

Performing while transforming

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7.9%
annual
dividend yield★
ordinary share
(2019 6.9%)

\$6.4bn
total dividends
distributed to
bp shareholders
(2019 \$8.3bn)



Dear fellow shareholders,**2020: the year of the pandemic**

In every sense, 2020 was an extraordinary year. The worst pandemic in a century has cost well over 2 million lives and caused worldwide economic and social disruption. While vaccination programmes are now building momentum, the path to recovery remains uncertain.

Because demand for energy is closely linked to human activity, our sector was deeply affected. The combination of a steep fall in share values for almost all oil and gas companies and a new bp distribution policy significantly affected your shareholder returns.

As chairman of your board, I am conscious of my responsibilities to bp's shareholders. When the board decided to reset our distribution policy, it did so with a view to your long-term interests. Our priorities were, and remain, weathering the immediate challenge of the pandemic; paying a resilient dividend; strengthening our balance sheet; investing into the energy transition; investing in our resilient hydrocarbons business and, after that, returning surplus cash★ to shareholders through buybacks.

The board was unanimous in its support for this course of action, which will help establish bp as an Integrated Energy Company. I hope that bp's new investor proposition and financial frame give reasons for optimism about bp's long-term prospects. As we turn to 2021, the board's focus is on supporting bp's leadership team to deliver our new strategy, and on building renewed shareholder confidence through strategic progress and operational and financial performance.

2020 was also tough for our people. My board colleagues and I are proud of them. Their commitment – on rigs, in refineries, across retail stations and everywhere else in bp – helped keep the world's lights on and allowed us to provide many emergency services with free or heavily discounted fuel. Despite new COVID-19-related practical challenges, our people maintained the safety of bp's operations. That is a testament to their careful work.

bp's new purpose

2020 was a remarkable year for bp for other reasons too. With the backing of the board, our new CEO, Bernard Looney, introduced a new company purpose: reimagining energy for people and our planet. That purpose – together with our strong culture and values – underpins the net zero ambition that we set out last year, together with our new strategy, financial frame and investor proposition. It also informed bp's reinvention – the selection of a new leadership team, and the replacement of bp's upstream/downstream model with a new, integrated group structure.

Change of this scale necessitated a reorganization of how we work. That reorganization will ultimately see close to 10,000 colleagues leaving bp. Saying goodbye has been difficult, but the result is a leaner, flatter, nimbler company – better able to realize the opportunities of the energy transition.

Macro-economic developments have only strengthened the board's belief that the direction in which we are taking bp is the right one – including China's new net zero target, the EU's Green Deal, the UK's plan for a green industrial revolution, and the US's recommitment to the Paris Agreement. Today, global energy markets are even further down the path of fundamental change – and bp is well-positioned to help to speed the world's journey to net zero.

A year of engagement

While this is a journey that will require patience, our goal is that bp over time will become a more valuable company for its shareholders and bring wider benefits for society. Of course, the journey to net zero is, in part, one of discovery. For that reason, the board and bp's leadership team know that we must be fully open to advice, learning and challenge.

2020 was therefore a year of engagement with our stakeholders, and I am grateful for the inputs we received – which helped us shape our new strategy, financial frame and investor proposition, sustainability frame and position on biodiversity. We will keep listening, and we count on you to share your feedback with us as we travel the road to net zero together.

Evolution of the board

As the company evolves, the board's composition will evolve too – reflecting the need for new experiences and skills aligned with bp's new direction. During the year, the board said goodbye to our former CEO, Bob Dudley, and to Brian Gilvary, our former CFO. Sir Ian Davis, Nils Andersen and Dame Alison Carnwath have also stepped down from the board, and we shall shortly say farewell to Brendan Nelson. Collectively and individually they served with distinction – bp is very fortunate to have had their wise advice and strong leadership. We are just as fortunate to welcome Tushar Morzaria, Karen Richardson and Johannes Teyssen to bp's board for the first time.

Closing thanks

I would like to thank Bernard Looney, his leadership team and everyone in bp for their work during 2020. Throughout this challenging year, they showed characteristic determination.

Finally, I thank you, our shareholders. I am grateful both for the continued support we received during 2020, and also for the support of our new shareholders. During 2020, we received investment and other endorsement from those who told us they would not have considered supporting bp were it not for the transformation we have begun. We look forward to repaying the faith you have placed in bp.



Helge Lund,
Chairman
22 March 2021