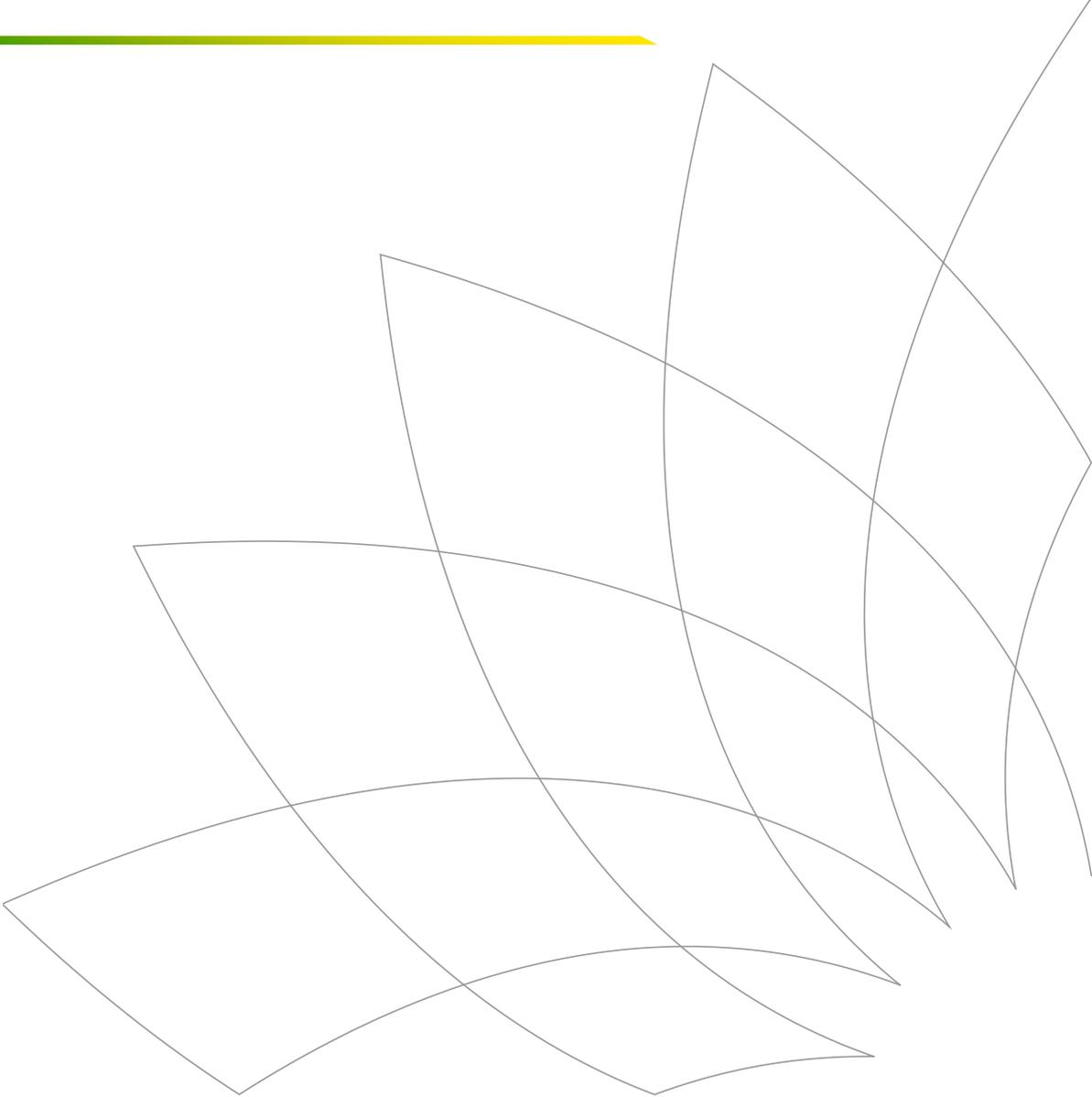




# BP plc 112<sup>th</sup> Annual General Meeting: Webcast Transcript

Wednesday, 12<sup>th</sup> May 2021

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An abstract graphic composed of several overlapping, curved lines in a light grey color, creating a sense of movement and depth. The lines are thin and elegant, forming a complex, organic shape that resembles a stylized flower or a series of overlapping petals. The graphic is positioned on the right side of the page, extending from the top right towards the bottom right.

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This transcript contains minor modifications from the original for accuracy or clarification, none of which change the substance of the original.

#### AGM TRANSCRIPT

**Helge Lund:** We will now proceed to the part of the meeting where questions raised by shareholders can be addressed. May I remind you to keep your questions short and relevant to the business of the meeting. I would also like to remind you that the poll is still open, so please cast your votes for each resolution via the electronic meeting platform if you have not done so already.

We expect to spend around an hour or so responding to questions from shareholders. Please do submit your questions now, and where questions touch on similar themes or issues, we will seek to address them together to ensure the efficient running of the meeting. I see that we are ready to proceed.

**Shareholder:** Can BP align Capex plans with a 1.5 degree scenario? Will BP ensure sites are appropriately decommissioned and employees supported to transition at the end of assets' Paris-aligned lifetimes? Thirdly, two questions related to Australia, how does production of the Browse Basin align with BP's net zero ambition by 2050? What are BP's plans to prevent the North West Shelf project becoming a stranded asset?

**Helge Lund:** Our strategy does not assume any particular temperature rise. We use outlooks and scenarios to inform a range of possible pathways which the energy transition may take over the next 30 years or so. Each may be associated with different temperature outcomes and it is impossible to identify a most-likely scenario so our strategy is designed to be resilient to a wide range of scenarios and a range of temperature outcomes including 1.5 degrees and well below 2.0 degrees for the Paris Climate Goals.

One role of our investment governance is to align our investment with our strategy and we are focusing on that. We evaluate new material Capex investment for consistency with Paris and disclose the details in our annual report, which we will continue to do according to the Climate Action 100 Plus resolution that was approved a couple of years back.

**Bernard Looney:** Great questions, obviously very knowledgeable of our business. The first one around decommissioning and added to that a question around just transition I can take. On decommissioning what I would say is that we will decommission our assets in line with our responsibilities and those responsibilities would include local laws and regulations. However, also our own internal practices, procedures and standards. I think the word that you use is appropriately decommissioned and I think we can say that for sure.



The second part of that question which is a great one is around what are we going to do with people and how do we help people if they have reached the end of their career in a hydrocarbon asset that has reached the end of its life.

In our new sustainability framework which we just launched in the last few months, one of the things that we have done in the past 12 or 15 months, there are ten aims. Five to help people and improve people's lives and five for helping the planet. The one around people, Aim 12, is about just transition which is where your question is going to.

Maybe just a couple of comments on that. One is we have close to 10,000 people leaving BP during our current restructuring that we call Reinvent BP. It is not a just transition per se but it could be viewed as such in some ways. What we are doing is providing people that are leaving with more resources, more support and more help I think than we have done in the past to try and help them prepare for the next phase of their career, which may well be in a very different industry.

The other thing that I would say is that within BP, just for your interest, there are people who are transferring already from the hydrocarbons business into, let us call it, the renewables businesses. Yesterday Kerry, who runs our People & Culture organisation, advertised over 100 roles in Dev Sanyal's organisation, Gas & Low Carbon Energy. People inside BP are able to apply for those and that will be them transitioning their careers.

Then finally I would say not just are we helping our employees but we are also helping cities to transition, Aberdeen being a great example. Long an oil and gas city where I once worked myself when I started out my career and now with a very clear net zero ambition and BP partnering with them. Hopefully that gives you a little sense around that.

The next question was around Australia, and you talk about Browse and North West Shelf. I think great questions. Australia is a hugely important country for BP, has been for many decades and will continue to be. No decision has been made yet on Browse. Any decision that we will make will be based as you might imagine around economics, around the environmental impact and around consistency with strategy.

In terms of the environmental impact and I think where your question is headed, we will look at it in the round of the value chain. I think most people would agree that part of Asia getting off coal and with China just having come out with a net-zero ambition for 2060, it too is going to have to get off coal. One way to help it do that is on to natural gas, on to LNG. I think natural gas is a big part of the future. It is a big part of the transition and we will have to look at that project when we come to approve it in its totality in a Scope 1, Scope 2 and Scope 3 emissions sense.

North West Shelf, which is our existing asset there, is operated very, very well by Woodside. They do a wonderful job operating that asset. In terms of it being stranded, we continue to extend the life of that asset. More and more gas infrastructure in the area has got the potential to flow through that existing infrastructure and indeed Browse if it is approved and sanctioned will find that as its home. That is what we are doing with the operator there, Woodside, to make sure that it is not a stranded asset. I hope that helps give you a little bit of context around what we are doing. Thank you.



**Stephen Duckworth (ShareAction):** We welcome BP's commitment to cut fossil fuel extraction by 40% by 2030 though it does not cover emissions from all marketed products or investments. I am asking BP to explain how it will tightly limit any reliance on CDR in its net zero strategy in line with credible 1.5 degree pathways with low or no overshoot.

**Bernard Looney:** Stephen, a great question and again you are obviously very familiar with the content of our strategy. Thank you for your interest in it.

We are focused on three aims. You may remember we have got ten aims as part of our net zero ambition. Aim 1 is about the operational emissions that are associated with our work, and I am pleased to report, as you probably know, that we took those emissions down by 16% between 2019 and 2020.

The second is around Aim 2 and that is around what we think is very important which is the carbon content of our upstream production. Basically, what happens if our upstream production gets combusted, not always by BP, in fact most of the time not by BP, but nonetheless those emissions are released into the atmosphere. This is where our 40% reduction in production, which I appreciate you acknowledging, comes into account. We have taken that down by about 9% year-on-year on 2020 versus 2019. The key here is absolute emission reductions so these are all absolute numbers.

Then finally, as you say, it is marketed products and we have an aim to reduce the intensity of our marketed products by 50% by 2050 and we are very much on a plan to enable us to do so. Your specific question is in relation to what you call CDRs. We might call it offsets or natural climate solutions, I think we mean the same thing.

And the answer to your question simply is that if we look to our near term targets, they are not so near term out to 2030, BP does not rely on any form of offsets to meet the emission reductions which were typically between 30% and 40% in absolute sense by 2030, so we do not rely on offsets or natural climate solutions. That does not mean that we do not believe in them. I think there is a very clear school of thought that natural climate solutions and offsets are part of helping the world get to net zero.

It is all about quality. We have got to make sure the quality is right. It is important that there is a marketplace there, that is well managed and well regulated, and we support the work of Bill Winters and Mark Carney and their efforts around this. But the simple answer is we do not rely on what you call CDRs or what we would call offsets of any sense to meet our 2030 emissions reduction. Thanks for the question.

**Shareholder:** Should BP be consistent in its reporting on production volumes from its stake in Rosneft. It is presented as a positive asset to the upstream business, but not included within the company's net zero aims or the planned 40% production cut. Should the company, therefore, use a more accurate figure of 27% for your production cut?

**Bernard Looney:** Thanks for the question, and I think I will just make a couple of comments if I may. I think it is important that people realise we are a 20% owner in Rosneft, and obviously we do not control what the company does and that is why we have chosen to report as we have always done in the past, there is no change to our historical reporting.



We have not included their emissions in our historical reporting and we do not today. And I think importantly we are very transparent about that so it is not like we are trying to say one thing and behind the scenes we mean something else.

From 12th February, we have been crystal clear that this is our upstream oil and gas production. It does not include Rosneft. And I would go so far as to say that people can therefore do as you have just done, it is a 40% reduction in our upstream production or in your instance if you want to include that a 27% reduction<sup>1</sup>. I think in either way in either case, it is a material, material number and quite unique, I would add in our sector.

So your point is well made. We are doing what we have done historically and we are, I hope very, very transparent about that, so thank you for the question.

**Shareholder:** Given that proven oil and gas reserves are more than enough to take the world beyond 2 degrees celsius of global heating, does any further new exploration not heighten the risk of stranded assets, and run counter to the targets of the Paris Agreement such as Burrup Hub in Western Australia, which may lead to fossil gas production until 2070?

**Helge Lund:** Thank you, the question is of course a very central and important question. And I think the context there is the thought we need oil and gas in the decades to come, although, we expect far lower demand for oil and gas in 2050 and beyond as we have described earlier in our strategy.

So we do not intend to discuss particular projects, but any further new material Capex investment decision would need to be evaluated against our criteria for Paris consistency, as we have committed to in the context of the Climate Action 100+ disclosure resolution.

And reflecting our net zero ambition, we have taken a very hard look at the role of exploration. We do not intend to enter into new countries for exploration as you have seen, and our exploration access capital spend has already reduced. And over time, we expect it to reduce further. So I think we are adequately addressing your key challenge.

**Shareholder:** Can BP guarantee that no hydrogen will be extracted from BP's hydrocarbon assets?

**Bernard Looney:** Thank you for the question. And guarantees are always very hard to make and in today's world as you might imagine, but here is what I can tell you about hydrogen.

Hydrogen is a potentially a very, very key part of the energy transition. We talk about electrification a lot. In transport, we talk a lot about electric vehicles. But the reality is that not everything can be electrified. Heavy industry, where high heat is required, heavy duty trucks, I was listening to Daimler a few days ago talking about a 40 tonne truck going up a hill. That is a very difficult problem to solve from an electric or a battery standpoint, and therefore we come to solutions like hydrogen.

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<sup>1</sup> No view is expressed on the accuracy of the 27% reduction referred to by the shareholder question. Inclusion of Rosneft would however be expected to change the planned percentage reduction in bp's production.



BP has a lot of experience in hydrogen. As Murray always reminds me we have been producing hydrogen for our refinery business for decades, and therefore we have a long history in it. The question, of course, is how do we make cleaner and greener hydrogen over time and we come to the conversation around blue and green hydrogen.

Our own view is that the world will need both blue and green hydrogen. Green being hydrogen, as you know, I think from your question, which is, produced from renewable energy. Blue hydrogen being produced with natural gas, which is a hydrocarbon, but importantly having the carbon emissions captured and sequestered underground.

We believe that the world will need both forms of hydrogen in the future. BP intends to play a big role in hydrogen in the future. In fact, we have just announced here in the United Kingdom that we have plans to develop what we think will be the largest hydrogen facility, I think one gigawatt by 2030, and it will be a blue hydrogen project.

So I hope that gives you a sense of what our aspirations are. We think that we will claim at least 10% of hydrogen in key markets beyond 2030. It is a part of our future, and the world will need both blue and green because quite frankly, the demands on renewables were the world to just get its hydrogen from green, would be just extraordinarily large, and therefore, we think to give the hydrogen economy the best chance we need to lean in on all fronts.

And we are also doing a project in Lingen at our refinery in Germany with Ørsted, which will be green hydrogen being fed into a refinery. So for BP, it will be a combination and I think that is the right thing for the world as well, so thanks for the question.

**Shareholder:** Regarding your first quarter investments including buying back half a billion of your own shares. Are the commercial viability of investments heavily reliant on the carbon pricing models that you use? Why would you not release the data being used for this to shareholders so they can make more informed decisions?

**Shareholder:** Can I log my disappointment that you are restarting share buybacks having recently halved the dividend? Given the importance of the BP dividends to the UK, but also the excessive debt in the group, are share buybacks really appropriate?

**Helge Lund:** Of course, the capital frame has been a very important part of the strategy discussions of the board over the past one and a half years. We have developed, together with management and the executive team, a capital framework which would help deliver the strategy.

The starting point is the resilient dividend as we have talked about earlier in this meeting. Making sure we continue to strengthen the balance sheet and have a strong investment grade rating.

And then we need appropriate funds to develop the company according to our strategy. First, invest in low carbon and renewable energy to evolve the strategy of BP; and secondly, to continue to invest in the resilient and competitive hydrocarbon portfolio. And



finally, we have committed to shareholders that we will buyback at least 60% of surplus cash as we move forward<sup>2</sup>.

Perhaps on the reporting and the other question, Murray, you can respond to that? Thank you.

**Murray Auchincloss:** Great, thank you, Chairman, and good morning everybody. Thank you for your questions, very much appreciated.

As far as the question on why would not we release data being used to shareholders, I think I would just refer you to page 28 of our annual report. In there, we provide oil price, gas price, carbon pricing and refining margins. That is fairly transparent. So I think that should help shareholders understand what our investment frameworks are, what our key assumptions are.

And if you look through pages 28-29 and 30, it provides further details about the way that we invest and how we evaluate consistency with the Paris goals. So I hope that helps answer that question.

I think on share buybacks versus the dividend, I think just to emphasise one point that Helge has made, we really want to make sure that the dividend is resilient. We attempt to balance the dividend at \$40 Brent, \$11 refining margin and \$3 Henry Hub. That is something that we are aspiring to do over that period 2021 to 2025. It is important in our minds that you can count on that dividend. And if we started increasing it again, it would call into question that balance point and make it more difficult to assume that you can continue to get it.

Remember, it was only two quarters ago that the price of oil was \$44. There are still a lot of coronavirus cases around the world, and of course, they are still around 8 million barrels a day of oil that OPEC+ is holding back. So the environment remains uncertain. We think it is very, very sensible to make sure that dividend is resilient. And we think the best way that we can manage surpluses is through share buybacks, as Helge said. And for 2021, we have decided to buyback with our surplus, we have decided to buyback 60% and the residual 40% goes to strengthening the balance sheet as you suggest. So I hope that helps you.

**Shareholder:** BP stated that net debt fell to below \$40 billion. However, that was only because you issued some \$12 billion worth of hybrid bonds that for inexplicable reasons are classified as equity. These were very expensive at up to 4.875%. Two points on this. Is it not misleading to say net debt has fallen when we have \$12 billion of hybrid bonds on the balance sheet excluded from the calculation? And second, why have you issued such expensive debt? Is it because of the accounting that allows these to be misleadingly classified as equity?

**Murray Auchincloss:** Great, okay. Thank you for your question.

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<sup>2</sup> Please refer to bp's first quarter 2021 results announcement and in particular page 2 which sets out bp's approach to share buybacks: <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/investors/bp-first-quarter-2021-results.pdf>



Just to go back to the financial frame and the five priorities. Priority number two is the balance sheet, what we were focused on was achieving our net debt target of \$35 billion. We did that 12 months ahead of time and we ended the first quarter around \$33.3 billion of net debt.

It is a well defined figure. We have defined it since 4th August when we launched it. It excludes the hybrids as they are treated as equity per international accounting standards. So I think we have been fairly clear on how we do that. They are a perpetual part of our balance sheet, so it seems sensible for us to classify it that way. And we feel very confident moving forward that this is an important part of the balance sheet and how we measure it. It is important to have diversified investors not only in our equity but in our debt, that is why we are lengthening the nature of our debt and that is why we have diversified it to things like hybrid bonds as well. It is nothing unusual for the sector to do this to have a well diversified debt book. Many of our competitors do it as well, so we think it is a sensible thing to do as well.

**Bernard Looney:** I think just two things that I would add if I may. You mention the word misleading. I think Murray has made it very, very clear that it is not misleading, it is entirely in accordance with international practice standards, and of course approved by our auditors, so I would not want anybody to think that it is in any way misleading because it is not. It is entirely transparent and entirely in compliance.

And the other part of your question was you say it is the only reason why our net debt came down. That is not quite true. Our net debt was \$51 billion at the end of the first quarter of 2020. It probably went higher than that intra-quarter, but at the end of last quarter was \$33.3 billion. Yes, you are quite right the hybrid was a big part of that but it was not the only part: so were divestment proceeds, so was the work that we have done and the team have done around cost, so we are taking \$2.5 billion a year out of running the business between 2019 and 2021, and we have also brought our capital down. So it was partly driven by the hybrid but not the only reason.

I just wanted to add those clarifications to that. Thank you.

**Shareholder:** What will happen to the profitability of BP and shareholder value from the transition from oil to renewable energy?

**Helge Lund:** Perhaps I can make some initial comments and put context and maybe give it back to Murray to follow up. If you look at it broadly, what we are trying to achieve, is to reflect a changing energy market, and we estimate that the market will go through very significant transformation and change over the next few decades. And, of course, we all see that that change has already started.

At BP, we have two big challenges. One, is to make sure that the hydrocarbon business is as resilient and competitive as possible from a carbon point of view and from a cost point of view. Secondly, is to invest smartly into low-carbon businesses and renewable moving forward. And to cater for that, we have put out very strict investment criteria in terms of alignment, in strategy, returns, volatility, rateability, the value of integration, we look at sustainability, and of course risk.



We have also changed the capital allocation process. We have a very clear capital frame, as you have seen. We have central allocation run by the CEO and the CFO and their team. There are stringent and differentiated hurdle rates to make sure that we invest into the right opportunities. And, also, as this is a transformation, a change process, we also need an investment process that is agile and also dynamic and flexible. In the short- and medium-term we have a target of bringing return on capital employed to 12-14% by 2025. And Murray, you might want to add a few perspectives?

**Murray Auchincloss:** Great, thanks Helge. Thank you for the question as well. If you go back to the presentation that we made to the market in September, we divided the business in three: a resilient hydrocarbons business, where we see the returns of 12-14% by 2030 and we have Customer and Products, where we see returns of 15-20%; and we have Low-Carbon, where we see returns of 8-10%. I suppose the point that you are raising is resilient hydrocarbons 12-14% versus renewables in the 8-10% range.

I think the thing that we have to think about as shareholders as we look at that is that there is a lot of volatility in the hydrocarbon space. You only need to look back at the past 12 months to see what has happened with the oil price. And although we plan on a \$50-60 world, obviously, lower price world has happened just 12 months ago. Therefore, that 12-14% is subject to extreme volatility based on what happens to oil and gas price and refining margins as contrasted with low-carbon energy where you are able to lock-in those returns through contracts and through financing and achieve a much more stable level of return.

We think as we move forward through the decade and into the next decade that we will be able to sustain profitability and it will be much more stable than it has been in the past, creating what we think the market recognises as a better investment for shareholders long-term, I think, Chairman, is the only thing that I would add to that.

**Shareholder:** The move to renewables or non-oil and gas is a smart move and BP's leading position is to be applauded. Can you please break the financial results of these developing businesses out of other businesses and corporate (OB&C) to create a new segment alongside Upstream and Downstream, so we can follow the progress being made?

**Bernard Looney:** Thanks, first of all, for the support on the move that the company is making. We recognise that of course there will always be different opinions but we are very, very confident I guess and optimistic that this move, as Helge and Murray just described, will create long-term value for our shareholders and is the right thing for the world. Your acknowledgement and support means a lot, so thank you.

You refer to the reporting structure. The good news is we have done just what you have asked us to do. In the past several weeks, we have announced our new reporting methodology for the company and that will report the new business out of OB&C, which was for those who do not know, our historical way of where the renewables business was reported, into a new segment, so to speak, in your language. We have the Gas and Low-Carbon business broken out. You will be able to see exactly I think the type of information that you want. It is not inside OB&C any longer. And I would add there is no more Upstream and Downstream.

To be consistent with our ambition to transition the company, we have chosen to report and reorganise differently and therefore Upstream and Downstream are for the past. We



now have Production and Operations, which is where the oil business is, we have Customer and Products, which is where most of the Downstream used to be, and we have Gas and Low-Carbon Energy, which is where the renewables that you are referring to now, and used to be in OB&C.

I think we have done exactly what you would look for, and you can see that in our most recent 1Q stock exchange announcement, so that is a good place to go and have a look. We can follow-up if you need to. Thank you.

**Andy Jones (Federated Hermes/Climate Action 100+):** To the chairman, members of the board and shareholders, this statement is supported by the shareholders and the shareholder representatives co-leading the engagement with BP under Climate Action 100+. Aviva Investors, EOS at Federated Hermes and Legal & General Investment Management.

We must begin by acknowledging the extraordinary challenges of 2020 and the twin tests of the global pandemic and mounting climate pressures. In particular, we acknowledge the extra efforts of BP staff in keeping the business running and pushing through major strategic change during this time.

Since last year's AGM, we have been reassured by the strengthening of the company's commitment to strategy and transparency on climate action, and its response to the Climate Action 100+ resolution passed two years ago calling for the company to set out its strategy consistent with the Paris goals.

On strategy, we welcome the focus on absolute emissions reduction, and ultimate net zero goal in the upstream business, showing leadership and becoming the first oil and gas major to commit to a managed decline of hydrocarbon production in line with a finite carbon budget.

We also welcome BP's articulated return expectations, which provide investors with further reassurance that the company remains committed to its chosen pathway.

On transparency, in response to the Climate Action 100+ resolution of 2019, we thank the board for its market-leading disclosure of how it regards its Capex to be consistent with the Paris goals, which now includes the strengthening of the investment criteria, new capital investment decisions with higher hurdle rates, and shorter payback periods, and which helps underline BP's commitment to capital discipline.

In March, the Climate Action 100+ net zero company benchmark was published, offering the first detailed and comprehensive assessment of the performance of the initiative's target companies. Relative to peers, BP performed well, with good recognition for its work on Capex, range of targets, trade associations, climate governance and transparency.

However, the benchmark again highlights a number of concerns on aspects of the strategy and its implementation. We ask for further clarity and a strengthened commitment across the following five areas.

One, for many investors, BP's aim three of 50% reduction in carbon intensity of products sold by 2050 does not appear consistent with becoming a net zero company or achieving



the Paris goals. Investors need to see either further evidence of its alignment or a strengthening of this aim to achieve net zero emissions.

Two, similarly, while acknowledging the company's progress to date, we are concerned that oil and gas price assumptions remain high relative to a range of external Paris-consistent benchmarks, as acknowledged by the company's auditors. We ask for further evidence of how the board regards the assumptions used by BP as Paris-consistent, and if they are not, that they are reviewed and revised downwards as necessary.

Three, against the backdrop of the recently announced strategic agreement, investors are keen to understand how BP's relationship with Rosneft is compatible with becoming a net zero company. We ask for a clearer indication of how it is encouraging Rosneft to adopt a Paris-aligned strategy.

Four, we recognise the need for asset disposals, but ask BP to outline its approach towards responsible divestment, to ensure all divestments are consistent with the company's commitment to help the world get to net zero.

And five, on lobbying, we welcome Monday's published progress update, and expanded list of trade association memberships. We request confirmation from the chair that BP will continue to review its memberships in trade associations deemed misaligned or partially aligned with Paris goals, and we ask that potential actions be set within a specified timeframe.

Further, we ask that the company optimises its understanding of climate scenarios, mitigation action, and technology to maximise its positive global influence and advocacy on this agenda, in particular in emerging markets.

Finally, good engagement between BP and investors will be critical in understanding and refining the strategy for success. We would like to thank you and your colleagues for the continued, regular and constructive engagement and look forward to building on our dialogue this year as we seek to resolve these few issues which we regard as critical to continued support for the strategy. Thank you.

**Helge Lund:** Andy, thank you very much for your intervention, and we have benefited from engaging with Climate Action 100+ over the past two years as we have developed our net zero ambition and our strategy to deliver it. I hope you can see the influence that you have had on both dimensions.

While we clearly do not always agree on everything, I know we share the same goal for BP and the world: to get to net zero.

In particular, I would like to thank Climate Action 100+ for their regular and constructive engagement. We look forward to building on our dialogue as we work on the five issues you raised today. We regard your continued support for the strategy is very important to us.

The board and I are confident that the company has a strategy that, taken as a whole, is consistent with the Paris goals, and we are very pleased with the progress the team has made in just the first year.



A new purpose, new net zero ambition, a new business strategy led by a new CEO, a new leadership team, and being delivered by a new, leaner, flatter organisation.

Together, they are aiming to reduce oil and gas production by around 40%, increase our low carbon spending tenfold, and to have developed 20 times as much renewables capacity and for around 50% of our Capex to be in transition investments, all by 2030. In addition to short, medium, and long-term targets and aims, they have introduced new detailed disclosures, so that we and our shareholders and other important stakeholders can measure operational and strategic progress. And even as they are preparing the company for the future, they have strengthened the balance sheet, bringing costs and net debt down, and introduced a new distribution policy.

And of course, they have done all this in the midst of a global pandemic and a market collapse for our main products, all the while running our operations safely. So, from the perspective of the board, we could hardly have asked Bernard, the leadership team and our people to have delivered more. Now, the board, the leadership team and our people are focused on executing the strategic plan and delivering our operational and financial targets. But be in no doubt: we are committed to the energy transition.

So, Bernard, perhaps you want to add a few points here too, and specifically on some of the other questions? Over to you, Bernard.

**Bernard Looney:** Thank you, and thank you Helge and thanks very much for the opportunity to comment. CA 100+ has been a big part of this, so I completely agree with you, Helge. We are only where we are now because of the constructive engagement that we have had really with a wide range of shareholders, and including Andy and the team at Climate Action 100+. We value our engagement with you, Andy. It has had a real impact; I think you have seen that.

Just from my own perspective, all I would add before addressing the five points, you know, transforming a company, our 112th AGM today, an 112-year-old company, is not something that you might imagine that can be done overnight, but we are on it. Every member of the team is working tirelessly, I would say, to transition BP for the benefit of our shareholders and for the benefit of the world. And it has only been 15 months since we launched that net zero ambition. It seems like a lifetime ago, does it not? And it is only nine months, really, since we launched the strategy. And in that time, we have made, I think, if I may say, we have made incredible progress. First and foremost, the debate here should be about actual reduction in emissions, and we have made a substantial reduction in our absolute emissions over the last year. But not just that. We have built two offshore wind businesses in two of the best locations in the world. We have gone from zero to over seven gigawatts in the space of six or eight months.

The joint venture that we have, Lightsource BP, is growing at an incredible pace. Electric vehicle charging, I think we have increased the number of charge points by around 40%, and that is before we get to the things that we talked about with Murray, and the dividend policy and the planning prices and the impairments and the write-offs on the restructuring of the company and so on.



And importantly, as the chairman mentioned, at the same time, and I think you acknowledged it Andy, and I appreciate it, safely and reliably delivering the energy that the world has needed throughout the pandemic.

And if I may say, I am in awe of the people at BP, especially those people on the front line. I just heard from one gentleman who was in Angola for five and a half months away from his family in Scotland, keeping our operations running there, returning to Scotland after five and a half months away from his family and going into two weeks of quarantine. That is the type of sacrifice that many of our people on the front line have undertaken. It truly is extraordinary.

Now, we took on board obviously a huge amount of feedback as we developed our strategy. We have had regular, constructive, personally I have had a dialogue with CA 100+, which has helped us, helped the progress that we are making and we are very pleased with that. And our view, and certainly the view of the shareholders that I speak to is that rather than revisiting a strategy we just laid out nine months ago, the vast majority of investors want us to get on and deliver it, and that is what we are doing. And of course, the same time, we will keep up the dialogue. It is really important. It definitely makes us better.

But you made five points, Andy. So, enough of a preamble. Let me get the first one.

Your first question was about aim three, our aim three and investors wanting to see a strengthening of this aim. Aim three is one of ten aims to get BP to net zero, and of course to help the world get in at zero, and you know, because you are studied in this, there is no single path to Paris and there is no single metric that measures Paris consistency, and that is why we have put this together a package of aims and metrics.

We have got some for absolute carbon emissions reductions, thank you for acknowledging the reduction in production, absolute emissions have to come down.

We have got some for carbon intensity reductions. We have got some for low carbon advocacy, where we push for conditions around the world that support a lower carbon emission, just like we did in Washington State in the United States, just like we are doing in the East Coast of the United States, just like we are doing here in Britain. And the support for greening companies who want to be lower carbon.

So, life-cycle emissions from our product sales may go up in the short term even as their carbon intensity comes down. We have been transparent about that. It is a consequence of helping to meet that growing consumer demand in emerging markets, particularly India and China. And the belief here is that having established the infrastructure in those countries, we can over time help these countries decarbonise. And the model is what we are doing in the UK and Germany today, where we are taking our existing retail networks and using that infrastructure now to convert them to EV charging. So, that model is there, and we can replicate it in places like India.

And at the same time, we are advocating across the world for those lower carbon policies that I mention, that can accelerate the uptake of low carbon and enable us to move faster as well. I think a lot of people want the transition to be a switch and an event, and I wish it was, but it is not. This is a massive, massive system that has been built over many,



many decades, and therefore it is a process. It is a greening process. We are 100% a part of that process. We are 100% in support of a rapid transition and we have weighted our strategy and our target and our aims for that. So hopefully that gives you a little sense, but we can talk more about this.

Your second question was about our assumptions about the future of oil and gas prices and consistency with Paris. As you know, we reviewed our prices just last year as part of our strategy planning process. Our shareholders will know all too well, the review which was informed by those lower price assumptions led to significant impairment charges and exploration write-offs, and you can find a lot of detail in the annual report that we published in March.

I think and we consider I guess our central case planning price assumptions to be broadly in line with a range of transition paths which are consistent with Paris goals, and I have to say that the auditors, Deloitte, did as well in their report. And of course, we do keep those price assumptions under periodic review.

Point three you made, Andy, was about the relationship between BP and Rosneft. Helge mentioned it earlier, it is not always a popular thing to say, but it is the truth. The world is going to be using oil and gas for some time and undoubtedly over time it will use less, and that core belief is why we are focusing our oil and gas production and higher margin barrels and more efficient production, and that is why we have set a goal to have it be about 40% smaller by 2030, and that is resilient hydrocarbons, part of our strategy. The same core belief is why we see value for shareholders in BP's strategic relationship with one of the world's most cost advantaged and I would add lowest greenhouse gas intensity producers. Rosneft's greenhouse gas intensity per barrel of oil produced is lower than most of the major oil and gas companies, including BP. And as with the cash flow, from our own production, the dividends that we have received from our investment in Rosneft can help us drive our transformation.

And I guess to be clear, and we should say this, Rosneft is technologically an excellent company. It is an excellent company overall. It is committed to improving its emissions and its environmental performance. I know this first-hand. It has its own carbon strategy to 2035, which include targets and emissions reductions, targets on methane intensity, zero routine flaring, goals on CCUS, goals and renewables. And we cooperate, actively cooperate with Rosneft on carbon and on sustainability and we will continue to work together on reducing emissions. And as you referenced, we signed a strategic collaboration agreement in February, and it is focused on supporting the carbon management and sustainability activities of both companies, and this is important because it formalises key elements of our collaboration on sustainability, carbon reduction, and low carbon opportunities. So that is a little bit about Rosneft.

Point four was a question about divestments and net zero. There are three things I would say briefly about our approach. Remembering, and bearing in mind the point that a lot of people do not sometimes realise, we typically do not own the resources where we operate. We develop them on behalf of the state, so it is not for us to say, we want to wind them down. I think this is a very important point.



But the three points, our volume reduction is not just about divestments. We plan to explore less. Our exploration budget used to be \$2 billion to \$3 billion per year. It is less than \$0.5 billion this year.

We are reducing our capital in hydrocarbons. We used to spend \$17 billion to \$19 billion in hydrocarbons. This year, we will spend \$7 billion to \$8 billion. So, it is not just a divestment story.

The second is, of course, that divestments proceeds enable us to reinvest in the transition, so that is a net benefit, we would say.

And finally, it is our experience, and indeed that the companies we sell to, they are not somehow immune from the societal pressures and challenges in the financial system either, so they are very much open to those.

So, that is our approach. Divestments are part of our strategy. It helps us decarbonise BP and get BP closer to net zero, and that is a responsibility that we have to our shareholders. And it helps us diversify BP, scaling those low carbon businesses that contribute to the world getting closer to net zero.

And then, the final point was about lobbying and trade association memberships, and we can follow up on any or all of this and we will I am sure. Helge and I have spoken about this on numerous occasions, actually. Helge, you will agree, I know, it is and remains an important discussion for the board. We have discussed it at the board as well, and I am very happy to confirm that we will keep our memberships under review.

I think it is important of course that we remember that trade associations do much more than lobbying. There is often times a huge focus on safety, standards, and on learning, and quite frankly, as you would hope, I think, this forms an important part of any decision that we make. But there has to be a reasonable alignment of views and positions. We left three associations last year after a review of 30 of our memberships, specifically looking at our alignment on climate. We found we are only partially aligned with five more, and we have worked with them over the past year to see if we can influence them to move closer to our position on things like methane and carbon pricing. And of course, this Monday, we reported on this, as you said, two days ago, in an update. And the process works. Progress can be uneven, as we said, but we have in general seen movement towards where we are, and we will keep the dialogue going just like we do with you, working for greater alignment, but if we cannot find that alignment then we will leave if we have to do.

So, in terms of timeframes, I think we will publish another more comprehensive review next year.

It is ongoing, it is important for us. And we are of course, happy to keep that dialogue with the Climate Action 100+ going. So a little bit of a long answer for which I apologize, but you raised five excellent points that I think obviously given the shareholding that you represent are relevant to many, many shareholders. And that is why we wanted to give a little bit of a fulsome response.

But most of all, thank you for your challenge of us and your backing of us. It is not an easy journey we are on, we need a bit of support, and Climate Action 100+ is doing just that. So thank you. Helge.

**Helge Lund:** Great, Bernard. Thank you. And thank you again for your interventions. BP has really a bold ambition in part because of your engagement with us over the last couple of years. And we are better positioned to achieve it again, in part, because of your engagement with us in this period. We have many stakeholders who look to us for many reasons: for energy, for jobs, for business, for support for their community, and not at least for competitive financial returns and financial security in their lives. The needs are many, and we look to serve them through our new purpose, re-imagining energy for people on our planet. And I can assure you that the board believes we can do that best through being open and transparent in our advocacy and reporting, and inclusive in our engagement. And we have aims to challenge ourselves on these things and make ourselves better. So we value your ongoing support and challenge and thank you.

**Shareholder:** If BP is not relying on offsetting to meet its net zero targets, why is BP investing in offset targets?

**Bernard Looney:** Thanks again for the question. The answer is very simple, as part of our ambition, which is to get BP to net zero and to help the world get to net zero, we have five aims to get BP to net zero, we have five to help the world get to net zero. And this latter five is why we are doing what we are doing in the matter of natural climate solutions. You are right, we are investing in natural climate solutions assets. We trade in the carbon offset market and we see natural climate solutions as an important part of helping getting the world to net zero. And in fact, our new sustainability frame, Aim 18, talks about our objective, which is to help scale the market in natural climate solutions, which we think the world needs and can be a good business for BP. But you are correct in saying that between now and 2030, we will not be relying on offsets to meet our emissions reductions. So hopefully that helps.

**Shareholder:** Given the opposition to Shell's sponsorship of the London Science Museum carbon capture exhibition, will BP be taking the opportunity to review its own relationship with the Science Museum Group? And, more broadly, its involvement in cultural sponsorship?

**Bernard Looney:** Thanks for the for the question. I cannot comment on what another company is doing with the Science Museum, I like the ideas around the carbon capture exhibition. I think that sounds great. And for people who have got a lot of expertise of taking carbon out of the ground, I think many of those same people are well-placed to help put carbon back into ground, which is what carbon capture is all about.

I would also add that Sir Ian Blatchford I think does an absolutely fantastic job of running the Science Museum and keeping it very, very relevant in today's society and modernizing it and progressing it in a way which is consistent with its name, being at the cutting edge, so to speak, of what is happening in society.

In terms of our own relationship to arts and culture, you know, we have been doing this across the world, for over 50 years. I think something like 53 million people have engaged in events or whatever that have been supported by BP over that time period. I think that



is just here in the UK actually. And it is nothing more and nothing less than part of our commitment to give back. We operate as part of society. We operate as part of communities around the world and here in the UK. And it is a natural thing to want to give back. That is what our people want to, who work for BP, who are good people trying to do the right thing. And they want us to give back just like we did, for example, during the pandemic where we have given free fuel to all the emergency services vehicles in Britain, both in the first lockdown and in this most recent lockdown. There is nothing more to it than simply giving back.

Now clearly there are some who take a different view. But from our perspective, our position has always been that the world is going to do better with dialogue and engagement. That is our view. Others may have a different view, but that is our view. And therefore we want to continue to be involved in such things, but of course we are not the only party in those agreements. And we will never, as you might imagine, impose ourselves on anybody, but I am proud of what the company has done over decades in the arts. There is nothing more to it than us taking an opportunity to give back a little bit to society. And we will continue to work with institutions in the future, that want to work with us. And that is what we would intend to do. But it is part of a broader, part of our agenda around being good members of society and trying to add a little bit to the communities in which we work. So, I hope that helps a little bit around the context on how we think about arts and culture. Thanks for the question.

**Shareholder:** Following Elon Musk's diagnosis of Asperger's (a form of autism), is BP neurodiverse in its recruitment and working culture?

**Bernard Looney:** Very good, and thank you very much for the question. So the first thing that I would say is that diversity and inclusion is a huge part of our agenda in BP. I am very proud of the fact that I think it is almost 40% of the top 120 executives in the company are female, as one measure of diversity. It is why we focus on mental health so much within the company, because it is an incredibly inclusive topic. It touches everyone inside our organization, but there are many forms of diversity and neurodiversity is one of them. And it has an important place inside our diversity, equity and inclusion framework.

We are putting steps in place to increase the awareness and definitely acceptance across BP and foster what I would call greater cognitive diversity in our workplace. We recently ran neurodiversity awareness training sessions for people in BP. And we are looking to recruit neurodiverse individuals and I am in contact with someone inside bp in Eastern Europe who helps us with keeping this agenda alive and is very encouraged by what we are doing in this space. And I think he has been on some of the social media that we do recently.

So diversity comes in all formats different shapes and sizes, so to speak. Neurodiversity is absolutely in our sites. It is part of our framework. We are doing education inside the company, and it is part of our recruitment plan. So, I hope that that helps you a little bit, and any advice you have please feel free to follow up.

**Esme LillyWhite (ShareAction):** Delighted to see BP being accredited as a living wage employer in 2020. Thank you for making this commitment to your staff. The living wage foundation has launched the living hours standard. I would like to ask for an overview of

BP's approach to setting contracts, including the minimum number of hours and notice periods of shifts?

**Bernard Looney:** Very good. Esme, thank you for your question. You know I am delighted that we did this actually last year. And one of the reasons why it became very clear that this was the right thing to do was when I had a call with retail staff here, in the UK. And, you know, I come from an upstream background, and therefore when I think of the frontline, I tend to think of people working in off shore facilities or on drilling rigs or in refineries. And that is how I had thought about the front line.

But I found myself talking to our group of people who were really on the front line, dealing with customers each and every moment of the day in the midst of a pandemic. So really at the cutting edge, providing frontline essential services to people across the country. And that was one of the reasons why we adopted the UK living wage, which provides an hourly rate, which is above the government minimum. I think it is 9 pounds 30, and London, I think, it is a little higher at 10 pounds 75<sup>3</sup>. We are very aware of obviously the work that is being done on the living hours standard and are in contact with the Living Wage Foundation on that. And we will liaise with them, we are liaising with them and we will come back, I think, in the future when that engagement has ended and talk about your question specifically around minimum hours and notice periods. And that is just for the United Kingdom. And we have to think also that we are a global company and we are also reviewing what our approach is throughout the world.

So thanks for the acknowledgement. I am really, really glad that we did it. I could not imagine a group of people that I am more proud of, in terms of what they did last year, our retail staff at the front line, all around the world. Brilliant job. And this was a small token of our appreciation for the work that they did. And by the way, I would add that that received the full support of the remuneration committee led by Paula and by the main board obviously led by Helge. So thank you for the question, Esme.

**Shareholder:** I have experienced problems with receiving voting papers through the post. I received the voting form, but no notice of this AGM, which also happened last year. Could the Board confirm that in the future voting papers will be sent by post, including the notice of meeting, etc?

**Ben Mathews:** Thank you again for the question. As you would expect, what we strive to do is to be efficient in terms of the use of paper, it is, after all, shareholder funds that we are using to communicate with our shareholders and we encourage, wherever it is possible to do so, shareholders to interact with BP online.

What I would like to suggest is that we contact you directly afterwards, and we can just run through the process for registering online if that is what you would like to do. And that will be an efficient and a secure way in which to communicate, as between you and BP. Of course, alternatively we can, of course, make arrangements for you to continue to receive all shareholder communications through the post, if that is what you would prefer. So we will be in touch with you straight after this, but thank you for the question.

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<sup>3</sup> £9.50 outside London and £10.85 within London.



**Shareholder:** How many shareholders are on this call and how does that compare with the normal meeting at the ExCeL Center?

**Ben Mathews:** On this call right now we have around, 80 or so shareholders, as I am told by the team here. Plus a number who are watching online via the bp.com registration point.

On the second part of your question, how does that compare with the normal physical meeting? Well, that sort of depends upon where it is that we are hosting that meeting. As you may be aware where sometimes in London, we have also been in Manchester, we have also been in Aberdeen and we have been trying to be in London for the last couple of years, but for the challenges presented by the pandemic, normally that number is around a hundred or so shareholders, sometimes more, as I said depending upon the physical location of that meeting, but I hope that helps to answer your question.

**Helge Lund:** The poll is now closed and the results will be provided via a regulatory announcement and displayed on our website, after the meeting.

As we conclude our meeting, I would like to express my gratitude to three groups of people who have made it possible. First, I thank the BP team, which has delivered this hybrid AGM.

It has been no small task, but your determination demonstrates your commitment to reinventing BP. And second, I thank my fellow members of the board.

The AGM is, rightly so, the moment each year when, the way the company is run attracts the closest to the scrutiny. Yet behind the scenes that BP board is meeting, corresponding and debating the whole year through. And I want to thank you, board members for their diligence. And I want especially to thank Professor Dame Ann Dowling and Brendan Nelson, who are each stepping down from the board at the conclusion of this meeting, following respectively 9 and 11 years of exemplary service.

Third, and finally, I would like once more like to thank you, our shareholders, for your continued support of our company, that support makes everything else possible. Thank you. And this concludes the 2021 BP PLC AGM, please stay safe and thank you. And goodbye.

[END OF TRANSCRIPT]