Directors' remuneration report

This is the board's report to shareholders on directors' remuneration. It covers both executive directors and non-executive directors. The first and second parts were prepared by the remuneration committee. The third part was prepared by the company secretary on behalf of the board. The report has been approved by the board and signed on its behalf by the company secretary. The report is subject to the approval of shareholders at the annual general meeting (AGM).

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Part 1: Summary

Dear Shareholder

This year has been a period of transition for the group and so the long-standing principles that guide the remuneration committee have been particularly in evidence. These centre on a demanding performance link, for the majority of executive directors' remuneration, to support the creation of long-term shareholder value; and the application of informed judgement by the committee, using both quantitative and qualitative assessments, to ensure a fair and appropriate reward for the executive directors.

Executive changes

Key among the transitions was the appointment of Dr Hayward as group chief executive. Mr Inglis was appointed chief executive of our exploration and production business and Mr Conn assumed the role of chief executive of our refining and marketing business. They, along with Dr Grote in his continuing role as chief financial officer, make up the new top team for the company. The committee considered both the scale and importance of their roles as well as the operating style of the new team in reviewing their remuneration during the year. Dr Hayward's salary was increased to £950,000 per annum and the salary of both Mr Inglis and Mr Conn was set at £650,000 per annum. Dr Grote's salary was increased to $1,300,000 per annum. All will have a target bonus opportunity of 120% of salary and long-term performance share awards of 5.5 times salary. These performance shares only vest to the extent that demanding performance conditions are met. In addition to these ongoing plans, Mr Inglis and Mr Conn were each recently granted one-off retention awards in the form of restricted shares to a value of £1,500,000. These will vest in equal tranches after three and five years, subject to their continued service and satisfactory performance.

Both Lord Browne and Mr Manzoni left the company during the year. Lord Browne remained eligible for a lump sum ex gratia superannuation payment equal to one year's salary but, in light of his resignation, received no other compensation on his retirement. Mr Manzoni received one year's salary in line with his contractual entitlement. Both were eligible for a pro-rata bonus for 2007, reflecting the results achieved as well as their time employed during the year. Both retain full participation in the 2005-2007 and 2006-2008 share element but forfeit any participation in the 2007-2009 plan. They both retain outstanding share options granted in earlier years.

2007 performance

Overall performance for the year was constrained by the continuing impact of past operating challenges. Bonuses awarded reflect the balance of somewhat disappointing financial results coupled with good progress on non-financial measures, including health, safety and environment (HSE), and very committed efforts by the executive directors to resolve past issues, advance the forward agenda and deliver results. These are set out in the summary table opposite, along with all remuneration paid to executive directors in 2007.

The impact of past operating problems affected the Executive Directors' Incentive Plan (EDIP) share element. Shares vest in this element based principally on the total shareholder return (TSR) relative to the oil majors over the three-year performance period. Performance failed to meet satisfactory levels and consequently no shares will vest in the 2005-2007 plan. Although Lord Browne similarly did not receive shares under the main 2005-2007 plan, around 15% of the shares of the separate leadership portion vested.

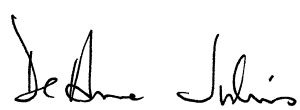
Review of policy

With a new top team in place and having come through a testing time in terms of company performance, the committee decided to review remuneration policy during the year. The key area of review was the performance conditions applied to the EDIP share element. In particular, the committee considered whether additional performance measures or non-financial measures, such as health and safety indicators, should be included. The review included consultation with major shareholders and a comparison with other companies' remuneration policies. The review reinforced our confidence in the current plan, approved by shareholders in 2005, in particular in the flexibility it gives us to exercise our judgement with regard to underlying performance and non-financial indicators without being formulaic. No changes to the policy are planned.

For 2008, therefore, our policy is as follows:

- Salary Salaries are reviewed annually, based on independent advice, with regard to comparator companies and market conditions.
- Annual bonus 'On-target' bonus is set at 120% of salary. The normal maximum bonus, also unchanged, is 150% of salary but, as in past years, the committee may in exceptional circumstances award bonus above that level if deemed justified by performance. Bonus for 2008 will reflect the business priorities of safety, people and performance as articulated by Dr Hayward. Of the 120% 'on-target' bonus, 50 will be measured on financial results, principally earnings before interest, taxes, depreciation and amortization (EBITDA), return on average capital employed and cash flow; 25 will be based on safety as assessed by the safety, ethics and environment assurance committee (SEEAC); 25 on people, behaviour and values; and 20 on individual performance, which will primarily reflect relevant operating results and leadership.
- EDIP The share element will provide the primary long-term remuneration vehicle. Shares will be awarded to a level of 5.5 times salary for each executive director. These will vest after three years to the extent that performance relative to the other oil majors merits it. Performance is measured principally on TSR versus ExxonMobil, Shell, Total and Chevron. 100% of shares vest if first, 70% if second, 35% if third and nothing if fourth or fifth. The committee will also apply informed judgement, looking at overall performance in determining the final vesting level. Shares that vest must be retained for a further three years before being released to the executive director. In addition, each executive director is expected to build a significant personal shareholding in BP.
- Pensions Executive directors are eligible to participate in the appropriate pension schemes applying to their home countries.

With this policy, the majority of executive directors' target remuneration is performance-based. Recognizing that unforeseen developments mean no remuneration structure is perfect, the committee will continue to apply its judgement in the implementation of the policy so as to reflect shareholders' interests and also engage and retain our talented team of executives.



Dr D S Julius
Chairman, Remuneration Committee
22 February 2008

Summary of remuneration of executive directors in 2007[a]

	Annual remuneration								Long-term remuneration: Share element of EDIP[b]				
									2004-2006 plan (vested in Feb 2007)		**2005-2007 plan (vested in Feb 2008)**		2007-2009 plan
	Salary (thousand) 2006	Salary (thousand) 2007	Annual performance bonus (thousand) 2006	Annual performance bonus (thousand) 2007	Non-cash benefits and other emoluments (thousand) 2006	Non-cash benefits and other emoluments (thousand) 2007	Total (thousand) 2006	Total (thousand) **2007**	Actual shares vested	Value[c] (thousand)	Actual shares vested	Value[d] (thousand)	Potential maximum performance shares[e]
Dr A B Hayward	£463	£877	£250	£1,262	£20	£14	£733	**£2,153**	112,941	£606	0	0	706,311
Dr D C Allen	£463	£500	£250	£539	£13	£13	£726	**£1,052**	112,941	£606	0	0	456,748
I C Conn	£463	£581	£250	£698	£42	£45	£755	**£1,324**	54,600	£293	0	0	456,748
Dr B E Grote	$973	$1,175	$525	$1,551	$1	$10	$1,499	**$2,736**	127,601	$1,338	0	0	491,640
A G Inglis[f]	n/a	£556	n/a	£800	n/a	£188	n/a	**£1,544**	30,090	£162	0	0	400,243
Directors leaving the board in 2007													
Lord Browne[g]	£1,531	£531	£900	£621	£95	£85	£2,526	**£1,237**	380,668	£2,044	80,000	£436	0
J A Manzoni[h]	£463	£323	£250	£311	£45	£33	£758	**£667**	112,941	£606	0	0	0

Amounts shown are in the currency received by executive directors. Annual bonuses are shown in the year they were earned.

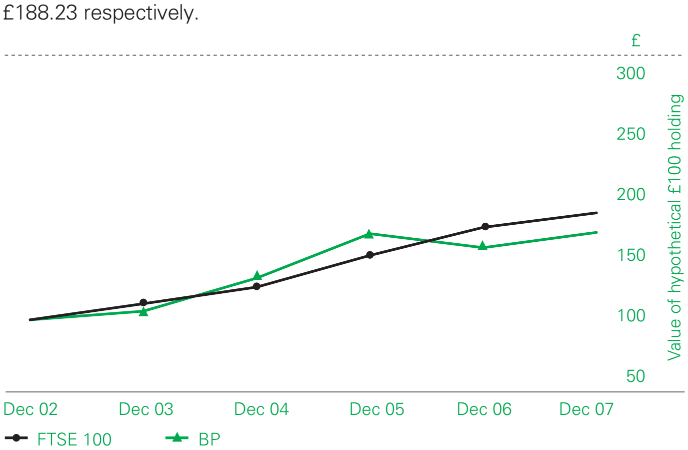
[a] This information has been subject to audit.
[b] Or equivalent plans in which the individual participated prior to joining the board.
[c] Based on market price on vesting date (£5.37 per share/$62.91 per ADS).
[d] Based on market price on vesting date (£5.45 per share).
[e] Maximum potential shares that could vest at the end of the three-year period depending on performance.
[f] Appointed to the board on 1 February 2007.
[g] Lord Browne resigned from the board on 1 May 2007. In addition to the above, he was awarded a lump sum ex gratia superannuation payment of one year's salary (£1,575,000).
[h] Mr Manzoni resigned from the board on 31 August 2007. In addition to the above, he was awarded compensation for loss of office equal to one year's salary (£485,000). He also received £30,000 in respect of statutory rights and retained his company car.

Pensions

All executive directors are part of a final salary pension scheme. Accrued annual pension earned as at 31 December 2007 is £488,000 for Dr Hayward, £248,000 for Dr Allen, £238,000 for Mr Conn, $778,000 for Dr Grote and £296,000 for Mr Inglis.

Historical TSR performance

This graph shows the growth in value of a hypothetical £100 holding in BP p.l.c. ordinary shares over five years, relative to the FTSE 100 Index (of which the company is a constituent). The values of the hypothetical £100 holdings at the end of the five-year period were £172.09 and £188.23 respectively.



Remuneration of non-executive directors in 2007[a]

	£ thousand 2006	2007
A Burgmans	85	86
Sir William Castell	39	87
C B Carroll[b]	n/a	43
E B Davis, Jr	100	107
D J Flint	100	86
Dr D S Julius	105	106
Sir Tom McKillop	85	87
Dr W E Massey	130	133
Sir Ian Prosser	130	137
P D Sutherland	500	517
Directors leaving the board in 2007		
J H Bryan[c]	110	45

[a] This information has been subject to audit.
[b] Appointed on 6 June 2007.
[c] Also received a superannuation gratuity of £21,000.

Part 2: Executive directors' remuneration

2007 remuneration

Salary increases

During the year, salary increases were awarded reflecting promotions and changed job responsibilities as well as regular market movement. The remuneration committee seeks to position salaries competitively relative to appropriate comparators in Europe and the US oil and gas sectors, as well as to reflect the operating style of the 'team at the top'. At the end of 2007, annual salaries were as follows: Dr Hayward £950,000, Dr Allen £510,000, Mr Conn £650,000, Dr Grote $1,300,000 and Mr Inglis £650,000.

Annual bonus result

Performance measures and targets were set at the beginning of the year and formed the main basis for determining the 2007 bonus. Financial measures accounted for 50% weighting and focused on EBITDA, cash costs and capital expenditure. Non-financial measures carried 30% weight and centred on HSE performance, growth and reputation. Individual performance, including segment deliverables and living the values of the group, made up the final 20%.

Financially, underlying EBITDA results reflected a favourable price environment but also some performance shortfall, related largely to reduced refining availability at Whiting and Texas City, as well as delays in start-up of some major exploration and production projects. Overall it was below expectation. Cash costs were marginally above plan, largely due to higher expenditures in refining, especially Texas City. Capital expenditure was near plan, despite higher than expected sector inflation.

On the non-financial side, safety was maintained as the highest priority of the executive top team. Significant progress was made on many aspects of process safety, ranging from development and testing of a process safety index, addressing specific recommendations of the Baker Panel, implementing a holistic operating management system (OMS) and ensuring clear accountability. Personal safety metrics and greenhouse gas emissions were also good.

Growth was led by upstream, which had the strongest year of resource access since the early 1990s and reserves replacement in excess of 100%. Refinery throughput was below target, due to reduced availability at Texas City and Whiting. BP Alternative Energy met plan targets, achieving some 40% growth compared with 2006.

External assessments indicate that significant progress has been made to rebuild the company's reputation.

In terms of individual performance during a transition year, the committee recognized very high levels of personal and team effort to produce results, resolve past issues and position the company for future success.

The strong individual performances, combined with above-target non-financial and near-target financial performance, led the committee to award bonuses generally around or just above target, as set out in the summary table on page 65.

2005-2007 share element result

Performance for the 2005-2007 share element was assessed relative to the TSR of the company compared with the other oil majors – ExxonMobil, Shell, Total and Chevron. BP's TSR result, reflecting past operating problems, was last relative to the other majors. The committee also reviewed the underlying business performance relative to competitors, including financial (ROACE, EPS, cash flow etc.) and non-financial (HSE etc.) indicators. While this showed some areas of strong performance, the committee's overall assessment, considering both the TSR result and the underlying performance, was that performance failed to meet satisfactory levels and consequently no shares will vest in the Plan for 2005-2007.

Lord Browne also held an award under the 2005-2007 share element related to long-term leadership measures. These focused on sustaining BP's financial, strategic and organizational health. Performance relative to the award was assessed by the chairman's committee and, based on this assessment, 80,000 shares vested, representing about 15% of the award.

Remuneration policy

Our remuneration policy for executive directors aims to ensure there is a clear link between the company's purpose, its business plans and executive reward, with pay varying with performance. In order to achieve this, the policy is based on these key principles:

- The majority of executive remuneration will be linked to the achievement of demanding performance targets, independently set to support the creation of long-term shareholder value.
- The structure will reflect a fair system of reward for all the participants.
- The remuneration committee will determine the overall amount of each component of remuneration, taking into account the success of BP and the competitive environment.
- There will be a quantitative and qualitative assessment of performance, with the remuneration committee making an informed judgement within a framework approved by shareholders.
- Remuneration policy and practice will be as transparent as possible.
- Executives will develop a significant personal shareholding in order to align their interests with those of shareholders.
- Pay and employment conditions elsewhere in the group will be taken into account, especially in setting annual salary increases.
- The remuneration policy for executive directors will be reviewed regularly, independently of executive management, and will set the tone for the remuneration of other senior executives.
- The remuneration committee will actively seek to understand shareholder preferences.

Executive directors' total remuneration consists of salary, annual bonus, long-term incentives, pensions and other benefits. The remuneration committee reviews this structure regularly to ensure it is achieving its aims and did so in 2007.

The main part of the review centred on the share element of the EDIP. The committee investigated alternative and additional measures to TSR, in particular those representing underlying operational performance, and also considered the inclusion of non-financial measures, most notably those relating to HSE.

In the process of the review, input was sought from key institutional investors and their representative bodies.

After thorough review, the committee concluded that, for the long-term metrics, there was no 'perfect' measure and, on balance, no strong reason for change. TSR remains an appropriate measure to reflect long-term shareholder value. The detailed rationale behind the current scoring system, as set out in the notes to the resolution in 2005 that was approved by shareholders, still remained relevant and valid. The committee felt that this system gives an optimal balance of quantitative assessment relative to oil major performance as well as the ability of the committee to make qualitative evaluation of underlying business performance, including non-financial factors (such as HSE). Finally, the committee felt that, in BP's current circumstances, there is merit in maintaining the stability of the plan.

Salary

The remuneration committee reviews salaries annually, taking into account other large Europe-based global companies and companies in the US oil and gas sector. These groups are each defined and analysed by the committee's independent remuneration advisers. The committee makes a judgement on salary levels based on its assessment of market conditions and the external advice.

Annual bonus

All executive directors are eligible to take part in an annual performance-based bonus scheme. The remuneration committee sets bonus targets and levels of eligibility each year.

The target level for 2008 is 120% of base salary. In normal circumstances, the maximum payment for substantially exceeding performance targets will continue to be 150% of base salary.

Annual bonus awards for 2008 will be based on a mix of demanding financial targets, based on the annual plan and the leadership objectives set at the beginning of the year. The target-level bonus of 120% of base salary is split as follows:

- 50% financial metrics from the annual plan, principally EBITDA, cash costs and capital expenditure.
- 25% safety performance, including satisfactory and improving key metrics as well as progress on OMS implementation.
- 25% people, including behaviour, values and culture.
- 20% individual performance, principally on relevant operating results and personal leadership.

The remuneration committee will also review carefully the underlying performance of the group in light of company business plans and will look at competitors' results, analysts' reports and the views of the chairmen of other BP board committees when assessing results.

In exceptional circumstances, the remuneration committee can decide to award bonuses moderately above the maximum level. The committee can also decide to reduce bonuses where this is warranted and, in exceptional circumstances, bonuses could be reduced to zero. We have a duty to shareholders to use our discretion in a reasonable and informed manner, acting to promote the success of the company, and also to be accountable and transparent in our decisions. Any significant exercise of discretion will be explained in the subsequent directors' remuneration report.

Long-term incentives

Each executive director participates in the EDIP. It has three elements: shares, share options and cash. The remuneration committee did not use either share option or cash elements in 2007 and does not intend to do so in 2008. We intend that executive directors will continue to receive performance shares under the EDIP, barring unforeseen circumstances, until it expires or is renewed in 2010.

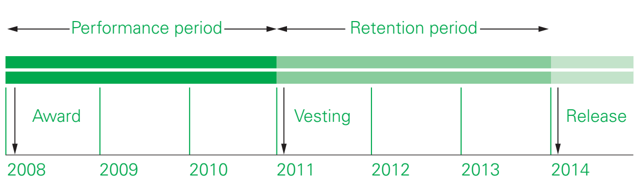
Policy for performance share awards

The remuneration committee can award shares to executive directors that will only vest to the extent that demanding performance conditions are satisfied at the end of a three-year period. The maximum number of these performance shares that can be awarded to an executive director in any year is at the discretion of the remuneration committee, but will not normally exceed 5.5 times base salary.

In exceptional circumstances, the committee also has an overriding discretion to reduce the number of shares that vest or to decide that no shares vest.

The compulsory retention period will also be decided by the committee and will not normally be less than three years. Together with the performance period, this gives executive directors a six-year incentive structure, as shown in the timeline below, which is designed to ensure their interests are aligned with those of shareholders.

TIMELINE FOR 2008-2010 EDIP SHARE ELEMENT



Where shares vest, the executive director will receive additional shares representing the value of the reinvested dividends.

The committee's policy continues to be that each executive director build a significant personal shareholding, with a target of shares equivalent in value to five times his or her base salary within a reasonable timeframe from appointment as an executive director. This policy is reflected in the terms of the EDIP, as shares awarded will normally only be released at the end of the three-year retention period, described above, if these minimum shareholding guidelines are met.

Performance conditions

For performance share awards in 2008, the performance conditions will continue to relate to BP's TSR compared with the other oil majors – ExxonMobil, Shell, Total and Chevron – over three years. We have the discretion to alter this comparison group if circumstances change – for example, if there are significant consolidations in the industry.

We consider this relative TSR to be the most appropriate measure of performance for the purpose of long-term incentives for executive directors. It best reflects the creation of shareholder value while minimizing the impact of sector-specific effects such as the oil price.

TSR is calculated as share price performance over the relevant period, assuming dividends are reinvested. All share prices are averaged over the three months before the beginning and end of the performance period. They are measured in US dollars. At the end of the performance period, the companies' TSRs will be ranked. Executive directors' performance shares will vest at 100%, 70% and 35% if BP is ranked first, second or third respectively; none will vest if BP is in fourth or fifth place.

As the comparator group is small and as the oil majors' underlying businesses are broadly similar, a simple ranking could sometimes distort BP's underlying business performance relative to the comparators. The committee is therefore able to exercise discretion in a reasonable and informed manner to adjust the vesting level upwards or downwards to reflect better the underlying health of BP's business. This would be judged by reference to a range of measures including ROACE, growth in EPS, reserves replacement and cash flow, as well as non-financial reasons such as safety. The need to exercise discretion is most likely to arise when the TSR of some companies is clustered, so that a relatively small difference in TSR performance would produce a major difference in vesting levels.

The remuneration committee will explain any adjustments in the next directors' remuneration report following the vesting, in line with its commitment to transparency.

Special retention awards

The committee reviews on an ongoing basis the overall approriateness of the long-term incentive arrangements in ensuring the retention of key executives. After careful review, the committee considered that it was appropriate to strengthen the retention element of remuneration for Mr Inglis and Mr Conn. Accordingly, the committee in February 2008 granted, on a one-off basis, a restricted stock award to both Mr Inglis and Mr Conn of shares worth £1,500,000 each. These awards recognize the importance of these individuals' leadership in re-establishing the company's competitive performance as well as their personal attractiveness for top jobs externally. The shares will vest, subject to continued service, in equal tranches after three and five years. Vesting of each tranche is dependent on the committee being satisfied, at each vesting date, with the performance of the individual.

These retention awards have been granted under the EDIP, which permits awards to be made, on an exceptional basis, subject to a requirement of continued service over a specified period.

Pensions

Executive directors are eligible to participate in the appropriate pension schemes applying in their home countries. Additional details are given on page 68.

UK directors

UK directors are members of the regular BP Pension Scheme. The core benefits under this scheme are non-contributory. They include a pension accrual of 1/60th of basic salary for each year of service, up to a maximum of two-thirds of final basic salary and a dependant's benefit of two-thirds of the member's pension. The scheme pension is not integrated with state pension benefits.

The rules of the BP Pension Scheme were amended in 2006 such that the normal retirement age is 65. Prior to 1 December 2006, scheme members could retire on or after age 60 without reduction. Special early retirement terms apply to pre-1 December 2006 service for members with long service as at 1 December 2006.

Pension benefits in excess of the individual lifetime allowance set by legislation are paid via an unapproved, unfunded pension arrangement provided directly by the company.

US directors

Dr Grote participates in the US BP Retirement Accumulation Plan (US plan), which features a cash balance formula. Pension benefits are provided through a combination of tax-qualified and non-qualified benefit restoration plans, consistent with US tax regulations as applicable.

The Supplemental Executive Retirement Benefit (supplemental plan) is a non-qualified top-up arrangement that became effective on 1 January 2002 for US employees above a specified salary level. The benefit formula is 1.3% of final average earnings, which comprise base salary and bonus in accordance with standard US practice (and as specified under the qualified arrangement), multiplied by years of service. There is an offset for benefits payable under all other BP qualified and non-qualified pension arrangements. This benefit is unfunded and therefore paid from corporate assets.

Dr Grote is eligible to participate under the supplemental plan. His pension accrual for 2007, shown in the table below, includes the total amount that could become payable under all plans.

Other benefits

Executive directors are eligible to participate in regular employee benefit plans and in all-employee share saving schemes and savings plans applying in their home countries. Benefits in kind are not pensionable. Expatriates may receive a resettlement allowance for a limited period.

Mr Inglis is currently based in Houston, US, and the company provides accommodation in London.

Pensions[a]

thousand

	Service at 31 Dec 2007	Accrued pension entitlement at 31 Dec 2007	Additional pension earned during the year ended 31 Dec 2007[b]	Transfer value of accrued benefit[c] at 31 Dec 2006 (A)	Transfer value of accrued benefit[c] at 31 Dec 2007 (B)	Amount of B-A less contributions made by the director in 2007
Dr A B Hayward (UK)	26 years	£488	£250	£4,017	£7,986	£3,925
Dr D C Allen (UK)[d]	29 years	£248	£20	£4,006	£4,256	£250
I C Conn (UK)	22 years	£238	£69	£2,510	£3,375	£865
Dr B E Grote (US)	28 years	$778	$102	$7,591	$7,902	$311
A G Inglis (UK)	27 years	£296	£114	£2,936	£4,613	£1,677
Directors leaving the board in 2007						
Lord Browne (UK)	n/a	£1,050	£0	£21,700	£21,552	(£148)
J A Manzoni (UK)	n/a	£193	£5	£2,961	£4,195	£1,234

[a] This information has been subject to audit.
[b] Additional pension earned during the year includes an inflation increase of 4.4% for UK directors and 2.3% for US directors.
[c] Transfer values have been calculated in accordance with version 8.1 of guidance note GN11 issued by the actuarial profession.
[d] Dr Allen is due to retire on 31 March 2008 and will be entitled to take an immediate unreduced pension. The figures in the table relate to 2007 and so do not include anticipated incremental cost of the unreduced pension (£1.36 million).

Share element of EDIP[a]

				Share element interests			Interests vested in 2007 and 2008		
				Potential maximum performance shares[b]					
	Performance period	Date of award of performance shares	Market price of each share at date of award of performance shares £	At 1 Jan 2007	Awarded 2007	At 31 Dec 2007	Number of ordinary shares vested[c]	Vesting date	Market price of each share at vesting date £
Dr A B Hayward	2004-2006	25 Feb 2004	4.25	376,470	–	–	112,941	15 Feb 2007	5.37
	2005-2007	**28 Apr 2005**	**5.33**	**436,623**	**–**	**436,623**	**0**	**n/a**	**n/a**
	2006-2008	16 Feb 2006	6.54	383,200	–	383,200	–	–	–
	2007-2009	06 Mar 2007	5.12	–	706,311	706,311	–	–	–
Dr D C Allen	2004-2006	25 Feb 2004	4.25	376,470	–	–	112,941	15 Feb 2007	5.37
	2005-2007	**28 Apr 2005**	**5.33**	**436,623**	**–**	**436,623**	**0**	**n/a**	**n/a**
	2006-2008	16 Feb 2006	6.54	383,200	–	383,200	–	–	–
	2007-2009	06 Mar 2007	5.12	–	456,748	456,748	–	–	–
I C Conn	2004-2006	25 Feb 2004	4.25	182,000	–	–	54,600	15 Feb 2007	5.37
	2005-2007	**28 Apr 2005**	**5.33**	**415,832**	**–**	**415,832**	**0**	**n/a**	**n/a**
	2006-2008	16 Feb 2006	6.54	383,200	–	383,200	–	–	–
	2007-2009	06 Mar 2007	5.12	–	456,748	456,748	–	–	–
Dr B E Grote	2004-2006	25 Feb 2004	4.25	425,338	–	–	127,601	15 Feb 2007	5.37
	2005-2007	**28 Apr 2005**	**5.33**	**501,782**	**–**	**501,782**	**0**	**n/a**	**n/a**
	2006-2008	16 Feb 2006	6.54	470,432	–	470,432	–	–	–
	2007-2009	06 Mar 2007	5.12	–	491,640	491,640	–	–	–
A G Inglis	2004-2006	24 Feb 2004	4.25	51,000[d]	–	–	30,090	15 Feb 2007	5.37
	2005-2007	**8 Mar 2005**	**5.70**	**209,000[d]**	**–**	**209,000**	**0**	**n/a**	**n/a**
	2006-2008	27 Mar 2006	6.59	325,750[d]	–	325,750	–	–	–
	2007-2009	06 Mar 2007	5.12	–	400,243	400,243	–	–	–
Directors leaving the board in 2007									
Lord Browne	2004-2006	25 Feb 2004	4.25	1,268,894	–	–	380,668	15 Feb 2007	5.37
	2005-2007	**28 April 2005**	**5.33**	**2,006,767**	**–**	**2,006,767**	**80,000**	**6 Feb 2008**	**5.45**
	2006-2008	16 Feb 2006	6.54	1,761,249	–	1,761,249	–	–	–
	2007–2009	06 Mar 2007	5.12	–	2,022,619[e]	–	–	–	–
J A Manzoni	2004-2006	25 Feb 2004	4.25	376,470	–	–	112,941	15 Feb 2007	5.37
	2005-2007	**28 Apr 2005**	**5.33**	**436,623**	**–**	**436,623**	**0**	**n/a**	**n/a**
	2006-2008	16 Feb 2006	6.54	383,200	–	383,200	–	–	–
	2007-2009	06 Mar 2007	5.12	–	456,748[e]	–	–	–	–

[a] This information has been subject to audit. Includes equivalent plans in which the individual participated prior to joining the board.
[b] BP's performance is measured against the oil sector. For the 2005-2007 and subsequent awards, the performance condition is TSR measured against ExxonMobil, Shell, Total and Chevron other than the portion of Lord Browne's award that relates to leadership measures. Each performance period ends on 31 December of the third year.
[c] Represents awards of shares made at the end of the relevant performance period based on performance achieved under rules of the plan.
[d] On appointment to the board on 1 February 2007.
[e] Awards under 2007-2009 plan lapsed for Lord Browne and Mr Manzoni on leaving.

Share options[a]

	Option type	At 1 Jan 2007	Granted	Exercised	At 31 Dec 2007	Option price	Market price at date of exercise	Date from which first exercisable	Expiry date
Dr A B Hayward	SAYE	3,302	–	3,302	–	£5.11	£5.35[b]	1 Sep 2006	28 Feb 2007
	SAYE	3,220	–	–	3,220	£5.00		1 Sep 2011	29 Feb 2012
	EXEC	34,000	–	–	34,000	£5.99		15 May 2003	15 May 2010
	EXEC	77,400	–	–	77,400	£5.67		23 Feb 2004	23 Feb 2011
	EXEC	160,000	–	–	160,000	£5.72		18 Feb 2005	18 Feb 2012
	EDIP	220,000	–	–	220,000	£3.88		17 Feb 2004	17 Feb 2010
	EDIP	275,000	–	–	275,000	£4.22		25 Feb 2005	25 Feb 2011
Dr D C Allen	EXEC	37,000	–	–	37,000	£5.99		15 May 2003	15 May 2010
	EXEC	87,950	–	–	87,950	£5.67		23 Feb 2004	23 Feb 2011
	EXEC	175,000	–	–	175,000	£5.72		18 Feb 2005	18 Feb 2012
	EDIP	220,000	–	–	220,000	£3.88		17 Feb 2004	17 Feb 2010
	EDIP	275,000	–	–	275,000	£4.22		25 Feb 2005	25 Feb 2011
I C Conn	SAYE	1,456	–	–	1,456	£3.50		1 Sep 2008	28 Feb 2009
	SAYE	1,186	–	–	1,186	£3.86		1 Sep 2009	28 Feb 2010
	SAYE	1,498	–	–	1,498	£4.41		1 Sep 2010	28 Feb 2011
	EXEC	72,250	–	–	72,250	£5.67		23 Feb 2004	23 Feb 2011
	EXEC	130,000	–	–	130,000	£5.72		18 Feb 2005	18 Feb 2012
	EXEC	126,000	–	126,000	–	£4.22	£5.68-£6.13	25 Feb 2007	25 Feb 2014
Dr B E Grote[c]	SAR	40,000	–	40,000	–	$33.34	$64.03	28 Feb 2000	28 Feb 2007
	BPA	10,404	–	–	10,404	$53.90		15 Mar 2000	14 Mar 2009
	BPA	12,600	–	–	12,600	$48.94		28 Mar 2001	27 Mar 2010
	EDIP	40,182	–	–	40,182	$49.65		19 Feb 2002	19 Feb 2008
	EDIP	58,173	–	–	58,173	$48.82		18 Feb 2003	18 Feb 2009
	EDIP	58,173	–	–	58,173	$37.76		17 Feb 2004	17 Feb 2010
	EDIP	58,333	–	–	58,333	$48.53		25 Feb 2005	25 Feb 2011
A G Inglis	SAYE	4,550[d]	–	–	4,550	£3.50		1 Sep 2008	28 Feb 2009
	EXEC	72,250[d]	–	–	72,250	£5.67		23 Feb 2004	22 Feb 2011
	EXEC	119,000[d]	–	–	119,000	£5.72		18 Feb 2005	17 Feb 2012
	EXEC	119,000[d]	–	–	119,000	£3.88		17 Feb 2006	16 Feb 2013
	EXEC	100,500[d]	–	–	100,500	£4.22		25 Feb 2007	24 Feb 2014
Directors leaving the board in 2007									
Lord Browne	SAYE	4,550	–	–	4,550[e]	£3.50		1 Sep 2008	28 Feb 2009
	EDIP	408,522	–	–	408,522[e]	£5.99		15 May 2001	15 May 2007
	EDIP	1,348,032	–	–	1,348,032[e]	£5.72		18 Feb 2003	18 Feb 2009
	EDIP	1,500,000	–	–	1,500,000[e]	£4.22		25 Feb 2005	25 Feb 2011
J A Manzoni	SAYE	878	–	–	878[f]	£4.52		1 Sep 2007	28 Feb 2008
	SAYE	2,548	–	–	2,548[f]	£3.50		1 Sep 2008	28 Feb 2009
	SAYE	847	–	–	847[f]	£3.86		1 Sep 2009	28 Feb 2010
	EXEC	34,000	–	–	34,000[f]	£5.99		15 May 2003	15 May 2010
	EXEC	72,250	–	–	72,250[f]	£5.67		23 Feb 2004	23 Feb 2011
	EXEC	175,000	–	–	175,000[f]	£5.72		18 Feb 2005	18 Feb 2012
	EDIP	220,000	–	–	220,000[f]	£3.88		17 Feb 2004	17 Feb 2010
	EDIP	275,000	–	–	275,000[f]	£4.22		25 Feb 2005	25 Feb 2011

The closing market prices of an ordinary share and of an ADS on 31 December 2007 were £6.15 and $73.17 respectively.
During 2007, the highest market prices were £6.34 and $79.70 respectively and the lowest market prices were £5.07 and $58.80 respectively.

BPA = BP Amoco share option plan, which applied to US executive directors prior to the adoption of the EDIP.
EDIP = Executive Directors' Incentive Plan adopted by shareholders in April 2005 as described on page 67.
EXEC = Executive Share Option Scheme. These options were granted to the relevant individuals prior to their appointments as directors and are not subject to performance conditions.
SAR = Stock Appreciation Rights under BP America Inc. Share Appreciation Plan.
SAYE = Save As You Earn employee share scheme.

[a] This information has been subject to audit.
[b] Closing market price for information. Shares were retained when exercised.
[c] Numbers shown are ADSs under option. One ADS is equivalent to six ordinary shares.
[d] On appointment to the board on 1 February 2007.
[e] On leaving the board on 1 May 2007.
[f] On leaving the board on 31 August 2007.

Service contracts

Director	Contract date	Salary as at 31 Dec 2007
Dr A B Hayward	29 Jan 2003	£950,000
Dr D C Allen	29 Jan 2003	£510,000
I C Conn	22 Jul 2004	£650,000
Dr B E Grote	7 Aug 2000	$1,300,000
A G Inglis	1 Feb 2007	£650,000

Service contracts are expressed to expire at a normal retirement age of 60 (subject to age discrimination). The contracts have a notice period of one year.

The service contracts of UK directors may be terminated by the company at any time with immediate effect on payment in lieu of notice equivalent to one year's salary or the amount of salary that would have been paid if the contract had terminated on the expiry of the remainder of the notice period.

Dr Grote's contract is with BP Exploration (Alaska) Inc. He is seconded to BP p.l.c. under a secondment agreement of 7 August 2000, which expires on 31 March 2010. The secondment can be terminated by one month's notice by either party and terminates automatically on the termination of Dr Grote's service contract.

There are no other provisions for compensation payable on early termination of the above contracts. In the event of the early termination of any of the contracts by the company, other than for cause (or under a specific termination payment provision), the relevant director's then-current salary and benefits would be taken into account in calculating any liability of the company.

Since January 2003, new service contracts include a provision to allow for severance payments to be phased, when appropriate. The committee will also consider mitigation to reduce compensation to a departing director, when appropriate to do so.

Directors leaving the board

2007

Both Lord Browne and Mr Manzoni, who were employed by the company under service contracts dated 11 November 1993 and 29 January 2003 respectively, left the company during the year. Lord Browne, who left on 1 May 2007, was eligible for an ex gratia lump sum superannuation payment equal to one year's salary (£1,575,000) but, in light of his resignation, did not receive the compensation for loss of office previously notified to shareholders. Mr Manzoni, who left on 31 August 2007, was entitled to one year's salary (£485,000) as compensation on termination in accordance with his contractual entitlement. Both individuals were eligible for a pro-rata bonus for 2007, reflecting achievement of bonus targets and their period of employment during the year. As regards long-term incentives, both individuals retain their performance awards under the EDIP in respect of 2005-2007 and 2006-2008 share element and these will vest at the normal time to the extent the performance targets are met. Both individuals forfeited their participation in the 2007-2009 share element. Further details of these awards are set out in the table on page 69. Both individuals retained their outstanding share options, as set out in the table on page 70.

In connection with the shareholder derivative actions brought in the US against the directors of the company, the company has agreed with the plaintiffs in the Alaska action, with the consent of Lord Browne and Mr Manzoni, to defer the release of certain amounts and preserved share awards to those individuals (other than Lord Browne's ex gratia superannuation payment) pending resolution of the action. The company has agreed to pay the individuals simple interest at the rate of 6.5% in respect of the period of deferral.

2008

As has been announced, Dr Allen will leave the company at the end of March 2008. He will be entitled to one year's salary (£510,000) as compensation in accordance with his contractual entitlement, as well as a pro-rata bonus for 2008 and continued full participation in the 2006-2008 and 2007-2009 share elements, according to the normal rules of the plan.

Executive directors – external appointments

The board encourages executive directors to broaden their knowledge and experience by taking up appointments outside the company. Each executive director is permitted to accept one non-executive appointment, from which they may retain any fee. External appointments are subject to agreement by the chairman and must not conflict with a director's duties and commitments to BP.

During the year, the fees received by executive directors for external appointments were as follows:

Executive director	Appointee company	Total fees
Dr A B Hayward	Corus	£62,250
	Tata Steel	£177
I C Conn	Rolls Royce	£57,166
Dr B E Grote	Unilever	Unilever PLC £31,000
		Unilever NV €45,000
A G Inglis	BAE Systems	£39,661

Remuneration committee

All the members of the committee are independent non-executive directors. Throughout the year, Dr Julius (chairman), Mr Davis, Sir Tom McKillop and Sir Ian Prosser were members. Mr Bryan retired as a member in April 2007. The group chief executive at the time was consulted on matters relating to the other executive directors who report to him and on matters relating to the performance of the company; he was not present when matters affecting his own remuneration were discussed.

Tasks

The remuneration committee's tasks are:

- To determine, on behalf of the board, the terms of engagement and remuneration of the group chief executive and the executive directors and to report on these to the shareholders.
- To determine, on behalf of the board, matters of policy over which the company has authority regarding the establishment or operation of the company's pension scheme of which the executive directors are members.
- To nominate, on behalf of the board, any trustees (or directors of corporate trustees) of the scheme.
- To review the policies being applied by the group chief executive in remunerating senior executives other than executive directors to ensure alignment and proportionality.

Constitution and operation

Each member of the remuneration committee is subject to annual re-election as a director of the company. The board considers all committee members to be independent *(see page 75)*.

They have no personal financial interest, other than as shareholders, in the committee's decisions.

The committee met six times in the period under review. There was a full attendance record. Mr Sutherland, as chairman of the board, attended all the committee meetings.

The committee is accountable to shareholders through its annual report on executive directors' remuneration. It will consider the outcome of the vote at the AGM on the directors' remuneration report and take into account the views of shareholders in its future decisions. The committee values its dialogue with major shareholders on remuneration matters.

Advice

Advice is provided to the committee by the company secretary's office, which is independent of executive management and reports to the chairman of the board. Mr Aronson, an independent consultant, is the committee's secretary and special adviser. Advice was also received from Mr Jackson, the company secretary.

The committee also appoints external advisers to provide specialist advice and services on particular remuneration matters. The independence of the advice is subject to annual review.

In 2007, the committee continued to engage Towers Perrin as its principal external adviser. Towers Perrin also provided limited ad-hoc remuneration and benefits advice to parts of the group, principally changes in employee share plans and some market information on pay structures.

Freshfields Bruckhaus Deringer provided legal advice on specific matters to the committee, as well as providing some legal advice to the group.

Ernst & Young reviewed the calculations on the financial-based targets that form the basis of the performance-related pay for executive directors, that is, the annual bonus and share element awards described on page 66, to ensure they met an independent, objective standard. They also provided audit, audit-related and taxation services for the group.

Part 3: Non-executive directors' remuneration

Policy

The board sets the level of remuneration for all non-executive directors within a limit approved from time to time by shareholders. In accordance with BP's board governance principles, the remuneration of the chairman is set by the board rather than by the remuneration committee, as the performance of the chairman is seen as a matter for the board as a whole rather than any one committee.

Key elements of BP's non-executive director remuneration policy include:

- Remuneration should be sufficient to attract and retain world-class non-executive talent.
- Remuneration of non-executive directors is set by the board and should be proportional to their contribution towards the interests of the company.
- Remuneration practice should be consistent with recognized best practice standards for non-executive directors' remuneration.
- Remuneration should be in the form of cash fees, payable monthly.
- Non-executive directors should not receive share options from the company.
- Non-executive directors are encouraged to establish a holding in BP shares of the equivalent value of one year's base fee.

Remuneration review

In 2007, an ad-hoc board committee was formed to review the structure and quantum of BP non-executive directors' remuneration (having previously been reviewed in 2004).

The committee considered the existing BP policy on non-executive directors' remuneration and concluded that it should remain unchanged. The committee evaluated non-executive director remuneration levels and trends in both the UK and internationally, using a number of external data sources. Outside the UK, particular focus was given to the remuneration practices for non-executive directors in the US. The committee also examined how the time commitment and workload for the board and its committees had changed in the three years since the previous review.

Following the review, the committee proposed a revised structure and level of remuneration for BP non-executive directors. Key changes included:

- Increases to the fees for the chairman and deputy chairman/senior independent director to reflect the market rates paid for those positions in companies of comparable size to BP.
- The introduction of a flat fee for membership of the audit, the safety, ethics and environment assurance, the remuneration and the nomination committees (but not the chairman's committee) to reflect the increased time commitment for board committees over the past three years.
- An increase in the fee for the chairmen of the audit committee and SEEAC to reflect the increase in time commitment and market rates for those committees.

Consideration was also given to abolishing the transatlantic attendance allowance, but the committee concluded that this would be to the detriment of non-executives based outside Europe, who would not otherwise be compensated for the additional travel time required for UK meetings.

Changes to the structure and an increase to the level of non-executive directors' fees were approved by the board and became effective 1 November 2007.

Fee structure

The table below shows the revised fee structure for non-executive directors.

		£ thousand
	Fee level 2005-07	Fee level from 1 Nov 2007
Chairman[a]	500	600
Deputy chairman[b]	100	120
Board member	75	75
Committee chairmanship flat fee[c]	20	–
Audit committee and SEEAC chairmanship fees	–	30
Remuneration committee chairmanship fee	–	20
Transatlantic attendance allowance	5	5
Committee membership fee	–	5

[a] The chairman remains ineligible for committee chairmanship and membership fees or transatlantic attendance allowance.
[b] The role of deputy chairman is combined with that of senior independent director. The deputy chairman is still eligible for committee chairmanship fee and transatlantic attendance allowance plus any committee membership fees.
[c] Committee chairmen will not receive an additional membership fee for the committee they chair.

Remuneration of non-executive directors in 2007[a]

		£ thousand
	2006	2007
A Burgmans	85	86
Sir William Castell	39	87
C B Carroll[b]	n/a	43
E B Davis, Jr	100	107
D J Flint	100	86
Dr D S Julius	105	106
Sir Tom McKillop	85	87
Dr W E Massey	130	133
Sir Ian Prosser	130	137
P D Sutherland	500	517
Directors leaving the board in 2007		
J H Bryan[c]	110	45

[a] This information has been subject to audit.
[b] Appointed on 6 June 2007.
[c] Also received a superannuation gratuity of £21,000.

No share or share option awards were made to any non-executive director in respect of service on the board during 2007.

Non-executive directors have letters of appointment, which recognize that, subject to the Articles of Association, their service is at the discretion of shareholders. All directors stand for re-election at each AGM.

Superannuation gratuities

Until 2002, BP maintained a long-standing practice whereby non-executive directors who retired from the board after at least six years' service were eligible for consideration for a superannuation gratuity. The board was, and continues to be, authorized to make such payments under the company's Articles of Association and the amount of the payment is determined at the board's discretion, having regard to the director's period of service as a director and other relevant factors.

In 2002, the board revised its policy with respect to superannuation gratuities so that:

– Non-executive directors appointed to the board after 1 July 2002 would not be eligible for consideration for such a payment.
– While non-executive directors in service at 1 July 2002 would remain eligible for consideration for a payment, service after that date would not be taken into account by the board in considering the amount of any such payment.

The board made a superannuation gratuity of £21,000 during the year to Mr John Bryan, who retired in April 2007. This payment was in line with the policy arrangements agreed in 2002 and outlined above.

Non-executive directors of Amoco Corporation

Non-executive directors who were formerly non-executive directors of Amoco Corporation have residual entitlements under the Amoco Non-Employee Directors' Restricted Stock Plan. Directors were allocated restricted stock in remuneration for their service on the board of Amoco Corporation prior to its merger with BP in 1998. On merger, interests in Amoco shares in the plan were converted into interests in BP ADSs. The restricted stock will vest on the retirement of the non-executive director at the age of 70 (or earlier at the discretion of the board). Since the merger, no further entitlements have accrued to any director under the plan. The residual interests, as interests in a long-term incentive scheme, are set out in the table below, in accordance with the Directors' Remuneration Report Regulations 2002.

	Interest in BP ADSs at 1 Jan 2007 and 31 Dec 2007[a]	Date on which director reaches age 70[b]
E B Davis, Jr	4,490	5 August 2014
Dr W E Massey	3,346	5 April 2008
Directors leaving the board in 2007		
J H Bryan[c]	5,546	5 October 2006

[a] No awards were granted and no awards lapsed during the year. The awards were granted over Amoco stock prior to the merger but their notional weighted average market value at the date of grant (applying the subsequent merger ratio of 0.66167 of a BP ADS for every Amoco share) was $27.87 per BP ADS.
[b] For the purposes of the regulations, the date on which the director retires from the board at or after the age of 70 is the end of the qualifying period. If the director retires prior to this date, the board may waive the restrictions.
[c] Mr Bryan retired from the board on 12 April 2007. He had received awards of Amoco shares under the plan between 25 April 1989 and 28 April 1998 prior to the merger. These interests had been converted into BP ADSs at the time of the merger. In accordance with the terms of the plan, the board exercised its discretion over this award on 12 April 2007 and the shares vested on that date (when the BP ADS market price was $66.79) without payment by him.

Past directors

Mr Miles (who was a non-executive director of BP until April 2006) was appointed as a director and non-executive chairman of BP Pension Trustees Limited in October 2006 for a term of three years. During 2007, he received £150,000 for this role.

This directors' remuneration report was approved by the board and signed on its behalf by David J Jackson, Company Secretary, on 22 February 2008.