

# Climate Action 100+ resolution talking points

18 March 2020

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At BP's 2019 AGM, over 99% of BP shareholders voted in favour of a special resolution ('the resolution') proposed by investor group Climate Action 100+ and supported by the BP Board.

This note provides a high-level summary of BP's response to the resolution. It is not BP's response. BP's 2019 response is in the Annual Report - references are included throughout e.g. [AR pXX]. Note the table on [AR p6], directing the reader to resolution-relevant disclosures. This is the first year of our enhanced disclosures and we expect this to evolve over time.

The resolution and our on-going engagement with Climate Action 100+ have helped shape the new purpose, ambition and aims that now guide our approach.

We look forward to on-going engagement with Climate Action 100+, its participating investors and other investor groups, particularly as we put in place **Aim 9: to be recognised as an industry leader for the transparency of our reporting.**

## The resolution requires BP to disclose<sup>1</sup>:

### 1. BP's strategy, which the Board considers consistent with the Paris goals.

- **BP's strategy is unchanged but we plan to update it and our near-term plans at our Capital Markets Day in September** in light of our new purpose, ambition and aims.
- **The Board considers BP's strategy to be consistent with the Paris goals.** It is progressive, flexible and resilient and positions BP to play our part in meeting the world's needs for reliable, affordable and lower carbon energy while ensuring that BP remains an attractive investment for shareholders throughout the energy transition [AR p17].

### 2. How BP evaluates new material investments for consistency with the Paris goals<sup>2</sup> -

- **Investments are made within a governance framework and in support of our strategy, which we believe is consistent with the Paris goals.**
- **The Resource Commitment Meeting (RCM), chaired by our CEO, uses a set of balanced investment criteria** for investment decision-making: Investment Economics, Environment & Sustainability, Cash Flow Certainty, Safety & Risks, Capability & Scale, Optionality. [AR pg. 20]

- **The evaluation for consistency with the Paris goals is qualitative with a focus on financial robustness and relative carbon intensity in response to the changing market environment. [AR p22]**
  
- The evaluation uses two quantitative 'guide levels' to inform the RCM's decision-making:
  - **Profitability of each investment in a sustained low-price environment - Profitability Index (PI).**
    - Guide level that  $PI > 1$ , meaning that the projected present value of future cash flows exceeds the present value of the initial investment, even in a sustained low-price environment.
    - 'Sustained low-price environment' uses BP's lower-case long-run commodity prices combined with our higher-case long-run carbon price on operational emissions: Oil (\$50/bbl – 2015 real), natural gas (\$2/mmBtu – 2015 real), refining margins (\$11/bbl (nominal)), carbon (\$80/tCO<sub>2e</sub> – 2015 real) (all average 20-year long-run prices).
    - These commodity price assumptions reflect a range of possibilities of how future energy prices may change in Paris-consistent pathways.
  - **Operational carbon intensity relative to our relevant portfolio (upstream, refining or petrochemicals).**
    - Guide level for each new material upstream, refining and petrochemical capex investment, that it would reduce the average operational carbon intensity of the relevant portfolio.
  
- **In 2019 eight new material investments (>\$250m) were in scope: 6 Upstream and 2 Downstream. [AR pg 22]**
  - All eight have  $PI > 1.0$  in sustained low-price environment. Weighted for the proportional size of each investment, the average PI was approximately 1.5.
  - Five projects met the guide level for operational carbon intensity. One project did not meet this guide level but was evaluated to be consistent with Paris based on investment economics including the short payback period. The average for six applicable 2019 investments was approximately 45% relative to the relevant portfolio.
    - For two projects the operational carbon intensity was not calculated due to the nature of these investments.

### 3. Principal metrics, targets and goals, including a new metric: “estimated carbon intensity of energy products”.

These include:

- **Anticipated levels of investment in oil and gas and other energy sources and technologies [AR p 18].**
  - These are set out in BP’s financial frame and RIC framework.
  
- **Targets to promote operational GHG reductions [AR p41].**
  - Zero net growth in operational emissions by 2025;
  - 3.5Mte sustainable emissions reductions by 2025;
  - 0.2% methane intensity.
  - These targets are set out under our existing RIC framework. We are considering potential options for updated targets as we work towards our Capital Markets Day planned for September 2020.
  
- **Estimated carbon intensity of BP’s energy products and progress over time [AR p40].**
  - Average lifecycle emissions intensity (gCO<sub>2</sub>e/MJ) of marketed products, refined energy products, gas products, bio-products and power products.
  
- **Linkage between targets and executive pay [AR p101].**
  - The annual cash bonus for around 37,000 employees, including executives, is linked to our sustainable emissions reduction (SER) target.

<sup>1</sup> Note R22 provides: “Such disclosure and reporting to include the criteria and summaries of the **methodology and core assumptions used**, and to **omit commercially confidential or competitively sensitive information** and be prepared at reasonable cost; and provided that **nothing in this resolution shall limit the Company’s powers** to set and vary its strategy, or associated targets or metrics, or to take any action which it believes in good faith, would best promote the long-term success of the Company.”

<sup>2</sup> And a range of other outcomes relevant to BP’s strategy.

### Cautionary statement

This note may contain certain forward-looking statements, forecasts or projections with respect to the financial condition, results of operations and businesses of BP and certain of the plans and objectives of BP with respect to these items. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that

will or may occur in the future. Actual results may differ materially from those expressed in such statements depending on a variety of factors.

Please refer to the Cautionary statement on page 324 of the full BP Annual Report and Form 20-F 2019 for further information on forward-looking statements.