

## **BP: April 2015 AGM**

### **Special resolution – strategic resilience for 2035 and beyond**

That in order to address our interest in the longer term success of the Company, given the recognised risks and opportunities associated with climate change, we as shareholders of the Company direct that routine annual reporting from 2016 includes further information about: ongoing operational emissions management; asset portfolio resilience to the International Energy Agency's (IEA's) scenarios; low-carbon energy research and development (R&D) and investment strategies; relevant strategic key performance indicators (KPIs) and executive incentives; and public policy positions relating to climate change. This additional ongoing annual reporting could build on the disclosures already made to CDP (formerly the Carbon Disclosure Project) and/or those already made within the Company's Energy Outlook, Sustainability Review and Annual Report.

## Supporting Statement

It is our intention that this is a supportive but stretching shareholder resolution. It has been prepared by the “*Aiming for A*” coalition of UK asset owners and mutual fund managers for a larger co-filing group.

The “*Aiming for A*” coalition includes the £150bn Local Authority Pension Fund Forum and the largest members of the £15bn Church Investors Group. The coalition was convened by CCLA Investment Management in 2011/12. The group is undertaking in depth engagement with the ten largest UK-listed extractives and utilities companies, with a particular focus on the companies’ CDP performance bands<sup>1</sup>.

There are several reasons why UK asset owners and mutuals have come together under the “*Aiming for A*” initiative to support extractives and utilities companies in their preparations for the low-carbon transition. These range from systemic risk management and our collective fiduciary duty to engage in economic transformation, through to amplifying longer-term investor voices and involving ultimate beneficiaries.

We believe that supportive but stretching shareholder resolutions can play a positive stewardship role in the UK. They could amplify the need to balance the short- and longer-term aspects of shareholder value creation.

The wider co-filing group includes asset owners and some of their fund managers, from both the UK and overseas. The asset owners span charitable foundations, Church investors pension funds and individuals (including clients of Rathbone Greenbank Investments). All the co-filers have been ably assisted by Client Earth and Share Action as part of their ongoing programme work.

Thanks to Mercer<sup>2</sup> and Carbon Tracker’s<sup>3</sup> research, horizon-scanning investors are aware of the portfolio risks of public policy uncertainty and potential asset stranding. Major technology transitions are rarely smooth, and draconian policy action that has to be introduced quickly after prolonged delay increases risks to investors. The resolution covers five related areas:

### **1. Ongoing operational emissions management**

In 2014 BP reached a “B” carbon performance band (on an A-E scale) through CDP. Within the performance banding methodology considerable weight is given to operational emissions management, alongside strategic and governance issues like those below. The “*Aiming for A*” coalition and other investors are interested in how the company is maintaining progress towards reaching an “A”, including across companies where BP has a major shareholding. For further details see <https://www.cdp.net/en-US/Programmes/Pages/CDP-Investors.aspx>

### **2. Asset portfolio resilience to post-2035 scenarios**

BP has a diverse portfolio of assets (operational and in reserve). The role of gas as a transitional fuel is well reflected in this portfolio, and the current resilience of the company’s overall portfolio compares favourably with other oil and gas

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<sup>1</sup> <https://www.cdp.net/en-US/Pages/disclosure-analytics.aspx>

<sup>2</sup> [http://www.uk.mercer.com/newsroom/climate\\_change\\_scenarios.html](http://www.uk.mercer.com/newsroom/climate_change_scenarios.html)

<sup>3</sup> <http://www.carbontracker.org/our-work/>

majors. We ask that an assessment of the portfolio's resilience against the range of IEA<sup>4</sup>, and any other relevant post-2035, scenarios be outlined to investors in routine reporting from 2016. Investors are also interested in the role exploration, disposals and cash distributions to investors will play in the nearer term.

### **3. Low carbon energy R&D and investment strategies**

BP has an Alternative Energy<sup>5</sup> business, and \$8bn has been invested ahead of schedule. In addition, 20% of BP's R&D is already directed towards the low carbon transition. Investors are interested in BP's post 2015 plans in these areas, including any for carbon capture and storage (CCS).

### **4. Strategic KPIs and executive incentives**

BP was one of the first oil and gas majors to signal a strategy of "*value not volume*". Transitions that span decades are complex to manage and often require lead indicators and incentives. Investors are interested in BP's evolving approach to KPIs and executive incentives, in the context of the transition to a low carbon economy, including the role played by the reserves replacement ratio (RRR).

### **5. Public policy interventions**

BP has co-ordinated its approach to public policy at group level since 2011 and recently joined over 70 countries and over 1000 companies in signing the World Bank statement for a price on carbon<sup>6</sup>. Investors are interested in BP's public policy programme, including positions on key policy measures, especially for the critical 2015 to 2020 policy making period.

Finally, we'd also like to highlight the global investor coalition on climate change's document outlining their expectations for oil & gas majors, which is available from: <http://globalinvestorcoalition.org/>. This builds on their carbon asset risk (CAR) initiative<sup>7</sup>.

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<sup>4</sup> <http://www.worldenergyoutlook.org/weomodel/> (the WEO-2014 uses a scenario approach to examine future energy trends and has been extended to 2040 for the first time. It presents three scenarios: the New Policies Scenario, the Current Policies Scenario, and the 450 Scenario)

<sup>5</sup> <http://www.bp.com/en/global/alternative-energy.html>

<sup>6</sup> <http://www.worldbank.org/en/programs/pricing-carbon>

<sup>7</sup> <http://www.ceres.org/press/press-releases/investors-ask-fossil-fuel-companies-to-assess-how-business-plans-fare-in-low-carbon-future>