

Draft for executive review**Members of the Main Board****Trade association review and report**

At the 2019 AGM we committed to review our trade association (TA) memberships relating to climate change and the energy transition and report findings in 2020.

This paper explains the review process and findings; sets out what we propose to report; and considers next steps.

Context

For the extractive industries in particular, the issue of influence over policy development and regulation is a topic of significant interest. Climate Action 100+ have listed trade associations and lobbying as one of their three top issues for 2020.

Last year an organisation called Influence Map published a report on climate 'lobbying' in the oil and gas sector. While this had a questionable methodology and conflated a number of different issues around memberships, promotional activity and even corporate advertising, the report has been widely cited. Further, it has created a narrative that our sector is active in blocking and slowing the energy transition, which, in turn, is harming our reputation. Influence Map are a data provider to C100+.

In response to stakeholder interest, a number of companies are now publishing reports on this topic. BHP, Shell and Total have already done this, and we are aware of similar reports being prepared by Equinor and Eni. BHP, which published their first such report in 2017 and led the way for others, have recently published their second report. This is setting a pattern for these reviews to be conducted on a regular basis, with every two-years being the expectation.

This is clearly an emerging area with both downside and upside reputation risks depending on how we respond.

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Our review process

We have now completed a first groupwide review. A total of 30 associations in North America, Europe and Australia were in scope. This was based on their salience to stakeholders and active involvement in climate policy, recognising this is where the debate is mainly focussed and is consistent with how other companies had conducted their reviews.

The activity and policy positions for these associations were assessed against BP's existing climate positions, first by research undertaken by an independent third party (BSR – a global non-profit sustainability consultancy) followed by an assessment by a cross-functional BP team including policy, group and regional C&EA, investor relations and legal.

The following principles were applied to the review:

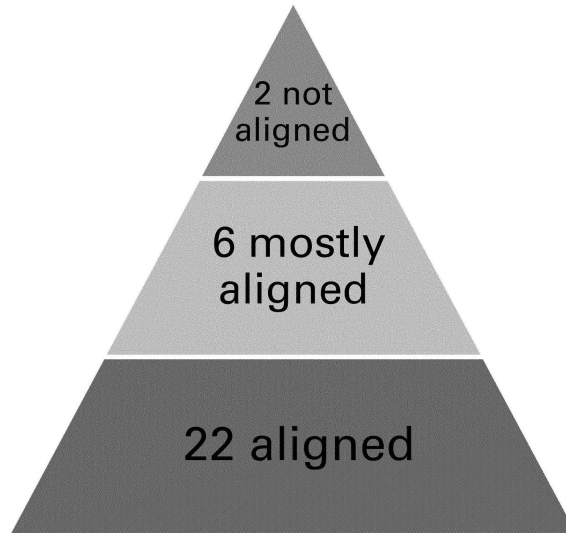
- Conducted in line with the European Investor Expectations on Corporate Lobbying on Climate Change, which are to: lobby positively in line with the Paris Agreement; have robust governance procedures; act when unaligned; be transparent.
- Adopt an approach that was rigorous, consistent and fair.
- BP relationship holders of the TAs were involved at each stage.
- Assessment used current and recent (two-year maximum) positions, statements and other publicly available information.
- Silence on an issue was deemed as the TA having 'no position'.
- Consideration was given to the broader value of each TA before any action was recommended.
- Although assessment was based on current positions, we endeavoured to recognize evolving positions, such as those of the AFPM and API.

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Insights and proposed actions

The assessment resulted in the following distribution of the 30 TAs reviewed.

To better understand any implications and possible actions, we conducted a further assessment to assess the value of each particular TA membership to BP and our level of influence. This assessment is shown in appendix 1.



Each category of alignment is defined in the draft report (appendix 2).

Review findings and proposed actions

- There are clear differences between the US associations and other regions.
- Where there is non-alignment, our overall approach should be proactive engagement to explain our position, collaborate and encourage alignment.
- However, our analysis finds three US-based associations that warrant particular attention:

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- For associations deemed to be mostly aligned with BP, and of higher value to us, we will undertake a programme of active engagement to positively influence future climate policy positions.
- For associations deemed to be mostly aligned but of lower value we will monitor and assess for our future level of support.
- For associations deemed to be aligned, we will continue to engage and monitor progress.

Plans for reporting the findings

We plan to announce the findings of the review and that BP will be leaving two TAs as part of the commitments made at the 12 February event. We will then publish the report one week later, on 19 February supported by a press release.

Between these two dates (13-19 February) we will engage with the TAs to explain the review and our conclusions. This will take the form of a letter from Bernard delivered by each BP relationship owner.

A full draft of the report is included in appendix 2. Having carefully reviewed peer reports we feel this is the appropriate level of disclosure. It builds on the BP's participation in trade associations report, published prior to the 2019 AGM.

Draft for executive review**Next steps – beyond publication**

As set out at the start of this paper this is an emerging area with a level of external scrutiny that will only intensify with the publication of this report, we will now be in line with our European peers. Moving forwards, we believe there is an opportunity for leadership in this field. To do this we could:

- Provide further disclosure on our own climate advocacy and lobbying to counter a narrative that this activity obstructs progress. This could include providing more information around BP's lobbying policy, governance and processes, and highlighting the mandatory disclosures we already make in the US and EU.
- Provide more comprehensive disclosure on BP's spend on these activities – including publication of a total TA membership and advocacy and lobbying expenditure. At the end of 2019 we conducted an initial internal review of BP's climate-related advocacy and lobbying expenditure. This highlighted there are some challenges calculating such a number including scope, definition and data collection. However, we do not believe anyone has yet taken this step towards radical transparency.
- Conduct a more comprehensive review of all BP's TA memberships, expanding the scope to cover areas such as safety, human rights, revenue transparency and other key sustainability issues. This would include a review of data, governance and delegations.

A combination of these three options would provide real leadership and should be considered as part of our wider work on transparency.

Lamar McKay

Chief transition officer

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Appendix 1 continued – list and abbreviations of in-scope associations

Association	Jurisdiction
Australian Industry Greenhouse Network (AIGN)	Australia
Australian Institute of Petroleum (AIP)	Australia
Australian Petroleum Production & Exploration Association (APPEA)	Australia
Business Council of Australia (BCA)	Australia
Canadian Association of Petroleum Producers (CAPP)	Canada
Business-Europe	Europe
European Chemical Industry Council (CEFIC)	Europe
European Round Table for Industry (ERT)	Europe
Fuels Europe	Europe
Bundesverband der Deutschen Industrie (BDI)	Germany
Mineralölwirtschaftsverband (MWV)	Germany
Verband Der Chemischen Industrie (VCI)	Germany
International Air Transport Association (IATA)	Global
International Association of Oil and Gas Producers (IOGP)	Global
International Emissions Trading Association (IETA)	Global
International Gas Union (IGU)	Global
IPIECA	Global
Oil and Gas Climate Initiative (OGCI)	Global
World Business Council on Sustainable Development (WBCSD)	Global
Vereniging Nederlandse Petroleum Industrie (VNPI)	Netherlands
VNO-NCW	Netherlands
Spanish Association of Petroleum Products Operators (AOP)	Spain
Confederation of British Industry (CBI)	UK
Oil & Gas UK (OGUK)	UK
American Fuel and Petrochemical Manufacturers (AFPM)	US
American Petroleum Institute (API)	US
National Association of Manufacturers (NAM)	US
US Chamber of Commerce	US
Western Energy Alliance	US
Western States Petroleum Association (WSPA)	US

Appendix 2 – current draft report:
Our participation in trade associations: Climate