

Chief executive officer's letter

Dear fellow shareholders,

Thank you for your support over the last year, especially during the period of leadership transition. It is an honour to lead your company as CEO.

Our destination is unchanged. We're moving from an international oil company to an integrated energy company – IOC to IEC. We're investing in today's energy system, which is mainly oil and gas, while building out tomorrow's. And we are focused on growing the value of bp.

Nearest IFRS-equivalent measures

\$15.9bn

profit for the year 2023^a

17.8%

profit for the year 2023 attributable to bp shareholders divided by total equity at 31 December 2023^b

\$52.0bn

finance debt at the end of 2023^c

Safety first

Safety always comes first in everything we do. In 2023 three people lost their lives while working for bp – a contractor at bpx energy and two colleagues at our newly acquired TravelCenters of America business. We will never accept this as part of doing business. Our goal is the elimination of all fatalities, life-changing injuries and the most serious process safety incidents.

In 2023 we continued to make progress on process safety, but there is always more to do. We need to constantly reinforce and build on our operating culture across the business, rigorously applying our Operating Management System★ (OMS), embedding the Lifesaving Rules and living our Safety Leadership Principles. We are determined to keep building a safer bp.

A year of delivery

In 2023 we delivered a resilient operational and financial performance, with earnings (adjusted EBITDA★) of \$43.7 billion^a and operating cash flow★ of \$32.0 billion. This contributed to:

- Profit for the year attributable to bp shareholders of \$15.2 billion.
- Underlying replacement cost profit★ of \$13.8 billion.
- Return on average capital employed (ROACE)★ of 18.1%^b.
- Net debt★ reduced to \$20.9 billion^c – its lowest in a decade.

In turn this has allowed us to deliver competitive distributions to our shareholders:

- A 10% increase in the dividend per ordinary share (compared with the fourth quarter of 2022).
- \$6.5 billion in share buybacks from our 2023 surplus cash flow★.
- 17% reduction in issued share capital between the end of the first quarter of 2021 and 31 December 2023.

We continue to maintain a disciplined financial frame. The strength of our underlying financial performance, the disciplined approach to strengthening the balance sheet over the last few years, and our confidence in our drive towards 2025 gave us the capacity to update the financial frame earlier this year. As we announced in February 2024, we have tightened our capital expenditure★ guidance and enhanced our share buyback guidance, all while continuing to prioritize a strong balance sheet and strong investment grade credit rating.

Strategic progress

We are four years into our journey from IOC to IEC. Our strategy is based on the judgement that oil and gas will be needed for decades, but that a global shift to lower carbon energy is well underway. Since the pace of that shift is uncertain we will continue to be flexible and pragmatic, responding to changing demand and societal need, as we did in February 2023.

Our strategic progress in 2023 included:

- Oil and gas production growth of 2.6%, underpinned by strong growth from bpx energy and good management of our base business.
- Strong underlying year-on-year growth in our convenience gross margin★.
- EV charge points★ up 35% globally, energy sold up 150%.
- Biogas supply volumes★ up 80%, biofuels production★ up 18%.
- 21.1GW net growth in our renewables pipeline.
- 1.1mtpa net growth in our hydrogen pipeline★.
- Completed the planned implementation of methane measurement approach across our operated upstream oil and gas assets.

a Adjusted EBITDA for the group is a non-IFRS measure and its nearest IFRS-equivalent measure is profit for the year 2023.

b ROACE is a non-IFRS measure and its nearest IFRS measures of numerator and denominator are profit for the year 2023 attributable to bp shareholders of \$15.2 billion and total equity at the end of 2023 of \$85.5 billion respectively.

c Net debt is a non-IFRS measure and its nearest IFRS-equivalent measure is finance debt at the end of 2023.

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Growing the value of bp

The last few years were about generating options. As we drive to 2025, we will focus on executing to deliver value. To guide that effort, we've set out six near-term priorities for bp. These are: to keep improving safety and reducing emissions. To make the company simpler and more focused. To become more efficient by putting technology and digitization at the heart of what we do. To progress our growth projects. To invest to maximize returns. All while maintaining our commitment to shareholder distributions.

bp is a great company. We have high-quality resources, outstanding science and engineering, strong partnerships, a world-class trading capability, and above all great people.


I believe very few companies can deliver what we offer. It's why I've never been more confident that we can win in this transition as a simpler, more focused and higher value bp.

Last but not least, thank you for your continued support, and a big thank you to the whole bp team for working incredibly hard in what was at times an uncertain year.

Murray Auchincloss
Chief executive officer
8 March 2024

Six priorities to grow the value of bp

1. Improve safety and reduce emissions.
2. Drive a focus in the business on activities that create the most value.
3. Deliver the next wave of efficiency – including technology and global capability hubs.
4. Deliver the next set of growth projects that provide growth through to 2030 and beyond.
5. Optimize ROACE through disciplined investment allocation.
6. Grow shareholder returns.

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