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30 October 2017

Dear Sirs,

RE: Consultation on the economic and social impacts of the UK's exit from the European Union and also on how the UK's immigration system should be aligned with a modern industrial strategy

Further to the latest consultation regarding the economic and social impacts of the UK's exit from the EU BP has taken time to review the questions and gather necessary information, and now wishes to respond to your call for evidence from corporate partners. We will be sharing our response with our immigration provider, PwC LLP, whom we believe will also make their own submission.

BP is one of the world's leading oil and gas companies. We provide customers with fuel for transportation, energy for heat and light, lubricants to keep engines moving and the petrochemicals products used to make everyday items as diverse as paints, clothes and packaging. BP has been based in the UK for more than 100 years and operates in 70 countries around the world.

We supported an estimated £8.7 billion gross value added contribution to the UK's gross domestic product (GDP) and 121,000 UK jobs in 2016, meaning an estimated 0.5% of UK GDP in 2016 was in some way reliant on BP's activities. Of this total, BP's direct UK operations such as oil and gas fields, fuels retailing facilities, major offices and petrochemicals created £4.2 billion gross value added contribution to the UK's GDP and employed 16,685 people across the UK.

We spent £7.5 billion with UK suppliers: £4.9 billion on non-capital goods and services, supporting an estimated £3.8 billion indirect contribution to GDP and over 66,500 jobs; and, £2.6 billion on capital goods, supporting an estimated £2.3 billion gross value added contribution to GDP and 37,500 jobs.

BP plc has been granted a UK visa and immigration sponsorship license covering all BP companies in the UK, sponsorship license number: 29BC1QG23.

Introduction

BP is currently able to recruit and maintain staff to our satisfaction within the current immigration regulations. This response to the Consultation is framed around the UK's exit from the EU and how the UK's immigration system should be aligned with a modern industrial strategy. We will also focus our response on the potential reduction in accessibility to talent from the EU and our ability as a

Global company to be able to send talent to countries within the EU where we have several entities. We anticipate an expansion in the immigration rules for entry of EU nationals to the UK may result in a reduction of EU applications and a lack of willingness to move to the UK in the future. Similarly, we await the confirmation of the impact of a changed UK immigration system on countries across the EU and how much more of a challenge it will be for British national travellers to visit and work.

We will specifically respond to the questions relating to EEA migrants in our sector; to the recruitment of EEA vs.UK nationals and the question of up skilling the UK workforce; and to the economic, social and fiscal costs and benefits of EEA migration to the UK economy.

We are pleased to include the latest 2017 version of a report by Oxford Economics– BP's Impact on the UK Economy in 2016 – as part of our submission. This report looks to quantify the impact of our business in terms of our contribution, direct and indirect, to the nation's output, investment, jobs and communities.

We specifically request that no information or evidence attributable to BP is used in the report published by the MAC without prior written permission from BP.

Please do not hesitate to contact us directly should you seek additional clarification on any points.

<u>Responses to Consultation Questions</u>

<u>Q1.EEA migration trends</u>

Please provide evidence on the characteristics (e.g. types of jobs migrants perform; skill levels, etc.) of EEA migrants in your particular sector/local area/region. How do these differ from UK workers? And from non-EEA workers?

To what extent are EEA migrants seasonal; part-time; agency-workers; temporary; short-term assignments; intra-company transfers; self-employed? What information do you have on their skill levels? To what extent do these differ from UK workers and non-EEA workers?

The skill level of EEA employees is comparable with those of UK workers and the non-EEA workers within the organisation. EEA nationals account for 5.8% of the overall FTE population, including the 0.69% on expatriate assignments, all of whom would be considered highly skilled. The assignment roles performed by EEA nationals include: economists, business development managers, engineers, traders, human resource professionals, geologists among others. Currently the EEA nationals on assignment to the UK do not require a visa. Similarly those UK employees on assignment to Germany, Spain, Switzerland, do not require a visa and can easily compete with other EU nationals for roles. The introduction of a visa requirement for entry to the UK and for UK nationals working across the EU will likely reduce the number of roles taken by both populations.

Within our BP Retail Express population, EEA nationals account for 10.8% of the express population, of which 8.6% hold management positions.

As an industry we are unlikely to require seasonal or temporary workers other than highly skilled project workers. We do not seek or intend any differentiation between EEA migrant workers, non EEA nationals or UK workers as ultimately we are looking to attract the best talent to BP and maintain our global competitiveness

Are there any relevant sources of evidence, beyond the usual range of unofficial statistics that would allow the MAC to get a more detailed view of the current patterns of EEA migration, especially over the last year?

We do not hold this type of information.

Have the patterns of EEA migration changed over time? What evidence do you have showing your employment of EEA migrants since 2000? And after the Brexit referendum? Are these trends different for UK workers and non-EEA workers?

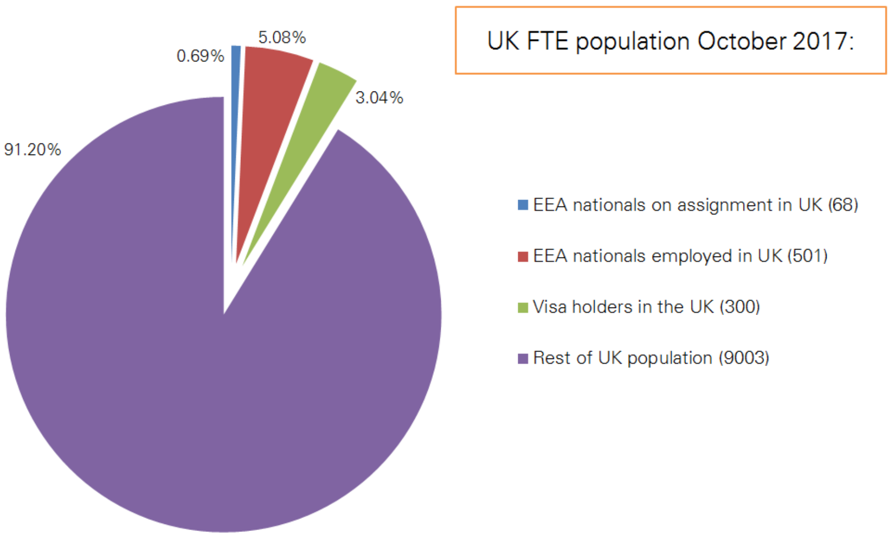
Until now, there has been no need to collect statistics about EEA employees within our business. There has been no distinction made between EEA or UK candidates. Anecdotally, EEA candidates now have more questions about the degree of immigration support they may receive from the business post Brexit, should it become necessary. BP businesses have escalated concerns on the uncertainty faced by EEA nationals and the need for more clarity to enable business and personal planning. We have many EEA nationals who have been employed by BP in the UK for many years. Many have undertaken roles outside of the UK for the business and are now fearful that they will not qualify for residency when the new process is made public. It is not clear as yet how they will apply for residency and whether their years of working for BP overseas will be detrimental to their ability to gain residency for the long term. Part of the attraction of coming to work in the UK for an EEA national has been the fact spouses/partners of EEA nationals have also been able to work here. If that freedom is limited under a new immigration regime, the UK is likely to become a less attractive proposition for EEA nationals.

Have you conducted any analysis on the future trends of EEA migration, in particular in the absence of immigration controls?

We have not conducted such analysis.

Have you made any assessment of the impact of a possible reduction in the availability of EEA migrants (whether occurring naturally or through policy) as part of your workforce? What impact would a reduction in EEA migration have on your sector/local area/region? How will your business/sector/area/region cope? Would the impacts be different if reductions in migration took place amongst non–EEA migrants? Have you made any contingency plans?

We have not conducted a full analysis of the impact of a possible reduction in the availability of EEA nationals. Currently EEA nationals (excl. Irish nationals) account for 5.8% of BP Plc's UK FTE workforce as compared to visa holders (non EEA nationals) in the UK who account for 3.04% of the population.



The consequence of reducing EEA migration by limiting free movement in our sector in the UK, but more broadly throughout Europe, would limit our ability to be agile in responding to opportunities within Europe – at present we can be quick to respond to business need, opportunity or crisis within Europe thanks to the ability to mobilise UK or EEA nationals free from immigration restriction, something that has been actively encouraged in our business. Introducing a requirement to have a work permit or visa for EEA nationals in the UK and vice versa removes that advantage and reduces the ability to react quickly. Specific projects where we have looked to deploy EEA nationals including UK nationals include emergency repairs to refinery plants across Europe, platform overhaul in the shipping docks of Rotterdam, specialist audit teams working across Europe. We actively encourage the use of employees who do not need visas to affect quick and agile entry to countries to ensure speed of activity and response and also to encourage compliant activity.

We have asked our BP Retail colleagues to comment specifically on their area of the business. They feel that given 10% of their population is from the EEA market, any reduction in access to EEA workers in the future could limit the number of potential employees they can find. BP is in competition with similar retail employers and will undoubtedly trigger an increased competition for employees in this demographic. Until the rules on obtaining residency for EU nationals are clear, we also face a risk of loss of EU workers who are currently employed in BP Express which could result in an even higher turnover figures. Turnover figures for retail are already significant as an industry. Already we have seen the available student population has decreased due to increasing costs and the removal of the opportunity to work 'unrestricted' when courses are completed. The current non EEA immigration policy has directly limited our ability to employ from this population due to the restrictions on highly skilled migrants and salary thresholds. This reduces the candidate numbers in of itself.

We do anticipate increased competition across all sectors hiring customer facing and retail roles if the pool of candidates is restricted to UK nationals only. This will necessitate that we will need to review our competitiveness in the market place and may lead to an increase in costs to the business and impact the profitability of an already tight market.

Q2. Recruitment practices, training and skills

BP's global headquarters is in the UK and thereby requires a multitude of disciplines to be based here. We not only have our executive leadership team based in the UK, with a large number of ancillary staff, but the UK is also home to a number of centres of excellence for projects and work we undertake in countries such as Angola, Azerbaijan, North Africa, Australia, Russia and Egypt. All of these require expertise in oil and gas exploration, production, development and access. We also centre our refining and marketing, trading and alternative energy businesses here, and total more than 9,800 permanent employees throughout the UK at various sites. To sustain all of our core businesses in the UK, BP is continually competing globally for the best candidates, regardless of nationality, with our major competitors, who are also global multinationals. When we recruit, we aim to do so with a strong focus on diversity and inclusion and using a diverse candidate slate. We do seek to be blind to nationality in order to access the best talent and to also continuously improve our diversity and inclusion achievements. For example, our D&I ambition to attain our internal goals of 25% female group leaders and 30% senior level leaders today stands at 20% and 22% respectively. Several research reports point to increased diversity in management leading to an enhanced effectiveness in business which itself leads to greater financial returns through a higher return on equity and a higher net income growth that those with less workplace diversity – Harvard Business Review, November 2016.

Please provide evidence on the methods of recruitment used to employ EEA migrants. Do these methods differ from those used to employ UK and non-EEA workers? What impact does this have on UK workers? Have these methods changed following the Brexit referendum?

BP makes no distinction in respect of methods of recruitment used to employ EEA nationals vs. UK nationals. There has been no change in recruitment practices following the Brexit referendum. BP's ambition remains to attract the best talent globally and our recruitment practises aim to be fair to all candidates, regardless of their nationality, gender, etc.

Do recruitment practices differ by skill-type and occupation?

We do not differentiate recruitment practices by skill type and occupation. We make use of specialist recruitment vehicles and head hunter/agencies across the world. We do target good engineering universities for graduate engineers and we operate a graduate Challenger programme and an apprenticeship scheme into which we bring talent on an annual basis.

What are the advantages and disadvantages of employing EEA workers? Have these changed following the Brexit referendum result?

The advantages of hiring EEA nationals as part of the UK employee base include the language and experience gained from working in the oil and gas sector, and specifically refineries and offices across Europe. We are better able to deploy talent across EU borders and work flexibly to meet business demands. Lack of immigration restrictions for EU workers means we are able to act swiftly and react to emergencies across EU sites. Lack of work visa restrictions enables BP to mobilise employees without delays caused by immigration. The proven benefits of a diverse workforce and project teams are well publicised and enable our teams to share knowledge and learning and provide for exchange of team members between the UK and BP entities in other EU countries. We see little disadvantage to employing EEA workers over British nationals as there is no real cost difference without the need for a work visa or special immigration permissions. EU and UK nationals are paid on the same salary structures within the UK.

To what extent has EEA and non-EEA migration affected the skills and training of the UK workers?

The ability to bring talent to the UK from both EEA and non EEA countries has enabled employees to undergo skills transfer and to gain knowledge of BP practices and undergo training with experts in the UK. Likewise experts brought into the UK are able to share knowledge with UK employees particularly for areas such as refining where there are less opportunities for learning in the UK and more so across Europe. We also value the ability to send UK employees out on assignment or as business visitors to countries within the EEA and beyond which enables BP to train our Global employees consistently and enable upskilling of both employees in the UK and across the globe. We have fewer offshore facilities or even locations such as desert/remote tundra for training in the UK and hence the need to mobilise employees across borders. We are concerned that the UK may not be as attractive as a training hub in the future if the immigration rules make travel less agile and other locations in the EEA are better able to host.

How involved are the universities and training providers in ensuring that the UK workforce has the skills needed to fill key roles/roles in high demand in your sector? Do you have plans to increase this involvement in the future?

BP has not suffered from a lack of talent; however, we are concerned about the shortage of STEM skills in the UK and the lack of investment by the UK and its universities in these subjects. BP has therefore invested and continues to invest a lot of money, time and resources into training and upskilling both the current and future resident labour force, in conjunction with major investment in UK education programmes targeting children from age four up to graduate level, seeking to inspire them to follow engineering and science occupations.

BP has a number of initiatives aimed at encouraging and supporting the education and development of young talent in the UK:

- Developing capability, particularly in the STEM subjects of Science, Technology, Engineering and Mathematics, is one of the three strands of the ‘BP in the Community’ strategy in the UK (fact sheet included with our response).

- Enterprising Science is a major collaborative research and development programme for science education. BP is the principal funder at £4.3m over 5 years. We work in partnership with Kings College London, Science Museum Group and UCL Institute of Education

- BP is a founding supporter and co-funder of Project ENTHUSE at the National STEM Learning Centre and Network. The project provides bursaries for high quality continuing professional development training for teachers in the STEM subjects.

- We established the BP Educational Service (BPES) in 1968. We create high quality teaching resources for STEM teachers to demonstrate real world contexts for learning. The resources are for UK primary and secondary schools and are used around the world.

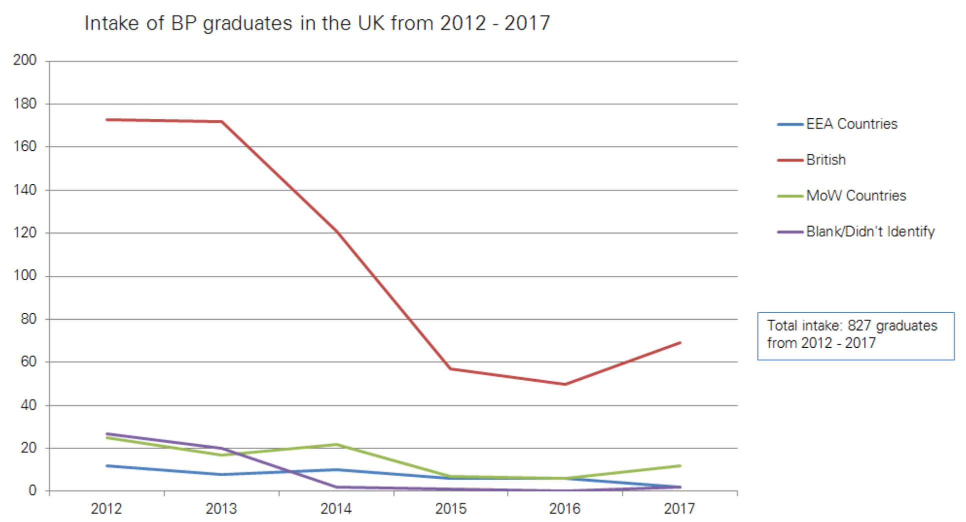
- Schools Link is our employee volunteering programme in schools. The purpose is to inspire young people with STEM subjects and business through face to face engagement with BP employees.

- Business class is the flagship education programme of Business in the Community. BP is the National Champion for STEM education. The programme brings together schools and businesses in a local area, providing a systematic and proven framework for developing those partnerships, rooted in long-term, strategic support and collaborative action.

- BP is delivering the Ultimate STEM Challenge in partnership with the Science Museum Group and the National STEM Learning Centre and Network. We want to engage 11-14 year olds around the UK with STEM, mainly through extra-curricular STEM clubs. The majority of UK secondary schools run STEM clubs. They draw on support from STEM Ambassadors across the UK giving a potential reach of many thousands of young people each year.

- BP offers one of the best graduate programmes in the industry through our challenge and IST (Integrated Supply and Trading) programmes. BP was ranked at number 20 in The Times Top 100 Graduate Employers in 2015. As part of its on-going commitment to supporting education in the UK BP has offered scholarship funding since 2007 and hundreds of students have already benefited. The current BP scholarship programme commenced in 2012 and was designed for talented undergraduates studying selected Science, Technology, Engineering and Maths (STEM) subjects across nine universities in the UK. Last year, this offering was broadened to include target non-STEM subjects. In its first year the £450,000 programme provided 90 scholarships each worth £5,000. There are now three scholar cohorts and a total of 240 students benefitting from the programme. This will continue to expand, providing funding of up to £1.8million each year.

- The intake of graduates from EEA and non-EEA countries has remained relatively constant since 2012. Anecdotally, to date there has been little evidence of an increase in Brexit related questions from candidates from EEA countries, nor a change in the profile of applicants.



The introduction of the UK Apprenticeship Levy is providing us the opportunity to review the role apprentice's play within our workforce and the blend of graduates and school leavers that make up our early talent strategy. As the relevancy of the apprenticeship standards available increases within our industry we anticipate that the role apprentices play within our organisation will also increase. Degree apprenticeships will allow us to develop skills at a higher level and we welcome further opportunities within this space. The role that universities and training providers play is pivotal to the success of our early talent programmes; the relevancy and quality of the training being fundamental to any successful career.

Our current experienced hire positions, for which we face skills shortages, require between 10 and 15 years' experience. These can be in the field of petrochemical engineering or broader examples such as procurement specialists for the oil and gas industry. Even if we were able to recruit suitable graduates to train and upskill, it can potentially take up to ten years before they are suitably experienced for these roles. As BP Shipping attests, it takes an average of ten years to obtain Master Mariner or Chief Engineer status. As a minimum, our graduate programmes are three year programmes to be completed before a graduate can move into an entry-level role.

Unfortunately, despite all of our investment, we cannot prevent individuals from pursuing careers outside science and engineering or indeed, leaving the UK once they obtain their qualifications and they see opportunities to learn and upskill elsewhere. This is therefore a real need for continued focus on this area just to maintain the status quo even without a change to the immigration rules which may limit the number of applications for petrochemical industry roles.

How well aware are you of current UK migration policies for non-EEA migrants? If new immigration policies restrict the numbers of low-skilled migrants who can come to work in the UK, which forms of migration into low-skilled work should be prioritised? For example, the current shortage occupation list applies to high skilled occupations; do you think this should be expanded to cover lower skill levels?

BP is well aware of the current UK migration policies for non EEA migrants. We employ an in house immigration team who focus on supporting the business in bringing non EEA talent to the UK as either new hires or on temporary assignment. We primarily look to use highly skilled migrant Tier 2 General to support the hiring of non EEA nationals in the UK into skilled roles and in a multitude of disciplines. Tier 2 ICT is used to facilitate expatriate assignments into the UK for non EEA nationals. The existing Tier 2 mechanisms and framework support BP in achieving our hiring and assignment objectives for non EEA nationals.

In general terms BP is not a user of the lower skilled entry routes. Our businesses are considering the skills we will need in the future including digital automation, robotics and individuals with highly organised thinking. These skills are not necessarily linked directly to petroleum engineering and as such do not currently appear on the shortage occupation list, nor do they necessarily fit within the existing skills levels as defined in the Immigration Rules. We believe that there will be a generic hunt for such talent in the future as such skills become more in demand and we move away from the current petroleum engineering disciplines

<u>Q3. Economic, social and fiscal impacts</u>

What are the economic, social and fiscal costs and benefits of EEA migration to the UK economy? What are the impacts of EEA migrants on the labour market, prices, public services, net fiscal impacts (e.g. taxes paid by migrants; benefits they receive), productivity, investment, innovation and general competitiveness of UK industry?

Do these differ from the impact of non-EEA migration?

Do these impacts differ at national, regional or local level?

Do these impacts vary by sector and occupation?

Do these impacts vary by skill level (highly-skilled, medium-skilled, and low-skilled workers?

BP is not able to comment on the broader economic, social and fiscal benefits for EEA migration to the UK economy.

We refer you to the attached paper on the impact of BP on the UK economy. This provides an overview of the impact of BP operations on the UK economy as a whole, the impact on the gross domestic product and the wider generation of jobs beyond the immediate employee pool.

<u>Conclusion</u>

Our submission aims to highlight the unique position of BP and the oil and gas industry in respect of contribution to the UK economy. To achieve this we employ diverse and talented employees from a variety of countries around the world. We also deploy our UK employees to locations outside of the UK, both within the EEA and non EEA countries. In short we are a net exporter of talent compared to the number of individuals we bring to the UK on temporary assignment both from within the EEA and non EEA.

BP remains committed to filling UK positions with resident labour and has evidenced this throughout our submission via the considerable investment made throughout all stages of the UK education system. We also provide continued investment in the development of our current workforce. Despite this investment, we do still find it necessary to obtain talent and resources from the international market and the contribution of these individuals enables our business to continue to prosper. The population of UK employees heralding from the EEA accounts for a small percentage of the overall employee population. Nevertheless access to this population enables BP to source the best talent and to grow our business beyond the UK.

As an A-rated Sponsor, BP has made a commitment to be compliant with immigration rules for foreign national hires and international assignees. To this end, we will of course comply with any future changes in UK immigration regulations. We do however hope that this will not be to the detriment of UK business expansion both within the EEA and more widely. We continue to demonstrate our commitment, as a major UK employer, to the recruitment and development of UK nationals.

We hope that our submission is of interest and value to the consultation process. If you have any questions or, indeed, require clarification of any points, please do not hesitate to contact me.

Yours faithfully,

Rosemary Barber Lanch
Head of International Mobility and Authorising Officer for BP

Enc.
BP's impact on the UK economy in 2016 (2017 update)
BP factsheet – Developing Capability – September 2017