

# BP climate-related financial disclosures

We support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which was established by the Financial Stability Board with the aim of improving the reporting of climate-related risks and opportunities. We intend to work constructively with the TCFD, and others, to develop good practices and standards for transparency. This will be a multi-year journey, but we have already started, and our latest reporting provides information supporting the TCFD's recommended disclosures.

## Governance

**Recommendation: Disclose the organization's governance around climate-related issues and opportunities.**

### The board

The board is responsible for the overall conduct of the group's business, which extends to setting our strategy and approach to the energy transition. The board and its associated committees, where appropriate, have oversight of climate-related matters (which include issues and opportunities) and are updated on these matters as frequently as necessary. In 2019 climate matters were included on the agenda for each of the six board meetings. This informed the board's consideration of strategy.

The process by which the board is updated on climate-related matters is managed by our company secretary's office and depends on the topic being discussed. In 2019 these processes included formal analysis of our RIC targets, briefings with subject matter experts from the business and the preparation and consideration of corporate reporting documents and AGM materials. The board has reviewed the consistency of our current strategy with the Paris goals, see page 17 of the *2019 BP Annual Report*.

### The executive

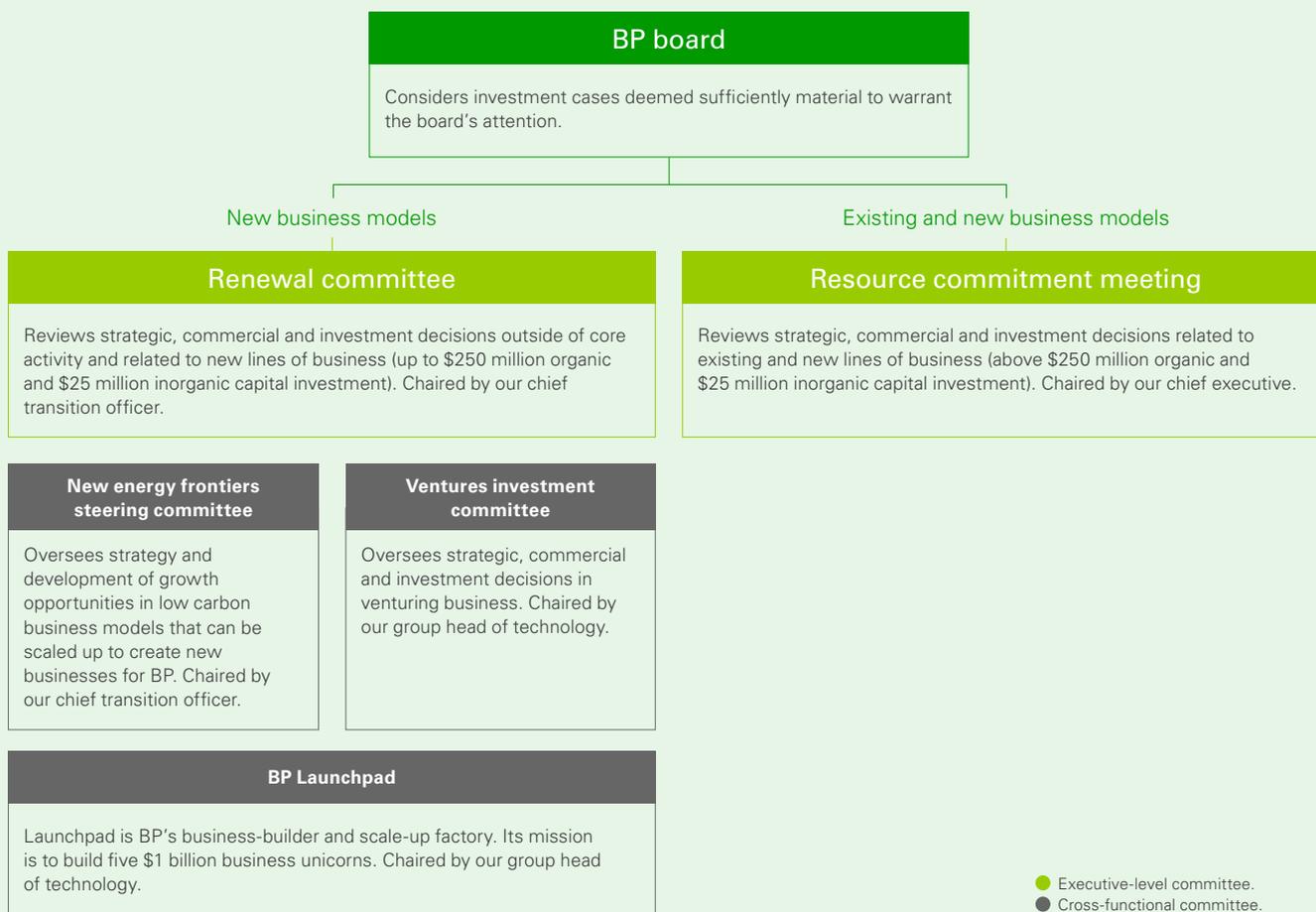
The assessment and management of climate-related matters is embedded across BP at various levels and delegated authority flows down from the board.

Climate-related matters were discussed at each of the 11 executive team meetings in 2019 including the development of BP's net zero ambition and aims ahead of discussion with the board.

The executive team is supported by BP's senior-level leadership and their respective teams, with dedicated business and functional expertise focused on climate-related matters. This includes our carbon management, safety and operational risk, group policy and our economics teams.

Alignment between group, business and functional leaders is fostered through cross-functional bodies, including the group, upstream and downstream carbon steering committees.

## Climate governance: investments in 2019



**Strategy**

**Recommendation: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s business, strategy and financial planning where such information is material.**

We recognize the significance of the energy transition and the risks and opportunities it presents. As part of their consideration of BP’s strategy, the board and executive team consider risks and opportunities associated with climate change and the energy transition informed by a range of external inputs, including the International Panel on Climate Change (IPCC), academic research and emerging regulatory requirements, and BP materials such as the different scenarios described in the *BP Energy Outlook 2019*.

We believe that the transition to a lower carbon economy presents significant business opportunities for BP. One of our strategic priorities is to pursue new opportunities to meet evolving technology, consumer and policy trends through venturing and low carbon. Some of the opportunities we see are set out in our RIC framework – to improve our products, to help customers lower their emissions and to create new, lower carbon businesses.

We have set out 10 aims to support our ambition to be a net zero company by 2050 or sooner and to help the world reach net zero. We believe that collectively, these 10 aims set out a path that is consistent with the Paris goals. One of our specific aims relates to halving the carbon intensity of our marketed products by 2050 or sooner.

**i** See page 6 of the *2019 BP Annual Report* for more information on our net zero ambition and aims.

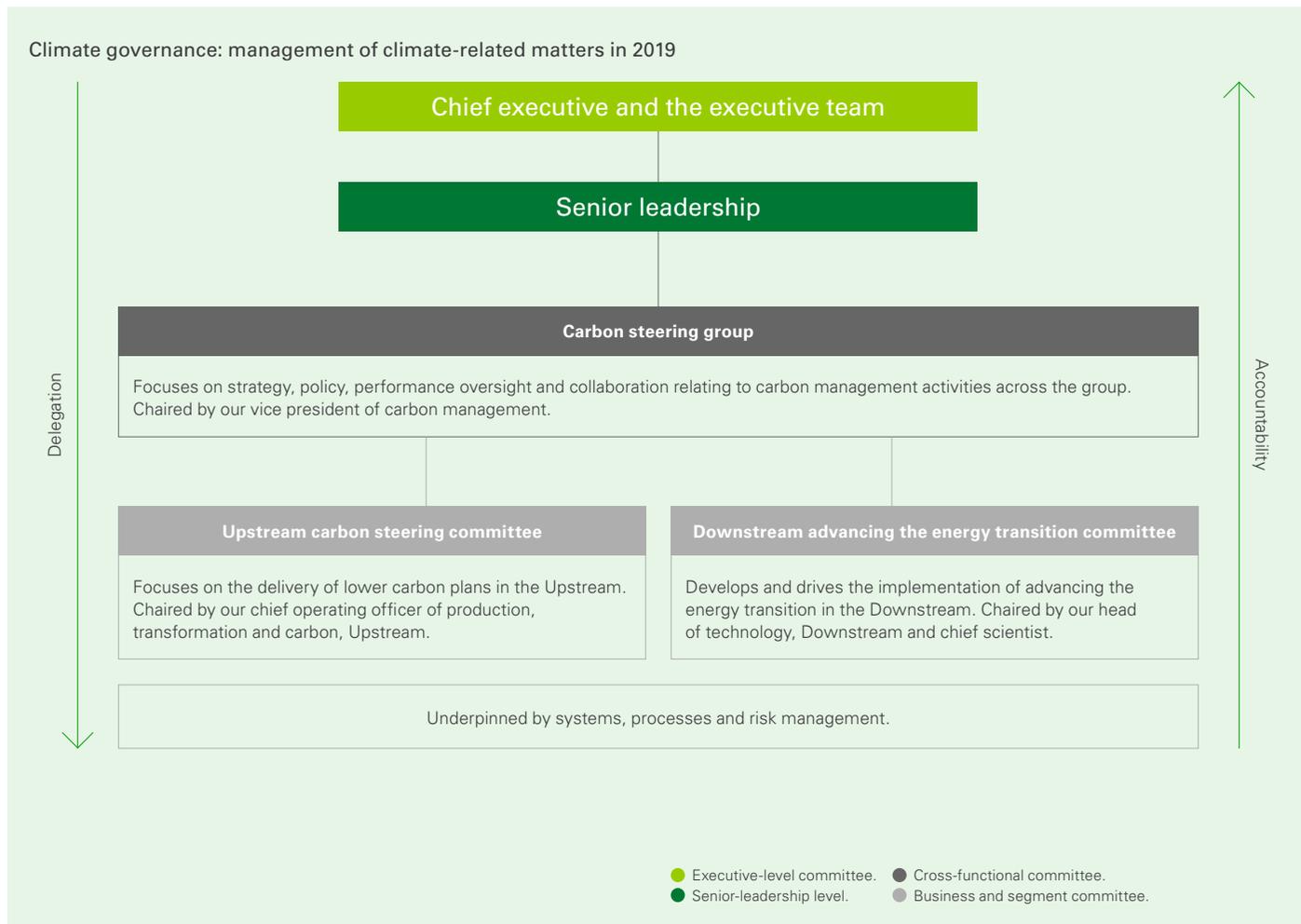
For the first time we have published the estimated lifecycle carbon intensity of our marketed energy products, see page 40 of the *2019 BP Annual Report*.

We recognize that climate-related risks include both:

- **Physical risks** – risks related to the physical impacts of climate change including event driven risks such as changes in the severity and/or frequency of extreme weather events.
- **Transition risks** – risks related to the transition to a lower carbon economy including policy and legal, technology, markets and reputational risks.

The potential impacts of such climate-related risks are described in Risk factors, see pages 70-71. We place importance on pursuing a flexible strategy which gives us optionality where there is uncertainty about the pathways to achieve the Paris goals. This positions us to deliver our strategic priorities, and net zero ambition and aims.

When developing our strategy, we draw on expertise from across the organization. This includes our group economics team and their work on the scenarios described in the *BP Energy Outlook 2019*. The Energy Outlook, together with other scenarios, informs our price assumptions which are part of our investment governance processes. The evaluation of new material capex investment in 2019 for consistency with the Paris goals is discussed on page 21 of the *2019 BP Annual Report*.



Our group strategic planning team is responsible for using data from the *BP Energy Outlook* and implementing the insights in our strategic frameworks, including our net zero ambition and mid-term RIC targets. We recognize that climate-related risks are an important consideration in developing our strategy. Climate-related risks are incorporated into BP's governance process, see How we manage risk on page 69 of the *2019 BP Annual Report*.

### Risk management

**Recommendation: Disclose how the organization identifies, assesses and manages climate-related risks.**

Our processes for identifying and managing climate-related risks are integrated into BP's risk management policy and the associated risk management procedures. BP's risk management system is designed to address all types of risks and as part of this system our operating businesses are responsible for identifying and managing their risks. Risks which may be identified include potential effects on operations at asset level, performance at business level and developments at regional level from extreme weather or the transition to a lower carbon economy.

As part of our annual planning process we review the group's principal risks and uncertainties. Climate change and the transition to a lower carbon economy has been identified as a principal risk. This covers various aspects of how risks associated with the energy transition could manifest. Similarly, physical climate-related risks such as extreme weather are covered in our principal risks related to safety and operations.

### Metrics and targets

**Recommendation: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.**

In addition, in 2019 BP announced that sustainable GHG emissions reductions would be included as a factor in the reward of around 37,000 eligible employees across the group and around the world, including executive directors. This target was 10% of the group's annual cash bonus scorecard and we exceeded the target set of 1.0Mte (1.4Mte). In 2020 we plan to increase the percentage of remuneration which is linked to emissions reductions for our leadership and eligible employees. Our aim is to mobilize our workforce to become advocates for our net zero ambition. For information on our 2020 remuneration policy, see page 110 of the *2019 BP Annual Report*.

### Our group-wide principal metrics and relevant targets/goals

<b>RIC framework</b> <i>i</i> Annual Report page 40.	<b>Reduce</b> <ul style="list-style-type: none"> <li>• Zero net growth in operational emissions out to 2025.</li> <li>• 3.5Mte sustainable emissions reductions★ by 2025.</li> <li>• 0.2% methane intensity.</li> </ul>
	<b>Create</b> <ul style="list-style-type: none"> <li>• \$500 million invested in low carbon activities annually. (&gt;\$500 million in 2019).</li> <li>• Collaborate and invest in OGCI's \$1bn+ fund for research and technology.</li> </ul>
<b>Investment process (RCM)</b> <i>i</i> Annual Report page 22.	<ul style="list-style-type: none"> <li>• Profitability index★.</li> <li>• Average operational carbon intensity★.</li> </ul>
<b>Greenhouse gas emissions</b> <i>i</i> Annual Report page 40.	<ul style="list-style-type: none"> <li>• Scope 1 and 2 emissions.</li> <li>• Emissions from the carbon in our upstream oil and gas production.</li> <li>• For further GHG metrics see <a href="http://bp.com/ESGdata">bp.com/ESGdata</a>.</li> </ul>
<b>Carbon intensity</b> <i>i</i> Annual Report page 40.	<ul style="list-style-type: none"> <li>• Average emissions intensity of marketed energy products★.</li> <li>• Ratio of Scope 1 and 2 emissions: gross production.</li> </ul>
<b>Remuneration</b> <i>i</i> Annual Report page 100	<ul style="list-style-type: none"> <li>• 2020 annual bonus scorecard target related to sustainable emissions reductions.</li> </ul>

★ See Glossary in the *2019 BP Annual Report*.

## TCFD index table

TCFD recommended disclosure		Where reported
<b>Governance</b> Disclose the organization's governance around climate-related issues and opportunities.	a. Describe the board's oversight of climate-related risks and opportunities.	Annual Report, page 42.
	b. Describe the management's role in assessing and managing climate related risks and opportunities.	Annual Report, page 42.
<b>Strategy</b> Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's business, strategy and financial planning where such information is material.	a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Annual Report: Achieving the Paris goals, page 13 – for a discussion of the different pathways and time horizons considered RIC framework, page 41 – for an outline of opportunities. Risk factors, pages 70-71 – description of principal risks.
	b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Annual Report: Risk factors, pages 70-71 – description of principal risks.
	c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Annual Report: Achieving the Paris goals, page 13. Our strategy, page 16.
<b>Risk management</b> Disclose how the organization identifies, assesses and manages climate-related risks.	a. Describe the organization's processes for identifying and assessing climate-related risks.	Annual Report: Risk management, page 44. Upstream, page 50. Downstream, page 56. Other businesses and corporate, page 63.
	b. Describe the organization's processes for managing climate-related risks.	Annual Report: Risk management, page 44.
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Annual Report: Risk management, page 44. How we manage risk, pages 68-69. Risk factors, pages 70-71.
<b>Metrics and targets</b> Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Annual Report: Relevant group-wide metrics and targets, page 17.
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.	Annual Report: GHG emissions data, page 40.
	c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Annual Report: RIC framework, page 41. (Also note: Net zero ambition and aims, page 6).