Financial disclosure framework

Handbook

Introduction

"The release of our new financial disclosure framework is an important step in our journey to reinvent bp. The reporting structure defines how we performance manage the company to maximise value. And the metrics provide increased transparency as we progress our strategic agenda, enhancing understanding of our business and demonstrating the significant value within our portfolio"

Murray Auchincloss, chief financial officer, bp

bp's new financial disclosure framework

Consistent with our purpose and net zero ambition we have made a commitment to reinvent bp.

We have a new strategy, a new organizational model and from the start of 2021 have also changed the way that we performance manage bp, commencing reporting on this basis with our first quarter 2021 results.

Our new financial disclosure framework comprises our new segmental reporting structure and associated disclosures. It follows a significant review of and enhancement to, our disclosures and forms part of a broader reporting framework that includes our Annual Report, Sustainability Report and ESG data sheet.

The restated Group databook (previously F&OI) is available to download on our website.

New reporting structure

Our new reporting structure comprises five segments:

- **Oil production & operations:** oil producing regions
- **Gas & low carbon energy:** gas producing regions; gas marketing & trading; integrated gas & power; and bp's low carbon energy businesses; including low carbon electricity
- **Customers & products:** customer facing businesses including convenience, mobility (fuels retail and next-gen as well as aviation, B2B and midstream) and Castrol, and products businesses – refining and oil & oil products trading
- **Rosneft**
- **Other businesses & corporate:** including bp ventures and Launchpad and corporate activities.

An illustration of how our old reporting structure maps to our new segments is shown as an appendix to this document.

For each new segment we will report performance on both a pre-tax and post-tax basis and will also disclose EBITDA for the first three segments.

A consistent set of disclosures for our hydrocarbons businesses

Organisationally, our hydrocarbons businesses, including refining, are now managed through a single combined operating model. This creates the potential for around $1.5 billion of annual cost savings by 2023, relative to 2019, as we focus on driving operational excellence and synergies.

The financial results of oil, gas and refining will be reported within three different segments as we focus on maximising commercial value:

- Oil production & operations forms its own new segment comprising the results of our oil regions
- Gas regions will be reported within our gas & low carbon energy segment, consistent with the increasing integration of gas value chains with our low carbon businesses
- Refining will be reported within our customers & products segment, recognising the commercial importance of our integrated fuels value chains.

For these businesses, we are ensuring consistency with our former disclosures. bp will continue to disclose certain key metrics for aggregated oil and gas, equivalent to the old Upstream segment.

A summary of how our hydrocarbon operations are split between oil production & operations, gas & low carbon energy and customers & products segments can be found on our website.

Significantly enhancing disclosure in customers & products to provide insight into our growth drivers

The customers & products segment comprises our customer facing businesses (convenience & mobility) and our products businesses (refining & trading).

We will significantly enhance our disclosures in this segment, including:

- Quarterly EBITDA and earnings breakdown between convenience & mobility and refining & trading
- Break out of key components of our convenience & mobility earnings including convenience sales and gross margin, retail fuels gross margin, and Castrol sales and EBITDA
- Multiple financial and operational metrics including strategic convenience sites, growth market sites, electric charge points and margin share from convenience and electrification.

These enhanced disclosures, some of which will be on an annual basis, will allow investors to track progress against our aims, including our aim to nearly double convenience & mobility EBITDA by 2030 relative to 2019 while generating returns of 15-20%. These disclosures will also facilitate improved comparison with peers.

Providing visibility around our growth and returns objectives in low carbon energy

Consistent with the increasing allocation of capital to low carbon energy as we drive our transformation, we have outlined a series of new disclosures for this business.

Key elements include quarterly updates on:

- The GW capacity and average expected returns of our portfolio of renewable power projects developed to final investment decision
- Our renewables pipeline, including analysis by geography and technology
- The hopper of early stage options that support development of our pipeline.

Looking forward, we continue to review our financial disclosures and intend to evolve them in line with this work and as we scale up our business. Consistent with this, from the end of the 2021 financial year we plan to provide additional annual financial disclosure.

Maintaining clarity on Rosneft and other businesses & corporate

We will continue to separately report the results of our Rosneft shareholding and the contribution from other businesses and corporate.

Other businesses & corporate includes the contribution of bp ventures and Launchpad.

Transparency against key strategic milestones

Annual updates on previously disclosed milestones will include:

- EBIDA and EBIDA per share
- Group ROACE
- The proportion of capital employed dedicated to the energy transition
- Progress towards becoming a net zero company – Aims 1 to 5
- Key strategic theme objectives including ROACE, EBITDA and capital employed.

Oil production & operations

"Oil production & operations is an important part of our strategic approach to hydrocarbons. While our oil and gas regions will be reported separately, allowing a focus on maximising commercial value from integrated value chains, a consistent set of disclosures will provide transparency towards meeting our strategic aim of growing EBITDA to 2025 from a higher margin and more focused portfolio."

Gordon Birrell, EVP, production & operations

Hydrocarbons strategy, operations and reporting

Our strategic approach to hydrocarbons is to create a resilient and focused portfolio across oil, gas and refining. We aim to grow EBITDA to 2025 through delivery of high margin major projects and fast payback infrastructure-led investments, and the high grading of our portfolio via strict investment criteria and portfolio choices.

In addition, in our hydrocarbons businesses we plan to drive operational excellence and synergies, transforming our operations through our new combined operating model. This is expected to create around $1.5 billion of annual cost savings by 2023, relative to 2019, and drive improved reliability.

While this combined operating model is expected to deliver significant benefits, we are separating the financial reporting of our oil, gas and refining businesses. This will allow us to focus on the commercial integration of our gas value chains with our low carbon businesses as well as the value of integrated fuels value chains in our refining and oil products business.

The map below shows the regions reported in oil production & operations.

Oil production & operations

Our oil production & operations segment will report the results of our oil producing regions.

This new segment will report operational and financial performance consistent with our former combined oil and gas disclosures.

In addition to segment financial disclosures, key segment-specific disclosures include (quarterly unless otherwise stated):

- Production
- Realizations
- Exploration expenditure written off
- Supplementary oil and gas information (annual).

Additional disclosures

To provide transparency of the performance of our combined operating model, we will continue to report certain measures on an aggregate basis.

Disclosures which relate to our combined oil and gas operations (quarterly unless otherwise stated):

- Production
- Unit production costs
- bp-operated plant reliability
- Supplementary oil and gas information (annual).

Guidance

In addition, to support modelling of oil production & operations, we plan to provide guidance at both a segment and aggregate level (including gas), showing:

- production (quarterly and annual)
- rule-of-thumb (annual).

Gas & low carbon energy

"To provide an increased focus on delivery of our low carbon strategy we have established a separate gas & low carbon energy segment. Our segment disclosures will offer insight into our growth and returns, particularly in low carbon electricity. And the disclosures also recognise the potential for commercial integration of gas value chains with our low carbon businesses as we focus on the opportunity to provide cleaner, firm and affordable energy to customers."

Dev Sanyal, EVP gas & low carbon energy

The segment includes our gas & low carbon businesses. We will provide segment financials each quarter along with a set of operational and financial metrics for each business, consistent with their level of maturity and which provide insight into their future growth potential.

Low carbon energy	Gas
Low carbon electricity	Production
– Solar	Gas marketing & trading
– Onshore wind	Integrated gas & power
– Offshore wind	
Bioenergy	
Hydrogen & CCUS	

Low carbon energy

In low carbon energy we plan to build capability and scale with capital discipline and a returns focus. Supported by our plans to increase capital expenditure, our low carbon growth strategy spans three focus areas and our new disclosures will help track progress towards our strategic objectives.

Low carbon electricity disclosure:
(quarterly, net to bp)

– **Installed renewables capacity** (GW) (bp owned vs developed)

– **Developed renewables to Final Investment Decision** (FID) (GW)

– **Weighted average expected returns of renewables projects developed to FID** (%)

– **Renewables pipeline by geography and technology** (GW) (projects progressed by either bp or partners satisfying stage gate criteria[1] until it is either stopped, sold or developed to FID)

– **Renewables hopper** (GW) (project opportunities from the point of initial evaluation until they are either stopped or become part of the renewable pipeline).

Driven largely by solar and offshore wind we target 20GW (bp net) of renewable capacity developed to FID by 2025 with an aim of 50GW by 2030, with average returns of at least 8-10%.

Our quarterly disclosures will track progress toward delivery of this volume target and provide transparency of returns relative to our hurdle rate.

Our pipeline will define the portfolio of projects actively progressed by bp or our partners. And our project hopper will define the scale of initial stage options that we are assessing. As we mature opportunities we will focus on value over volume.

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(1) Renewables pipeline criteria: 1) Site based projects have obtained land exclusivity rights or 2) PPA based projects an offer has been made to the counterparty, or 3) Auction projects pre-qualification criteria has been met, or 4) Acquisition projects post a binding offer being accepted

Bioenergy disclosure:

(annually, net to bp)

– **Bioenergy production** (kb/d)

We intend to double our bioenergy production in the five years to 2025, reaching output of 50kb/d net to bp.

Reflecting our established bioenergy business this production metric includes equivalent ethanol production, bp bunge bioenergia power co-generation for grid export, biogas and refining co-processing[2] and standalone hydrogenated vegetable oil.

Hydrogen and CCUS disclosure:

We plan to build positions in green and blue hydrogen with the intention of capturing a 10% share of clean hydrogen in core markets by 2030.

We have already established a platform for growth through our involvement in the Net Zero Teesside CCUS consortium and the renewable hydrogen project at the Lingen refinery in Germany. Given the early stage of this market and our business we will not be providing specific performance metrics in the near term but, as with the rest of our low carbon portfolio, we will evolve the operational and financial disclosures consistent with the maturity of the business.

Additional low carbon energy disclosures

Finally, to provide insight into financial progress, we will disclose:

– **low carbon energy capital expenditure on a quarterly basis**

– **from the end of the financial year 2021, additional annual financial disclosure.**

(2) Includes refining bio co-processing volumes that are also reflected in the refining throughput volumes in the customers & products disclosures.

Gas

We will present the results of our gas businesses as part of the gas & low carbon energy segment, enabling a greater focus on the integration of our gas value chains with our low carbon business. This will include potential to integrate with gas downstream markets and partner with renewables to provide cleaner, firm and affordable energy to customers as well as develop opportunities for integration with hydrogen value chains.

Our gas businesses comprise:

- Production
- Gas marketing & trading
- Integrated gas & power

Production

Our strategic approach and operating model for our hydrocarbons business is explained in the oil production & operations narrative on bp.com.

The map below shows the regions reported in gas.

We will report operational and financial performance consistent with our former combined oil and gas disclosures.

In addition to segment financial disclosures, key disclosures include: (quarterly unless otherwise stated

- Production
- Realizations
- Supplementary oil and gas information (annual)

And to provide transparency of the performance of our combined hydrocarbon operating model, we will continue to report certain measures on an aggregate basis.

Disclosures which relate to our combined oil and gas operations:
(quarterly unless otherwise stated)

- Production
- Unit production costs
- bp-operated plant reliability
- Supplementary oil and gas information (annual).

In addition, to support modelling of this business, we plan to provide guidance at both a segment and aggregate level (including oil), showing:

- production (quarterly and annual)
- rule-of-thumb (annual).

Gas marketing & trading and integrated gas & power disclosure:
(annually)

- LNG portfolio

- traded electricity

The **gas marketing & trading** business within our trading and shipping organisation works to ensure an integrated approach to bp's gas and LNG portfolio, structure integrated solutions for our customers and manage associated risks.

The **integrated gas & power** business has been established to create new markets and premium shorts by extending our presence along and across gas and power value chains by participating in gas and power infrastructure , building access to customers in high growth downstream markets and growing commercial and industrial offers.

Our objectives in these areas are summarised by two key targets:

- 25 Mtpa LNG portfolio by 2025 through a combination of equity-led and merchant positions and growing sales into new and existing markets
- 350 TW/h hours traded electricity by 2025 through expansion into new markets and customers in support of our renewable power targets.

We will provide an annual update on our progress toward both of these targets.

Customers & products

"To enable the clear measurement of progress towards delivery of our targets and aims we are significantly enhancing our financial and operational disclosures in customers & products. In particular, providing more detail and transparency around our customer businesses where we aim to materially grow EBITDA, almost doubling it by 2030 while maintaining ROACE of 15-20%."

Emma Delaney, EVP customers and products

In addition to segment financial disclosures, on a quarterly basis we will report EBITDA, operating profit on a pre-tax and post-tax basis, DD&A and capital expenditure for each of the sub-segments within our customers & products (C&P) business group:

- Customers – convenience & mobility: Includes convenience, our mobility offer, including retail fuels, electrification as well as aviation, B2B and midstream, and our leading lubricants business Castrol
- Products – refining & trading

Customers – convenience & mobility

We intend to materially grow in convenience & mobility, almost doubling our 2019 EBITDA by 2030, while generating ROACE of 15-20%.

We will achieve this through three primary growth areas:

- Redefining convenience in key focus markets
- Scaling-up our differentiated offers in growth markets
- Scaling-up next gen mobility solutions.

We will provide additional disclosures covering:

Convenience disclosure:
(quarterly unless otherwise stated)

- **Convenience gross margin and growth** (annual)
- **Strategic convenience sites.**

In 45 of the leading economies of the world, demand for convenience is forecast to nearly double by 2030, growing at more than 5% per annum[3]. We aim to grow faster than the market – increasing revenues and expanding margin across our network to double our 2019 convenience gross margin to more than $2 billion by 2030.

We plan to continue the roll out of our successful strategic convenience sites in partnership with leading retailers, such M&S in the UK, Rewe in Germany and ampm in the US – to over 3000 by 2030 – and enhance our retail offers, supported by our digital and loyalty programmes.

Mobility: retail fuels and next-gen disclosure:
(quarterly unless otherwise stated)

- **bp retail sites**
- **bp retail sites in growth markets**
- **Retail fuels gross margin** (annual)
- **Retail fuels volume** (annual)
- **Premium fuels** (% of volume sold) (annual)
- **Electric vehicle charge points** (bp and JV operated) (annual)
- **Customer touchpoints and digital downloads** (annual)

(3) 2019 analysis from Euromonitor

We have already established networks in some of the world's fastest growing markets. We plan to grow our network in these key markets to more than 8,000 sites by 2030, and we will disclose progress.

Our retail fuels offer is a source of differentiation, with our retail sites generally selling more fuel than the industry average. We will disclose the number of sites and retail fuels volumes sold. We will provide visibility into our leading premium fuels, which generate higher margins than our regular fuels. And we will disclose the retail fuels gross margin for our total network.

We intend to approximately double customer touchpoints at our retail sites to more than 20 million per day by 2030 whilst driving customer intimacy and loyalty - we know that transacting customers on our loyalty schemes currently purchase four times as much fuel. We plan to deliver this by creating a platform of leading digital offers, such as BPme. We will respond to shifting customer needs by continuing to evolve and personalise their experience of our digital and loyalty offers, supporting overall margin expansion. And we will share progress of our successful loyalty programmes through the disclosure of customer digital downloads.

In next-gen mobility, electrification is fundamental to our strategy and will increasingly become an important source of revenue generation. We plan to provide the fastest, most convenient, reliable network of chargers. We aim to grow bp and JV operated EV charging points from 10,100 in 2020 to over 70,000 by 2030. We will provide progress on this key metric annually. As this business continues to grow, we will provide additional disclosures.

Castrol disclosure
(quarterly unless otherwise stated)

- Sales (annual)
- URCOPBIT
- EBITDA
- Capital expenditure
- DD&A
- Premium lubricants ratio (annual)

Our leading lubricants brand, Castrol, has a strong presence both in growth and established markets and is expected to be a key driver of growth to 2030 – we aim to grow our sales revenue to over $8 billion by 2030.

We expect lubricants demand in key growth markets, where we already have a strong presence, to continue to grow at 2% per annum to 2040. In addition, premium lubricants demand, which comprise around 50% of our volumes, is expected to remain strong with the same volume demand expected in 2040 as in 2020.

Through a focus on operational efficiency, increased investment in marketing and technology, and by leveraging our strong partnerships, we plan to increase Castrol sales and earnings. We also expect to grow our premium offers and services as we respond to the energy transition.

Additional disclosures

We will publish additional disclosures to provide insight into strategic areas that span our businesses:
(quarterly unless otherwise stated)

- **Margin share from convenience and electrification** (annual)
- **Growth market RCOP and growth** (annual)
- **Marketed sales of refined products.**

As we respond to the energy transition, convenience and electrification are expected to form a greater proportion of our margins. We aim to increase share of our margin from convenience and electrification to around 50% by 2030.

And, as mentioned, we are focused on growth markets, aiming to double combined 2019 earnings from our retail fuels and Castrol businesses in these markets by 2030.

In addition, we will continue to disclose marketed sales of refined products, which represents all of the products we market, including retail, B2B, aviation and Castrol.

Products – refining & trading disclosure:

(quarterly unless otherwise stated)

In addition to quarterly financial disclosures for our products – refining & trading business, we will continue to provide:

- **Refining availability**
- **Refining throughput**
- **Refining marker margin (RMM).**

Our products – refining & trading business plays a key role in the optimization of the fuels value chain from crude supply to refining to marketing.

In refining, we intend to high-grade the portfolio, drive synergies from our new operating model and continue to pursue an unrelenting focus on operational excellence, efficiency and commercial optimization through our long-established business improvement plans.

We intend to continue to grow commercial value through campaign planning and margin improvement together with investment in digital and feedstock processing capabilities, such as bio co-processing. Taken together, these actions support our plan to move our portfolio to top-quartile net cash margin by 2025.

Cautionary statement

In order to utilize the 'safe harbor' provisions of the United States Private Securities Litigation Reform Act of 1995 (the 'PSLRA'), bp is providing the following cautionary statement. This press release contains certain forward-looking statements – that is, statements related to future, not past events and circumstances – which may relate to one or more of the financial condition, results of operations and businesses of bp and certain of the plans and objectives of bp with respect to these items. These statements are generally, but not always, identified by the use of words such as 'will', 'expects', 'is expected to', 'aims', 'should', 'may', 'objective', 'is likely to', 'intends', 'believes', 'anticipates', 'plans', 'we see' or similar expressions.

In particular, the following, among other statements, are all forward looking in nature: plans and expectations relating to bp's new strategy including statements regarding the delivery of that strategy; expectations with regard to bp's new reporting structure, organisational structure and operating model; and bp's strategic, financial and operational targets, aims and other objectives for 2025 and 2030. By their nature forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will or may occur in the future and are outside the control of bp. Actual results may differ from those expressed in such statements, depending on a variety of factors including the risk factors set forth in our most recent Annual Report and Form 20-F under "Risk factors" and in any of our more recent public reports.

Our most recent Annual Report and Form 20-F and other period filings are available on our website at www.bp.com, or can be obtained from the SEC by calling 1-800-SEC-0330 or on its website at www.sec.gov.

March 2021

Appendix

Our reporting structure – maximising commercial value[1]

	Oil production & operations	Gas & low carbon energy	Customers & products[3]	Rosneft	Other businesses & corporate
Upstream	Oil regions[2]	**Gas** • Gas regions[2] • Gas marketing & trading • Integrated gas & power			
Downstream			**Customers - convenience & mobility** • Convenience • Mobility – fuels retail • Mobility – next-gen • Castrol • Aviation, B2B, midstream **Products - refining & trading** • Refining • Oil & oil products trading		
Rosneft				Rosneft	
Other businesses & corporate		**Low carbon energy** • Low carbon electricity • Bioenergy • CCUS • Hydrogen			bp ventures Launchpad Corporate activities

Segment disclosures will include EBITDA[4], pre and post tax underlying replacement cost operating profit and capital expenditure

(1) Not a comprehensive list of businesses reported in each segment (2) Regions disclosed on bp.com under segment financial disclosure framework (3) Includes respective low carbon results, such as bio co-processing (4) EBITDA: underlying replacement cost profit before interest and tax, add back depreciation, depletion and amortization and exploration expenditure written-off (net of non-operating items)
At $50/bbl (2020, real) and $3.00/mmBtu (2020, real) Applies to oil production & operations, gas & low carbon energy, customers & products