# Share prices and listings

## Markets and market prices

The primary market for the company’s ordinary shares (trading symbol 'BP.'), 8% cumulative first preference shares (trading symbol 'BP.A') and 9% cumulative second preference shares (trading symbol 'BP.B') is the London Stock Exchange (LSE). The company’s ordinary shares are a constituent element of the Financial Times Stock Exchange 100 Index.

In the US, the company’s securities are listed and traded on the New York Stock Exchange (NYSE) in the form of ADSs (trading symbol 'BP'), for which JPMorgan Chase Bank, N.A. is the depositary (the Depositary) and transfer agent. The Depositary’s principal office is 383 Madison Avenue, Floor 11, New York, NY, 10179, US. Each ADS represents six ordinary shares. ADSs are evidenced by American depositary receipts (ADRs), which may be issued in either certificated or book entry form.

The company's ordinary shares are also traded in the form of a global depositary certificate representing the company's ordinary shares on the Frankfurt, Hamburg and Dusseldorf Stock Exchanges.

On 27 February 2020, 916,049,377 ADSs (equivalent to approximately 5,496,296,262 ordinary shares or some 27.15% of the total issued share capital, excluding shares held in treasury) were outstanding and were held by approximately 77,424 ADS holders. Of these, about 76,535 had registered addresses in the US at that date. One of the registered holders of ADSs represents some 1,237,693 underlying holders.

On 27 February 2020 there were approximately 229,193 ordinary shareholders. Of these shareholders, around 1,535 had registered addresses in the US and held a total of some 4,094,154 ordinary shares.

Since a number of the ordinary shares and ADSs were held by brokers and other nominees, the number of holders in the US may not be representative of the number of beneficial holders or their respective country of residence.

# Dividends

The company’s current policy is to pay interim dividends on a quarterly basis on its ordinary shares.

Its policy is also to announce dividends for ordinary shares in US dollars and state an equivalent sterling dividend. Dividends on the company's ordinary shares will be paid in sterling and on the company's ADSs in US dollars. The rate of exchange used to determine the sterling amount equivalent is the average of the market exchange rates in London over the four business days prior to the sterling equivalent announcement date. The directors may choose to declare dividends in any currency provided that a sterling equivalent is announced. It is not the company’s intention to change its current policy of announcing dividends on ordinary shares in US dollars.

Information regarding dividends announced and paid by the company on ordinary shares and preference shares is provided in Financial statements – Note 10.

A Scrip Dividend Programme (Scrip Programme) was approved by shareholders in 2010 and was renewed for a further three years at the 2018 AGM. It enabled the company's ordinary shareholders and ADS holders to elect to receive dividends by way of new fully paid ordinary shares (or ADSs in the case of ADS holders) instead of cash. The operation of the Scrip Programme is always subject to the directors’ decision to make the Scrip Programme offer available in respect of any particular dividend.

The company announced on 29 October 2019 and 4 February 2020 that the board had suspended the Scrip Programme in respect of the third quarter 2019 and fourth quarter 2019 dividends. Ordinary shareholders and ADS holders (subject to certain exceptions) may be able to participate in dividend reinvestment plans. Any decisions with respect to future dividends will be made by the board of BP p.l.c. following the end of each quarter.

Future dividends will be dependent on future earnings, the financial condition of the group, the Risk factors set out on page 70 and other matters that may affect the business of the group set out in Our strategy on page 16 and in Liquidity and capital resources on page 301.

The following table shows dividends announced and paid by the company per ADS for the past five years.

| Dividends per ADS[a] | | March | June | September | December | Total |
|---|---|---|---|---|---|---|
| **2015** | UK pence | 40.00 | 39.18 | 39.29 | 39.81 | 158.28 |
| | US cents | 60 | 60 | 60 | 60 | 240 |
| **2016** | UK pence | 42.08 | 41.50 | 45.35 | 47.59 | 176.52 |
| | US cents | 60 | 60 | 60 | 60 | 240 |
| **2017** | UK pence | 48.95 | 46.54 | 45.73 | 44.66 | 185.88 |
| | US cents | 60 | 60 | 60 | 60 | 240 |
| **2018** | UK pence | 43.01 | 44.66 | 47.58 | 48.15 | 183.40 |
| | US cents | 60 | 60 | 61.50 | 61.50 | 243 |
| **2019** | **UK pence** | **46.43** | **48.39** | **50.09** | **46.95** | **191.86** |
| | **US cents** | **61.50** | **61.50** | **61.50** | **61.50** | **246** |

[a] Dividends announced and paid by the company on ordinary and preference shares are provided in Financial statements – Note 10.

There are currently no UK foreign exchange controls or restrictions on remittances of dividends on the ordinary shares or on the conduct of the company’s operations, other than restrictions applicable to certain countries and persons subject to EU economic sanctions or those sanctions adopted by the UK government which implement resolutions of the Security Council of the United Nations.

# Shareholder taxation information

This section describes the material US federal income tax and UK taxation consequences of owning ordinary shares or ADSs to a US holder who holds the ordinary shares or ADSs as capital assets for tax purposes. It does not apply, however, inter alia to members of special classes of holders some of which may be subject to other rules, including: tax-exempt entities, life insurance companies, dealers in securities, traders in securities that elect a mark-to-market method of accounting for securities holdings, investors liable for alternative minimum tax, holders that, directly or indirectly, hold 10% or more of the company’s voting stock, holders that hold the shares or ADSs as part of a straddle or a hedging or conversion transaction, holders that purchase or sell the shares or ADSs as part of a wash sale for US federal income tax purposes, or holders whose functional currency is not the US dollar. In addition, if a partnership holds the shares or ADSs, the US federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership and may not be described fully below.

A US holder is any beneficial owner of ordinary shares or ADSs that is for US federal income tax purposes (1) a citizen or resident of the US, (2) a US domestic corporation, (3) an estate whose income is subject to US federal income taxation regardless of its source, or (4) a trust if a US court can exercise primary supervision over the trust’s administration and one or more US persons are authorized to control all substantial decisions of the trust.

This section is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed US Treasury regulations thereunder, published rulings and court decisions, and the taxation laws of the UK, all as currently in effect, as well as the income tax convention between the US and the UK that entered into force on 31 March 2003 (the ‘Treaty’). These laws are subject to change, possibly on a retroactive basis. This section further assumes that each obligation under the terms of the deposit agreement relating to BP ADSs and any related agreement will be performed in accordance with its terms.

For purposes of the Treaty and the estate and gift tax Convention (the ‘Estate Tax Convention’) and for US federal income tax and UK taxation purposes, a holder of ADRs evidencing ADSs will be treated as the owner of the company’s ordinary shares represented by those ADRs. Exchanges of ordinary shares for ADRs and ADRs for ordinary shares generally will not be subject to US federal income tax or to UK taxation other than stamp duty or stamp duty reserve tax, as described below.

Investors should consult their own tax adviser regarding the US federal, state and local, UK and other tax consequences of owning and disposing of ordinary shares and ADSs in their particular circumstances, and in particular whether they are eligible for the benefits of the Treaty in respect of their investment in the shares or ADSs.

## Taxation of dividends

### UK taxation

Under current UK taxation law, no withholding tax will be deducted from dividends paid by the company, including dividends paid to US holders. A shareholder that is a company resident for tax purposes in the UK or trading in the UK through a permanent establishment generally will not be taxable in the UK on a dividend it receives from the company. A shareholder who is an individual resident for tax purposes in the UK is subject to UK tax but until 5 April 2016, was entitled to a tax credit on cash dividends paid on ordinary shares or ADSs of the company equal to one-ninth of the cash dividend.

From 6 April 2016 the dividend tax credit was replaced by a new tax-free dividend allowance and dividends paid by the company on or after 6 April 2016 do not carry a UK tax credit. The dividend allowance was £5,000 but this has been reduced to £2,000 as of 6 April 2018.

The dividend allowance of £2,000 means there is no UK tax due on the first £2,000 of dividends received. Dividends above this level are subject to tax at 7.5% for basic tax payers, 32.5% for higher rate tax payers and 38.1% for additional rate tax payers.

Although the first £2,000 of dividend income is not subject to UK income tax, it does not reduce the total income for tax purposes. Dividends within the dividend allowance still count towards basic or higher rate bands, and may therefore affect the rate of tax paid on dividends received in excess of the £2,000 allowance. For instance, if an individual has an annual gross salary of £50,000 and also receives a dividend of £12,000 they will be subject to the following scenario. The individual's personal allowance and the basic rate tax band will be used up by the gross salary. The remaining part of the salary and the whole of the dividend will be subject to tax at the higher rate, although the dividend allowance will reduce the amount of dividend subject to tax. The dividend of £12,000 will be reduced by the dividend allowance of £2,000 leaving taxable dividend income of £10,000. The dividend will be taxed at 32.5% so that the total tax payable on the dividends is £3,250.

How the shareholder pays the tax arising on the dividend income depends on the amount of dividend income and salary they receive in the tax year. If less than £2,000 they will not need to report anything or pay any tax. If between £2,000 and £10,000, the shareholder can pay what they owe by: contacting the helpline; asking HMRC to change their tax code – the tax will be taken from their wages or pension or through completion of the ‘Dividends’ section of their tax return, where one is being filed. If over £10,000 they will be required to file a self-assessment tax return and should complete the ‘Dividends’ section with details of the amounts received.

### US federal income taxation

A US holder is subject to US federal income taxation on the gross amount of any dividend paid by the company out of its current or accumulated earnings and profits (as determined for US federal income tax purposes). Dividends paid to a non-corporate US holder that constitute qualified dividend income will be taxable to the holder at a preferential rate, provided that the holder has a holding period in the ordinary shares or ADSs of more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meets other holding period requirements. Dividends paid by the company with respect to the ordinary shares or ADSs will generally be qualified dividend income.

For US federal income tax purposes, a dividend must be included in income when the US holder, in the case of ordinary shares, or the Depositary, in the case of ADSs, actually or constructively receives the dividend and will not be eligible for the dividends-received deduction generally allowed to US corporations in respect of dividends received from other US corporations. US ADS holders should consult their own tax adviser regarding the US tax treatment of the dividend fee in respect of dividends. Dividends will be income from sources outside the US and generally will be ‘passive category income’ or, in the case of certain US holders, ‘general category income’, each of which is treated separately for purposes of computing a US holder’s foreign tax credit limitation.

As noted above in UK taxation, a US holder will not be subject to UK withholding tax. Accordingly, the receipt of a dividend will not entitle the US holder to a foreign tax credit.

The amount of the dividend distribution on the ordinary shares that is paid in pounds sterling will be the US dollar value of the pounds sterling payments made, determined at the spot pounds sterling/US dollar rate on the date the dividend distribution is includible in income, regardless of whether the payment is, in fact, converted into US dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the pounds sterling dividend payment is includible in income to the date the payment is converted into US dollars will be treated as ordinary income or loss and will not be eligible for the preferential tax rate on qualified dividend income. The gain or loss generally will be income or loss from sources within the US for foreign tax credit limitation purposes.

Distributions in excess of the company’s earnings and profits, as determined for US federal income tax purposes, will be treated as a return of capital to the extent of the US holder’s basis in the ordinary shares or ADSs and thereafter as capital gain, subject to taxation as described in Taxation of capital gains – US federal income taxation section below.

In addition, the taxation of dividends may be subject to the rules for passive foreign investment companies (PFIC), described below under ‘Taxation of capital gains – US federal income taxation’. Distributions made by a PFIC do not constitute qualified dividend income and are not eligible for the preferential tax rate applicable to such income.

## Taxation of capital gains

### UK taxation

A US holder may be liable for both UK and US tax in respect of a gain on the disposal of ordinary shares or ADSs if the US holder is (1) resident for tax purposes in the United Kingdom at the date of disposal, (2) if he or she has left the UK for a period not exceeding five complete tax years between the year of departure from and the year of return to the UK and acquired the shares before leaving the UK and was resident in the UK in the previous four out of seven tax years before the year of departure, (3) a US domestic corporation resident in the UK by reason of its business being managed or controlled in the UK or (4) a citizen of the US that carries on a trade or profession or vocation in the UK through a branch or agency or a corporation that carries on a trade, profession or vocation in the UK, through a permanent establishment, and that has used, held, or acquired the ordinary shares or ADSs for the purposes of such trade, profession or vocation of such branch, agency or permanent establishment. However, such persons may be entitled to a tax credit against their US federal income tax liability for the amount of UK capital gains tax or UK corporation tax on chargeable gains (as the case may be) that is paid in respect of such gain.

Under the Treaty, capital gains on dispositions of ordinary shares or ADSs generally will be subject to tax only in the jurisdiction of residence of the relevant holder as determined under both the laws of the UK and the US and as required by the terms of the Treaty.

Under the Treaty, individuals who are residents of either the UK or the US and who have been residents of the other jurisdiction (the US or the UK, as the case may be) at any time during the six years immediately preceding the relevant disposal of ordinary shares or ADSs may be subject to tax with respect to capital gains arising from a disposition of ordinary shares or ADSs of the company not only in the jurisdiction of which the holder is resident at the time of the disposition but also in the other jurisdiction.

For gains on or after 23 June 2010, the UK Capital Gains Tax rate will be dependent on the level of an individual’s taxable income. Where total taxable income and gains after all allowable deductions are less than the upper limit of the basic rate income tax band of £37,500 (for

2019/20), the rate of Capital Gains Tax will be 10%. For gains (and any parts of gains) above that limit the rate will be 20%.

From 6 April 2008, entitlement to the annual exemption is based on an individual's circumstances (taking into account Domicile status, remittance basis of taxation and number of years in the UK). For individuals who are entitled to the exemption for 2019/20, this has been set at £12,000. Corporation tax on chargeable gains is levied at 19 per cent for companies from 1 April 2017.

#### US federal income taxation

A US holder who sells or otherwise disposes of ordinary shares or ADSs will recognize a capital gain or loss for US federal income tax purposes equal to the difference between the US dollar value of the amount realized on the disposition and the US holder's tax basis, determined in US dollars, in the ordinary shares or ADSs. Any such capital gain or loss generally will be long-term gain or loss, subject to tax at a preferential rate for a non-corporate US holder, if the US holder's holding period for such ordinary shares or ADSs exceeds one year.

Gain or loss from the sale or other disposition of ordinary shares or ADSs will generally be income or loss from sources within the US for foreign tax credit limitation purposes. The deductibility of capital losses is subject to limitations.

We do not believe that ordinary shares or ADSs will be treated as stock of a passive foreign investment company (PFIC) for US federal income tax purposes, but this conclusion is a factual determination that is made annually and thus is subject to change. If we are treated as a PFIC, unless a US holder elects to be taxed annually on a mark-to-market basis with respect to ordinary shares or ADSs, any gain realized on the sale or other disposition of ordinary shares or ADSs would in general not be treated as capital gain. Instead, a US holder would be treated as if he or she had realized such gain rateably over the holding period for ordinary shares or ADSs and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, in addition to which an interest charge in respect of the tax attributable to each such year would apply. Certain 'excess distributions' would be similarly treated if we were treated as a PFIC.

### Additional tax considerations

#### Scrip Programme

Until the publication of the 2019 third quarter results, the company had an optional Scrip Programme, wherein holders of BP ordinary shares or ADSs could elect to receive any dividends in the form of new fully paid ordinary shares or ADSs of the company instead of cash. Please consult your tax adviser for the consequences to you.

#### UK inheritance tax

The Estate Tax Convention applies to inheritance tax. ADSs held by an individual who is domiciled for the purposes of the Estate Tax Convention in the US and is not for the purposes of the Estate Tax Convention a national of the UK will not be subject to UK inheritance tax on the individual's death or on transfer during the individual's lifetime unless, among other things, the ADSs are part of the business property of a permanent establishment situated in the UK used for the performance of independent personal services. In the exceptional case where ADSs are subject to both inheritance tax and US federal gift or estate tax, the Estate Tax Convention generally provides for tax payable in the US to be credited against tax payable in the UK or for tax paid in the UK to be credited against tax payable in the US, based on priority rules set forth in the Estate Tax Convention.

#### UK stamp duty and stamp duty reserve tax

The statements below relate to what is understood to be the current practice of HM Revenue & Customs in the UK under existing law.

Provided that any instrument of transfer is not executed in the UK and remains at all times outside the UK and the transfer does not relate to any matter or thing done or to be done in the UK, no UK stamp duty is payable on the acquisition or transfer of ADSs. Neither will an agreement to transfer ADSs in the form of ADRs give rise to a liability to stamp duty reserve tax.

Purchases of ordinary shares, as opposed to ADSs, through the CREST system of paperless share transfers will be subject to stamp duty reserve tax at 0.5%. The charge will arise as soon as there is an agreement for the transfer of the shares (or, in the case of a conditional agreement, when the condition is fulfilled). The stamp duty reserve tax will apply to agreements to transfer ordinary shares even if the agreement is made outside the UK between two non-residents. Purchases of ordinary shares outside the CREST system are subject either to stamp duty at a rate of £5 per £1,000 (or part, unless the stamp duty is less than £5, when no stamp duty is charged), or stamp duty reserve tax at 0.5%. Stamp duty and stamp duty reserve tax are generally the liability of the purchaser.

A subsequent transfer of ordinary shares to the Depositary's nominee will give rise to further stamp duty at the rate of £1.50 per £100 (or part) or stamp duty reserve tax at the rate of 1.5% of the value of the ordinary shares at the time of the transfer. For ADR holders electing to receive ADSs instead of cash, after the 2012 first quarter dividend payment, HM Revenue & Customs no longer seeks to impose 1.5% stamp duty reserve tax on issues of UK shares and securities to non-EU clearance services and depositary receipt systems.

#### US Medicare Tax

A US holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8% tax on the lesser of (1) the US holder's 'net investment income' (or 'undistributed net investment income' in the case of an estate or trust) for the relevant taxable year and (2) the excess of the US holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals is between $125,000 and $250,000, depending on the individual's circumstances). A holder's net investment income generally includes its dividend income and its net gains from the disposition of shares or ADSs, unless such dividend income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a US holder that is an individual, estate or trust, you are urged to consult your tax advisers regarding the applicability of the Medicare tax to your income and gains in respect of your investment in the shares or ADSs.

## Major shareholders

The disclosure of certain major and significant shareholdings in the share capital of the company is governed by the Companies Act 2006, the UK Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTR) and the US Securities Exchange Act of 1934.

Register of members holding BP ordinary shares as at 31 December 2019

| Range of holdings | Number of ordinary shareholders | Percentage of total ordinary shareholders | Percentage of total ordinary share capital excluding shares held in treasury |
|---|---|---|---|
| 1-200 | 52,926 | 22.96 | 0.01 |
| 201-1,000 | 77,165 | 33.47 | 0.21 |
| 1,001-10,000 | 88,204 | 38.26 | 1.37 |
| 10,001-100,000 | 10,640 | 4.61 | 1.10 |
| 100,001-1,000,000 | 928 | 0.40 | 1.68 |
| Over 1,000,000[a] | 693 | 0.30 | 95.63 |
| Totals | 230,556 | 100.00 | 100.00 |

[a] Includes JPMorgan Chase Bank, N.A. holding 27.04% of the total ordinary issued share capital (excluding shares held in treasury) as the approved depositary for ADSs, a breakdown of which is shown in the table below.

### Register of holders of American depositary shares (ADSs) as at 31 December 2019[a]

| Range of holdings | Number of ADS holders | Percentage of total ADS holders | Percentage of total ADSs |
|---|---|---|---|
| 1-200 | 46,802 | 59.80 | 0.27 |
| 201-1,000 | 20,337 | 25.98 | 1.05 |
| 1,001-10,000 | 10,654 | 13.61 | 3.00 |
| 10,001-100,000 | 466 | 0.60 | 0.84 |
| 100,001-1,000,000 | 7 | 0.01 | 0.14 |
| Over 1,000,000[b] | 1 | 0.00 | 94.70 |
| Totals | 78,267 | 100.00 | 100.00 |

[a] One ADS represents six 25 cent ordinary shares.
[b] One holder of ADSs represents 1,231,543 underlying shareholders.

As at 31 December 2019 there were also 1,236 preference shareholders. Preference shareholders represented 0.41% and ordinary shareholders represented 99.59% of the total issued nominal share capital of the company (excluding shares held in treasury) as at that date.

As at 31 December 2019, we had been notified pursuant to DTR5 that BlackRock, Inc. held 7.37% of the voting rights attached to the issued share capital of the company.

The company did not receive any notifications pursuant to DTR5 between 1 January 2020 and 27 February 2020.

Under the US Securities Exchange Act of 1934 BP is aware of the following interests as at 27 February 2020:

| Holder | Holding of ordinary shares | Percentage of ordinary share capital excluding shares held in treasury |
|---|---|---|
| JPMorgan Chase Bank N.A., depositary for ADSs, through its nominee Guaranty Nominees Limited | 5,496,296,263 | 27.13 |
| BlackRock, Inc. | 1,531,724,983 | 7.60 |
| The Vanguard Group, Inc | 813,197,253 | 4.00 |

The company's major shareholders do not have different voting rights.

The company has also been notified of the following interests in preference shares as at 27 February 2020:

| Holder | Holding of 8% cumulative first preference shares | Percentage of class |
|---|---|---|
| The National Farmers Union Mutual Insurance Society Limited | 945,000 | 13.10 |
| Hargreaves Lansdown Asset Management Limited | 644,225 | 8.90 |
| Canaccord Genuity Group Inc. | 544,163 | 7.50 |
| M&G Investment Management Ltd. | 528,150 | 7.30 |
| Interactive Investor Share Dealing Services | 513,068 | 7.10 |
| A J Bell Securities Limited | 390,807 | 5.40 |

| Holder | Holding of 9% cumulative second preference shares | Percentage of class |
|---|---|---|
| The National Farmers Union Mutual Insurance Society Limited | 987,000 | 18.00 |
| M&G Investment Management Ltd. | 644,450 | 11.80 |
| Safra Group | 385,000 | 7.00 |
| Canaccord Genuity Group Inc. | 273,135 | 5.00 |
| Barclays PLC | 271,080 | 5.00 |

As at 27 February 2020, the total preference shares in issue comprised only 0.42% of the company's total issued nominal share capital (excluding shares held in treasury), the rest being ordinary shares.

# Annual general meeting

The 2020 AGM will be held on Wednesday 27 May 2020 at 11.00am. A separate notice convening the meeting is distributed to shareholders, which includes an explanation of the items of business to be considered at the meeting.

All resolutions for which notice has been given will be decided on a poll. Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution for their reappointment is included in the *Notice of BP Annual General Meeting 2020*.

# Memorandum and Articles of Association

The following summarizes certain provisions of the company's Memorandum and Articles of Association and applicable English law. This summary is qualified in its entirety by reference to the UK Companies Act 2006 (the Act) and the company's Memorandum and Articles of Association. The Memorandum and Articles of Association are available online at *bp.com/usefuldocs*.

The company's Articles of Association may be amended by a special resolution at a general meeting of the shareholders. At the annual general meeting (AGM) held on 21 May 2018 shareholders voted to adopt new Articles of Association to reflect developments in market practice and to provide clarification and additional flexibility where necessary or appropriate.

## Objects and purposes

BP is a public company limited by shares, incorporated under the name BP p.l.c. and is registered in England and Wales with the registered number 102498. The provisions regulating the operations of the company, known as its 'objects', were historically stated in a company's memorandum. The Act abolished the need to have object provisions and so at the AGM held on 15 April 2010 shareholders approved the removal of its objects clause together with all other provisions of its Memorandum that, by virtue of the Act, are treated as forming part of the company's Articles of Association.

## Directors and secretary

The business and affairs of BP shall be managed by the directors. The company's Articles of Association provide that directors may be appointed by the existing directors or by the shareholders in a general meeting. Any person appointed by the directors will hold office only until the next general meeting, notice of which is first given after their appointment and will then be eligible for re-election by the shareholders. A director may be removed by BP as provided for by applicable law and shall vacate office in certain circumstances as set out in the Articles of Association. In addition the company may, by special resolution, remove a director before the expiration of his/her period of office and, subject to the Articles of Association, may by ordinary resolution appoint another person to be a director instead. There is no requirement for a director to retire on reaching any age.

The Articles of Association place a general prohibition on a director voting in respect of any contract or arrangement in which the director has a material interest other than by virtue of such director's interest in shares in the company. However, in the absence of some other material interest not indicated below, a director is entitled to vote and to be counted in a quorum for the purpose of any vote relating to a resolution concerning the following matters:

- The giving of security or indemnity with respect to any money lent or obligation taken by the director at the request or benefit of the company or any of its subsidiary undertakings.
- Any proposal in which the director is interested, concerning the underwriting of company securities or debentures or the giving of any security to a third party for a debt or obligation of the company or any of its subsidiary undertakings.
- Any proposal concerning any other company in which the director is interested, directly or indirectly (whether as an officer or shareholder or otherwise) provided that the director and persons connected with such director are not the holder or holders of 1% or more of the voting interest in the shares of such company.

- Any proposal concerning the purchase or maintenance of any insurance policy under which the director may benefit.
- Any proposal concerning the giving to the director of any other indemnity which is on substantially the same terms as indemnities given or to be given to all of the other directors or to the funding by the company of his expenditure on defending proceedings or the doing by the company of anything to enable the director to avoid incurring such expenditure where all other directors have been given or are to be given substantially the same arrangements.
- Any proposal concerning an arrangement for the benefit of the employees and directors or former employees and former directors of the company or any of its subsidiary undertakings, including but without being limited to a retirement benefits scheme and an employees' share scheme, which does not accord to any director any privilege or advantage not generally accorded to the employees or former employees to whom the arrangement relates.

The Act requires a director of a company who is in any way interested in a contract or proposed contract with the company to declare the nature of the director's interest at a meeting of the directors of the company. The definition of 'interest' includes the interests of spouses, children, companies and trusts. The Act also requires that a director must avoid a situation where a director has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The Act allows directors of public companies to authorize such conflicts where appropriate, if a company's Articles of Association so permit. BP's Articles of Association permit the authorization of such conflicts. The directors may exercise all the powers of the company to borrow money, except that the amount remaining undischarged of all moneys borrowed by the company shall not, without approval of the shareholders, exceed two times the amount paid up on the share capital plus the aggregate of the amount of the capital and revenue reserves of the company. Variation of the borrowing power of the board may only be affected by amending the Articles of Association.

Remuneration of non-executive directors shall be determined in the aggregate by resolution of the shareholders. Remuneration of executive directors is determined by the remuneration committee. This committee is made up of non-executive directors only. There is no requirement of share ownership for a director's qualification.

The Articles of Association provide entitlement to the directors' pensions and death and disability benefits to the directors' relations and dependants respectively.

The circumstances in which a director's office will automatically terminate include: when a director ceases to hold an executive office of the company and the directors resolve that he should cease to be a director; if a medical practitioner provides an opinion that a director has become incapable of acting as a director and may remain so incapable for a further three months and the directors resolve that he should cease to be a director; and if all of the other directors vote in favour of a resolution stating that the person should cease to be a director.

The company secretary has express powers to delegate any of the powers or discretions conferred on him or her.

**Dividend rights; other rights to share in company profits; capital calls**

If recommended by the directors of BP, shareholders of BP may, by resolution, declare dividends but no such dividend may be declared in excess of the amount recommended by the directors. The directors may also pay interim dividends without obtaining shareholder approval. No dividend may be paid other than out of profits available for distribution, as determined under IFRS and the Act. Dividends on ordinary shares are payable only after payment of dividends on BP preference shares. Any dividend unclaimed after a period of 10 years from the date of declaration of such dividend shall be forfeited and reverts to BP. If the company exercises its right to forfeit shares and sells shares belonging to an untraced shareholder then any entitlement to claim dividends or other monies unclaimed in respect of those shares will be for a period of twelve months after the sale. The company may take such steps as the directors decide are appropriate in the circumstances to trace the member entitled and the sale may be made at such time and on such terms as the directors may decide.

The directors have the power to declare and pay dividends in any currency provided that a sterling equivalent is announced. It is not the company's intention to change its current policy of paying dividends in US dollars. At the company's AGM held on 15 April 2010, shareholders approved the introduction of a Scrip Dividend Programme (Scrip Programme) and to include provisions in the Articles of Association to enable the company to operate the Scrip Programme. The Scrip Programme was renewed at the company's AGM held on 21 May 2018 for a further three years. The Scrip Programme enables ordinary shareholders and BP ADS holders to elect to receive new fully paid ordinary shares (or BP ADSs in the case of BP ADS holders) instead of cash. The operation of the Scrip Programme is always subject to the directors' decision to make the scrip offer available in respect of any particular dividend. Should the directors decide not to offer the scrip in respect of any particular dividend, cash will automatically be paid instead. The directors may determine in relation to any scrip dividend plan or programme how the costs of the programme will be met, the minimum number of ordinary shares required in order to be able to participate in the programme and any arrangements to deal with legal and practical difficulties in any particular territory.

Apart from shareholders' rights to share in BP's profits by dividend (if any is declared or announced), the Articles of Association provide that the directors may set aside:

- A special reserve fund out of the balance of profits each year to make up any deficit of cumulative dividend on the BP preference shares.
- A general reserve out of the balance of profits each year, which shall be applicable for any purpose to which the profits of the company may properly be applied. This may include capitalization of such sum, pursuant to an ordinary shareholders' resolution, and distribution to shareholders as if it were distributed by way of a dividend on the ordinary shares or in paying up in full unissued ordinary shares for allotment and distribution as bonus shares.

Any such sums so deposited may be distributed in accordance with the manner of distribution of dividends as described above.

Holders of shares are not subject to calls on capital by the company, provided that the amounts required to be paid on issue have been paid off. All shares are fully paid.

## Share transfers and share certificates

The directors may permit transfers to be effected other than by an instrument in writing and that share certificates will not be required to be issued by the company if they are not required by law.

The company may charge an administrative fee in the event that a shareholder wishes to replace two or more certificates representing shares with a single certificate or wishes to surrender a single certificate and replace it with two or more certificates. All certificates are sent at the member's risk.

## Voting rights

The Articles of Association of the company provide that voting on resolutions at a shareholders' meeting will be decided on a poll other than resolutions of a procedural nature, which may be decided on a show of hands. If voting is on a poll, every shareholder who is present in person or by proxy has one vote for every ordinary share held and two votes for every £5 in nominal amount of BP preference shares held. If voting is on a show of hands, each shareholder who is present at the meeting in person or whose duly appointed proxy is present in person will have one vote, regardless of the number of shares held, unless a poll is requested.

Shareholders do not have cumulative voting rights.

For the purposes of determining which persons are entitled to attend or vote at a shareholders' meeting and how many votes such persons may cast, the company may specify in the notice of the meeting a time, not more than 48 hours before the time of the meeting, by which a person who holds shares in registered form must be entered on the company's register of members in order to have the right to attend or vote at the meeting or to appoint a proxy to do so.

Holders on record of ordinary shares may appoint a proxy, including a beneficial owner of those shares, to attend, speak and vote on their behalf at any shareholders' meeting, provided that a duly completed proxy form is received not less than 48 hours (or such shorter time as the directors may determine) before the time of the meeting or adjourned meeting or, where the poll is to be taken after the date of the meeting, not less than 24 hours (or such shorter time as the directors may determine) before the time of the poll.

Record holders of BP ADSs are also entitled to attend, speak and vote at any shareholders' meeting of BP by the appointment by the approved depositary, JPMorgan Chase Bank N.A., of them as proxies in respect of the ordinary shares represented by their ADSs. Each such proxy may also appoint a proxy. Alternatively, holders of BP ADSs are entitled to vote by supplying their voting instructions to the depositary, who will vote the ordinary shares represented by their ADSs in accordance with their instructions.

Proxies may be delivered electronically.

Corporations who are members of the company may appoint one or more persons to act as their representative or representatives at any shareholders' meeting provided that the company may require a corporate representative to produce a certified copy of the resolution appointing them before they are permitted to exercise their powers.

Matters are transacted at shareholders' meetings by the proposing and passing of resolutions, of which there are two types: ordinary or special.

An ordinary resolution requires the affirmative vote of a majority of the votes of those persons voting at a meeting at which there is a quorum. A special resolution requires the affirmative vote of not less than three quarters of the persons voting at a meeting at which there is a quorum. Any AGM requires 21 clear days' notice. The notice period for any other general meeting is 14 clear days subject to the company obtaining annual shareholder approval, failing which, a 21 clear day notice period will apply.

## Liquidation rights; redemption provisions

In the event of a liquidation of BP, after payment of all liabilities and applicable deductions under UK laws and subject to the payment of secured creditors, the holders of BP preference shares would be entitled to the sum of (1) the capital paid up on such shares plus, (2) accrued and unpaid dividends and (3) a premium equal to the higher of (a) 10% of the capital paid up on the BP preference shares and (b) the excess of the average market price over par value of such shares on the LSE during the previous six months. The remaining assets (if any) would be divided pro rata among the holders of ordinary shares.

Without prejudice to any special rights previously conferred on the holders of any class of shares, BP may issue any share with such preferred, deferred or other special rights, or subject to such restrictions as the shareholders by resolution determine (or, in the absence of any such resolutions, by determination of the directors), and may issue shares that are to be or may be redeemed.

## Variation of rights

The rights attached to any class of shares may be varied with the consent in writing of holders of 75% of the shares of that class or on the adoption of a special resolution passed at a separate meeting of the holders of the shares of that class. At every such separate meeting, all of the provisions of the Articles of Association relating to proceedings at a general meeting apply, except that the quorum with respect to a meeting to change the rights attached to the preference shares is 10% or more of the shares of that class, and the quorum to change the rights attached to the ordinary shares is one third or more of the shares of that class.

## Shareholders' meetings and notices

Shareholders must provide BP with a postal or electronic address in the UK to be entitled to receive notice of shareholders' meetings. Holders of BP ADSs are entitled to receive notices under the terms of the deposit agreement relating to BP ADSs. The substance and timing of notices are described above under the heading Voting rights.

Under the Act, the AGM of shareholders must be held once every year, within each six month period beginning with the day following the company's accounting reference date. All general meetings shall be held at a time and place determined by the directors. If any shareholders' meeting is adjourned for lack of quorum, notice of the time and place of the adjourned meeting may be given in any lawful manner, including electronically. Powers exist for action to be taken either before or at the meeting by authorized officers to ensure its orderly conduct and safety of those attending.

The directors have power to convene a general meeting which is a hybrid meeting, that is to provide facilities for shareholders to attend a meeting which is being held at a physical place by electronic means as well (but not to convene a purely electronic meeting).

The provisions of the Articles of Association in relation to satellite meetings permit facilities being provided by electronic means to allow those persons at each place to participate in the meeting.

## Limitations on voting and shareholding

There are no limitations, either under the laws of the UK or under the company's Articles of Association, restricting the right of non-resident or foreign owners to hold or vote BP ordinary or preference shares in the company other than limitations that would generally apply to all of the shareholders and limitations applicable to certain countries and persons subject to EU economic sanctions or those sanctions adopted by the UK government which implement resolutions of the Security Council of the United Nations.

## Disclosure of interests in shares

The Act permits a public company to give notice to any person whom the company believes to be or, at any time during the three years prior to the issue of the notice, to have been interested in its voting shares requiring them to disclose certain information with respect to those interests. Failure to supply the information required may lead to disenfranchisement of the relevant shares and a prohibition on their transfer and receipt of dividends and other payments in respect of those shares and any new shares in the company issued in respect of those shares. In this context the term 'interest' is widely defined and will generally include an interest of any kind whatsoever in voting shares, including any interest of a holder of BP ADSs.

## Called-up share capital

Details of the allotted, called-up and fully-paid share capital at 31 December 2019 are set out in Financial statements – Note 31. In accordance with institutional investor guidelines, the company deems it appropriate to grant authority to the directors to allot shares and other securities and to disapply pre-emption rights by way of shareholders' resolutions at each AGM in place of authority granted by virtue of the company's Articles of Association. At the AGM on 21 May 2019, authorization was given to the directors to allot shares in the company and to grant rights to subscribe for, or to convert any security into, shares in the company up to an aggregate nominal amount as set out in the Notice of Meeting 2019. These authorities were given for the period until the next AGM in 2020 or 21 August 2020, whichever is the earlier. These authorities are renewed annually at the AGM.

## Company records and service of notice

In relation to notices not covered by the Act, the reference to notice by advertisement in a national newspaper also includes advertisements via other means such as a public announcement.

# Purchases of equity securities by the issuer and affiliated purchasers

In November 2017 BP began a share repurchase or buyback programme (the programme). The sole purpose of the programme is to reduce the issued share capital of the company to offset the ongoing dilutive effect of scrip dividends over time, as announced by the company on 31 October 2017. Authorization for the company to make market purchases (as defined in section 693(4) of the Companies Act 2006) of ordinary shares with a nominal value of $0.25 each in the company was renewed at the company's 2019 AGM covering the period until the date of the company's 2020 AGM or 21 August 2020, whichever is earlier. The maximum number of ordinary shares to be purchased under this authority will not exceed 2,025,988,313 ordinary shares. The shares purchased will be cancelled.

The following table provides details of ordinary share purchases made (1) under the programme and (2) by the Employee Share Ownership Plans (ESOPs) and other purchases of ordinary shares and ADSs made to satisfy the requirements of certain employee share-based payment plans.

| | **Total number of shares purchased**[a] | **Average price paid per share $** | Number of shares purchased by ESOPs or for certain employee share-based plans[b] | Number of shares purchased as part of the buyback programme[c] | Maximun approximate dollar value of shares yet to be purchased under the programme $ million |
|---|---|---|---|---|---|
| **2019** | | | | | |
| January | **Nil** | | | | N/A |
| February 5 – February 21 | **2,753,983** | **7.10** | 120,000 | 2,633,983 | N/A |
| March 11 – March 29 | **4,260,056** | **7.29** | Nil | 4,260,056 | N/A |
| April 30 | **120,000** | **7.32** | 120,000 | Nil | N/A |
| May 8 – May 31 | **5,012,700** | **6.97** | Nil | 5,012,700 | N/A |
| June 3 – June 25 | **5,763,677** | **6.96** | Nil | 5,763,677 | N/A |
| July | **Nil** | | | | N/A |
| August 5 – August 29 | **18,852,607** | **6.11** | Nil | 18,852,607 | N/A |
| September 2 – September 24 | **16,867,892** | **6.24** | 878,000 | 15,989,892 | N/A |
| October 7 - October 31 | **103,926,413** | **6.33** | Nil | 103,926,413 | N/A |
| November 1 – November 29 | **55,589,904** | **6.53** | Nil | 55,589,904 | N/A |
| December 2 - December 19 | **23,921,618** | **6.25** | Nil | 23,921,618 | N/A |
| **2020** | | | | | |
| January 7 - January 28 | **120,057,464** | **6.47** | Nil | 120,057,464 | N/A |
| February (to February 26) | **Nil** | | | | N/A |

a All share purchases were of ordinary shares of 25 cents each and/or ADSs (each representing six ordinary shares) and were on/open market transactions.

b Transactions represent the purchase of ordinary shares by ESOPs and other purchases of ordinary shares and ADSs made to satisfy requirements of certain employee share-based payment plans.

c The company announced its intent to commence the programme on 31 October 2017 and announced further details and commencement of the programme on 15 November 2017. At the AGM on 21 May 2019, authorization was given to the company to repurchase up to 2,025,988,313 ordinary shares, for the period ending on the date of the AGM in 2020 or 21 August 2020, whichever is the earlier. This authorization is renewed annually at the AGM. The total number of ordinary shares repurchased during 2019 under the programme was 235,950,850 at a cost of $1,511 million (including fees and stamp duty) representing 1.16% of the company's issued share capital excluding shares held in treasury on 31 December 2019. All ordinary shares repurchased in 2019 under the programme were cancelled in order to reduce the company's issued share capital.

# Fees and charges payable by ADS holders

The Depositary collects fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of the distributable property to pay the fees.

The charges of the Depositary payable by investors are as follows:

| Type of service | Depositary actions | Fee |
|---|---|---|
| Depositing or substituting the underlying shares | Issuance of ADSs against the deposit of shares, including deposits and issuances in respect of:<br>• Share distributions, stock splits, rights, merger.<br>• Exchange of securities or other transactions or event or other distribution affecting the ADSs or deposited securities. | $5.00 per 100 ADSs (or portion thereof) evidenced by the new ADSs delivered. |
| Selling or exercising rights | Distribution or sale of securities, the fee being an amount equal to the fee for the execution and delivery of ADSs that would have been charged as a result of the deposit of such securities. | $5.00 per 100 ADSs (or portion thereof). |
| Withdrawing an underlying share | Acceptance of ADSs surrendered for withdrawal of deposited securities. | $5.00 for each 100 ADSs (or portion thereof) evidenced by the ADSs surrendered. |
| Expenses of the Depositary | Expenses incurred on behalf of holders in connection with:<br>• Stock transfer or other taxes and governmental charges.<br>• Delivery by cable, telex, electronic and facsimile transmission.<br>• Transfer or registration fees, if applicable, for the registration of transfers of underlying shares.<br>• Expenses of the Depositary in connection with the conversion of foreign currency into US dollars (which are paid out of such foreign currency). | Expenses payable are subject to agreement between the company and the Depositary by billing holders or by deducting charges from one or more cash dividends or other cash distributions. |
| Dividend fees | ADS holders who receive a cash dividend are charged a fee which BP uses to offset the costs associated with administering the ADS programme. | The Deposit Agreement provides that a fee of $0.05 or less per ADS can be charged. The current fee is $0.02 per BP ADS per calendar year (equivalent to $0.005 per BP ADS per quarter per cash distribution). |
| Global Invest Direct (GID) Plan | New investors and existing ADS holders can buy, sell or reinvest dividends into further BP ADSs by enrolling in BP’s GID Plan, sponsored and administered by the Depositary. | Cost per transaction is $2.00 for recurring, $2.00 for one-time automatic investments, and $5.00 for investment made by check. Dividend reinvestment is 5% of the dividend amount up to a maximum of $5.00. Purchase trading commission is $0.12 per share. |

# Fees and payments made by the Depositary to the issuer

The Depositary has agreed to reimburse certain company expenses related to the company’s ADS programme and incurred by the company in connection with the ADS programme arising during the year ended 31 December 2019. The Depositary reimbursed to the company, or paid amounts on the company’s behalf to third parties, or waived its fees and expenses, of $15,923,592.90 for the year ended 31 December 2019.

The table below sets out the types of expenses that the Depositary has agreed to reimburse and the fees it has agreed to waive for standard costs associated with the administration of the ADS programme relating to the year ended 31 December 2019.

| Category of expense reimbursed, waived or paid directly to third parties | Amount reimbursed, waived or paid directly to third parties for the year ended 31 December 2019 $ |
|---|---|
| Fees for delivery and surrender of BP ADSs | 169,235.12 |
| Dividend fees[a] | 15,754,357.78 |
| Total | 15,923,592.90 |

a Dividend fees are charged to ADS holders who receive a cash distribution, which BP uses to offset the costs associated with administering the ADS programme.

Under certain circumstances, including removal of the Depositary or termination of the ADR programme by the company, the company is required to repay the Depositary certain amounts reimbursed and/or expenses paid to or on behalf of the company during the 12-month period prior to notice of removal or termination.

# Documents on display

*BP Annual Report and Form 20-F 2019* is available online at *bp.com/annualreport*. To obtain a hard copy of BP’s complete audited financial statements, free of charge, UK based shareholders should contact BP Distribution Services by calling +44 (0) 800 037 2172 or by emailing *bpdistributionservices@bp.com*. If based in the US or Canada shareholders should contact Issuer Direct by calling +1 888 301 2505 or by emailing *bpreports@issuerdirect.com*.

The company is subject to the information requirements of the US Securities Exchange Act of 1934 applicable to foreign private issuers. In accordance with these requirements, the company files its Annual Report and Form 20-F and other related documents with the SEC. The SEC maintains an internet site at *www.sec.gov* that contains reports and other information regarding issuers, including BP, that file electronically with the SEC. BP's SEC filings are also available at *bp.com/sec*. BP discloses in this report (see Corporate governance practices (Form 20-F Item 16G) on page 321) significant ways (if any) in which its corporate governance practices differ from those mandated for US companies under NYSE listing standards.

# Shareholding administration

If you have any queries about the administration of shareholdings, such as change of address, change of ownership, dividend payment options or to change the way you receive your company documents (such as the *BP Annual Report and Form 20-F* and *Notice of BP Annual General Meeting*) please contact the BP Registrar or the BP ADS Depositary.

### Ordinary and preference shareholders

The BP Registrar, Link Asset Services
The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, UK
Freephone in UK 0800 701107
From outside the UK +44 (0)371 277 1014

### ADS holders

BP Shareowner Services
PO Box 64504, St Paul, MN 55164-0504, US
Toll-free in US and Canada +1 877 638 5672
From outside the US and Canada +1 651 306 4383

# 2020 shareholder calendar[a]

| | |
|---|---|
| 27 Mar 2020 | Fourth quarter interim dividend payment for 2019 |
| 28 April 2020 | First quarter results announced |
| 11 May 2020 | Record date (to be eligible for the first quarter interim dividend) |
| 27 May 2020 | Annual general meeting |
| 19 Jun 2020 | First quarter interim dividend payment for 2020 |
| 3 Jul 2020 | 8% and 9% preference shares record date |
| 28 Jul 2020 | Second quarter results announced |
| 31 Jul 2020 | 8% and 9% preference shares dividend payment |
| 7 Aug 2020 | Record date (to be eligible for the second quarter interim dividend) |
| 18 Sep 2020 | Second quarter interim dividend payment for 2020 |
| 27 Oct 2020 | Third quarter results announced |
| 6 Nov 2020 | Record date (to be eligible for the third quarter interim dividend) |
| 18 Dec 2020 | Third quarter interim dividend payment for 2020 |

a All future dates are provisional and may be subject to change. For the full calendar see *bp.com/financialcalendar*.

# Glossary

## Abbreviations

**ADR**
American depositary receipt.

**ADS**
American depositary share. 1 ADS = 6 ordinary shares.

**Barrel (bbl)**
159 litres, 42 US gallons.

**bcf/d**
Billion cubic feet per day.

**bcfe**
Billion cubic feet equivalent.

**b/d**
Barrels per day.

**boe/d**
Barrels of oil equivalent per day.

**FPSO**
Floating production, storage and offloading.

**GAAP**
Generally accepted accounting practice.

**Gas**
Natural gas.

**$gCO_2e/MJ$**
Grams of carbon dioxide equivalent per megajoule of energy.

**GHG**
Greenhouse gas.

**GRI**
Global Reporting Initiative.

**$GtCO_2$**
Gigatonnes of carbon dioxide.

**GWh**
Gigawatt hour.

**HSSE**
Health, safety, security and environment.

**IFRS**
International Financial Reporting Standards.

**KPIs**
Key performance indicators.

**LNG**
Liquefied natural gas.

**LPG**
Liquefied petroleum gas.

**mb/d**
Thousand barrels per day.

**mboe/d**
Thousand barrels of oil equivalent per day.

**mmb/d or Mb/d**
Million barrels per day.

**mmboe/d**
Million barrels of oil equivalent per day.

**mmBtu**
Million British thermal units.

**mmcf/d**
Million cubic feet per day.

**mmte or Mte**
Million tonnes.

**$MteCO_2$**
Million tonnes of $CO_2$ equivalent.

**MW**
Megawatt.

**NGLs**
Natural gas liquids.

**PSA**
Production-sharing agreement.

**PTA**
Purified terephthalic acid.

**RC**
Replacement cost.

**SEC**
The United States Securities and Exchange Commission.

## Definitions

Unless the context indicates otherwise, the definitions for the following glossary terms are given below.

Non-GAAP measures are sometimes referred to as alternative performance measures.

### CA100+ resolution glossary

**CA100+ resolution**
The CA100+ resolution means the special resolution requisitioned by Climate Action 100+ and passed at BP's 2019 Annual General Meeting, the text of which is set out below.

**Special resolution: Climate Action 100+ shareholder resolution on climate change disclosures.**
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)(1) and 4.1(2) of the Paris Agreement(3) (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.

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.

### The Paris goals

(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).

### New material capex investment

For the purposes of the 2019 evaluation discussed on pages 19-22, ‘new material capex investment’ means a decision taken by the resource commitment meeting (RCM) in 2019 to incur inorganic or organic investments greater than $250 million that relate to a new project or asset, extending an existing project or asset, or acquiring or increasing a share in a project, asset or entity.

There were eight investments that met the above criteria in 2019.

### Material capex evaluation: Paris-consistency quantitative tests.

For the purposes of evaluating material capex investments for consistency with the Paris goals, two quantitative tests were applied, see page 22.

1. Operational carbon intensity (CI)

   The annual average operational GHG emissions (Te$CO_2$e/unit), divided by the relevant unit of output:

   - per thousand barrels of oil equivalent in Upstream
   - per utilized equivalent distillation capacity in refining
   - per thousand tonnes in petrochemicals.

2. Profitability index (PI)

   Operating cash flow divided by investment required (both on a present value basis).

   ‘Investment required’ means economic resources including capital investment, decommissioning expenditure and the value of any credit support to third parties (e.g. partner carry).

### Average emissions intensity of marketed energy products

The weighted average GHG emissions per unit of energy delivered grams $CO_2$e/MJ, estimated in respect of marketing sales of energy products. GHG emissions are estimated on a lifecycle basis covering production, distribution and use of the relevant products, assuming full stoichiometric combustion to $CO_2$.

## Net zero aims and ambition glossary

### Net zero

References to global net zero in the phrase, 'to help the world get to net zero', means achieving '...a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases...on the basis of equity, and in the context of sustainable development and efforts to eradicate poverty', as set out in Article 4(1) of the Paris Agreement.

References to net zero for BP in the context of our ambition and Aims 1 and 2 as set out on page 7 (such as 'be a net zero company by 2050 or sooner'), means achieving a balance between (a) the relevant Scope 1 and 2 emissions (for our Aim 1), or Scope 3 emissions (for our Aim 2), and (b) the aggregate of applicable deductions from qualifying activities such as sinks under our methodology at the applicable time.

### Emissions from the carbon in our Upstream oil and gas production

Estimated $CO_2$ emissions from the combustion of upstream production of crude oil, natural gas and natural gas liquids (NGLs) on a BP equity-share basis based on BP’s net share of production, excluding BP’s share of Rosneft production and assuming that all produced volumes undergo full stoichiometric combustion to $CO_2$.

### Adjusted 2015 baseline

In accordance with our zero net growth methodology, the starting direct and indirect GHG emissions baseline (end of 2015) is adjusted at the end of each reporting year for any qualifying changes (being changes due to (a) acquisitions, divestments, outsourcing or insourcing where the total for the year is greater than 5% the total direct and indirect GHG emissions in the previous year or (b) methodology or protocol changes).

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**Adjusted effective tax rate (ETR)**

Non-GAAP measure. The adjusted ETR is calculated by dividing taxation on an underlying replacement cost (RC) basis excluding the impact of reductions in the rate of the UK North Sea supplementary charge (in 2016 and 2015) by underlying RC profit or loss before tax. Taxation on an underlying RC basis is taxation on a RC basis for the period adjusted for taxation on non-operating items and fair value accounting effects. Information on underlying RC profit or loss is provided below. BP believes it is helpful to disclose the adjusted ETR because this measure may help investors to understand and evaluate, in the same manner as management, the underlying trends in BP’s operational performance on a comparable basis, period on period. The nearest equivalent measure on an IFRS basis is the ETR on profit or loss for the period. A reconciliation to GAAP information is provided on page 344.

**Associate**

An entity over which the group has significant influence and that is neither a subsidiary nor a joint arrangement of the group. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

**Brent**

A trading classification for North Sea crude oil that serves as a major benchmark price for purchases of oil worldwide.

**Capital expenditure**

Total cash capital expenditure as stated in the group cash flow statement.

**Consolidation adjustment – UPII**

Unrealized profit in inventory arising on inter-segment transactions.

**Commodity trading contracts**

BP’s Upstream and Downstream segments both participate in regional and global commodity trading markets in order to manage, transact and hedge the crude oil, refined products and natural gas that the group either produces or consumes in its manufacturing operations. These physical trading activities, together with associated incremental trading opportunities, are discussed in Upstream on page 50 and in Downstream on page 56. The range of contracts the group enters into in its commodity trading operations is described below. Using these contracts, in combination with rights to access storage and transportation capacity, allows the group to access advantageous pricing differences between locations, time periods and arbitrage between markets.

### Exchange-traded commodity derivatives

Contracts that are typically in the form of futures and options traded on a recognized exchange, such as Nymex and ICE. Such contracts are traded in standard specifications for the main marker crude oils, such as Brent and West Texas Intermediate; the main product grades, such as gasoline and gasoil; and for natural gas and power. Gains and losses, otherwise referred to as variation margin, are generally settled on a daily basis with the relevant exchange. These contracts are used for the trading and risk management of crude oil, refined products, and natural gas and power. Realized and unrealized gains and losses on exchange-traded commodity derivatives are included in sales and other operating revenues for accounting purposes.

### Over-the-counter contracts

Contracts that are typically in the form of forwards, swaps and options. Some of these contracts are traded bilaterally between counterparties or through brokers, others may be cleared by a central clearing counterparty. These contracts can be used both for trading and risk management activities. Realized and unrealized gains and losses on over-the-counter (OTC) contracts are included in sales and other operating revenues for accounting purposes. Many grades of crude oil bought and sold use standard contracts including US domestic light sweet crude oil, commonly referred to as West Texas Intermediate, and a standard North Sea crude blend – Brent, Forties, Oseberg and Ekofisk (BFOE). Forward contracts are used in connection with the purchase of crude oil supplies for refineries, products for marketing and sales of the group’s oil production and refined products. The contracts typically contain standard delivery and settlement terms. These transactions call for physical delivery of oil with consequent operational and price risk. However, various means exist and are used from time to time, to settle obligations under the contracts in cash rather than through physical delivery. Because the physically settled transactions are delivered by cargo, the BFOE contract additionally specifies a standard volume and tolerance.

Gas and power OTC markets are highly developed in North America and the UK, where commodities can be bought and sold for delivery in future periods. These contracts are negotiated between two parties to purchase and sell gas and power at a specified price, with delivery and settlement at a future date. Typically, the contracts specify delivery terms for the underlying commodity. Some of these transactions are not settled physically as they can be achieved by transacting offsetting sale or purchase contracts for the same location and delivery period that are offset during the scheduling of delivery or dispatch. The contracts contain standard terms such as delivery point, pricing mechanism, settlement terms and specification of the commodity. Typically, volume, price and term (e.g. daily, monthly and balance of month) are the main variable contract terms.

Swaps are often contractual obligations to exchange cash flows between two parties. A typical swap transaction usually references a floating price and a fixed price with the net difference of the cash flows being settled. Options give the holder the right, but not the obligation, to buy or sell crude, oil products, natural gas or power at a specified price on or before a specific future date. Amounts under these derivative financial instruments are settled at expiry. Typically, netting agreements are used to limit credit exposure and support liquidity.

### Spot and term contracts

Spot contracts are contracts to purchase or sell a commodity at the market price prevailing on or around the delivery date when title to the inventory is taken. Term contracts are contracts to purchase or sell a commodity at regular intervals over an agreed term. Though spot and term contracts may have a standard form, there is no offsetting mechanism in place. These transactions result in physical delivery with operational and price risk. Spot and term contracts typically relate to purchases of crude for a refinery, products for marketing, or third-party natural gas, or sales of the group’s oil production, oil products or gas production to third parties. For accounting purposes, spot and term sales are included in sales and other operating revenues when title passes. Similarly, spot and term purchases are included in purchases for accounting purposes.

## Divestment proceeds

Disposal proceeds as per the group cash flow statement.

## Dividend yield

Sum of the four quarterly dividends announced in respect of the year as a percentage of the year-end share price on the respective exchange.

## Effective tax rate (ETR) on replacement cost (RC) profit or loss

Non-GAAP measure. The ETR on RC profit or loss is calculated by dividing taxation on a RC basis by RC profit or loss before tax. Information on RC profit or loss is provided below. BP believes it is helpful to disclose the ETR on RC profit or loss because this measure excludes the impact of price changes on the replacement of inventories and allows for more meaningful comparisons between reporting periods. The nearest equivalent measure on an IFRS basis is the ETR on profit or loss for the period. A reconciliation to GAAP information is provided on page 344.

## Fair value accounting effects

Non-GAAP adjustments to IFRS profit or loss. We use derivative instruments to manage the economic exposure relating to inventories above normal operating requirements of crude oil, natural gas and petroleum products. Under IFRS, these inventories are recorded at historical cost. The related derivative instruments, however, are required to be recorded at fair value with gains and losses recognized in the income statement. This is because hedge accounting is either not permitted or not followed, principally due to the impracticality of effectiveness-testing requirements. Therefore, measurement differences in relation to recognition of gains and losses occur. Gains and losses on these inventories are not recognized until the commodity is sold in a subsequent accounting period. Gains and losses on the related derivative commodity contracts are recognized in the income statement, from the time the derivative commodity contract is entered into, on a fair value basis using forward prices consistent with the contract maturity.

BP enters into physical commodity contracts to meet certain business requirements, such as the purchase of crude for a refinery or the sale of BP’s gas production. Under IFRS these physical contracts are treated as derivatives and are required to be fair valued when they are managed as part of a larger portfolio of similar transactions. Gains and losses arising are recognized in the income statement from the time the derivative commodity contract is entered into.

IFRS require that inventory held for trading is recorded at its fair value using period-end spot prices, whereas any related derivative commodity instruments are required to be recorded at values based on forward prices consistent with the contract maturity. Depending on market conditions, these forward prices can be either higher or lower than spot prices, resulting in measurement differences.

BP enters into contracts for pipelines and other transportation, storage capacity, oil and gas processing and liquefied natural gas (LNG) that, under IFRS, are recorded on an accruals basis. These contracts are risk-managed using a variety of derivative instruments that are fair valued under IFRS. This results in measurement differences in relation to recognition of gains and losses.

The way that BP manages the economic exposures described above, and measures performance internally, differs from the way these activities are measured under IFRS. BP calculates this difference for consolidated entities by comparing the IFRS result with management’s internal measure of performance. Under management’s internal measure of performance the inventory, transportation and capacity contracts in question are valued based on fair value using relevant forward prices prevailing at the end of the period. The fair values of derivative instruments used to risk manage certain oil, gas and other contracts, are deferred to match with the underlying exposure and the commodity contracts for business requirements are accounted for on an accruals basis. We believe that disclosing management’s estimate of this difference provides useful information for investors because it enables investors to see the economic effect of these activities as a whole.

In addition, from 2018 fair value accounting effects include changes in the fair value of the near-term portions of LNG contracts that fall within BP’s risk management framework. LNG contracts are not considered derivatives, because there is insufficient market liquidity, and they are therefore accrual accounted under IFRS. However, oil and natural gas derivative financial instruments (used to risk manage the near-term portions of the LNG contracts) are fair valued under IFRS. The fair value accounting effect reduces timing differences between recognition of the derivative financial instruments used to risk manage the LNG contracts and the recognition of the LNG contracts themselves, which therefore gives a better representation of performance in each period. Comparative information has not been restated on the basis that the effect was not material.

**Finance debt ratio**
Finance debt ratio is defined as the ratio of finance debt to the total of finance debt plus total equity.

**Free cash flow**
Operating cash flow less net cash used in investing activities and lease liability payments included in financing activities, as presented in the group cash flow statement.

**Gearing and net debt**
Non-GAAP measures. Net debt is calculated as finance debt, as shown in the balance sheet, plus the fair value of associated derivative financial instruments that are used to hedge foreign currency exchange and interest rate risks relating to finance debt, for which hedge accounting is applied, less cash and cash equivalents. Gearing is defined as the ratio of net debt to the total of net debt plus total equity. BP believes these measures provide useful information to investors. Net debt enables investors to see the economic effect of finance debt, related hedges and cash and cash equivalents in total. Gearing enables investors to see how significant net debt is relative to total equity. The derivatives are reported on the balance sheet within the headings ‘Derivative financial instruments’. See Financial statements – Note 27 for information on finance debt, which is the nearest equivalent measure to net debt on an IFRS basis.

We are unable to present reconciliations of forward-looking information for gearing to finance debt ratio, because without unreasonable efforts, we are unable to forecast accurately certain adjusting items required to present a meaningful comparable GAAP forward-looking financial measure. These items include fair value asset (liability) of hedges related to finance debt and cash and cash equivalents, that are difficult to predict in advance in order to include in a GAAP estimate.

**Henry Hub**
A distribution hub on the natural gas pipeline system in Erath, Louisiana, that lends its name to the pricing point for natural gas futures contracts traded on the New York Mercantile Exchange and the over-the-counter swaps traded on Intercontinental Exchange.

**Hydrocarbons**
Liquids and natural gas. Natural gas is converted to oil equivalent at 5.8 billion cubic feet = 1 million barrels.

**Inorganic capital expenditure**
A subset of capital expenditure and is a non-GAAP measure. Inorganic capital expenditure comprises consideration in business combinations and certain other significant investments made by the group. It is reported on a cash basis. BP believes that this measure provides useful information as it allows investors to understand how BP’s management invests funds in projects which expand the group’s activities through acquisition. Further information and a reconciliation to GAAP information is provided on page 299.

**Inventory holding gains and losses**
The difference between the cost of sales calculated using the replacement cost of inventory and the cost of sales calculated on the first-in first-out (FIFO) method after adjusting for any changes in provisions where the net realizable value of the inventory is lower than its cost. Under the FIFO method, which we use for IFRS reporting, the cost of inventory charged to the income statement is based on its historical cost of purchase or manufacture, rather than its replacement cost. In volatile energy markets, this can have a significant distorting effect on reported income. The amounts disclosed represent the difference between the charge to the income statement for inventory on a FIFO basis (after adjusting for any related movements in net realizable value provisions) and the charge that would have arisen based on the replacement cost of inventory. For this purpose, the replacement cost of inventory is calculated using data from each operation’s production and manufacturing system, either on a monthly basis, or separately for each transaction where the system allows this approach. The amounts disclosed are not separately reflected in the financial statements as a gain or loss. No adjustment is made in respect of the cost of inventories held as part of a trading position and certain other temporary inventory positions. See Replacement cost (RC) profit or loss definition below.

**Joint arrangement**
An arrangement in which two or more parties have joint control.

**Joint control**
Contractually agreed sharing of control over an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

**Joint operation**
A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

**Joint venture**
A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

**Liquids**
Comprises crude oil, condensate and natural gas liquids. For the Upstream segment, it also includes bitumen.

**LNG train**
An LNG train is a processing facility used to liquefy and purify natural gas in the formation of LNG.

**Major projects**
Have a BP net investment of at least $250 million, or are considered to be of strategic importance to BP or of a high degree of complexity.

**Net debt including leases**
Non-GAAP measure. Net debt including leases is calculated as net debt plus lease liabilities, less the net amount of partner receivables and payables relating to leases entered into on behalf of joint operations. BP believes this measure provides useful information to investors as it enables investors to understand the impact of the group’s lease portfolio on net debt. See Financial statements – Note 27 for information on finance debt, which is the nearest equivalent measure to net debt on an IFRS basis.

**Net generating capacity**
The sum of the rated capacities of the assets/turbines that have entered into commercial operation, including BP’s share of equity-accounted entities. The gross data is the equivalent capacity on a gross-joint venture basis, which includes 100% of the capacity of equity-accounted entities where BP has partial ownership.