration Committee's decision.

During the engagement, bp stressed that the Remuneration Committee does not apply a formulaic policy to discretionary adjustments. First, bp's Safety and Sustainability Committee investigates each event, with the goal of determining whether a tier 1 event contributed to the fatality. The Committee also determines whether the incident is related to a systemic or cultural issue, was the result of poor training or lack of training, or is related to an instance of uncontrollable natural force in operation. The Safety and Sustainability Committee then advises the Remuneration Committee on safety outcomes for a given year, and the setting of safety and sustainability measures for the group's reward plans. During the engagement, bp ensured us that the Remuneration Committee's decision to apply a 3.2-percent downward adjustment to the CEO's bonus outcome was taken following a thorough review of each of the four fatal incidents.

In addition, to improve the focus on process safety tier 1 events, the Remuneration Committee, with input from the Safety and Sustainability Committee, has decided to modify how it measures safety for the 2023 annual bonus scorecard so that

¹ Tier 1 events are losses of primary containment from a process of greatest consequence – causing harm to a member of the workforce, damage to equipment from a fire or explosion, a community impact or exceeding defined quantities.

² Tier 2 events are those of lesser consequence.

both tier 1 and tier 2 events are measured independently, rather than as a combined metric. The greater focus on tier 1 delivery aligns with the company's goal to eliminate tier 1 events.

Having gained assurance about the in-depth nature of the incident review and the decision-making process, considering that the number of safety events at bp (combined tier 1 and 2) decreased by 19 percent year-on-year and was at record low in 2022, because the Remuneration Committee has decided to change how it measures safety for the 2023 bonus scorecard, taking into account other remuneration-related decisions of the Remuneration Committee (e.g. a discretionary 10-percent adjustment to the 2020 LTIP grant due to potential windfall gains), and taking into account the overall strong alignment of pay with performance, we found the remuneration report supportable.

We believe oversight of employee safety is a key responsibility of the board and we leverage engagement to build our understanding how the board is holding management accountable for safety outcomes at the company. In addition, we believe executive compensation can be a useful tool to incentivize management to remain focused on safety as they work to implement strategy. We will continue to engage companies on safety including how boards are providing adequate oversight as well as how they are incentivizing management to ensure that the company's practices and policies are effectively addressing safety-related issues.

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*Pensions & Investments Research Center, as of 12/31/22.

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Marketing Communication

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