

## BP shareholder resolution

### **Strategy consistent with the goals of the Paris Agreement**

"That in order to promote the long term success of the Company, given the recognised risks and opportunities associated with climate change, we as shareholders direct the Company to include in its Strategic Report and/or other corporate reports, as appropriate, for the year ending 2019 onwards, a description of its strategy which the Board considers, in good faith, to be consistent with the goals of Articles 2.1(a)<sup>(1)</sup> and 4.1<sup>(2)</sup> of the Paris Agreement<sup>(3)</sup> (the 'Paris Goals'), as well as:

- (1) **Capital Expenditure:** how the Company evaluates the consistency of each new material capex investment, including in the exploration, acquisition or development of oil and gas resources and reserves and other energy sources and technologies, with (a) the Paris Goals and separately (b) a range of other outcomes relevant to its strategy;
- (2) **Metrics and Targets:** the Company's principal metrics and relevant targets or goals over the short, medium and/or long-term, consistent with the Paris Goals, together with disclosure of:
  - a. the anticipated levels of investment in (i) oil and gas resources and reserves; and (ii) other energy sources and technologies;
  - b. the Company's targets to promote reductions in its operational greenhouse gas emissions, to be reviewed in line with changing protocols and other relevant factors;
  - c. the estimated carbon intensity of the Company's energy products and progress on carbon intensity over time; and
  - d. any linkage between the above targets and executive remuneration;
- (3) **Progress reporting:** an annual review of progress against (1) and (2) above.

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.

#### *Footnotes*

- (1) Article 2.1(a) of The Paris Agreement states the goal of "*Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change.*"
- (2) Article 4.1 of The Paris Agreement: *In order to achieve the long-term temperature goal set out in Article 2, Parties aim to reach global peaking of greenhouse gas emissions as soon as possible, recognizing that peaking will take longer for developing country Parties, and to undertake rapid reductions thereafter in accordance with best available science, so as to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century, on the basis of equity, and in the context of sustainable development and efforts to eradicate poverty.*
- (3) U.N. Framework Convention on Climate Change Conference of Parties, Twenty-First Session, Adoption of the Paris Agreement, U.N. Doc. FCCC/CP/2015/L.9/Rev.1 (Dec. 12, 2015).

## **Investor supporting statement**

This resolution has been prepared by a group of investors, many of whom are supporters of the Climate Action 100+ collaborative engagement initiative, launched in December 2017, which now has the support of 310 investors representing more than US\$32 trillion of assets under management<sup>1</sup>. The Initiative's aim is to engage systemically important greenhouse gas emitters and other companies across the global economy that have significant opportunities to drive the clean energy transition and help achieve the goals of Articles 2.1(a) and 4.1 of the Paris Agreement (the 'Paris Goals').

This resolution, prepared with support from environmental law organisation, Client Earth<sup>2</sup>, builds on the special resolution prepared by the 'Aiming for A' coalition of investors which requested further disclosures of the Company's management of climate change-related risks and opportunities and was passed overwhelmingly by shareholders at the Company's 2015 AGM.

### **Strategy consistent with the Paris Goals**

Many investors will recognise the Company's leadership on climate change in a number of important areas. This includes helping to form the Oil & Gas Climate Initiative<sup>3</sup>; the evolution of the BP Energy Outlook to include a range of low carbon scenarios; and a range of climate-related targets, including to best-in-class management of fugitive methane emissions<sup>4</sup>.

Nonetheless, investors remain concerned that the Company has not yet demonstrated that its strategy, which includes growth in oil and gas as well as pursuing low carbon businesses, is consistent with the Paris Goals. It also presents a potential inconsistency between the Company's actions and its stated corporate purpose "to power economic growth and lift people out of poverty" given climate vulnerabilities in many developing countries. In accordance with investors' fiduciary duties, and to promote the long-term success of the Company, this resolution seeks clarity on the critical question of how the Company's strategy is consistent with the Paris Goals.

### **Investor expectations of oil & gas companies**

Investors' expectations concerning climate-related risks have increased following ratification of the Paris Agreement in 2016, publication of the guidelines of the Taskforce on Climate-related Financial Disclosures (TCFD) in 2017<sup>5</sup> and the recent report from the UN's Intergovernmental Panel on Climate Change on the impacts of global warming to 1.5°C<sup>6</sup>. The latter showed how the difference between a 1.5°C and 2°C rise in global temperatures can be expected to result in additional economic damages globally of between \$8tn and \$11tn before 2050.

Investors' expectations of oil & gas companies were recently summarised in an open letter to the industry, published in The Financial Times in May 2018<sup>7</sup>, which asked all oil and gas companies to clarify how they see their future in a low carbon world, and should involve:

- Making concrete commitments to substantially reduce carbon emissions;
- Assessing the impact of emissions from the use of their products; and

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<sup>1</sup> <http://www.climateaction100.org/>

<sup>2</sup> <https://www.clientearth.org>

<sup>3</sup> <https://oilandgasclimateinitiative.com/>

<sup>4</sup> <https://www.bp.com/energytransition>

<sup>5</sup> <https://www.fsb-tcfd.org/>

<sup>6</sup> <https://www.ipcc.ch/sr15/>

<sup>7</sup> <https://www.ft.com/content/fda63c26-5906-11e8-b8b2-d6ceb45fa9d0>

- Explaining how the investments they make today in energy sources and technologies are compatible with a pathway towards the Paris Goals.

This shareholder resolution formalises that public request, tailored to the specific circumstances of BP, while ensuring the Board retains control over its strategic decision-making.

### **Capital Expenditure consistent with Paris Goals**

As demonstrated in BP's Energy and Technology Outlook publications, future levels of oil and gas demand are uncertain. To contain temperature increases to well-below 2°C requires a considerable decrease in demand for, and investment in, fossil fuels.

Based on current disclosures, it is not possible to evaluate the extent to which the Company's investments in fossil fuel reserves or resources are consistent with the Paris Goals. This limits investors' ability to appraise the attractiveness of the Company as an investment proposition. Therefore, the resolution seeks disclosure of how the Company evaluates the consistency of new material capex investments to the Paris Goals, as well as annual reporting on that evaluation. The Company should also explain how it separately evaluates consistency with other relevant outcomes, resulting in additional (not alternative) criteria for capex investment consistent with the Paris Goals.

The Company should determine the methodology for this evaluation and evolve this over time. However, investors expect this to include consideration of the full life-cycle economics of individual projects, evaluation of the potential return on investment and consideration of their competitive positioning in the context of the Paris Goals. Research by Carbon Tracker<sup>8</sup> provides an example methodology for this type of analysis and indicative results of the extent to which the Company and others may already be consistent.

### **Metrics and Targets consistent with Paris Goals**

To help investors evaluate progress against its strategy, it is vital to understand the Company's key goals and targets and other associated metrics. These should be set over as long a time frame as reasonably possible and reviewed regularly for continued consistency to the Paris Goals, in line with developments in the Company's portfolio, available measurement protocols and other relevant factors such as evolving science, technology and regulation.

To better appraise the long-term investment proposition, investors need to understand the consequences of the Company's strategy for its future business model. This should include the profile of anticipated levels of investment in different types of energy, including oil and gas and other lower carbon energy technologies and their strategic fit. Investors also want to understand the implications for both the carbon emissions associated with the Company's operations and the carbon intensity of its energy products over time. The company should determine the methodology for estimating product carbon intensity. However, investors expect this to include the carbon content of oil and gas products and other emissions associated with the full value chain of operations. Finally, investors request to understand the linkage of the company's targets and metrics to executive remuneration.

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<sup>8</sup> <https://www.carbontracker.org/reports/2-degrees-of-separation-update/> (noting that the scenarios used may not be consistent with the Paris Goals)

**Progress reporting**

Investors expect appropriate summaries of the strategy, the evaluation of each material capex investment and performance against key targets and metrics to be contained in the Strategic Report, supported by other reporting as appropriate.