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18 November, 2013

Dear Sir/Madam,

FRC Exposure Draft: Guidance on the Strategic Report

BP welcomes the opportunity to comment on the FRC's Exposure Draft: Guidance on the Strategic Report. We are supportive of the FRC's guidance in assisting companies to interpret the provisions of the regulations and how they should be applied. In our response to the Exposure Draft, we have set out our general observations on the regulations and the Guidance before addressing the questions raised in the Draft itself.

General observations

a. Summary Financial Statements: communication with private shareholders

We remain concerned that the new regulations require companies to entirely reproduce their strategic report in any summary document sent to shareholders, including the Summary Financial Statements. Prior to the change in regulations, companies were able to tailor their communications to private shareholders and better meet their interests in terms of the information contained in a summary document. Under the new regime, we are faced with sending a far longer document which will no longer be focused on private shareholder needs (as any additional, targeted information will need to be appended to the unabridged strategic report). Not only will this have cost implications in terms of printing and mailing to our UK and overseas private shareholders, but we believe it will result in communication with this separate investor population being less effective and we question whether this was the intent of the regulations.

We are disappointed that the FRC's Guidance has not addressed these issues and believe that those companies who currently send a tailored, summary document to private shareholders will now be required to discontinue this practice and instead send the strategic report or a full annual report to private shareholders. We believe that both these new approaches would result in inferior communication with this shareholder group. We do not believe that the suggestion in the Guidance to use cross-referencing or supplementary materials in the annual report as a way of shortening the strategic report will resolve these issues and we also note that for

filers of a combined Annual Report and Form 20-F such as ourselves, such use of cross-referencing or appendices would not meet US regulatory requirements.

b. "Fair, Balanced and Understandable"

We note that the Guidance does not contain any further clarification on what the FRC views as a best practice process for boards to review and consider whether their annual reports are fair, balanced and understandable – nor does the Guidance articulate what boards should consider as fair, balanced and understandable in the context of the annual report. At present, users who wish to understand what the FRC means by fair, balanced and understandable are directed to a series of past FRC reports which touch on these concepts amongst a number of other issues.

Given the Guidance highlights where the FRC views best practice in other corporate reporting areas, we would ask that consideration is given to adding disclosure examples on fair, balanced and understandable in order to assist boards to focus on what the FRC views as best practice. This would greatly strengthen the Guidance and be of value for preparers of reports.

c. Diversity reporting

The new regulations require that companies which produce group accounts provide a gender breakdown of those who were senior managers of the company, including the number of persons of each sex who were directors of the undertakings included in the consolidation – namely subsidiary companies. BP has a large number of subsidiary companies, which focus on intergroup matters and do not have external creditors or outside directors. Employees who sit on group subsidiary entities are not necessarily senior members of executive management and reporting the gender breakdown of subsidiary directors seems at odds with the other diversity reporting requirements for the annual report (including the plc board's gender targets for board directors and the gender breakdown of senior management). This may prove to be misleading for shareholders and other users of the annual report when considering how a company has performed on diversity targets.

We note that the regulations enable companies to define who they consider to be a "senior manager" and we are disappointed that the Guidance does not address the anomaly of reporting the gender breakdown of subsidiary directors alongside the reporting of senior management. We also question why the Guidance includes square brackets on the requirements around which directors are to be included in the consolidation (in the Appendix on page 40) as our understanding is that this is required by the Companies Act and is not optional.

Questions

The annual report

Questions 1 and 2

We believe the illustration is a useful overview of the reporting requirements and will help those drafting annual reports.

Areas where further clarity might be provided in the illustration include:

- Adding reference that the entire document should be "fair, balanced and understandable" in the 'Document Purpose' row of the table;

- Indicating that the corporate governance statements (corporate governance report and directors' remuneration report) form part of the Directors' Report for the purposes of the safe harbour provision;
- Representation of the "core and supplementary" approach described in paragraph 3.12;
- Confirmation that the "appendices to the annual report" would form part of the Directors' Report;
- Additional guidance to show how existing legislation fits with the new reporting requirements and which elements companies must comply with for their narrative reports.

Question 3

Whilst we recognise that the "core and supplementary" approach outlined by the FRC aims to improve the cohesiveness of the annual report, we believe that implementation of this approach will be challenging as if the information is core (and relates to the business review regulations) it has to be included in its entirety in the Strategic Report, and cannot be summarised with a fuller version included elsewhere. Companies who produce a summary document will also be mindful that they will be sending the full strategic report to their private shareholders as a standalone document and under these circumstances it may be misleading to provide a summarised set of core information with cross-referencing to the rest of the annual report.

We also believe that the section in the Guidance on director liability and safe harbour should be amended to note that whilst this is the case for issuers with UK listings only, other issuers who have listings outside the UK should be mindful of different regulatory and liability regimes. For example, those filing their 20-F report as part of a US debt "shelf" will find their directors face a strict liability regime for the information contained within the report.

Strategic report and materiality

Question 4

We believe that whilst this is an appropriate approach, it will ultimately be for the company to determine what is material as materiality levels will be different across sectors, operating geographies and industries. The Guidance could be strengthened by suggesting that companies should periodically review their materiality threshold as this may evolve over time.

The Strategic Report

Question 5

Whilst we agree with the proposed "communication principles" and find the use of examples helpful, we note that there is nothing in the Guidance regarding what the FRC views as "fair, balanced and understandable" and would welcome inclusion of this together with examples of best practice disclosure.

Question 6

We agree that annual review of the structure and presentation of the strategic report to ensure it continues to meet its objectives in an efficient and effective manner should be seen as best practice reporting. The Guidance could be strengthened in this section by highlighting that users of the annual report may look for comparative

data over a period of time to help them track a company's performance or progression on key issues.

Question 7

We support the inclusion of "content elements" in the Guidance. We note that human rights disclosure is a new requirement of the regulations but does not feature in the draft Guidance. Whilst we recognise that disclosure of issues related to human rights will differ between companies, its inclusion could strengthen the Guidance – potentially by the inclusion of best practice disclosure examples or linkages.

Question 8

While the level of guidance provided on the business model is appropriate, it could be further strengthened by citing examples of best practice disclosure to demonstrate how the business model can provide context for the annual report as a "cohesive" document – especially when companies will be focusing on ensuring that their reports are both concise and comprehensive.

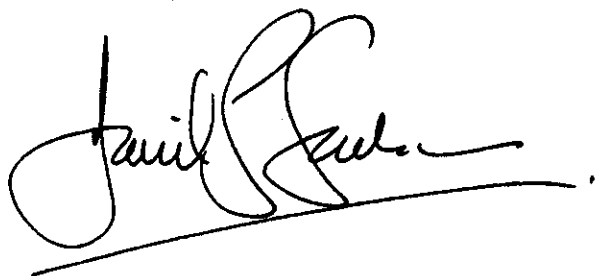
Question 9

The Guidance does differentiate between the concepts of objectives, strategy and business model. Further clarity could be given to the diagram included in this section to show how these concepts feed into KPIs and remuneration (which are discussed elsewhere in the Section) and underpin the explanation of how a company delivers its strategy.

Question 10

We think the linkage examples are useful; consideration could be given to including examples around "fair, balanced and understandable" and also the "core and supplementary" approach to assist companies in reconciling between concise and comprehensive disclosure.

Yours faithfully,

A handwritten signature in black ink, appearing to read "David Green", written over a horizontal line.