

Glossary

Abbreviations

ADR

American depositary receipt.

ADS

American depositary share. 1 ADS = 6 ordinary shares.

Barrel (bbl)

159 litres, 42 US gallons.

bcf

Billion cubic feet.

bcfe

Billion cubic feet equivalent.

boe

Barrels of oil equivalent.

EJ/yr

Exajoules per year

EVP

Executive vice president.

FPSO

Floating production, storage and offloading.

GAAP

Generally accepted accounting practice.

Gas

Natural gas.

gCO₂e/MJ

Grams of carbon dioxide equivalent per megajoule of energy.

GHG

Greenhouse gas.

GRI

Global Reporting Initiative.

GtCO₂

Gigatonnes of carbon dioxide.

GW

Gigawatt.

GWh

Gigawatt hour.

HSSE

Health, safety, security and environment.

IFRS

International Financial Reporting Standards.

Kb/d

Thousand barrels per day.

KPIs

Key performance indicators.

kt

Thousand tonnes.

LNG

Liquefied natural gas.

LPG

Liquefied petroleum gas.

mb/d

Thousand barrels per day.

Mbbl

Million barrels.

mboe/d

Thousand barrels of oil equivalent per day.

MW

Megawatt.

mmb/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.

Mt

Million tonnes.

MtCO₂e

Million tonnes of CO₂ equivalent.

Mtpa

Million tonnes per annum.

MWe

Megawatt electrical.

MWp

Megawatt peak.

NGLs

Natural gas liquids.

PSA

Production-sharing agreement.

PTA

Purified terephthalic acid.

RC

Replacement cost.

SEC

The United States Securities and Exchange Commission.

TWh

Terawatt hour.

SVP

Senior vice president.

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 recognized 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 2021 evaluation discussed on pages 32-36, 'new material capex investment' means a decision taken by the resource commitment meeting (RCM) in 2021 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 three investments that met the above criteria in 2021.

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 36.

Operational carbon intensity (CI)

The annual average operational GHG emissions (TeCO₂e/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 of petrochemicals production.

Net zero aims and ambition glossary

Energy product

An energy product is a product that is used by an ultimate end user to satisfy an energy demand. In the case of fuels, to burn them to release their calorific content, and in the case of electricity to provide work or heat. A refined product such as a lubricant base stock does not count as an energy product as it is not used to provide energy in its use phase. Crude oil does not count as an energy product except in the rare cases where it is used by an end user to satisfy energy demand.

Emissions from the carbon in our upstream oil and gas production

Estimated CO₂ emissions from the combustion of upstream production of crude oil, natural gas and natural gas liquids (NGLs) 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 CO₂.

Methane intensity

Methane intensity refers to the amount of methane emissions from bp's operated upstream oil and gas assets as a percentage of the total gas that goes to market from those operations. Our methodology is aligned with the Oil and Gas Climate Initiative's (OGCI).

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, 2 and 3 mean achieving a balance between (a) the relevant Scope 1 and 2 emissions (for aim 1), Scope 3 emissions (for aim 2) or product lifecycle emissions (for aim 3) and (b) the aggregate of applicable deductions from qualifying activities such as sinks under our methodology at the applicable time.

Net zero★ operations

bp's aim to reach net zero operational greenhouse gas (CO₂ and methane) emissions by 2050 or sooner, on a gross operational control basis, in accordance with bp's aim 1 which relates to our reported Scope 1 and 2 emissions. Any interim target or aim in respect of bp's aim 1 is defined in terms of absolute reductions relative to the baseline year of 2019.

Net zero★ production

bp's aim to reach net zero CO₂ emissions, in accordance with bp's aim 2, from the carbon in our upstream oil and gas production, in respect of the estimated CO₂ emissions from the combustion of upstream production of crude oil, natural gas and natural gas liquids (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 CO₂). Aim 2 is bp's Scope 3 aim and relates to Scope 3 category 11 emissions. Any interim target or aim in respect of bp's aim 2 is defined in terms of absolute reductions relative to the baseline year of 2019.

Net zero★ sales

bp's aim to reach net zero for the carbon intensity of the energy products we sell★, in accordance with bp's aim 3. Any interim target or aim in respect of bp's aim 3 is defined in terms of reductions in the carbon intensity of the energy products we sell (in grams CO₂e/MJ) relative to the baseline year of 2019. (Work is ongoing to confirm an assured baseline for this aim to incorporate the inclusion of physically traded energy products).

Physically traded energy product

For the purposes of aim 3, this includes trades in energy products★ which are physically settled in circumstances where bp considers their inclusion to be consistent with the intent of the aim. It therefore excludes, for example, financial trades, and physical trades where the purpose or effect is that the volumes traded net off against each other.

Sustainable emissions reductions (SER)

SERs result from actions or interventions that have led to ongoing reductions in Scope 1 (direct) and/or Scope 2 (indirect) greenhouse gas (GHG) emissions (carbon dioxide and methane) such that GHG emissions would have been higher in the reporting year if the intervention had not taken place. SERs must meet three criteria: a specific intervention that has reduced GHG emissions, the reduction must be quantifiable and the reduction is expected to be ongoing. Reductions are reportable for a 12-month period from the start of the intervention/action.

Adjusted EBIDA

Adjusted EBIDA is a non-GAAP measure and is defined as profit or loss for the period, adjusting for finance costs and net finance expense relating to pensions and other post-retirement benefits and taxation, inventory holding gains or losses before tax, adjusting items★ before interest and tax, and taxation on an underlying RC basis, and adding back depreciation, depletion and amortization (pre-tax) and exploration expenditure written-off (net of adjusting items, pre-tax). bp believes that adjusted EBIDA is a useful measure for investors because it is a measure closely tracked by management to evaluate bp's operating performance and to make financial, strategic and operating decisions and because it 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 profit or loss for the period. A reconciliation of profit or loss for the period to adjusted EBIDA is provided on page 387.

Adjusted EBIDA per share compound annual growth rate (CAGR)

Non-GAAP measure. Adjusted EBIDA per share is calculated based on the shares in issue at period end.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP measure presented for bp's operating segments and is defined as replacement cost (RC) profit before interest and tax, excluding net adjusting items, adding back depreciation, depletion and amortization and exploration write-offs (net of adjusting items). Adjusted EBITDA by business is a further analysis of adjusted EBITDA for the customers & products businesses. bp believes it is helpful to disclose adjusted EBITDA by operating segment and by business because it reflects how the segments measure underlying business delivery. The nearest equivalent measure on an IFRS basis for the segment is RC profit or loss before interest and tax, which is bp's measure of profit or loss that is required to be disclosed for each operating segment under IFRS. A reconciliation to GAAP information is provided on pages 354 and 388.

Adjusted EBITDA for the group is defined as profit or loss for the period before finance costs and net finance expense relating to pensions and other post-retirement benefits, adjusting for inventory holding gains or losses before tax, adjusting items before interest and tax, and adding back depreciation, depletion and amortization (pre-tax) and exploration expenditure written-off (net of adjusting items, pre-tax). The nearest equivalent measure on an IFRS basis for the group is profit or loss for the period.

We are unable to present reconciliations of forward-looking information for adjusted EBITDA for the group, strategic themes or transition growth businesses, because without unreasonable efforts, we are unable to forecast accurately certain adjusting items required to calculate a meaningful comparable GAAP forward-looking financial measure. These items include inventory holding gains or losses, adjusting items and exploration expenditure written off that are difficult to predict in advance in order to include in a GAAP estimate.

Adjusting items

Adjusting items are items that bp discloses separately because it considers such disclosures to be meaningful and relevant to investors. They are items that management considers to be important to period-on-period analysis of the group's results and are disclosed in order to enable investors to better understand and evaluate the group's reported financial performance. Adjusting items include gains and losses on the sale of businesses and fixed assets, impairments, environmental and other provisions, restructuring, integration and rationalization costs, fair value accounting effects, costs relating to the Gulf of Mexico oil spill and other

items. Adjusting items within equity-accounted earnings are reported net of incremental income tax reported by the equity-accounted entity. Adjusting items are used as a reconciling adjustment to derive underlying RC profit or loss and related underlying measures which are non-GAAP measures. An analysis of adjusting items by segment and type is shown on page 339. Prior to 2021 adjusting items were reported under two different headings – non-operating items and fair value accounting effects.

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.

Bioenergy production

Bioenergy production is average thousands of barrels of biofuel production per day during the period covered, net to bp. This includes equivalent ethanol production, bp Bunge biopower for grid export, biogas and refining co-processing and standalone hydrogenated vegetable oil (HVO).

Bio-refinery

A facility that is dedicated to processing biological materials (including waste oil and crop waste) to produce biofuels such as bio-diesel and sustainable aviation fuel, which may be blended to customer specifications with other components such as hydrocarbons at co-located or adjacent terminals and tanks.

Blue hydrogen

Hydrogen produced by reforming of natural gas or gasification of coal, with CO₂ captured and stored (CCS).

Capital employed

Non-GAAP measure. It is defined as total equity plus finance debt.

Capital expenditure

Total cash capital expenditure as stated in the group cash flow statement. Capital expenditure for the operating segments and customers & products businesses is presented on the same basis.

Carbon intensity of the energy products we sell

The weighted average GHG (CO₂, methane, N₂O) emissions per unit of energy delivered (in grams CO₂e/MJ) estimated in respect of marketed sales of energy products★ and sales of physically traded energy products★. GHG emissions are estimated on a lifecycle basis covering production extraction, transportation, processing, distribution and use of the relevant products (assuming, where the energy product is a fuel for combustion, full stoichiometric combustion of the product to CO₂).

Cash balance point

Cash balance point is defined as the implied Brent oil price for the quarter that would cause the sum of operating cash flow excluding Gulf of Mexico oil spill payments (assuming actual refining marker margins and Henry Hub gas prices for the quarter) and proceeds from loan repayments to equate to the sum of total cash capital expenditure, lease liability payments, dividend paid, and payments on perpetual hybrid bonds.

Cash costs

Cash costs is a non-GAAP measure and is defined as production and manufacturing expenses plus distribution and administration expenses and excludes costs that are classified as adjusting items and costs that are variable, primarily with volumes (such as freight costs). It also includes exploration geological and geophysical costs, which are included in the exploration expenses line in the group income statement. Management believes that cash costs is a performance measure that provides investors with useful information regarding the company's financial performance because it considers these expenses to be the principal operating and overhead expenses that are most directly under their control although they also include certain foreign exchange and commodity price effects.

Castrol sales and other operating revenues

Castrol sales and other operating revenues, are sales and other operating revenues generated by our Castrol business.

Commodity trading contracts

bp participates 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. 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 grades.

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 (OTC) 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 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 and 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. Physically settled BFOE contracts delivered by cargo additionally specify 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 net settled by transacting offsetting sale or purchase contracts for the same location and delivery period. 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 typically 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. As such, 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.

Consolidation adjustment – UPII

Unrealized profit in inventory arising on inter-segment transactions.

Convenience gross margin

Non-GAAP measure. Convenience gross margin is calculated as RC profit before interest and tax for the customers & products segment, excluding RC profit before interest and tax for the refining & trading and petrochemicals businesses, and adjusting items★ (as defined above) for the convenience & mobility business to derive underlying RC profit before interest and tax for the convenience & mobility business; subtracting underlying RC profit before interest and tax for the Castrol business; adding back depreciation, depletion and amortization, production and manufacturing, distribution and administration expenses for convenience & mobility (excluding Castrol); subtracting earnings from equity-accounted entities in the convenience & mobility business (excluding Castrol) and gross margin for the retail fuels, next-gen (such as electrification), aviation, B2B and midstream businesses.

Convenience, retail fuels and electrification gross margin

Non-GAAP measure. Convenience, retail fuels and electrification gross margin is calculated as RC profit before interest and tax for the customers & products segment, excluding RC profit before interest and tax for the refining & trading and petrochemicals businesses, and adjusting items★ (as defined above) for the convenience & mobility business to derive underlying RC profit before interest and tax for the convenience & mobility business; subtracting underlying RC profit before interest and tax for the Castrol business; adding back depreciation, depletion and amortization, production and manufacturing, distribution and administration expenses for convenience & mobility (excluding Castrol); subtracting earnings from equity-accounted entities in the convenience & mobility business (excluding Castrol) and gross margin for aviation, B2B and midstream businesses. Margin share for convenience and electrification is the ratio of convenience and electrification gross margin to total gross margin for convenience, retail fuels and electrification.

bp believes it is helpful to disclose the margin share from convenience and electrification because this measure may help investors to understand and evaluate, in the same way as management, our progress against our strategic objectives of convenience growth and scaling up our next-gen mobility solutions (such as electrification). The nearest GAAP measures of the numerator and denominator are RC profit before interest and tax for the customers & products segment. A reconciliation to GAAP information is provided on page 354.

We are unable to present forward-looking information of the nearest GAAP measures of the numerator and denominator for margin share for convenience and electrification, because without unreasonable efforts, we are unable to forecast accurately certain adjusting items required to calculate a meaningful comparable GAAP forward-looking financial measure. These items include inventory holding gains or losses, that is difficult to predict in advance in order to include in a GAAP estimate.

Cumulative cash costs reductions

Non-GAAP measure. See cash costs definition above. Cumulative cash cost reductions in 2021 compared to 2019, as applicable to the directors' remuneration performance measure, are further defined as 2021 exit rate, less agreed portfolio changes and costs in direct support of growth and costs in direct support of growth compared to 2019 baseline.

Customer touchpoints

Customer touchpoints are the number of retail customer transactions per day on bp forecourts globally. These include transactions involving fuel and/or convenience across all channels of trade.

Developed renewables to final investment decision (FID)

Total generating capacity for assets developed to FID by all entities where bp has an equity share (proportionate to equity share). If asset is subsequently sold bp will continue to record capacity as developed to FID. If bp equity share increases developed capacity to FID will increase proportionately to share increase for any assets where bp held equity at the point of FID.

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.

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. Taxation on a RC basis for the group is calculated as taxation as stated on the group income statement adjusted for taxation on inventory holding gains and losses. 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 386.

Electric vehicle charge points / EV charge points

Defined as the number of connectors on a charging device, operated by either bp or a bp joint venture.

Fair value accounting effects

Non-GAAP adjustments to our IFRS profit or loss. They reflect the difference between the way bp manages the economic exposure and internally measures performance of certain activities and the way those activities are measured under IFRS. Fair value accounting effects are included within adjusting items. They relate to certain of the group's commodity, interest rate and currency risk exposures as detailed below. Other than as noted below, the fair value accounting effects described are reported in both the gas & low carbon energy and customer & products segments.

bp uses 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, other than net realizable value provisions, 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, liquefied natural gas (LNG) and certain gas and power contracts 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, power 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.

Fair value accounting effects also 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, which is reported in the gas and low carbon energy segment, reduces the measurement differences between that of the derivative financial instruments used to risk manage the LNG contracts and the measurement of the LNG contracts themselves, which therefore gives a better representation of performance in each period.

In addition, from 2020 fair value accounting effects include changes in the fair value of derivatives entered into by the group to manage currency exposure and interest rate risks relating to hybrid bonds to their respective first call periods. The hybrid bonds which were issued on 17 June 2020 are classified as equity instruments and were recorded in the balance sheet at that date at their USD equivalent issued value. Under IFRS these equity instruments are not remeasured from period to period, and do not qualify for application of hedge accounting. The derivative instruments relating to the hybrid bonds, however, are required to be recorded at fair value with mark to market gains and losses recognized in the income statement. Therefore, measurement differences in relation to the recognition of gains and losses occur. The fair value accounting effect, which is reported in the other businesses & corporate segment, eliminates the fair value gains and losses of these derivative financial instruments that are recognized in the income statement. We believe that this gives a better representation of performance, by more appropriately reflecting the economic effect of these risk management activities, in each period.

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. Free cash flow excluding Deepwater Horizon costs, as applicable to the directors' remuneration performance measure, is defined as free cash flow excluding post-tax operating cash flows relating to the Gulf of Mexico oil spill, adjusting for other proceeds reported within financing activities in the group cash flow statement and movements in lease creditor.

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. Net debt does not include accrued interest, which is reported within other receivables and other payables on the balance sheet and for which the associated cash flows are presented as operating cash flows in the group cash flow statement. 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 26 for information on finance debt, which is the nearest equivalent measure to net debt on an IFRS basis. The nearest equivalent GAAP measure to gearing on an IFRS basis is finance debt ratio.

We are unable to present reconciliations of forward-looking information for net debt or gearing to finance debt and total equity, 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.

Gearing including leases and 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. Gearing including leases is defined as the ratio of net debt including leases to the total of net debt including leases plus total equity. bp believes these measures provide useful information to investors as they enable investors to understand the impact of the group's lease portfolio on net debt and gearing. See Financial statements – Note 26 for information on finance debt, which is the nearest equivalent measure to net debt including leases on an IFRS basis. The nearest equivalent GAAP measure to gearing including leases on an IFRS basis is finance debt ratio. A reconciliation to GAAP information is provided on page 341.

Green hydrogen

Hydrogen produced by electrolysis of water using renewable power.

Grey hydrogen

Produced via natural gas or coal without CCUS.

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 on a cash basis 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. The nearest equivalent measure on an IFRS basis is capital expenditure on a cash basis. Further information and a reconciliation to GAAP information is provided on page 338.

Inventory holding gains and losses

Inventory holding gains and losses are non-GAAP adjustments to our IFRS profit (loss) and represent:

- a. 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 of inventories other than for trading inventories, 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 as inventory holding gains and losses 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; and
- b. an adjustment relating to certain trading inventories that are not price risk managed which relate to a minimum inventory volume that is required to be held to maintain underlying business activities. This adjustment represents the movement in fair value of the inventories due to prices, on a grade by grade basis, during the period. This is calculated from each operation's inventory management system on a monthly basis using the discrete monthly movement in market prices for these inventories.

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 that are price risk-managed. 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 oil production & operations segment, it also includes bitumen.

LNG portfolio

LNG portfolio refers to bp group's LNG equity production plus additional long-term merchant LNG volumes.

LNG train

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

Low carbon energy / low carbon technologies

Low carbon (renewable) electricity; bio-energy; electrification; future mobility solutions; carbon capture, use and storage (CCUS); blue or green hydrogen★; and trading in low carbon products. Note that, while there is some overlap, these terms do not mean the same as bp's strategic focus area of low carbon energy or our low carbon energy sub-segment, reported within the gas & low carbon energy segment.

Low carbon investment / investment in low carbon energy / investment in low carbon

Capital expenditure on low carbon energy★ or technologies with investment on low carbon energy or technologies through bp ventures and Launchpad.

Low carbon and other energy transition activities

Low carbon energy / technologies as described above, together with convenience; integrated gas and power; bp ventures and Launchpad.

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.

Margin share for convenience and electrification

Non-GAAP measure. Margin share for convenience and electrification is the ratio of convenience and electrification gross margin to total gross margin for convenience, retail fuels and electrification. See Convenience, retail fuels and electrification gross margin definition above.

Operating cash flow

Net cash provided by (used in) operating activities as stated in the group cash flow statement. When used in the context of a segment rather than the group, the terms refer to the segment's share thereof.

Operating management system (OMS)

bp's OMS helps us manage risks in our operating activities by setting out bp's principles for good operating practice. It brings together bp requirements on health, safety, security, the environment, social responsibility and operational reliability, as well as related issues, such as maintenance, contractor relations and organizational learning, into a common management system.

Organic capital expenditure

Non-GAAP measure. Organic capital expenditure comprises capital expenditure on a cash basis less inorganic capital expenditure. bp believes that this measure provides useful information as it allows investors to understand how bp's management invests funds in developing and maintaining the group's assets. The nearest equivalent measure on an IFRS basis is capital expenditure on a cash basis. An analysis of organic capital expenditure by segment and region, and a reconciliation to GAAP information is provided on page 338.

We are unable to present reconciliations of forward-looking information for organic capital expenditure to total cash capital expenditure, because without unreasonable efforts, we are unable to forecast accurately the adjusting item, inorganic capital expenditure, that is difficult to predict in advance in order to derive the nearest GAAP estimate.

Production-sharing agreement / contract (PSA / PSC)

An arrangement through which an oil and gas company bears the risks and costs of exploration, development and production. In return, if exploration is successful, the oil company receives entitlement to variable physical volumes of hydrocarbons, representing recovery of the costs incurred and a stipulated share of the production remaining after such cost recovery.

Rapid/Rapid charging

Rapid charging includes electric vehicle charging of greater or equal to 50kW and less than 150kW.

Realizations

Realizations are the result of dividing revenue generated from hydrocarbon sales, excluding revenue generated from purchases made for resale and royalty volumes, by revenue generating hydrocarbon production volumes. Revenue generating hydrocarbon production reflects the bp share of production as adjusted for any production which does not generate revenue. Adjustments may include losses due to shrinkage, amounts consumed during processing, and contractual or regulatory host committed volumes such as royalties. For the gas & low carbon energy and oil production & operations segments, realizations include transfers between businesses.

Refining availability

Represents Solomon Associates' operational availability for bp-operated refineries, which is defined as the percentage of the year that a unit is available for processing after subtracting the annualized time lost due to turnaround activity and all planned mechanical, process and regulatory downtime.

Refining marker margin (RMM)

The average of regional indicator margins weighted for bp's crude refining capacity in each region. Each regional marker margin is based on product yields and a marker crude oil deemed appropriate for the region. The regional indicator margins may not be representative of the margins achieved by bp in any period because of bp's particular refinery configurations and crude and product slate.

Replacement cost (RC) profit or loss / RC profit or loss attributable to bp shareholders

Reflects the replacement cost of inventories sold in the period and is calculated as profit or loss attributable to bp shareholders, adjusting for inventory holding gains and losses (net of tax). RC profit or loss for the group is not a recognized GAAP measure. bp believes this measure is useful to illustrate to investors the fact that crude oil and product prices can vary significantly from period to period and that the impact on our reported result under IFRS can be significant. Inventory holding gains and losses vary from period to period due to changes in prices as well as changes in underlying inventory levels. In order for investors to understand the operating performance of the group excluding the impact of price changes on the replacement of inventories, and to make comparisons of operating performance between reporting periods, bp's management believes it is helpful to disclose this measure. The nearest equivalent measure on an IFRS basis is profit or loss attributable to bp shareholders. See Financial statements – Note 4. A reconciliation to GAAP information is provided on page 386.

Renewables pipeline

Renewable projects satisfying the criteria below until the point they can be considered developed to FID :

Site based projects that have obtained land exclusivity rights, or for PPA based projects an offer has been made to the counterparty, or for auction projects pre-qualification criteria has been met, or for acquisition projects post a binding offer has been accepted.

Reserves replacement ratio

The extent to which the year's production has been replaced by proved reserves added to our reserve base. The ratio is expressed in oil-equivalent terms and includes changes resulting from discoveries, improved recovery and extensions and revisions to previous estimates, but excludes changes resulting from acquisitions and disposals.

Retail sites

Retail sites include sites operated by dealers, jobbers, franchisees or brand licensees or joint venture (JV) partners, under the bp brand. These may move to and from the bp brand as their fuel supply agreement or brand licence agreement expires and are renegotiated in the normal course of business. Retail sites are primarily branded *bp*, *ARCO*, *Amoco*, *Aral* and *Thorntons*, and also includes sites in India through our Jio-bp JV.

Retail sites in growth markets

These are retail sites that are either bp branded or co-branded with our partners in China, Mexico and Indonesia and also include sites in India through our Jio-bp JV.

Return on average capital employed

Non-GAAP measure. Return on average capital employed (ROACE) is defined as underlying replacement cost profit, which is defined as profit or loss attributable to bp shareholders adjusted for inventory holding gains and losses, adjusting items and related taxation on inventory holding gains and losses and adjusting items total taxation, after adding back non-controlling interest and interest expense net of tax, divided by the average of the beginning and ending balances of total equity plus finance debt, excluding cash and cash equivalents and goodwill as presented on the group balance sheet over the periods presented. Interest expense is finance costs as presented on the group income statement, excluding lease interest and the unwinding of the discount on provisions and other payables before tax. bp believes it is helpful to disclose the ROACE because this measure gives an indication of the company's capital efficiency. The nearest GAAP measures of the numerator and denominator are profit or loss for the period attributable to bp shareholders and total equity respectively. The reconciliation of the numerator and denominator is provided on page 387.

We are unable to present forward-looking information of the nearest GAAP measures of the numerator and denominator for ROACE, because without unreasonable efforts, we are unable to forecast accurately certain adjusting items required to calculate a meaningful comparable GAAP forward-looking financial measure. These items include inventory holding gains or losses and interest net of tax, that are difficult to predict in advance in order to include in a GAAP estimate.

Strategic convenience sites

Strategic convenience sites are retail sites, within the bp portfolio, which sell bp-branded vehicle energy and carry one of the strategic convenience brands (e.g. M&S, Thorntons, Rewe to Go). To be considered a strategic convenience brand the convenience offer should have a demonstrable level of differentiation in the market in which it operates. Strategic convenience site count includes sites under a pilot phase, but exclude sites in growth markets.

Subsidiary

An entity that is controlled by the bp group. Control of an investee exists when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Surplus cash flow

Surplus cash flow is a non-GAAP measure and refers to the net surplus of sources of cash over uses of cash, after reaching the \$35 billion net debt target. Sources of cash include net cash provided by operating activities, cash provided from investing activities and cash receipts relating to transactions involving non-controlling interests. Uses of cash include lease liability payments, payments on perpetual hybrid bond, dividends paid,

cash capital expenditure, the cash cost of share buybacks to offset the dilution from vesting of awards under employee share schemes, cash payments relating to transactions involving non-controlling interests and currency translation differences relating to cash and cash equivalents as presented on the condensed group cash flow statement. The components of our sources of cash and uses of cash are provided on page 341.

Technical service contract (TSC)

Technical service contract is an arrangement through which an oil and gas company bears the risks and costs of exploration, development and production. In return, the oil and gas company receives entitlement to variable physical volumes of hydrocarbons, representing recovery of the costs incurred and a profit margin which reflects incremental production added to the oilfield.

Tier 1 and tier 2 process safety events

Tier 1 events are losses of primary containment from a process of greatest consequence – causing harm to a member of the workforce, damage to equipment from a fire or explosion, a community impact or exceeding defined quantities. Tier 2 events are those of lesser consequence. These represent reported incidents occurring within bp's operational HSE reporting boundary. That boundary includes bp's own operated facilities and certain other locations or situations.

Tight oil and gas

Natural oil and gas reservoirs locked in hard sandstone rocks with low permeability, making the underground formation extremely tight.

Traded electricity

Traded electricity refers to sales data for physically delivered electricity.

Transition and low carbon investments

Capital expenditure on low carbon or other energy transition activities★.

UK National Balancing Point

A virtual trading location for sale, purchase and exchange of UK natural gas. It is the pricing and delivery point for the Intercontinental Exchange natural gas futures contract.

Ultra fast/Ultra-fast charging

Electric vehicle charging of greater than or equal to 150kW.

Unconventionals

Resources found in geographic accumulations over a large area, that usually present additional challenges to development such as low permeability or high viscosity. Examples include shale gas and oil, coalbed methane, gas hydrates and natural bitumen deposits. These typically require specialized extraction technology such as hydraulic fracturing or steam injection.

Underlying effective tax rate (ETR)

Non-GAAP measure. The underlying ETR is calculated by dividing taxation on an underlying replacement cost (RC) basis by underlying RC profit or loss before tax. Taxation on an underlying RC basis for the group is calculated as taxation as stated on the group income statement adjusted for taxation on inventory holding gains and losses and adjusting items total taxation. Information on underlying RC profit or loss is provided below. Taxation on an underlying RC basis presented for the operating segments is calculated through an allocation of taxation on an underlying RC basis to each segment. bp believes it is helpful to disclose the underlying 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. Taxation on an underlying RC basis and underlying ETR are non-GAAP measures. The nearest equivalent measure on an IFRS basis is the ETR on profit or loss for the period.

We are unable to present reconciliations of forward-looking information for underlying ETR to ETR on profit or loss for the period, 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 the taxation on inventory holding gains and losses and adjusting items, that are difficult to predict in advance in order to include in a GAAP estimate. A reconciliation to GAAP information is provided on page 386.

Underlying production

Production after adjusting for acquisitions and divestments and entitlement impacts in our production-sharing agreements (PSAs). 2021 underlying production, when compared with 2020, is production after adjusting for acquisitions and divestments, curtailments, and entitlement impacts in our production-sharing agreements/contracts and technical service contract.

Underlying replacement cost (RC) profit or loss / underlying RC profit or loss attributable to bp shareholders

Non-GAAP measure. RC profit or loss★ (as defined above) after excluding net adjusting items and related taxation. See page 339 for additional information on the adjusting items that are used to arrive at underlying RC profit or loss in order to enable a full understanding of the items and their financial impact. **Underlying RC profit or loss before interest and tax** for the operating segments or customers & products businesses is calculated as RC profit or loss (as defined above) including profit or loss attributable to non-controlling interests before interest and tax for the operating segments and excluding net adjusting items for the respective operating segment or business.

bp believes that underlying RC profit or loss is a useful measure for investors because it is a measure closely tracked by management to evaluate bp's operating performance and to make financial, strategic and operating decisions and because it 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, by adjusting for the effects of these adjusting items. The nearest equivalent measure on an IFRS basis for the group is profit or loss attributable to bp shareholders. The nearest equivalent measure on an IFRS basis for segments and businesses is RC profit or loss before interest and taxation. A reconciliation to GAAP information is provided on page 386 for the group and pages 41-50 for the segments.

Underlying replacement cost (RC) profit or loss per share

Non-GAAP measure. Earnings per share is defined Financial statements – Note 10. Underlying RC profit or loss per ordinary share is calculated using the same denominator as earnings per share as defined in the consolidated financial statements. The numerator used is underlying RC profit or loss attributable to bp shareholders rather than profit or loss attributable to bp shareholders. **Underlying RC profit or loss per ADS** is calculated as outlined above for underlying RC profit or loss per share except the denominator is adjusted to reflect one ADS equivalent to six ordinary shares. bp believes it is helpful to disclose the underlying RC profit or loss per share and per ADS because these measures 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 basic earnings per share based on profit or loss for the period attributable to bp shareholders. A reconciliation to GAAP information is provided on page 386.

upstream

upstream includes oil and natural gas field development and production within the gas & low carbon energy and oil production & operations segments. References to upstream exclude Rosneft.

upstream / hydrocarbon plant reliability

bp-operated upstream plant reliability is calculated taking 100% less the ratio of total unplanned plant deferrals divided by installed production capacity, excluding non-operated assets and bpx energy. Unplanned plant deferrals are associated with the topside plant and where applicable the subsea equipment (excluding wells and reservoir). Unplanned plant deferrals include breakdowns, which does not include Gulf of Mexico weather related downtime.

upstream unit production costs

upstream unit production costs are calculated as production costs divided by units of production. Production costs do not include ad valorem and severance taxes. Units of production are barrels for liquids and thousands of cubic feet for gas. Amounts disclosed are for bp subsidiaries only and do not include bp's share of equity-accounted entities.

West Texas Intermediate (WTI)

A light sweet crude oil, priced at Cushing, Oklahoma, which serves as a benchmark price for purchases of oil in the US.

Working capital

Movements in inventories and other current and non-current assets and liabilities as stated in the group cash flow statement.

Trade marks

Trade marks of the bp group appear throughout this report. They include:

Aral, Aral pulse, BP, bp pulse, Castrol, Castrol ON, Amoco, Thorntons

Trade marks:

Amazon Web Services – a trademark of amazon.com, inc

REWE to Go – a registered trade mark of REWE.