

BP Investment Management (BPIM) Stewardship Policy

BP Investment Management Limited (BPIM), a wholly owned investment management subsidiary of BP Plc, manages the assets of the BP Pension Fund ("the Fund"). This activity is conducted in accordance with the Statement of Funding and Investment Principles between BP plc and BP Pension Trustees Limited ("the Trustee"), and BPIM's Investment Management Agreement ("the IMA") with the client, BP Pension Trustees Limited. BPIM has no other clients.

Stewardship issues relating to investee companies, such as corporate governance and social responsibility, are monitored by portfolio managers as part of the investment analysis and valuation process. BPIM does not have a separate corporate governance function as it is not considered economic because of the large number of investee companies (approximately 1,300 quoted companies) and low percentage interest in each company which limits BPIM's influence with company management and directors.

Conflicts of Interest

Conflicts of interest may arise between BPIM, its parent (BP plc) the Fund sponsor, and the Trustee in deciding how to vote the shares of the Pension Fund. The IMA states that the fund manager may exercise voting rights at its discretion and will take into account any views of the Trustee regarding the exercise of voting rights.

BPIM is aware that conflicts of interest may exist and recognises its paramount duty to act in the best interests of the Pension Fund. BPIM will consult with its client, the Trustee, if it believes there is a potential conflict of interest in voting on a particular resolution and that the issues involved are material.

Company Monitoring and Engagement

BPIM has regular opportunities to meet the management of investee companies to discuss strategy, performance, governance and the approach taken to risks arising from social and environmental factors. Such meetings are part of the routine investment management process and prioritise issues which are most important to the generation of long-term shareholder value. BPIM does not otherwise intervene in investee companies' affairs except in exceptional circumstances.

BPIM's portfolio managers seek to identify governance problems that may lead to a loss of shareholder value. In the case of less serious breaches portfolio managers may enter into active dialogue with investee company management and boards. If more serious problems arise, consideration will be given as to whether it is in the Trustee's best interests for BPIM to continue to hold the investment. Portfolio managers also respond to requests from companies for comment on their governance and strategic issues. Correspondence with investee company boards is retained as a record of the views expressed.

Voting Policy

BPIM's policy is to use best endeavours to vote at all company meetings. However legal restrictions and short timescales occasionally result in votes failing to be lodged.

BPIM subscribes to proxy advisory and voting services provided by RiskMetrics. The default practice in voting is to follow the advice of RiskMetrics which, in the UK, reflects the Policy and Voting Guidelines of the National Association of Pension Funds. However, portfolio managers have discretion to override the default on investment grounds. As part of their service

RiskMetrics reviews explanations made by investee companies in relation to the relevant governance code or market practice.

There is also a procedure in place to refer votes against the managements of the parent's competitor companies and the largest holdings of the Fund to the Trustee for review. In accordance with the IMA, BPIM will take into account any view expressed by the Trustee.

Collective Action

BPIM is willing to act collectively with other investors where the resources committed by BPIM are justified by the potential increment in shareholder value resulting from the engagement. Collective action is also implicit in BPIM's support for the voting guidelines implemented by RiskMetrics as part of the voting process.

Reporting

BPIM reports formally to the Trustee on its stewardship and voting activities as part of its normal quarterly reporting process. The Trustee also has real time access to votes cast by BPIM via the RiskMetrics website.