This document is important and requires your immediate attention.

If you are in any doubt about the action you should take, you should consult an appropriate independent financial adviser. If you have recently sold or transferred your shares in BP p.l.c. you should forward this document to your bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.
If you require a large-print version of this notice, please call our Registrar, Lloyds TSB Registrars, on freephone 0800 701107 or +44 (0)121 415 7005 from outside the UK. Copies are also available at the AGM at Registration, together with a large-print version of the poll card.
I am pleased to invite you to join us at BP’s 98th Annual General Meeting on 12 April 2007. The meeting will again be held at ExCeL London in London Docklands and will start at 11.30 a.m.

The Annual General Meeting (AGM) is an important opportunity for the board to consider with shareholders the performance of the group over the past year and focus on the future. 2006 has been a mixed year. In many areas our performance has been strong; however, the group has faced a number of serious challenges. The reports that accompany this notice address these issues and describe the group’s performance. I hope you will find them helpful in answering your questions about the company.

Our shareholders are based in many locations and we know a very large number cannot attend the AGM. We acknowledge this fact by continuing to put all substantive decisions to a vote by way of a poll rather than a show of hands. Poll voting ensures we capture the views of as many shareholders as possible.

In the pages that follow, we describe in detail the procedure that we will adopt at the AGM and the way in which you can participate by asking questions and voting on the resolutions. Please read them carefully. We also set out in the notice the business that will be discussed at the meeting. The biographies of the directors and the shareholder notes are intended to give you background information about the resolutions that are to be put. We also include the directors’ remuneration report and the board performance report so that you have to hand the main reports on the working of the board and its committees over the past year.

Let me focus on one resolution. In resolution 21, we are seeking shareholder approval to take the benefit of changes to the law governing electronic communications and in particular to promote the transmission of more information through our website. BP has always seen this as an important means of communication and took powers in 2001 to use electronic communications with shareholders. Now developments in regulations both in the UK and the US have created more flexible regimes. We think this is a very positive development. Formal consultation with ordinary shareholders on these changes will take place over the course of the year.

On behalf of the board, I thank you for your continued support and look forward to your participation in the AGM.

Peter Sutherland
Chairman
23 February 2007
Why should I vote?

By voting, you participate in the future of the company. The views and values of our investors can only be accurately reflected when you voice your opinion. You can do this by voting through a proxy or attending the AGM.

What information is being sent to me?

**Notice of Meeting and proxy form**
These documents describe the business at the AGM and the methods by which shareholders may participate. If you are able to attend the meeting, you will be able to take part directly in the poll. If you are unable to attend, you may still vote by appointing a proxy either electronically at www.bp.com/evoting or by using the form provided.

**Annual Review or Annual Report and Accounts**
In the first year that you become a holder of ordinary shares, you will receive a copy of the full Annual Report and Accounts. Thereafter, you will receive the Annual Review, although in future we intend to provide documents electronically, as noted below. BP Annual Review 2006 contains summaries of the directors’ report, the directors’ remuneration report and the consolidated financial statements. It includes all the information required by UK law and is the choice of the majority of shareholders.

More comprehensive information is available in BP Annual Report and Accounts 2006. If at any time you wish to elect to receive the full Annual Report and Accounts in place of the Annual Review, please notify our Registrar. Contact details are provided on page 25. If in future you wish to receive the Notice of Meeting, the Annual Report and Accounts or the Annual Review electronically, you can arrange this at www.bp.com/edelivery.

**Electronic communications with shareholders**
Recent changes in legislation and regulation will allow us to increase our use of electronic communications with our shareholders. This is the subject of resolution 21 at this year’s AGM. Further details can be found on pages 20-21. During the coming year, we will be contacting shareholders about these developments and our proposal for their implementation. Our aim is to enhance our communication with you while reducing our use of paper. We would encourage all our shareholders to take advantage of these new developments.
Where can I find out more about BP?

Internet and e-communications
BP’s website, www.bp.com, contains copies of all BP’s corporate reports, including the Annual Report and Accounts, the Annual Review and the Notice of Meeting, which you can download to read at any time.

You will find other BP publications, reports and presentations on the website, such as the Sustainability Report and The BP Magazine. You can also read speeches and presentations made to the financial community by the group chief executive and other members of the executive team. The press centre at www.bp.com/press contains copies of all BP’s press releases, and you can ask to be sent e-mail copies of all BP’s press releases at www.bp.com/email.

If you would like more information on holding BP ordinary, preference or American Depositary Shares (ADSs), our investor centre at www.bp.com/investors contains information that you may find helpful in managing your investment in BP. There you can also find copies of all BP’s quarterly results and other stock exchange announcements.

BP publications
You can obtain paper copies of BP publications free of charge from BP Distribution Services (see page 25).
What will happen on 12 April?

What is the AGM schedule?

12 April 2007

10.00 Registration desks open

10.15 Tea and coffee available in the BP Café

11.30 The AGM starts

Chairman’s welcome to shareholders

Chairman puts all resolutions to the meeting

Group chief executive’s review of 2006

Shareholders’ discussion of all resolutions (taken in the order set out on pages 9-10)

Poll voting commences

Chairman closes the AGM

The poll will close one hour after the meeting ends

Shareholders’ lunches available in the BP Café from 1.30 p.m. onwards

The following pages describe what will happen at ExCeL and explain how to get there. Even if you cannot attend you can participate by completing the enclosed proxy form or accessing www.bp.com/evoting to register your voting instructions.
How is business conducted?

Discussion
- Discussion takes place on all the resolutions contained in the Notice of Meeting on pages 9-10, principally by asking questions.
- Discussion on BP’s performance and business will take place when considering the first resolution (the Annual Report and Accounts).

Asking questions
- Please endeavour to keep your questions short and relevant to the resolution being discussed.
- Please remember that others may have waited for some time to ask their question, so please do not make speeches or ask multiple questions. If you do try to give a speech, the chairman may ask you to stand aside so that other people may be heard.
- If you have a large number of questions, please write to us at our registered office (see address on the contents page) and we will be pleased to respond.
- It is planned that a number of senior executives will be available in the BP Café area before and after the meeting.

Voting
- Voting on all the resolutions on pages 9-10 is by a poll, as required by the company’s articles.
- Your vote counts, whether you can come to the meeting or not. In a global company such as ours, we think this is the fairest approach.
- There will be no voting on the resolutions on a show of hands. Shareholders and proxies at the meeting will be invited to participate in the poll if they have not already done so.
- The chairman will put all the resolutions near the start of the meeting.
- The company has introduced a ‘vote withheld’ option on the proxy form in order to comply with the revised UK Combined Code. A ‘vote withheld’ is not a vote in law and will not be counted in the calculation of the proportion of votes ‘for’ and ‘against’ a resolution.
- It is expected that the total of the votes cast by shareholders for or against or withheld on each resolution will be published in the Financial Times and on www.bp.com on Monday 16 April 2007.

How poll voting works at the meeting
- Shareholders, ADS holders and their representatives will be given a poll card at Registration.
- Please indicate your votes by marking the appropriate box by each resolution.
- Please sign at the bottom of the card.

What to do with your poll card
- Poll boxes are open after the start of the meeting. You will find these clearly marked and located at the exits from the auditorium and throughout the BP Café.
- When you have completed your poll card, please place it in a poll box.
- If you need assistance, our Registrar, Lloyds TSB Registrars, will be pleased to help you throughout the meeting and until the poll closes.
- The poll will close one hour after the meeting ends.
How do I get to the AGM?

By tube and Docklands Light Railway
Take the Jubilee line tube to Canning Town and change on to the Docklands Light Railway; alight at Custom House for direct access to ExCeL. There are lifts on the station platform to the covered walkway to ExCeL.

By car or taxi
ExCeL is a 10-minute drive from Tower Bridge and is 25 minutes from the M25, depending on traffic. It can be reached from the M11 and A406 (North Circular Road) and from the south-east by the Blackwall and Rotherhithe tunnels. Underground car parking is available onsite at ExCeL (cash and credit card) and there are signposts and car park attendants to help direct drivers. There is also a multi-storey car park (credit card payments only) five minutes’ walk from the west entrance to ExCeL and an open-space car park (cash or credit cards) a few minutes’ walk from the east entrance. There is a London taxi rank at the west entrance to ExCeL. The west entrance is the nearest entrance for the AGM.

Special needs
Access to ExCeL is along low-gradient ramps and walkways. All ramps are fitted with handrails and balustrades. Non-slip flooring is used throughout the building. The lifts have Braille and tactile buttons at a suitable level to be reached by a wheelchair user. A limited number of car parking spaces suitable for disabled drivers are available; please contact ExCeL for further information (see page 25).

By air or train
The nearest airport is London City Airport, which is five minutes by taxi and less than 10 minutes by Docklands Light Railway. The nearest mainline station is Liverpool Street; from there, travel to Stratford station in east London where you can change on to the Docklands Light Railway for Custom House.
What more do I need to know about ExCeL?

Registration
Please remember to bring your admission card with you. If you are an ADS holder coming to the meeting and hold ADSs in a street name, you should bring a letter of identification from your bank or broker confirming your holding (see page 24 for further information).

Asking a question at the meeting
Please let us know at Registration if you wish to ask a question during the meeting, so that you can be seated near a microphone.

Special needs
We have sign language interpreters at the meeting and headsets are available for the deaf or hard of hearing. If you are in a wheelchair or in need of help from a companion, please let us know at Registration so that we can assist you.

Children
As the AGM is a business meeting, we suggest that it is not appropriate to bring young children. There are no crèche facilities at the meeting.

Guests
The AGM is a meeting of shareholders and requires an admission card to gain entry to the meeting. However, at the discretion of the company and subject to sufficient seating capacity, a shareholder may enter with one guest, provided that the shareholder and their guest register to enter the meeting at the same time.

Cloakrooms
There are cloakroom facilities near Registration. We suggest that you leave your coats and bags there before going to Registration. There are restrooms available.

Meeting point
There is a designated meeting point situated next to the BP Café.

Security
We do not permit behaviour that may interfere with anyone’s security, safety or the good order of the meeting.

You will be asked to pass through our security systems before entering the meeting. We advise you that we will check everyone’s bag or briefcase.

We do not permit cameras or recording equipment at the meeting and we would be grateful if you could ensure that you have switched off any electronic communication devices before the meeting begins.

We thank you in advance for your co-operation with our security staff.

Smoking
ExCeL operates a non-smoking policy throughout the building. You will have to leave the building to smoke.
The business of the meeting

For you as a BP shareholder (and our ADS holders), the AGM is an opportunity to put your ownership into action. BP holds the AGM following the close of every financial year in order to conduct certain formal business, address the governance of your company and give consideration to its strategic progress. The formal resolutions to be put to the meeting are detailed in the pages that follow.
Notice is hereby given that the ninety-eighth Annual General Meeting of BP p.l.c. (‘BP’ or the ‘company’) will be held at ExCeL London, One Western Gateway, Royal Victoria Dock, London E16 1XL, United Kingdom, on Thursday 12 April 2007, commencing at 11.30 a.m., for the transaction of the following business.

Resolution 1 – Report and accounts
To receive the report of the directors and the accounts for the year ended 31 December 2006.
See note on page 11.

Resolution 2 – Directors’ remuneration report
To approve the directors’ remuneration report for the year ended 31 December 2006.
See note on page 11.

Resolution 3
To re-elect Dr D C Allen as a director.
See biography on page 12.

Resolution 4
To re-elect The Lord Browne of Madingley as a director.
See biography on page 12.

Resolution 5
To re-elect Mr A Burgmans as a director.
See biography on page 13.

Resolution 6
To elect Sir William Castell as a director.
See biography on page 13.

Resolution 7
To re-elect Mr I C Conn as a director.
See biography on page 14.

Resolution 8
To re-elect Mr E B Davis, Jr as a director.
See biography on page 14.

Resolution 9
To re-elect Mr D J Flint as a director.
See biography on page 15.

Resolution 10
To re-elect Dr B E Grote as a director.
See biography on page 15.

Resolution 11
To re-elect Dr A B Hayward as a director.
See biography on page 16.

Resolution 12
To elect Mr A G Inglis as a director.
See biography on page 16.

Resolution 13
To re-elect Dr D S Julius as a director.
See biography on page 17.

Resolution 14
To re-elect Sir Tom McKillop as a director.
See biography on page 17.

Resolution 15
To re-elect Mr J A Manzoni as a director.
See biography on page 18.

Resolution 16
To re-elect Dr W E Massey as a director.
See biography on page 18.

Resolution 17
To re-elect Sir Ian Prosser as a director.
See biography on page 19.

Resolution 18
To re-elect Mr P D Sutherland as a director.
See biography on page 19.
Resolution 19 – Reappointment of auditors
To reappoint Ernst & Young LLP as auditors until the conclusion of the next general meeting before which accounts are laid and to authorize the directors to set the auditors’ remuneration for 2007.
See note on page 20.

Resolution 20 – Political donations and political expenditure
To authorize, during a four-year period ending on 11 April 2011 or the date of the annual general meeting in 2011, whichever is the earlier, but subject always to the financial limits set out below:
(a) the company and its wholly owned subsidiary, BP International Limited, for the purposes of Part XA of the Companies Act 1985 (as and when Part XA affects those companies), to make donations to European Union (EU) political organisations, and to incur EU political expenditure, and
(b) each of the company and BP International Limited for the purposes of Part 14 of the Companies Act 2006 (as and when Part 14 affects those companies) to make donations or incur expenditure under one or more or all of the following heads, namely (i) donations to political parties or independent election candidates, (ii) donations to political organisations other than political parties and (iii) political expenditure.

The authority under paragraph (a) above shall only permit donations or expenditure in an aggregate amount not exceeding £100,000 per annum. The authority under paragraph (b) above shall only permit donations or expenditure by the company to a maximum amount of £400,000 under each of its heads, and shall only permit donations or expenditure by BP International Limited to a maximum amount of £400,000 under each of its heads, and in addition the aggregate amount of donations or expenditure by both the company and BP International Limited under that authority shall not exceed £100,000 per annum in total.
See note on page 20.

Resolution 21 – Use of electronic communications
To authorize the company generally and unconditionally to use electronic communications with its shareholders and in particular to authorize the company to send or supply documents or information to its shareholders by making them available on a website.
See note on pages 20-21.

Resolution 22 – Share buyback
To authorize the company generally and unconditionally to make market purchases (as defined in Section 163(3) of the Companies Act 1985) of ordinary shares with nominal value of $0.25 each in the company, provided that:
(a) the company does not purchase under this authority more than 1.95 billion ordinary shares;
(b) the company does not pay less than $0.25 for each share; and
(c) the company does not pay more for each share than 5% over the average of the middle market price of the ordinary shares for the five business days immediately preceding the date on which the company agrees to buy the shares concerned, based on share prices and currency exchange rates published in the Daily Official List of the London Stock Exchange.

In executing this authority, the company may purchase shares using any currency, including pounds sterling, US dollars and euros.

This authority shall continue for the period ending on the date of the annual general meeting in 2008 or 11 July 2008, whichever is the earlier, provided that, if the company has agreed before this date to purchase ordinary shares where these purchases will or may be executed after the authority terminates (either wholly or in part), the company may complete such purchases.
See note on page 21.

Resolution 23 – Directors’ authority to allot shares (Section 80)
To renew, for the period ending on the date of the annual general meeting in 2008 or 11 July 2008, whichever is the earlier, the authority and power conferred on the directors by Article 13 of the company’s Articles of Association to allot relevant securities up to an aggregate nominal amount equal to the Section 80 Amount of $1,626 million.
See note on page 21.

Resolution 24 – Directors’ authority to allot shares (Section 89)
To renew, for the period ending on the date of the annual general meeting in 2008 or 11 July 2008, whichever is the earlier, the authority and power conferred on the directors by Article 13 of the company’s Articles of Association to allot equity securities wholly for cash (a) in connection with a rights issue; (b) otherwise than in connection with a rights issue up to an aggregate nominal amount equal to the Section 89 Amount of $244 million.
See note on page 21.

Note
Resolutions 1 to 21 inclusive and Resolution 23 will be proposed as ordinary resolutions. Resolutions 22 and 24 will be proposed as special resolutions. Resolutions 20 to 24 inclusive are items of special business.

By order of the board

David J Jackson
Company Secretary
23 February 2007

Notes for ordinary and preference shareholders, ADS holders and employee share plan participants can be found on pages 22-25.
Notes on resolutions

Notes to resolution 1
Report and accounts

The board of directors will present its report and the accounts for the year ended 31 December 2006.

Notes to resolution 2
Directors’ remuneration report

The directors’ remuneration report is included on pages 26-35. It complies with requirements of the Companies Act 1985 (as amended) for a report on the remuneration of all directors, both executive and non-executive.

The report is divided into three parts. Executive directors’ remuneration is set out in the first part of the report, which was prepared by the remuneration committee. Non-executive directors’ remuneration is set out in the second part of the report, which was prepared by the company secretary on behalf of the board.

Additional detailed statutory information and other disclosures are contained in the third part. Relevant sections of information are subject to audit.

The report has been approved by the board and signed on its behalf by the company secretary.

Notes to resolutions 3-18
Re-election of directors

As required by the company’s Articles of Association, Dr D C Allen, The Lord Browne of Madingley, Mr A Burgmans, Mr I C Conn, Mr E B Davis, Jr, Mr D J Flint, Dr B E Grote, Dr A B Hayward, Dr D S Julius, Sir Tom McKillop, Mr J A Manzoni, Dr W E Massey, Sir Ian Prosser and Mr P D Sutherland retire and offer themselves for re-election as directors. Sir William Castell and Mr A G Inglis offer themselves for election as directors.

The nomination committee of the board has as one of its tasks the identification, evaluation and recommendation of candidates for election or re-election as directors. As described in previous reports to shareholders, the board has put in place a process for the orderly succession of board members.

During the current year, the nomination committee kept under review the core requirements for a non-executive director on the BP board and considered, in the light of the company’s business and strategy, the capabilities and expertise needed on the board, both present and future. Included within this review was the present and future membership of the board’s committees. A report on the work of the board and its committees is contained in the governance: board performance report on pages 36-43.

In respect of each of the non-executive directors, the board has conducted an appropriate due diligence exercise and concluded that each such director is free from any relationship with the executive management of BP that could materially interfere with the exercise of his or her independent judgement.
Resolution 3
Dr D C Allen

David Allen became group chief of staff in 2000 and was appointed an executive director when he joined the BP board in 2003. As chief of staff, he is responsible for a range of activities, including the group’s planning, strategy and policy, communications and external affairs, economic analysis and technology.

He joined BP gas international in 1978, handling Middle East and Far East gas trading, before moving in 1981 to BP’s corporate offices in New York. He returned to London in 1983, taking up a series of commercial management roles in BP exploration.

In 1986, he moved to BP’s corporate planning department as manager of the natural resources branch, following which in 1988 he was appointed to lead BP’s international crude oil trading activities. In 1990, he moved to BP exploration (Europe) in Glasgow to become general manager, European gas.

In 1991, Dr Allen returned to London and became planning manager for BP exploration, before moving to Aberdeen in an operational role. He was appointed general manager, commercial, BP exploration, in 1995. He took over the role of director of planning for the BP group in 1996 before joining the executive committee of BP exploration as a director with responsibility for operations outside the UK and Alaska in 1997. Following the merger of BP and Amoco in 1999, he became group vice president planning for the BP group. He is a director of BP Pension Trustees Limited.

Dr Allen was born in 1954.

Proposal for re-election
Dr Allen’s performance has been evaluated by the group chief executive and considered by the chairman’s committee, as a result of which the board recommends Dr Allen’s re-election as an executive director.

Resolution 4
The Lord Browne of Madingley

John Browne was appointed group chief executive of BP in 1995, having joined the main board of BP as an executive director in 1991.


In 1986, he took up the position of executive vice president and chief financial officer of The Standard Oil Company in Cleveland, Ohio. In 1987, following the BP/Standard merger, in addition to his position as executive vice president and chief financial officer of BP America, he was appointed chief executive officer of Standard Oil Production Company.

In 1989, he became managing director and chief executive officer of BP exploration, based in London. In 1991, he joined the board of The British Petroleum Company p.l.c. as an executive director and was appointed group chief executive in 1995. Following the merger of BP and Amoco in 1998, he was appointed group chief executive.

He is a non-executive director of Goldman Sachs Group Inc. He is president of the Royal Academy of Engineering and chairman of the advisory board of Apax Partners.

Lord Browne was born in 1948. He was knighted in 1998 and made a life peer in 2001.

Proposal for re-election
The chairman’s committee reviewed Lord Browne’s performance during the year. The chairman’s letter to shareholders set out in BP Annual Report and Accounts 2006 and BP Annual Review 2006 describes the board’s view of Lord Browne’s performance. The board is satisfied that Lord Browne’s non-executive and other appointments do not impair his ability to perform fully his duties as group chief executive. The board recommends Lord Browne’s re-election as an executive director, it being noted that he will retire as group chief executive and as a director on 31 July 2007.
Resolution 5

Mr A Burgmans

Antony Burgmans was appointed a non-executive director of BP in 2004. He is a member of the chairman's and the safety, ethics and environment assurance committees.

He joined Unilever, one of the world's leading suppliers of foods and household and personal care products, in 1972, holding a succession of marketing and sales posts in the Netherlands, Indonesia and Germany between 1972 and 1988, and was chairman of PT Unilever Indonesia from 1988 until 1991.

In 1991, he was appointed to the board of Unilever as director with responsibility for personal care products. In 1994, he became business group vice president, ice cream and frozen foods, Europe, and was appointed chairman of Unilever’s Europe committee, co-ordinating its European activities. In 1998, he became vice chairman of Unilever NV and in 1999, chairman of Unilever NV and vice chairman of Unilever PLC. In 2005, Mr Burgmans became non-executive chairman of Unilever NV and Unilever PLC.

Mr Burgmans is chairman of the supervisory board of Mauritshuis in The Hague. He is also a member of the supervisory board of Akzo Nobel NV and the international board of Allianz AG.

Mr Burgmans was born in 1947.

Proposal for re-election

Mr Burgmans continues to bring international experience to the board and also substantial expertise in marketing and process industries. He has made a significant contribution to the work of the safety, ethics and environment assurance committee. Having satisfied itself of Mr Burgmans’ independence, the board recommends his re-election as a non-executive director.

Resolution 6

Sir William Castell

Sir William Castell was appointed a non-executive director of BP on 20 July 2006. He is a member of the chairman’s, the audit and the safety, ethics and environment assurance committees.

Sir William spent his early career with The Wellcome Foundation, holding various positions including head of Wellcome Biotechnology and head of finance and administration for continental Europe, Africa and Asia. In 1986, he was appointed commercial director of Wellcome plc.

In 1990, he left Wellcome to join Amersham plc as chief executive. Following Amersham’s acquisition by General Electric in 2004, Sir William became president and chief executive officer of GE Healthcare, the global medical diagnostics and biosciences business of the General Electric Company, of which he was also a vice chairman and a director. He retired from GE Healthcare in April 2006. Sir William remains a director of the General Electric Company.

Sir William was appointed as a member of the board of governors of the Wellcome Trust in January 2006 and on 1 May 2006 was appointed as its chairman.

In 1998, HRH The Prince of Wales appointed him chairman of The Prince’s Trust and he served in this role until 2003. He is a trustee of London’s Natural History Museum.

In June 2000, Sir William was knighted for his services to the life sciences industry and in 2004, he received the honour Lieutenant of the Royal Victorian Order for services to the Royal Family.

He was born in 1947.

Proposal for election

Sir William brings international scientific experience to the board. His experience of US operations is particularly relevant. He has already made significant contributions to the audit committee and the safety, ethics and environment assurance committee. Having satisfied itself of Sir William’s independence, the board recommends his election as a non-executive director.
Mr I C Conn

Iain Conn became group executive officer, strategic resources, in 2004 on his appointment to the board of BP. He has regional responsibility for Europe, including the UK, together with Russia, the Caspian, the Middle East, Africa and Asia Pacific. He has functional responsibility for safety and operations, human resource management, procurement and supply chain management and digital communications technology.

He joined BP oil international in 1986, working in a variety of roles in commercial refining and oil trading and in corporate headquarters before moving to BP exploration in Colombia in 1996.

At the end of 1997, he became senior vice president of BP oil in the US, responsible for retail and commercial marketing operations, refining and supply. On the merger between BP and Amoco, in January 1999 he moved to become vice president of BP Amoco exploration's mid-continent business unit.

At the end of 2000, he returned to London as group vice president and a member of the refining and marketing segment's executive committee, with responsibility for BP's marketing business in Asia, Russia, Africa and Latin America.

In 2001, he took over responsibility for BP's marketing operations in Europe and for the integration of Veba Oel. From 2002 until 2004, he was chief executive of BP petrochemicals.

Mr Conn is chairman of the advisory board of the Imperial College London Tanaka Business School and a non-executive director of Rolls-Royce Group plc.

Mr Conn was born in 1962.

Proposal for re-election

Mr Conn's performance has been evaluated by the group chief executive and considered by the chairman's committee, as a result of which the board recommends Mr Conn's re-election as an executive director.

Mr E B Davis, Jr

Erroll Davis was appointed a non-executive director of BP in 1998, having been a member of the Amoco board since 1991. He is a member of the chairman's, the audit and the remuneration committees.

Mr Davis spent his early career on the corporate financial staffs of Ford Motor Company and Xerox Corporation, subsequently joining the former Wisconsin Power and Light Co. in 1978 as vice president – finance. In 1982, he was named vice president – finance and public affairs, and in 1984, he was promoted to executive vice president and was elected to the board of directors. He became president in 1987 and chief executive officer in 1988. In 1990, he was also named president and chief executive officer of WPL Holdings, the parent company of Wisconsin Power and Light Co.

He was named Alliant Energy’s president and chief executive officer when the company was first formed in 1998, and was appointed chairman in 2000. He relinquished the appointments of president and chief executive officer in 2005, continuing as chairman of Alliant Energy until 1 February 2006, when he left to become chancellor of the University System of Georgia.

He is a member of the boards of directors of PPG Industries, Inc., and Union Pacific Corporation. In 2004, he was elected to the board of the US Olympic Committee and chairs its audit committee.

In 2004, Mr Davis was awarded the James E Steward Award by the American Association of Blacks in Energy for his achievement and leadership in the energy field.

Mr Davis was born in 1944.

Proposal for re-election

Mr Davis brings demonstrable expertise within the capital-intensive and engineering areas of business, as well as a strong financial background. He has very broad experience of business operations in the US and has demonstrated this in his work in the audit committee. Having satisfied itself of Mr Davis’s independence, the board recommends his re-election as a non-executive director.
Resolution 9
Mr D J Flint

Douglas Flint was appointed to the board of BP as a non-executive director in 2005. He is a member of the chairman's and the audit committees.

He began his career with Peat Marwick Mitchell & Co. (now KPMG), where he trained as a chartered accountant. He was appointed a partner in 1988. While at KPMG, Mr Flint specialized in banking, multinational financial reporting, treasury and securities trading operations, group reorganizations and litigation support.

In 1995, Mr Flint joined the HSBC Group as group finance director of HSBC Holdings plc.


Mr Flint was born in 1955 and was awarded a CBE in 2006.

Proposal for re-election
Mr Flint was recruited to the board for the breadth of his business experience and his strong financial background. He continues to make a strong contribution to the business of the audit committee. Having satisfied itself of Mr Flint’s independence, the board recommends his re-election as a non-executive director.

Resolution 10
Dr B E Grote

Byron Grote was appointed to the board of BP as an executive director in 2000 and became chief financial officer in 2002, following two years as chief executive of BP chemicals. He also has accountability for BP’s regional presence in the Americas and the group’s integrated supply and trading activities.

He joined The Standard Oil Company of Ohio in 1979 and in 1985 became director of planning for The Standard Oil Company’s mining subsidiary, Kennecott. In 1986, he was appointed vice president, retail marketing.

In 1988, Dr Grote became commercial vice president for BP’s Alaskan North Slope production activities. In 1989, he was appointed commercial general manager of BP exploration, based in London. He became group treasurer and chief executive officer of BP finance in 1992, directing the global finance operations of the BP group. In 1994, he took up the position of regional chief executive in Latin America. He returned to London in 1995 to take up his appointment as deputy chief executive officer of BP exploration.

He became group chief of staff in 1997, with responsibility for a number of corporate areas, including strategy, technology, IT, investor relations and solar. Following the merger of BP and Amoco, in 1999 he was appointed executive vice president, exploration and production. Between 1999 and 2000, he was responsible for directing the acquisition of ARCO and managing the integration of its operations into BP.

He is a non-executive director of Unilever NV and Unilever PLC. Dr Grote was born in 1948.

Proposal for re-election
Dr Grote’s performance has been evaluated by the group chief executive and considered by the chairman’s committee, as a result of which the board recommends Dr Grote’s re-election as an executive director.
Resolution 11
Dr A B Hayward

Tony Hayward was appointed to the board of BP in 2003, becoming chief executive officer of BP’s exploration and production segment, responsible for the group’s assets and operational activities relating to the discovery and production of hydrocarbons. He joined BP in 1982 and, following a series of technical and commercial roles in BP exploration in London, Aberdeen, Glasgow, France and China, in 1992 he moved to Colombia as exploration manager. In 1995, he became president of the BP group in Venezuela.

In 1997, Dr Hayward returned to London as a director of BP exploration and in 1999, following the merger of BP and Amoco, he became a group vice president and a member of the upstream executive committee. He was appointed group treasurer in 2000, where his responsibilities included global treasury operations, corporate finance and mergers and acquisitions. He was appointed an executive vice president in 2002, becoming chief executive officer for exploration and production later that year.

He is a senior independent non-executive director of Corus Group plc and was a member of Citibank’s advisory board between 2000 and 2003.

Dr Hayward was born in 1957.

Proposal for re-election
Dr Hayward’s performance has been evaluated by the group chief executive and considered by the chairman’s committee, as a result of which the board recommends his re-election as an executive director. Dr Hayward has been appointed group chief executive with effect from 1 August 2007.

Resolution 12
Mr A G Inglis

Andy Inglis was appointed to the board of BP on 1 February 2007, succeeding Tony Hayward as chief executive of BP’s exploration and production business.

He received an MA in engineering from Pembroke College, Cambridge University. He is a chartered mechanical engineer, a fellow of the Royal Academy of Engineering and a fellow of the Institute of Mechanical Engineers.

Mr Inglis joined BP in 1980, working on various North Sea projects. Following a series of commercial roles in BP exploration, in 1994 he became manager for the Kuparuk field in Alaska, returning to London in 1996 as chief of staff, exploration and production. From 1997 until 1999, he was responsible for leading BP’s activities in the deepwater Gulf of Mexico.

In 1999, following the merger of BP and Amoco, he was appointed vice president, US western gas business unit. In 2004, he became executive vice president and deputy chief executive of exploration and production with responsibility for BP’s growth areas, including Azerbaijan, Angola, Algeria, the deepwater Gulf of Mexico, Egypt, Trinidad and the Asia-Pacific region.

He was appointed chief executive of BP’s exploration and production business and an executive director of BP p.l.c. on 1 February 2007.

Mr Inglis was born in 1959.

Proposal for election
Mr Inglis’ performance over the year has been evaluated by the group chief executive, as a result of which the board recommends Mr Inglis’ election as an executive director.
DeAnne Julius was appointed a non-executive director of BP in 2001. She is chairman of the remuneration committee and a member of the chairman’s and the nomination committees.

After receiving her PhD, Dr Julius began her career in 1975 as a project economist with the World Bank in Washington, where her work included oil and gas projects in a number of Asian and African countries. Between 1983 and 1986, she was managing director of Logan Associates, Inc., a small consulting group, and in 1986 she became director of the International Economics Programme at the Royal Institute of International Affairs (Chatham House).

She was chief economist at the Royal Dutch Shell Group in London from 1989 until 1993 and then, between 1993 and 1997, chief economist at British Airways PLC. In 1995, she became chairman of British Airways Pension Investment Management Ltd.

Between 1997 and 2001, Dr Julius was an independent member of the Bank of England’s Monetary Policy Committee. Since 2001, she has held a variety of non-executive appointments and, in 2003, she was appointed chairman of the Royal Institute of International Affairs.

She is a non-executive director of Lloyds TSB Group PLC, Roche Holdings SA and Serco Group plc.

Dr Julius was born in 1949 and was awarded a CBE in 2002.

Proposal for re-election
Dr Julius brings many qualities to the board discussions that reflect the breadth of her previous financial and business experience. Dr Julius continues to make an important contribution as chairman of the remuneration committee. Having satisfied itself of Dr Julius’s independence, the board recommends her re-election as a non-executive director.

Resolution 13
Dr D S Julius

Sir Tom was appointed a non-executive director of BP in July 2004. He is a member of the chairman’s, the remuneration and the safety, ethics and environment assurance committees.

Following post-doctorate research work in chemistry in Paris, Sir Tom joined ICI’s corporate research laboratory in 1969, where his research covered synthetic chemistry, quantum mechanics and molecular biology. In 1975, he joined ICI’s pharmaceuticals division as head of natural products research.

In 1978, he returned to France as research director of ICI’s French pharmaceuticals division. On his return to the UK, he held a number of positions in ICI Pharmaceuticals in chemistry and research and development between 1980 and 1989. In 1989, he became technical director of ICI Pharmaceuticals with international responsibility for research, development and production.

Following the demerger of Zeneca Group PLC from ICI PLC, in 1994 he became chief executive officer of Zeneca Pharmaceuticals and, in 1996, he was appointed to the board of Zeneca Group PLC as an executive director. Sir Tom was chief executive of AstraZeneca PLC from the merger of Astra AB and Zeneca Group PLC in 1999 until December 2005.

Sir Tom is chairman of The Royal Bank of Scotland Group and was a non-executive director of Lloyds TSB Group PLC until 2004. He is pro-chancellor of the University of Leicester and a trustee of the Council for Industry and Higher Education. He was formerly chairman of the British Pharma Group, president of the European Federation of Pharmaceutical Industries and Associations and chairman of the North West Science Council.

Sir Tom was born in 1943 and knighted in 2002.

Proposal for re-election
Sir Tom brings capabilities and expertise within the areas of international business and, in particular, engineering, science and technology. Sir Tom is a member of the remuneration committee and during the year joined the safety, ethics and environment assurance committee. Having satisfied itself of Sir Tom’s independence, the board recommends his re-election as a non-executive director.

Resolution 14
Sir Tom McKillop
Mr J A Manzoni

John Manzoni became chief executive of refining and marketing for BP in 2002. He became a group managing director and was appointed to the board of BP in 2003.

He joined BP in 1983 and spent the early part of his career working in the North Sea. He has undertaken a variety of roles, including head of investor relations, head of strategy and vice president, Prudhoe Bay in Alaska.

More recently, he was the executive from BP responsible for the merger integration process between BP and Amoco, and then became group vice president in charge of downstream European marketing, in addition to downstream planning and performance globally.

In 2000, he was appointed regional president for the eastern US and, in 2001, an executive vice president and chief executive of gas and power, the post he held until his current appointment in 2002.

Mr Manzoni is a member of the advisory board of the Stanford Graduate School of Business and the Accenture energy advisory board. In 2004, he was appointed as a non-executive director of SABMiller plc.

Mr Manzoni was born in 1960.

Proposal for re-election

Mr Manzoni’s performance has been evaluated by the group chief executive and considered by the chairman’s committee, as a result of which the board recommends his re-election as an executive director.

Dr W E Massey

Walter Massey was appointed a non-executive director of BP in 1998, having previously been a member of the Amoco board since 1993. He is a member of the chairman’s and the nomination committees and is chairman of the safety, ethics and environment assurance committee.

Dr Massey became a full professor of physics at Brown University in 1975, researching theoretical and solid state physics. From 1979 to 1984, he was director of the Argonne National Laboratory, one of the US Department of Energy’s largest research centres and, from 1984 to 1991, he was vice president for research and professor of physics at the University of Chicago.

In 1991, he was appointed director of the US National Science Foundation and was provost and senior vice president – academic affairs for The University of California System from 1993 to 1995. Dr Massey was appointed by President George W Bush to serve on the President’s Council of Advisors on Science and Technology in 2001. He is president of Morehouse College, one of the leading undergraduate colleges in the US. He is a non-executive director of Bank of America, McDonald’s Corporation, the Mellon Foundation and the Commonwealth Fund.

Dr Massey is active in several professional and civic organizations, including the American Academy of Arts and Sciences, the Smithsonian Institution and the American Association for the Advancement of Science.

Dr Massey was born in 1938.

Proposal for re-election

While having a scientific and technological background, Dr Massey also brings a broad experience of business to the board. He has continued to demonstrate this through his excellent chairmanship of the safety, ethics and environment assurance committee. Having satisfied itself of Dr Massey’s independence, the board recommends his re-election as a non-executive director.
Sir Ian Prosser

Sir Ian joined the board of BP as a non-executive director in 1997 and was appointed deputy chairman in 1999. He is the senior non-executive director, chairman of the audit committee and a member of the chairman’s, the nomination and the remuneration committees.

Sir Ian qualified in 1967 as a chartered accountant with Cooper Brothers (now PricewaterhouseCoopers LLP) and was admitted as a fellow of the Institute of Chartered Accountants in England and Wales in 1967.

In 1969, he joined Bass Charrington Ltd, later Bass PLC. He was appointed finance director in 1978, group managing director in 1984 and chairman and chief executive in 1987, the position he retained until becoming executive chairman in 2000. At the end of 2003, he retired from the chairman’s role and the board of what was then Intercontinental Hotels Group PLC, the company having sold its brewing interests in 2000 and demerged its hotels and soft drinks interests from its pub business in 2003.

He is also the senior independent non-executive director of GlaxoSmithKline plc and a non-executive director of the Sara Lee Corporation. He is a member of the CBI President’s committee. He was previously on the boards of The Boots Company PLC and Lloyds TSB PLC.

Sir Ian was born in 1943 and knighted in 1995.

Proposal for re-election

Sir Ian, as deputy chairman, continues to make a substantial contribution to the work of the board and its committees. As chairman of the audit committee, he has provided strong leadership during a challenging period. Having satisfied itself of Sir Ian’s independence, the board recommends his re-election as a non-executive director.

Resolution 18

Mr P D Sutherland

Peter Sutherland was appointed chairman of BP in May 1997, having been a non-executive director and deputy chairman since July 1995.

A barrister, Mr Sutherland is a bencher of the Middle Temple in London and an honorary bencher of the King’s Inns in Dublin. He practised at the Bar from 1969 to 1981, when he was appointed Attorney General of Ireland. He was also admitted to practise before the Supreme Court of the United States of America.

In 1984, he was nominated by the Government of Ireland as a Commissioner of the European Communities. He was a Commissioner with responsibility for Competition Policy from 1985 until 1989. Subsequently, in 1992 he chaired the committee that reported to the European Commission on the functioning of the Internal Market (the Sutherland Report).

In 1989, Mr Sutherland became chairman of Allied Irish Banks plc and joined the BP board in 1990. He relinquished these appointments in 1993 when he became director-general of the General Agreement on Tariffs and Trade (GATT). He was subsequently director-general of the World Trade Organisation until 1995.

He is non-executive chairman of Goldman Sachs International and a non-executive director of The Royal Bank of Scotland Group.

Mr Sutherland was born in 1946 and was awarded an honorary knighthood in 2004.

Proposal for re-election

As chairman, Mr Sutherland has been pivotal in the work of the board, its relations with shareholders and its interface with Lord Browne and his executive team. He has led the chairman’s committee through the process of selection of a successor to Lord Browne. Mr Sutherland’s performance was evaluated by other members of the chairman’s committee. The board has confirmed its full support for Mr Sutherland in his role as chairman. The board recommends his re-election as a non-executive director.
Notes to resolution 19 – Reappointment of auditors
The appointment of Ernst & Young LLP as auditors of the company terminates at the conclusion of the annual general meeting. They have advised their willingness to stand for re-election as auditors of the company until the conclusion of the annual general meeting in 2008. The directors recommend their reappointment and seek authority to set their remuneration. Further details regarding the auditors can be found in the board performance report on page 41.

Notes to resolution 20 – Political donations and political expenditure
Part XA of the Companies Act 1985 (the ‘1985 Act’) contains restrictions on companies making donations or incurring expenditure in relation to political organisations. Part XA of the 1985 Act is due to be replaced by similar provisions in Part 14 of the Companies Act 2006 (the ‘2006 Act’) once Part 14 comes into force.

The company does not make donations to political organisations or incur political expenditure in the ordinary sense and has no intention of using the authority for this purpose. However, Part XA of the 1985 Act (and Part 14 of the 2006 Act when it comes into force) defines the term ‘organisation’ very widely. As a result, it is possible that organisations may include bodies concerned with matters such as policy review and law reform, or the representation of the business community or sections of it, or the representation of other communities or special interest groups, and it may be in the shareholders’ interest for the company to support such a group. Consequently, to enable the company to support organisations that are not believed to be political, but which might come within the extended and uncertain scope of the above provisions, the company is seeking authority under this resolution to allow the company (or BP International Limited, one of its principal operating subsidiaries) to fund donations and/or incur expenditure up to a limit of £100,000 per annum. This authority is sought for the full period of four years as permitted under both the 1985 Act and the 2006 Act.

It is likely that Part XA of the 1985 Act will be replaced by Part 14 of the 2006 Act during the period of the authority, although the timing of this is not yet confirmed. Consequently, the resolution has been drafted to request the authority under Part XA of the 1985 Act (as set out in paragraph (a) of the resolution) and under Part 14 of the 2006 Act (as set out in paragraph (b)), as and when either of these relevant provisions affects the companies. The company believes that it is prudent to take this combined approach to the resolution to ensure that the authority can continue for the full four-year period, despite the change in legislation.

The terms of the resolution, including the monetary thresholds, necessarily reflect the differing technical requirements of Part XA of the 1985 Act and Part 14 of the 2006 Act. In particular, Part 14 provides for a new requirement that the authority should specify the maximum amount which each of the company and BP International Limited can spend on each category of political donations or expenditure during the four-year period. To ensure sufficient flexibility, the resolution provides that this maximum amount is £400,000 for each company, in respect of each category, over the whole period of the authority until its expiration in 2011. However, as stated in the resolution, the amount of expenditure by the company and BP International Limited under the authority (whether granted under paragraph (a) or (b)) is also subject to a limit of £100,000 in total in any year.

Notes to resolution 21 – Use of electronic communications
In 2001, the company amended its Articles of Association to take advantage of the Electronic Communications Act 2000, which allowed companies to communicate with their shareholders using electronic means, provided that individual shareholders gave their specific consent. This regime has been enhanced and revised through Schedule 5 of the Companies Act 2006 (‘Schedule 5’), which came into force earlier this year, and by amendments to the Disclosure Rules and Transparency Rules of the Financial Services Authority made in December 2006. Changes have also been made recently to the New York Stock Exchange Listing Rules to facilitate electronic communications, which will affect ADS holders.

The new regime has the aim of moving from a ‘paper first’ to a ‘web first’ system. Previously, shareholders had to ask for information to be communicated to them electronically. The new regime makes it possible for electronic communication to become the default method of communication, so shareholders must then specify if they wish to receive communications in paper form (hard copy). To enable the company to benefit from this opportunity to provide for electronic communication as the default method of communication, the company is proposing resolution 21 to authorize the use of its website as a means of communicating with shareholders who do not request documentation in paper form (hard copy).

If approved by shareholders, the new regime will require that the company consult with its shareholders individually as to whether they wish to receive information through the company’s website. This consultation will take place during the coming year. If a shareholder agrees, then future communications with that shareholder will be by electronic means. If a shareholder fails to respond to the consultation within 28 days, then such a shareholder is deemed to have agreed to receive communications by electronic means.

Notwithstanding any prior request or deemed consent to receive communications electronically, a shareholder may at any time tell the company that he or she wishes to receive all or specific information in paper form (hard copy). In addition, the company has to notify shareholders who receive information in electronic form when certain key information is available on
the company’s website. This notification will, typically, be sent around the time of the company’s annual general meeting.

The overall effect of resolution 21 will be to allow the company to increase its use of electronic communications with shareholders. However, as indicated above, the rights of those shareholders who wish to receive documents in paper form (hard copy) will be fully protected. The company sees a positive benefit in the increase in electronic communications, in terms of the saving of paper and production expenses.

Notes to resolution 22 – Share buyback
Authority is sought to purchase up to 10% of the ordinary issued share capital of the company during the period stated below, continuing the authority granted by the shareholders at previous annual general meetings.

Resolution 22 specifies the maximum number of shares that may be purchased and the minimum and maximum prices at which they may be bought. The directors will exercise this authority only when to do so would be in the best interests of shareholders generally. The authority will expire at the conclusion of the annual general meeting in 2008 or 11 July 2008, whichever is the earlier. Shares which are purchased by the company must either be cancelled or held in treasury. Treasury shares are shares in the company which are owned by the company itself. Once shares are held in treasury, the directors may dispose of them in accordance with the relevant legislation by:
(a) selling the shares (or any of them) for cash,
(b) transferring the shares (or any of them) for the purposes of or pursuant to an employees’ share scheme, or
(c) cancelling the shares (or any of them).

It is the company’s current intention that, of the shares repurchased under this authority, sufficient shares will be held in treasury to meet the requirements as they arise of the company’s share incentive arrangements, with the remainder being cancelled.

Under the authority granted by shareholders, the company repurchased 914,335,925 shares in the period from the last annual general meeting to 31 December 2006.

For information, as of 20 February 2007, there were options outstanding over 422 million ordinary shares, representing 2.16% of the company’s ordinary issued share capital (excluding treasury shares). If the authority given by resolution 22 were to be fully used, these would then represent 2.4% of the company’s ordinary issued share capital (excluding treasury shares). The company has no warrants in issue in relation to its shares.

Notes to resolutions 23 and 24 – Directors’ authority to allot shares
The Articles of Association permit the directors to allot shares and other securities, in accordance with Section 80 of the Companies Act 1985, up to an amount authorized by the shareholders in general meeting. At this annual general meeting, the directors are seeking authority to allot shares up to a maximum of $1,626 million. This is the ‘Section 80 Amount’ and is equal to 33.3% of the company’s issued share capital (excluding treasury shares) as at 20 February 2007.

The directors are also seeking authority to allot shares for cash and to dispose of treasury shares, other than by way of a rights issue, up to a maximum of $244 million, without having to offer such shares to existing shareholders.

This is the ‘Section 89 Amount’ and is equal to 5% of the company’s issued share capital (excluding treasury shares) as at 20 February 2007.

The directors have no present intention of exercising the authorities beyond their use in connection with the disposal of treasury shares in accordance with the relevant legislation (see notes to resolution 22).

As at 23 February 2007, the company held 1,944,237,064 treasury shares, which represents 9.97% of the company’s issued ordinary share capital (excluding treasury shares).

The authorities sought by resolutions 23 and 24 are similar to authorities granted at the last annual general meeting, which expire at the conclusion of this year’s annual general meeting. The extent of the authorities follows the guidelines issued by institutional investors.

The authorities will expire on the date of the annual general meeting in 2008 or 11 July 2008, whichever is the earlier.

The board recommends you vote for resolutions 1 to 24 inclusive.
Shareholder notes

The following pages provide more detailed information about your voting rights and how you may exercise them.
What can I do as an ordinary or preference shareholder?

**Ordinary shareholders’ and preference shareholders’ right to attend and vote at the AGM**
If you are an ordinary shareholder or a preference shareholder you may attend, speak and vote your shares at the AGM if your name is on the Register of Members at 5.30 p.m. on Tuesday 10 April 2007. Your voting entitlement will depend on the number of shares that you hold at that time. If you are attending the meeting in person, please bring your admission card to avoid delay at Registration.

**Members’ right to appoint a proxy**
As a member (meaning a registered shareholder), you may appoint a proxy or proxies to attend, speak and vote at the AGM on your behalf. You may appoint the chairman of the meeting or a proxy of your own choice, who need not be a member of the company. If you cannot attend the meeting, you can appoint your proxy and vote your shares either using the enclosed proxy form or online at www.bp.com/evoting. Our Registrar must receive your proxy appointments and instructions by 5.30 p.m. on Tuesday 10 April 2007. If your proxy is attending the meeting in person, please ask them to bring your completed admission card to avoid delay at Registration.

**Completing proxy cards and poll cards**
Proxy forms and poll cards must be signed and any alterations to them must be initialled.

**Appointments of and instructions to proxies**
Where no instruction is given, either generally or in relation to any resolution, or if any other matter comes before the AGM, your proxy may vote at his or her discretion or refrain from voting, as he or she sees fit.

The directors have laid down procedures to decide any unclear proxy appointments. Their decision will be final. The chairman of the meeting will decide any unclear voting instructions he receives. His decision will be final.

**Changes to proxy voting instructions**
Changes to written proxy voting instructions for the chairman must be made in writing and signed by the shareholder. To change your online voting instruction go to www.bp.com/evoting and submit your new instructions. The voting instruction received last will be the one that is followed. To be certain that changes are accepted, they must be received by our Registrar by 5.30 p.m. on Tuesday 10 April 2007. The directors have laid down procedures to resolve any uncertainty about changes to proxy voting instructions submitted after that time. Their decision will be final. Alternatively, shareholders wishing to change their proxy voting instructions may do so by attending the meeting in person and voting.

**Multiple proxy instructions**
If the company receives multiple instructions from the sole holder of shares, the instruction received last will be used. However, if a postal instruction and an online instruction are received on the same day, the online instruction will be followed.

**Joint shareholders**
Joint shareholders may attend the meeting. Any one shareholder may sign a proxy form or poll card on behalf of all joint shareholders. If more than one joint shareholder fills in a proxy form or poll card, the most recent voting instruction of the shareholder named first on our Register of Members will be accepted, however that instruction is given.

**Nominee shareholders**
If more than one proxy is to be appointed to attend the meeting to represent individual interests and vote accordingly, please call the Shareholder Helpline on 0800 701107 or on +44 (0)121 415 7005 from outside the UK. If you hold shares on behalf of others and some of that holding is to be voted separately, you may do so online at www.bp.com/evoting.

**Corporate shareholders**
Corporate shareholders wishing to send a representative to the AGM should fill in the name of the representative on the admission card and apply the company’s common seal or have it signed by an authorized officer, stating his or her position. The representative should bring the completed admission card to the meeting. To avoid delay at Registration, corporate shareholders may wish to consider registering the intention for a representative to attend with the Registrars, by faxing a copy of the completed admission card or appropriate letter to Lloyds TSB Registrars on 01903 833168. Corporate shareholders may also appoint proxies and vote by using the enclosed proxy form or online at www.bp.com/evoting or through CREST (see below).

**CREST**
CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with CRESTCo’s specifications and must contain the information required for such instructions, as described in the CREST Manual. All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy...
must be transmitted so as to be received by Lloyds TSB Registrars (ID 7RA01) by 5.30 p.m. on Tuesday 10 April 2007. It is therefore the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(1a) of the Uncertificated Securities Regulations 2001.

Powers of attorney
If you have given a power of attorney over your shares, you must ensure that the power of attorney has been deposited with our Registrar by 5.30 p.m. on Tuesday 10 April 2007.

What can I do as an ADS holder?

**ADS registered holders**
If you hold BP ADSs directly, your name will appear on the register of JPMorgan Chase Bank (the ‘Depositary’), and you are referred to as a ‘registered holder’. Registered holders at the close of business on 30 March 2007 EST will be entitled to attend, speak and vote at this AGM. If you do not plan to attend the meeting, you are entitled to appoint a proxy to attend, speak and vote on your behalf.

If you wish to appoint the Depositary to vote your shares at the meeting, you may do so by providing your voting instructions to the Depositary via the internet, by telephone or by sending in a completed US proxy form, as described on that form. Voting instructions must be received by the Depositary by 11.59 p.m. EST on 8 April 2007 for electronic instructions and by noon EST on 10 April 2007 for paper proxy forms.

If you wish to appoint someone other than the Depositary as your proxy, please contact the Depositary immediately on +1 877 638 5672 to obtain the appropriate form. You will need to complete the form with the name of your proxy, sign it and return it to the Depositary to be received before noon EST on 10 April 2007. Further instructions will be included with the form. You will also need to give the US proxy form to your appointee to bring to the AGM, along with proof of identity. Proxies not notified to the Depositary may be denied access to the meeting.

If you wish to attend the AGM and vote in person, the Depositary will be present at ExCeL to verify your right to attend. Please bring proof of identity.

**ADS street name holders**
If you do not hold your ADSs directly but through a bank, broker or nominee, you should contact them for information on how to vote your ADSs.

If you wish to attend the AGM, you will need to bring with you evidence of your share ownership in the form of a currently dated letter from your bank or broker and proof of identity. On verification of such evidence, you will be admitted to the AGM but may not vote your shares at the AGM.

What can I do as an employee share plan participant?

**Ordinary share plans**
If you hold shares through a BP employee share plan, you may instruct the share plan trustee to vote on your behalf at the AGM.

If you are already registered to give your voting instructions online, you will have received an e-mail explaining how you can give the trustee your instruction. If you are not registered to give your voting instructions online and have not elected to receive a paper Form of Direction, we will assume that you do not wish to vote on the resolutions. If you require assistance in respect of shares held under a UK share plan you should contact Computershare on +44 (0)870 703 6207. If you require assistance regarding shares held under a non-UK plan, please contact your local employee share plan administrator.

If you wish to attend the AGM, please take your employee ID pass to the AGM and register at the ADS holder desk. Alternatively, contact Computershare on +44 (0)870 703 6207.

**ADS plan participants**
If you are allocated ADSs under selected BP or subsidiary employee savings plans (a ‘Plan’), you are referred to as a ‘Plan Participant’. Plan Participants are not registered holders of ADSs. Plan Participants at the close of business on 30 March 2007 EST are entitled to attend and speak at the AGM but may not vote at the AGM except as validly appointed proxies for registered holders. If you wish to vote, whether you plan to attend the AGM or not, you should direct the trustee of your Plan how you wish to vote your ADSs.

You may direct the trustee to vote your shares via the internet, by telephone or by sending in a completed US proxy form, as described on that form. The trustee will then appoint the Depositary as proxy to vote in accordance with your instructions. Voting instructions must be received by the Depositary by 11.59 p.m. EST on 8 April 2007 for electronic instructions and by 12 noon EST on 9 April 2007 for voting cards. If your directions are not received by the appointed times for transmission to the Plan Trustee, the Trustee is authorized to vote the ADSs allocable to you under the Plan at its sole direction.
Key information and contacts

Documents available for inspection
The following documents are available for inspection during normal business hours at 1 St James’s Square, London SW1Y 4PD, UK, and will be at ExCeL from 10 a.m. on 12 April 2007 until the conclusion of the AGM:
– The Register of Directors’ Interests, together with copies of directors’ service contracts with the company.

BP Registrar
Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6DA
UK
Freephone 0800 701107
or +44 (0)121 415 7005 from outside the UK

BP Employee Share Plans
Computershare Investor Services plc
PO Box 82
The Pavilions
Bridgewater Road
Bristol
BS99 7NH
UK
Telephone: 0870 703 6207
or +44 (0)870 703 6207 from outside the UK

BP ADS Depositary
JPMorgan Chase Bank
PO Box 3408
South Hackensack
NJ 07606-3408
US
Telephone: +1 201 680 6630
Toll-free in US and Canada: +1 877 638 5672

ExCeL London
One Western Gateway
Royal Victoria Dock
London
E16 1XL
UK
Telephone: +44 (0)20 7069 5000
info@excel-london.co.uk

BP Distribution Services
Air Action Couriers Limited
International Distribution Centre
Crabtree Road
Thorpe
Egham
Surrey
TW20 8RS
UK
Telephone: +44 (0)870 241 3269
Fax: +44 (0)870 240 5753
bpdistributionservices@bp.com
Directors’ remuneration report

The directors’ remuneration report is prepared by the board and complies with legal requirements. It forms part of *BP Annual Report and Accounts 2006* and is included again here to provide relevant background for resolution 2.

Executive directors’ remuneration is set on the basis of a clear set of principles, which are described in detail in the remuneration report. At their heart lies the importance of matching pay to performance, in order to keep directors’ interests in line with those of shareholders, while also appropriately rewarding the top team leading BP. These principles guided the remuneration committee’s judgements about executive directors’ rewards for 2006. The board sets non-executive directors’ remuneration in line with best practice standards.
Dear Shareholder

Executive directors’ remuneration for 2006 reflects a clear set of principles, set out in the pages that follow. At their heart is the importance of matching reward to performance, in a way that both reflects shareholders’ interests and provides fair and competitive compensation to the executives.

As described elsewhere, 2006 was a year of strong financial performance for the group. A number of strategic and operational milestones were attained. However, the year also brought serious challenges and in key operational and safety areas company performance fell short of expectations.

The remuneration committee has carefully evaluated performance against the quantitative measures set at the beginning of the year. We also made a qualitative assessment of the effect on the company and its reputation of adverse events and developments in the year. The executive team responded to these challenges with determination and a sincere commitment to implement the lessons learned. However, taking a balanced judgement on the year, the remuneration committee halved the bonuses that would have resulted directly from their quantitative assessment. This, and all other remuneration received, is shown on the following page.

We have made some changes to the style and format of the remuneration report this year in order to make it easier to read and understand. Our aim has been to set out clearly the principles and policy on which we base executive directors’ remuneration, as well as the figures for 2006. In addition, full details of arrangements agreed for Lord Browne’s retirement later in 2007 and information on recent changes in remuneration for Dr Hayward and Mr Inglis are included in the relevant sections.

Dr D S Julius
Chairman, Remuneration Committee
23 February 2007
2006 remuneration

All remuneration paid to executive directors in 2006 is summarized in the table below. The annual bonuses are shown in the year they were earned.

The remuneration committee reviewed base salaries in 2006 and awarded increases between 5% and 10% of base salary from 1 July for each director. These increases are reflected in the numbers below and their current base salary is shown on page 31.

All executive directors are part of a final salary pension scheme, the details of which are set out later in this report. Accrued annual pension earned as of 31 December 2006 is £1,050,000 for Lord Browne, £228,000 for Dr Allen, £170,000 for Mr Conn, £675,000 for Dr Grote, £239,000 for Dr Hayward and £188,000 for Mr Manzoni. Service and transfer value detail is shown on page 34.

Summary of remuneration of executive directors in 2006

<table>
<thead>
<tr>
<th>Name</th>
<th>Salary (thousand) 2006</th>
<th>Salary (thousand) 2006</th>
<th>Annual performance bonus (thousand) 2005</th>
<th>Annual performance bonus (thousand) 2006</th>
<th>Bonus (thousand)</th>
<th>Total (thousand) 2005</th>
<th>Total (thousand) 2006</th>
<th>Shares vested</th>
<th>Value (thousand)</th>
<th>Actual shares vested</th>
<th>Value (thousand)</th>
<th>Actual shares vested</th>
<th>Value (thousand)</th>
<th>Potential maximum performance shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lord Browne</td>
<td>£1,451</td>
<td>£1,451</td>
<td>£1,750</td>
<td>£1,750</td>
<td>£900</td>
<td>£3,291</td>
<td>£2,526</td>
<td>£147,783</td>
<td>£955</td>
<td>£112,941</td>
<td>£606</td>
<td>580,668</td>
<td>£2,044</td>
<td>1,761,249</td>
</tr>
<tr>
<td>Dr A B Hayward</td>
<td>£431</td>
<td>£431</td>
<td>£463</td>
<td>£463</td>
<td>£14</td>
<td>£14</td>
<td>£293</td>
<td>£112,941</td>
<td>£606</td>
<td>383,200</td>
<td>383,200</td>
<td>383,200</td>
<td>383,200</td>
<td></td>
</tr>
<tr>
<td>Dr D C Allen</td>
<td>£431</td>
<td>£431</td>
<td>£463</td>
<td>£463</td>
<td>£12</td>
<td>£12</td>
<td>£293</td>
<td>£112,941</td>
<td>£606</td>
<td>383,200</td>
<td>383,200</td>
<td>383,200</td>
<td>383,200</td>
<td></td>
</tr>
<tr>
<td>J C Conn</td>
<td>£421</td>
<td>£421</td>
<td>£463</td>
<td>£463</td>
<td>£12</td>
<td>£12</td>
<td>£293</td>
<td>£112,941</td>
<td>£606</td>
<td>383,200</td>
<td>383,200</td>
<td>383,200</td>
<td>383,200</td>
<td></td>
</tr>
<tr>
<td>Dr B E Grote</td>
<td>£923</td>
<td>£923</td>
<td>£973</td>
<td>£973</td>
<td>£1</td>
<td>£1</td>
<td>£2,023</td>
<td>£175,229</td>
<td>£1,979</td>
<td>127,601</td>
<td>£1,338</td>
<td>470,432</td>
<td>470,432</td>
<td></td>
</tr>
<tr>
<td>J A Manzoni</td>
<td>£431</td>
<td>£431</td>
<td>£463</td>
<td>£463</td>
<td>£1</td>
<td>£1</td>
<td>£2,023</td>
<td>£175,229</td>
<td>£1,979</td>
<td>127,601</td>
<td>£1,338</td>
<td>470,432</td>
<td>470,432</td>
<td></td>
</tr>
</tbody>
</table>

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

**Footnotes:**
- aThis information has been subject to audit.
- bLong Term Performance Plans.
- cGross award of shares based on a performance assessment by the remuneration committee and on the other terms of the plan. Sufficient shares are sold to pay tax applicable. Remaining shares are held in trust for current directors until 2010, when they are released to the individual.
- dBased on market price on vesting date (£5.37 per share/$62.91 per ADS).
- eMaximum potential shares that could vest at the end of the three-year period depending on performance.

Annual bonus result

The 2006 annual bonus was based on performance relative to measures and targets set at the beginning of the year, as well as other factors the remuneration committee determined were relevant. Financial and operational metrics from the annual plan carried a 50% weighting and focused on earnings before interest, taxes, depreciation and amortization (EBITDA), return on average capital employed (ROACE) and safety, environment and production targets. Strategic milestones, including those relating to technology, operations and business development, accounted for 30%. Individual performance, including both leadership objectives and living the values of the group, accounted for 20%.

On the financial side, underlying EBITDA was marginally below target. There were negative effects from US operating issues and positive effects from improvements in operating performance. ROACE was marginally above target. Cash costs and capital expenditure came in around target levels. Planned divestments of non-strategic assets achieved premium prices. Targets were met for personal safety, greenhouse gas emissions, oil and gas discovered volumes and proved reserves. Average production rate was below target.

With respect to milestones, seven of nine major projects were completed as planned. However, the Thunder Horse development was delayed. Good progress was achieved to define and sanction a further 18 major projects. The alternative energy business exceeded its objectives. Good progress was made in developing and implementing a major six-point plan for improving safety and operational integrity.

In terms of individual performance, in a period of significant challenges, the executive directors demonstrated commitment, determination and unity to address issues and improve performance.

While the quantitative assessment generated a near-target score, the remuneration committee also considered broader qualitative factors. These included the findings of internal and external reports on operational and safety issues in the US business. On balance, the committee judged that bonus levels should be reduced by 50% from the level they would otherwise have been. The resulting annual bonuses are set out in the table above.

2004-2006 share element result

For the 2004-2006 share element of the Executive Directors’ Incentive Plan (EDIP), BP’s performance was assessed in terms of shareholder return against the market (SHRAM), ROACE and earnings per share (EPS) growth. BP’s three-year SHRAM was measured against the companies in the FTSE All World Oil & Gas Index. Companies within the index are weighted according to their market capitalization at the beginning of the three-year period in order to give greatest emphasis to oil majors. BP’s ROACE and EPS growth were measured against ExxonMobil, Shell, Total and Chevron. Based on a performance assessment of 60 points out of 200 (0 for SHRAM, 50 for ROACE and 10 for EPS growth), the committee made awards of shares to executive directors as shown in the 2004-2006 columns in the table above.
Remuneration policy

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

- The remuneration structure will support BP’s aim to maximize 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.
- 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.
- There will be a quantitative and qualitative assessment of performance, with the remuneration committee making an informed judgement within a framework approved by shareholders.
- Pay and employment conditions elsewhere in the group will be taken into account, especially in setting annual salary increases.
- Executives will develop a significant personal shareholding in order to align their interests with those of shareholders.
- 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.
- Remuneration policy and practice will be as transparent as possible.

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. In 2006, well over three-quarters of executive directors’ total potential remuneration was performance-related, in line with the target. The same will be true for potential remuneration in 2007.

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 2007 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 2007 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 weightings on annual bonus targets are:

- 50% Financial metrics from the annual plan, principally EBITDA, cash costs and capital expenditure.
- 30% Non-financial measures focusing on health, safety and the environment; growth; and reputation.
- 20% Individual performance against leadership objectives and against living the values of the group (incorporating BP’s code of conduct).

The remuneration committee will also review carefully the underlying performance of the group in the light of the five-year business plan and will look at competitors’ results, analysts’ reports and the views of the chairman 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 in the best interests 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.

Group chief executive

As for previous years, the target level for 2007 for Lord Browne is 130% of base salary, with a maximum payment for substantially exceeding performance targets of 165% of base salary. Lord Browne will retire on 31 July 2007. His annual bonus award for 2007 will be pro-rated to reflect his service during the financial year up to his retirement in July.

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 2006 and would only do so in 2007 in exceptional circumstances. This section describes the share element. 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

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 (7.5 times base salary in the case of the group chief executive).

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 2007-2009 EDIP SHARE ELEMENT

<table>
<thead>
<tr>
<th>Performance period</th>
<th>Retention period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Award</td>
<td>Vesting</td>
</tr>
<tr>
<td>2007</td>
<td>2008</td>
</tr>
<tr>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td>2011</td>
<td>2012</td>
</tr>
<tr>
<td>2013</td>
<td>Release</td>
</tr>
</tbody>
</table>
```

The compulsory retention period will also be decided by the committee and will only 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.
Where shares vest under awards made in 2007 and future years, 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 should hold shares equivalent in value to five times his or her base salary within five years of appointment as an executive director. This policy is reflected in the terms of the EDIP, as shares awarded will only be released at the end of the three-year retention period, described below, if these minimum shareholding guidelines are met.

Performance conditions
For performance share awards in 2007, the performance conditions will continue to relate to BP’s total shareholder return (TSR) compared with other oil majors – ExxonMobil, Shell, Total and Chevron – over a three-year period. 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. The need to exercise discretion is most likely to arise when the TSR of some underlying businesses are broadly similar, a simple ranking could sometimes distort BP’s underlying business performance relative to the comparators.

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

Group chief executive
As noted above, as group chief executive, Lord Browne is eligible for performance share awards of up to 7.5 times his base salary. While the largest part of this is related to TSR, the committee has decided that up to two times base salary should be based on long-term leadership measures. These focus on sustaining BP’s financial, strategic and organizational health. They include, among other measures, maintenance of BP’s performance culture and the continued development of BP’s business strategy, executive talent and internal organization. As with the TSR element, this element will be assessed over a three-year performance period.

The remuneration committee has agreed that Lord Browne will be granted a share award under the 2007-2009 plan on the above basis. The performance targets for this award (and those granted to him on the same basis in 2005 and 2006) will be assessed by the remuneration committee at the end of the three-year performance period that applies to each award. The actual number of shares received will depend on the extent to which relevant performance conditions are satisfied.

Pensions
Executive directors are eligible to participate in the appropriate pension schemes applying in their home countries. Additional details are given on page 34.

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 have recently been amended such that the normal retirement age is 65. Scheme members can 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.

In April 2006, the UK government made important changes to the operation and taxation of pensions. The remuneration committee decided to deliver pension benefits in excess of the new lifetime allowance of £1.5 million set by the legislation via an approved, unfunded pension arrangement paid by the company direct.

US directors
Dr Grote participates in the US BP Retirement Accumulation Plan (US plan), which features a cash balance formula. The US plan took its current form on 1 July 2000. 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 2006, shown in the table on page 34, 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.
Service contracts

<table>
<thead>
<tr>
<th>Director</th>
<th>Contract date</th>
<th>Salary as at 31 Dec 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lord Browne</td>
<td>11 Nov 1993</td>
<td>£1,575,000</td>
</tr>
<tr>
<td>Dr A B Hayward</td>
<td>29 Jan 2003</td>
<td>£485,000</td>
</tr>
<tr>
<td>Dr D C Allen</td>
<td>29 Jan 2003</td>
<td>£485,000</td>
</tr>
<tr>
<td>I C Conn</td>
<td>22 Jul 2004</td>
<td>£485,000</td>
</tr>
<tr>
<td>Dr B E Grote</td>
<td>7 Aug 2000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>J A Manzoni</td>
<td>29 Jan 2003</td>
<td>£485,000</td>
</tr>
</tbody>
</table>

*Subsequent to 31 December 2006, Dr Hayward’s salary was increased to £750,000 and Mr Inglis’ salary, on appointment to the board, to £425,000.

When Lord Browne retires on 31 July 2007, he will become entitled to a payment equal to the aggregate of 12 months’ base salary at that date, his target annual bonus level (130% of base salary) and £90,000 in respect of fringe benefits. In accordance with the committee’s policy, the payment will be made in four quarterly instalments (the first payable in November 2007) and each instalment will be reduced by an amount equal to any of Lord Browne’s replacement earnings for the quarter in question, to the extent that such earnings exceed one-third of the relevant quarterly instalment.

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 Dr Allen, Mr Conn, Dr Hayward and Mr Manzoni 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 had an unexpired term of one year on 31 December 2006. 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 have included 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.
Committee chairmanship fee
Board member

to the following former directors: Mr Miles £46,000 (who retired in considering the amount of any such payment. After that date would not be taken into account by the board in 2002 would remain eligible for consideration for a payment, service gratuities so that: (i) non-executive directors appointed to the board after at least six years’ service are, at the time of their retirement, eligible for consideration for a superannuation gratuity. The board is authorized to make such payments under the company’s Articles of Association. 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: (i) non-executive directors appointed to the board after 1 July 2002 would not be eligible for consideration for such a payment; and (ii) 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 superannuation gratuity payments during the year to the following former directors: Mr Miles £46,000 (who retired in April 2006) and Mr Wilson £21,000 (who resigned from the board in February 2006). These payments were in line with the policy arrangements agreed in 2002 (outlined above).

Remuneration of non-executive directors in 2006

<table>
<thead>
<tr>
<th>Directors leaving the board in 2006</th>
<th>£ thousand</th>
</tr>
</thead>
<tbody>
<tr>
<td>H M P Milesa d</td>
<td>30</td>
</tr>
<tr>
<td>M H Wilsonb</td>
<td>22.5</td>
</tr>
</tbody>
</table>

aThis information has been subject to audit.
bAppointed on 20 July 2006.
cAlso received a superannuation gratuity of £46,000.
dAlso received £37,500 for serving as a director and non-executive chairman of BP Pension Trustees Limited.
eAlso received a superannuation gratuity of £21,000.

Based on the current fee structure, the table above shows the 2006 remuneration of each non-executive director.

Non-executive directors have letters of appointment that 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.

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.

<table>
<thead>
<tr>
<th>Interest in BP ADSs at 1 Jan 2006 and 31 Dec 2006</th>
<th>Date on which director reaches age 70</th>
</tr>
</thead>
<tbody>
<tr>
<td>J H Bryan</td>
<td>5,548</td>
</tr>
<tr>
<td></td>
<td>5 Oct 2006</td>
</tr>
<tr>
<td>E B Davis, Jr</td>
<td>4,490</td>
</tr>
<tr>
<td></td>
<td>5 Aug 2014</td>
</tr>
<tr>
<td>Dr W E Massey</td>
<td>3,346</td>
</tr>
<tr>
<td></td>
<td>5 Apr 2008</td>
</tr>
</tbody>
</table>

aNo 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 0.98167 of a BP ADS for every Amoco share) was $27.97 per BP ADS.
bFor 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.
cMr Wilson resigned from the board on 28 February 2006. Mr Wilson had received awards of Amoco shares under the plan between 1 November 1993 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 11 May 2006 and the shares vested on that date (when the BP ADS market price was $76.07) without payment by him.
Remuneration committee

All the members of the committee are independent non-executive directors. Throughout this year, Dr Julius (chairman), Mr Bryan, Mr Davis, Sir Tom McKillop and Sir Ian Prosser were members. Lord Browne 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 monitor the policies being applied by the group chief executive in remunerating senior executives who are not executive directors.

Constitution and operation

Each member of the remuneration committee (named on page 42) is subject to annual re-election as a director of the company. The board considers all committee members to be independent (see page 38). They have no personal financial interest, other than as shareholders, in the committee’s decisions.

The committee met five times in the period under review. There was a full attendance record except for Mr Davis, who was unable to attend one meeting. 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 2006, the committee continued to engage Towers Perrin as its principal external adviser. Towers Perrin also provided limited ad hoc remuneration and benefits advice to partners of the group, principally changes in employee share plans and some market information on pay structures. The committee continued to engage Kepler Associates to advise on performance measurement. Kepler Associates also provided performance data and limited ad hoc advice on performance measurement to the group.

Freshfields Bruckhaus Derringer 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 28, to ensure they met an independent, objective standard. They also provided audit, audit-related and taxation services for the group.

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 and to the FTSE All World Oil & Gas Index. BP is a constituent of both indices, which are the most relevant broad equity market indices for this purpose.

Past directors

Until 30 September 2006, Mr Olver acted as a consultant to BP in relation to its activities in Russia and served as a BP-nominated director of TNK-BP Limited, a joint venture company owned 50% by BP. Under the consultancy agreement, he received £225,000 in fees in 2006 as well as reimbursement of costs and support for his role. He was also entitled to retain fees paid to him by TNK-BP up to a maximum of $120,000 a year for his role as a director, deputy chairman and chairman of the audit committee of TNK-BP Limited.

Mr Miles (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. This position is for a term of three years and he receives £150,000 per annum.
BP's performance is measured against the oil sector. For the periods 2003-2005 and 2004-2006, the performance measure is SHRAM, which is measured against the FTSE All World Oil & Gas Index, and ROACE and EPS growth, which are measured against ExxonMobil, Shell, Total and Chevron. For periods 2005-2007 onward, the performance condition is TSR measured against ExxonMobil, Shell, Total and Chevron. Each performance period ends on 31 December of the third year.

 Represents awards of shares made at the end of the relevant performance period based on performance achieved under rules of the plan.

## Share element of EDIP and LTPPs

<table>
<thead>
<tr>
<th>Performance period</th>
<th>Date of award of performance shares</th>
<th>At 1 Jan 2006</th>
<th>At 1 Jan 2006</th>
<th>At 31 Dec 2006</th>
<th>At 31 Dec 2006</th>
<th>Number of ordinary shares vested</th>
<th>Market price of each share at date of vesting</th>
<th>Market price of each share at vesting date</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2005–2007 28 Apr 2005</td>
<td>5.33</td>
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This information has been subject to audit.
### Share options

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<tr>
<th>Option type</th>
<th>At 1 Jan 2006</th>
<th>Granted</th>
<th>Exercised</th>
<th>At 31 Dec 2006</th>
<th>Option price</th>
<th>Market price at date of exercise</th>
<th>Date from which first exercisable</th>
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<td>17 Feb 2004</td>
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<tr>
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<td>25 Feb 2005</td>
<td>25 Feb 2011</td>
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<td>I C Conn</td>
<td>SAYE 1,496</td>
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<td>1,496</td>
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<td>J A Manzoni</td>
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<td>£5.72</td>
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<td>EDIP 275,000</td>
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<td>275,000</td>
<td>£4.22</td>
<td></td>
<td>25 Feb 2005</td>
<td>25 Feb 2011</td>
</tr>
</tbody>
</table>

The closing market prices of an ordinary share and of an ADS on 31 December 2006 were £5.68 and $67.10 respectively. During 2006, the highest market prices were £7.12 and $76.47 respectively and the lowest market prices were £5.64 and $63.72 respectively.

EDIP = Executive Directors’ Incentive Plan adopted by shareholders in April 2005 as described on pages 29-30.
BPA = BP Amoco share option plan, which applied to US executive directors prior to the adoption of the EDIP.
SAR = Stock Appreciation Rights under BP America Inc. Share Appreciation Plan.
SAYE = Save As You Earn employee share scheme.
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.

\(^a\)This information has been subject to audit.
\(^b\)Numbers shown are ADSs under option. One ADS is equivalent to six ordinary shares.

This directors’ remuneration report was approved by the board and signed on its behalf by David J Jackson, company secretary, on 23 February 2007.
The governance: board performance report was prepared by the board and complies with the revised Combined Code. It forms part of BP Annual Report and Accounts 2006 and is included here to provide relevant background to the resolutions to be considered at the AGM.
Shareholders

Accountability
The board, principally through the AGM, is accountable to shareholders for the performance and activities of the entire BP group. The board takes steps to understand shareholder preferences and to evaluate systematically the financial, social, environmental and ethical matters that may influence or affect the interests of our shareholders.

Dialogue
Throughout the year, the chairman has regular meetings with institutional shareholders to discuss issues of governance and high-level strategy. Shareholder dialogue is also undertaken by the group chief executive and other directors, the company secretary’s office, investor relations and other teams within BP on wider issues relating to the operation and financial performance of the company. Presentations given by the company to the investment community are available on the ‘Investor’ section of www.bp.com.

Reporting
BP uses a number of different reporting channels to provide feedback and accountability on the company’s performance to shareholders. These include the Annual Report and Accounts (which now includes a business review), Annual Review, Annual Report on Form 20-F and announcements made through stock exchanges on which BP shares are listed, as well as the AGM. BP seeks to promote the use of electronic communications within its reporting methods, so all these documents are available via our website at www.bp.com.

AGM and voting
Shareholders are encouraged to attend the AGM and use the opportunity to ask questions and hear the resulting discussion about BP’s performance. However, given the size and geographical diversity of the company’s shareholder base, we recognize that this may not always be practical and shareholders who are unable to attend are encouraged to use proxy voting on the resolutions put forward. Every vote cast, whether in person or by proxy at shareholder meetings, is counted, because votes on all matters except procedural issues are taken by a poll. The company has introduced a ‘vote withheld’ option on the proxy form in order to comply with the revised UK Combined Code. A ‘vote withheld’ is not a vote in law and will not be counted in the calculation of the proportion of votes ‘for’ and ‘against’ a resolution.

After the event, copies of speeches and presentations given at the AGM are available to download via www.bp.com, together with the outcome of voting on the resolutions.

The chairman and the board committee chairmen were present during the 2006 AGM. Board members also met shareholders informally after the main business of the AGM. In 2006, voting levels at the AGM increased to 64%, up from 62% in 2005.

Election of directors
All directors stand for re-election each year, with new directors being subject to election at the first opportunity following their appointment. All the names submitted to shareholders for election are accompanied by a biography and an outline of the skills and experience that the company feels are relevant in proposing them for the office of director.

Voting levels from the 2006 AGM demonstrated continued support for all our directors.

Governance and the role of our board
Governance is the system by which the company’s owners and their representatives on the board ensure that the company pursues its defined purpose and only allocates resources to that purpose. It is neither a process of compliance nor an additional level of management. The board’s activity is focused on this task as the representative of BP’s owners and it discharges this through actions that promote long-term shareholder interest.

BP’s approach to governance is based on the connection between good governance and maximizing shareholder value. We believe that good governance involves both clarity of roles and distinct skills and processes. The BP board governs the company on behalf of shareholders, while management is delegated to the group chief executive through the board governance policies. These policies use a coherent, principles-based approach that ensures our board and management operate within a clear and efficient governance framework that places long-term shareholder interest at the centre of everything the company does.

In maximizing long-term shareholder interest, the board exercises judgement when carrying out its work in policy-making, monitoring executive action and active consideration of group strategy. While being responsible to shareholders, the board also recognizes the need to be responsive to the interests of those with whom the company interacts.

How the board governs the company
The board’s governance policies describe its relationship with shareholders, the conduct of board affairs and the board’s relationship with the group chief executive. The policies recognize the board’s separate and unique role as the link in the chain of authority between the shareholders and the group chief executive. It is this unique task that gives the board its central role in governance.

The board governance policies address the dual role played by the group chief executive and executive directors as both members of the board and leaders of executive management. The policies require a majority of the board to be composed of independent non-executive directors. To assure the integrity of the governance process, the relationship between the board and the group chief executive is governed by the non-executive directors, particularly through the work of the board committees they populate.

The board focuses on those tasks that are unique to it as a board, reserving to itself the making of broad policy decisions. It delegates detailed consideration to either board committees and officers (for board processes) or to the group chief executive (in the case of management of the company’s business activities). The board governs BP through setting general policy for the conduct of business (and, critically, by clearly articulating its goals) and by monitoring its implementation by the group chief executive.

To discharge its governance function effectively, the board has laid down rules for its own activities in a governance process policy. Responsibility for implementing this policy is placed on the chairman. This policy covers:
– The conduct of members at meetings.
– The cycle of board activities and the setting of agendas.
– The provision of timely information to the board.
– Board officers and their roles.
– Board committees, their tasks and composition.
– Qualifications for board membership and the process of the nomination committee.
– The remuneration of non-executive directors.
– The process for directors to obtain independent advice.
– The appointment and role of the company secretary.
The delegation of authority from the board to the group chief executive and the expectations and limitations on that authority are set out in three separate board governance policies, which enables the board to shape BP’s values and standards:  
1. **Board-executive linkage policy**, which outlines how the board delegates authority to the group chief executive and the extent of that authority. It also sets out how the performance of the group chief executive will be monitored.  
2. **Board goals policy**, which clarifies what the board expects the group chief executive to deliver.  
3. **Executive limitations policy**, which defines the boundaries on how the group chief executive can achieve these results and requires that any executive action taken in the course of business considers internal controls, risk preferences, financing, ethical behaviour, health, safety, the environment, treatment of employees and political considerations.

### Accountability in our business

The group chief executive describes to the board how the expected outcome and goals are intended to be delivered through regular business plans, which also encompass an assessment of the group’s risks. During the year, the board receives updates on progress towards these outcomes through actual and forecasted results.  

The group chief executive is obliged to review and discuss with the board all strategic projects or developments and all material matters currently or prospectively affecting the company and its performance. This key dialogue specifically includes any materially under-performing business activities, actions that breach the executive limitations policy and material matters of a social responsibility, environmental or ethical nature.

The board-executive linkage policy also sets out how the group chief executive’s performance will be monitored and recognizes that, in the multitude of changing circumstances, judgement will always be involved. The systems set out in the board-executive linkage policy are designed to manage, rather than to eliminate, the risk of failure to achieve the goals or observe the executive limitations policy. They provide reasonable, rather than absolute, assurance against material misstatement or loss.

### The board: structure and skills

The board is composed of the chairman, nine non-executive and seven executive directors. In total, four nationalities are represented on the board. The names and biographical details of the directors are provided on pages 12-19.  

The board is actively engaged in orderly succession planning for both executive and non-executive roles, to enable the board’s composition to be renewed without compromising its continued effectiveness.  

Lord Browne will retire as group chief executive and from the board on 31 July 2007. Dr Tony Hayward will become group chief executive on 1 August 2007. Mr Michael Wilson stepped down from the board at the end of February 2006 and Mr Michael Miles retired in April 2006. Sir William Castell joined the board in July 2006. Mr Andy Inglis joined the board on 1 February 2007 as chief executive of the exploration and production segment in succession to Dr Hayward. At the 2007 AGM, Mr John Bryan will retire from the board.  

The efficiency and effectiveness of the board are of paramount importance. Our board is large but this is necessary to allow both sufficient executive director representation to cover the breadth and depth of the group’s business activities and sufficient non-executive representation to reflect the scale and complexity of the company and to staff our board committees. A board of this size also allows systematic succession planning for key roles.

We believe that our non-executive directors bring a broad range of relevant skills and experience to the work of the board and its committees. Not only do they contribute international and operational experience, but they also provide an understanding of the economies and world capital markets in which the group operates and an appreciation of the health, safety and environmental and sustainability issues the group faces. Our executive directors bring a further perspective to the work of the board through their deep comprehension of the company’s business.

### Board independence

Part of the qualification for board membership of BP is the requirement that non-executive directors be free from any relationship with the company’s executive management that could materially interfere with the exercise of their independent judgement. In the board’s view, the non-executive directors fulfil this requirement and the board has determined that those who served during 2006 were independent. All non-executive directors are now subject to annual election and to date have received overwhelming endorsement at successive AGMs.

Sir Ian Prosser joined the board in 1997. It is the view of the board that, despite having served for more than nine years, he remains independent. His experience and long-term perspective on BP’s business have provided a valuable contribution to the board, given the long-term nature of our business. The board has specifically requested that he remain chairman of the audit committee for the time being through the retirement of Dr Byron Grote.

Those directors who joined the BP board in 1998 after service on the board of Amoco Corporation (Messrs Bryan, Massey and Davis) are considered independent since the most senior executive management of BP comprises individuals who were not previously Amoco employees. While Amoco businesses and assets are a key part of the group, the scope and scale of BP since its acquisition of the ARCO, Burmah Castrol and Veba businesses are fundamentally different from those of the former Amoco Corporation.

The board has satisfied itself that there is no compromise to the independence of those directors who serve together as directors on the boards of outside entities (or who have other appointments in outside entities). Where necessary, our board ensures appropriate processes are in place to manage any possible conflict of interest.
an indemnity from the company in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which directors may not be indemnified, the company maintained a directors’ and officers’ liability insurance policy throughout 2006. This policy has been renewed for 2007. Although their defence costs may be met, neither the company’s indemnity nor insurance provides cover in the event that the director is proved to have acted fraudulently or dishonestly.

**Training**

On appointment, our directors are advised of the legal and other duties and obligations they have as directors of a listed company. The board regularly considers the implications of these duties under the board governance policies. In addition, non-executive directors also receive ongoing training specific to the tasks of the particular board committees on which they serve in order to update their skills and knowledge and enhance their effectiveness during their tenure.

Our directors are updated on BP’s business, the environment in which it operates and other matters throughout their period in office.

**Outside appointments**

As part of their ongoing development, our executive directors are permitted to take up an external board appointment, subject to the agreement of the BP board. Generally, outside appointments for executive directors are limited to a single company board only, although our current group chief executive, by exception, serves on two outside company boards. Our board is satisfied that these appointments do not conflict with his duties and commitments to BP Executive directors retain any fees received in respect of such external appointments.

Non-executive directors may serve on a number of outside boards, provided they continue to demonstrate the requisite commitment to discharge their duties to BP effectively. The nomination committee keeps the extent of directors’ other interests under review to ensure that the efficacy of our board is not compromised.

**Evaluation**

The board continued its ongoing evaluation processes to assess its performance and identify areas in which its effectiveness, policies and processes might be enhanced. The board evaluated its performance during the year through the use of a questionnaire aimed at building on the outcome of the previous year’s evaluation and endeavouring to assess the manner in which the board had responded to the issues that occurred during 2006. The board is considering the output from the evaluation.

Separate evaluations of the audit and the safety, ethics and environment assurance committees took place during the year and are reported in the committee reports on pages 40-42. The remuneration committee will be reviewing its 2006 performance.

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**Directors’ attendance**

<table>
<thead>
<tr>
<th></th>
<th>Board meetings</th>
<th>Audit committee meetings</th>
<th>SEECAC meetings</th>
<th>Chairman’s committee meetings</th>
<th>Remuneration committee meetings</th>
<th>Nomination committee meetings</th>
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**Board and committees: meetings and attendance**

The board requires all members to devote sufficient time to the work of the board to discharge the office of director and to use their best endeavours to attend meetings.

In addition to the AGM (which 14 directors attended), the board met nine times during 2006: six times in the UK, twice in the US and once in Turkey. Two of these meetings were two-day strategy discussions.

A number of board committee meetings were held during the year; for details of these and their attendance by board members please see the table above.

**Serving as a director: induction, training and evaluation**

**Induction**

Following their appointment to the board, new directors undertake an induction programme that is tailored to their specific needs. This programme covers matters such as the operation and activities of the group (including key financial, business, social and environmental risks to the group’s activities), the role of the board and the matters reserved for its decision, the tasks and membership of the principal board committees, the powers delegated to those committees, the board’s governance policies and practices and the latest financial information about the group. The chairman is accountable for the induction of new board members and is assisted by the company secretary’s office in this role.
in the first half of 2007. The potential use of external providers in the context of board evaluation is being kept under review.

The chairman and the senior independent director

BP’s board governance policies require that neither the chairman nor the deputy chairman is employed as an executive of the group. During 2006, the posts were held by Mr Sutherland and Sir Ian Prosser respectively. Sir Ian also acts as our senior independent director and is available to shareholders who have concerns that cannot be addressed through normal channels.

The chairman is responsible for leading the board and facilitating its work. He ensures that the governance principles and processes of the board are maintained and encourages debate and discussion. The chairman also leads board and individual director performance appraisals. He represents the views of the board to shareholders on key issues, not least in succession planning for both executive and non-executive appointments. Shareholders’ views are fed back to the board by the chairman.

The company secretary reports to the chairman and has no executive functions. His remuneration is determined by the remuneration committee.

Between board meetings, the chairman has responsibility for ensuring the integrity and effectiveness of the board/executive relationship. This requires his interaction with the group chief executive between board meetings, as well as his contact with other board members and shareholders.

The chairman and all the non-executive directors meet periodically as the chairman’s committee (reported on page 42). The performance of the chairman is evaluated each year, with the evaluation discussion taking place when the chairman is not present.

Board committees

The governance process policy allocates the tasks of monitoring executive actions and assessing performance to certain board committees. These tasks prescribe the authority and role of the board committees.

Reports for each of the committees for 2006 follow. In common with the board, each committee has access to independent advice and counsel as required and each is supported by the company secretary’s office, which is demonstrably independent of the executive management of the group.

Audit committee report

Membership and meeting schedule

The audit committee consists solely of independent non-executive directors. Its membership is selected to provide a broad set of financial, international and commercial expertise appropriate to fulfil the committee’s duties.

Members of the audit committee include Sir Ian Prosser (chairman), Mr D J Flint, Mr E B Davis, Jr and Mr J H Bryan. During 2006, Mr M H Wilson and Mr H M P Miles retired from the committee and Sir William Castell joined as a new member. The company secretary’s office ensures new committee members receive briefings on the committee’s tasks and process before taking up their roles.

The board has determined that Mr Flint possesses the financial and audit committee experience as defined by the Combined Code guidance and the US Securities and Exchange Commission and has nominated him as the audit committee’s financial expert.

At the request of the audit committee chairman, each meeting is attended by the lead partner of the external auditors (Ernst & Young), the BP general auditor (head of internal audit), the group chief financial officer, the chief accounting officer and the group controller.

The audit committee met 12 times during 2006.

Role of audit committee

The tasks of the audit committee include gaining assurance on the financial processes of the group and the integrity of its reports and accounts. On behalf of the board, it monitors observance of the executive limitations policy relating to financial matters. The committee reviews the management of financial risks and the internal controls designed to address them.

The committee believes that it meets each of the tasks that are outlined in the Combined Code as falling within the remit of an audit committee.

Agenda and information

Central to the operation of the audit committee is the meeting agenda. Forward agendas are set at the start of each year to determine a high-level work programme for the committee. Agendas are constructed from regular items, including those that are required by regulation, and items reflecting the board’s desire to review group risks. Between committee meetings, the chairman reviews any issues that arise with the group chief financial officer, the external auditors and the BP general auditor and items may be added to the next committee meeting agenda as appropriate.

The committee receives information on agenda items from both internal and external sources, including the chief financial officer, the internal auditor and BP’s external auditors. Presentations are made by a wide cross-section of the group’s business and financial control management. Where relevant to a particular business or functional review, additional Ernst & Young audit staff attend and contribute. In addition, the committee meets both the external auditors and BP general auditor in private sessions where the executive management are not present.

In common with other BP board committees, the audit committee can access independent advice and counsel if it requires, on an unrestricted basis. Further support is provided to the committee by the company secretary’s office and, during 2006, external specialist legal and regulatory advice was provided to the committee by Sullivan & Cromwell LLP.

The activities of the audit committee and any issues that have arisen are reported back to the main board by the audit committee chairman following each meeting.

Committee activities in 2006

Financial reports

During the year, the committee reviewed all annual and quarterly financial reports before recommending their publication to the board. The committee also examined the application of new financial standards, critical accounting policies and judgements.

Internal controls and risk management

In the course of 2006, the audit committee reviewed reports on risks, control and assurance for all the BP business segments (exploration and production, refining and marketing and gas, power and renewables), together with BP’s trading function. Reviews were also carried out on BP’s long-term contractual commitments and the
manner in which the risks and control systems for these contracts were being managed.

Key regulatory issues are discussed throughout the year by the committee as part of its standing agenda items. These include a quarterly review of the company’s evaluation of its internal controls systems as part of the requirement of Section 404 of the Sarbanes-Oxley Act. The committee also examines the effectiveness of BP’s enterprise level controls through the annual assessment undertaken by the company’s internal audit function.

In addition to the recurring items on the agenda, the audit committee considered a range of other specific topics during the year, including a review of tax planning and provisions, an evaluation of the company’s pension and post-retirement benefit assumptions and an assessment of BP’s oil and gas reserves methodology.

**Relationship with external auditors**

As outlined above, the lead audit partner from Ernst & Young attends all meetings of the audit committee at the request of the committee chairman. Other audit partners are also invited to attend meetings to participate in discussions relating to their areas of expertise, for example, during business segment reviews.

During the year, the committee held two private meetings with the external auditors without the presence of executive management, in order to discuss any issues or concerns on the part of both the committee and the auditors.

The performance of the external auditors is evaluated by the audit committee each year. Central to this evaluation is scrutiny of the external auditors’ independence, objectivity and viability. To maintain the independence of the external auditors, the provision of non-audit services is limited to tax and audit-related work that fall within specific categories. This work is pre-approved by the audit committee and all non-audit services are monitored quarterly. Fees paid to the external auditors during the year for audit and other services were $73 million, of which 16% was for non-audit work (see Financial statements – Note 20 in BP Annual Report and Accounts 2006). Non-audit services provided by Ernst & Young have been significantly reduced over recent years but, reflecting regulatory and reporting developments in the UK and US, audit fees have increased substantially.

In addition to the restrictions on non-audit work, the objectivity and independence of the external auditors are augmented by the rotation of audit staff on a regular basis. A new lead audit partner is appointed every five years and other senior audit staff are moved every seven years. It is the policy of the company that no partners or senior staff responsible for non-audit services attend any meeting with the external auditors without the presence of executive management.

After considering both the proposed fee structure and the audit engagement terms for 2007, the audit committee has recommended to the board that the reappointment of the auditors be proposed to shareholders at the 2007 AGM.

**Internal audit**

BP’s internal audit function advises the committee on the company’s identification and control of risk. The general auditor contributes widely to the committee’s discussion of the company’s framework of internal controls and the effectiveness of their application. The audit committee agreed the work programme to be undertaken by internal audit during the year and obtained satisfaction that the proposed work plan appropriately responded to the key risks facing the company and that internal audit had adequate staff and resources to complete its work.

In addition to regular observations and updates at each committee meeting, internal audit made two written reports of its findings to the committee in 2006. These reports contributed to the committee’s view on how effective the company’s system of internal controls had been and formed the basis of its recommendations to the board.

During the year, the committee met privately with the head of internal audit (the BP general auditor), without the presence of executive management. It also evaluated the performance of the internal audit function.

**Fraud reporting and employee concerns/whistleblowing**

The committee received a quarterly report from internal audit on instances of actual or potential fraud or concerns relating to the financial accounting of the company. In addition, the group compliance and ethics function reported on issues raised via the employee concerns programme, OpenTalk, together with other topics arising from the company’s annual certification process.

**Performance evaluation**

The audit committee conducts a yearly evaluation of its performance. The review for 2006 involved a survey of committee members and other individuals who had regularly attended the committee. The results of the review were fed back to the committee in November.

No significant process changes were identified but the committee did determine to take additional time in private session at the end of each meeting and to hold a joint meeting with the safety, ethics and environment assurance committee each year to review the general auditor’s internal controls and risk management report. These adjustments were incorporated in the forward agenda and work plan for 2007.

The audit committee plans to meet 12 times during 2007.

**Safety, ethics and environment assurance committee report**

**Membership and meeting schedule**

The committee’s members consist solely of independent non-executive directors and include Dr W E Massey (chairman) and Mr A Burgmans. During 2006, Mr M H Wilson and Mr H M P Miles retired from the committee and Sir William Castell and Sir Tom McKillop joined as new members. The company secretary’s office ensures new committee members receive briefings on the committee’s tasks and process before taking up their roles.

In addition to the members above, each meeting is attended by the lead partner of the external auditors (Ernst & Young) and the BP general auditor (head of internal audit) at the invitation of the committee chairman.

Reports and presentation to the committee are led by the executive director with functional accountability for safety and the environment (Mr Iain Conn) and the committee’s dialogue includes meeting with the relevant senior managers and functional experts for each of its agenda topics. In 2006, the group chief executive attended one meeting.

The safety, ethics and environment assurance committee, created in 1997, has increased the frequency of its meetings in recent years from four per year in 2003 to seven in 2006. This has reflected both the increased breadth of the company’s business (for example, expansion into new geographies such as Russia) and the committee’s additional work in monitoring the executive management’s response to incidents (including the Texas City fire and explosion and the oil spills in Alaska).

**Role of the committee**

On behalf of the board, the committee monitors observance of the executive limitations policy that relates to the environmental, health and safety, security and ethical performance and compliance of the company.
During 2006, the committee's name was amended. Having reviewed its agendas over the past few years, it was considered by the board that the addition of 'safety' to ethics and environment assurance provided a better reflection of the committee's work.

Agenda and information
The tasks of the safety, ethics and environment assurance committee are particularly broad as they cover all non-financial risks. In constructing its forward agenda at the beginning of each year, the committee pays particular attention to the review of group risks conducted by the general auditor and risks identified in the company's business plans.

Forward agendas also include regular or standing agenda items. Standing agenda items are those that enable the committee to monitor and assess how the executive limitations policy is being observed (for example, compliance and ethics and health, safety and environment reports) and review the specific non-financial risks that are identified in the company's annual plan (for example, in performing regional risk reviews). The chairman of the committee will also review the forward agenda against any emerging issues or developments that may arise during the year and amend as necessary.

The committee receives information relating to agenda items from both internal and external sources, including internal audit, BP's external auditors, the group compliance and ethics function and external market and reputation research. In common with other BP board committees, the safety, ethics and environment assurance committee can access independent advice and counsel if it requires, on an unrestricted basis.

The activities of the safety, ethics and environment assurance committee and any issues that have arisen are reported back to the main board by the chairman following each meeting.

Committee activities in 2006

HSE performance
The committee received reports on both the company's overall HSE performance, including an examination of key metrics, and on individual topics such as human resources capability, employee health and HSE in TNK-BP. Progress in safety and operations management since the incident at the Texas City refinery has been reviewed regularly.

Regional risk reviews
While most of the board-level monitoring is undertaken through business segments or functions, risks that require management at a country or regional level are also scrutinized by the committee. During the year, risk reviews were carried out for North America, Russia and the Caspian.

Compliance and ethics
The group compliance and ethics function reports to the committee on a quarterly basis. During 2006, the compliance and ethics reports covered the results of the 2005 certification process, progress on the implementation of the company's code of conduct and the operation of OpenTalk.

Performance evaluation
The committee conducts an annual review of its process and performance. This year's review was discussed at the committee's November meeting and has led to enhancements in the committee process going forward, including the incorporation of reports from the new group operations risk committee and an increase in time allotted to agenda items to enable further in-depth discussion.

The safety, ethics and environment assurance committee plans to meet seven times during 2007.

Remuneration committee report
Membership and meeting schedule
The remuneration committee consists solely of non-executive directors, who are considered by the board to be independent. Committee members include Dr D S Julius (chairman), Mr J H Bryan, Mr E B Davis, Jr, Sir Tom McKillop and Sir Ian Prosser. The chairman of the board also attends meetings of the committee.

The committee met five times during 2006 and is independently advised.

Role of remuneration committee
The committee's main task is to determine the terms of engagement and remuneration of the executive directors.

Further details of the committee's role, authority and activities during the year are set out in the directors' remuneration report on pages 26-35, which is the subject of a vote by shareholders at the 2007 AGM.

Chairman's committee report
Membership and meeting schedule
The chairman's committee comprises all the non-executive directors and is chaired by the board chairman.

The committee met four times during the year.

Role of chairman's committee
The task of the committee is to consider broad issues of governance, including the performance of the chairman and the group chief executive, succession planning, the organization of the group and any matters referred to it for an opinion from another board committee.

Committee activities in 2006
The main focus of the committee was on the task of ensuring an orderly succession plan for the group chief executive role. In that respect, the committee formed a working group comprised of the chairmen of each of the board's standing committees, which has taken forward the detailed work necessary to ensure a best-practice process to identify a new group chief executive. The working group met six times during the year.

The committee took external advice as appropriate and benchmarked all the candidates against the external market.

The committee concluded its work by making a unanimous recommendation to the board that Dr A B Hayward be appointed as the next group chief executive.

Nomination committee report
Membership and meeting schedule
The nomination committee consists of non-executive directors. Its members include Dr D S Julius, Sir Ian Prosser and Dr W E Massey and the committee is chaired by the board chairman, Mr P D Sutherland. All members of the nomination committee are considered by the board to be independent.

The committee met six times during the year.

Role of nomination committee
The task of the nomination committee is to identify and evaluate candidates for appointment and reappointment as director or company secretary of BP.

Committee activities in 2006
As a result of the committee's processes, Sir William Castell joined the board in 2006.

The committee continues to keep under review the skills and background that the board requires to perform its various tasks.
The committee recognizes that, with the forthcoming retirements of directors, at least one new non-executive director will need to be appointed to the board each year for the next three years. The committee is currently evaluating candidates with a North American background.

**Combined Code compliance**

BP complied throughout 2006 with the provisions of the Combined Code Principles of Good Governance and Code of Best Practice, except in the following aspects:

A.4.4 Letters of appointment do not set out fixed time commitments since the schedule of board and committee meetings is subject to change according to the exigencies of the business. All directors are expected to demonstrate their commitment to the work of the board on an ongoing basis. This is reviewed by the nomination committee in recommending candidates for annual re-election.

B.1.4 The amount of fees received by executive directors in respect of their service on outside boards is not disclosed since this information is not considered relevant to BP.

B.2.2 The remuneration of the chairman is fixed by the board as a whole (rather than the remuneration committee) within the limits set by shareholders, since the chairman’s performance is a matter for the whole board.

**Internal control review**

The board, through its governance policies, has established a process by which the effectiveness of the system of internal control can be regularly reviewed as required by provision C.2.1 of the Combined Code.

The process enables the board and its committees to assess the system of internal controls being operated for managing significant risks, including social, environmental, safety and ethical risks, throughout the year. The process did not extend to joint ventures or associates.

As part of this process, the board and the audit and safety, ethics and environment assurance committees requested, received and reviewed reports from executive management, including management of the business segments, at their regular meetings.

In considering the system, the board noted that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The BP general auditor presented reports to a joint meeting of the committees in January 2007 to support the board in its annual assessment of internal control. The reports described how significant risks were identified and embedded within business segment and function plans across the group; the effectiveness of executive controls; and the continuing development of the systems in place to identify and manage risks.

The reports also highlighted future risks of potential significance that had been reviewed by the board as part of the company’s planning process.

The committees engage with executive management during the year on a regular basis to monitor the management of risks. Significant incidents that occurred and management’s response to them were considered by the committees during the year.

As is disclosed in *BP Annual Report and Accounts 2006*, the company has recently received reports that were previously commissioned relating to the US refinery system and trading operations.

The company has accepted the recommendations of those reports and is in the process of determining the appropriate actions required to implement those recommendations. The committees will monitor management’s actions in respect of these reports over the coming year. Subject to this, the board is satisfied that, where significant failings or weaknesses in internal controls were identified, appropriate remedial actions were taken or are being taken.

In the board’s view, the information it received was sufficient to enable it to review the effectiveness of the company’s system of internal control in accordance with the ‘Internal Control Revised Guidance for Directors’ in the Combined Code (Turnbull).

**Directors’ interests**

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aIncludes 25,368 shares held as ADSs.

bIncludes 61,186 shares held as ADSs.

Includes ADSs.

Held as ADSs, except for 94 that are held as ordinary shares.

Interest as at 1 February 2007 on appointment as a director.

The above figures indicate and include all the beneficial and non-beneficial interests of each director of the company in shares of the company (or calculated equivalents) that have been disclosed to the company under the Companies Act 1985 as at the applicable dates. In making these disclosures, the directors did not distinguish their beneficial and non-beneficial interests.

Executive directors are also deemed to have an interest in such shares of the company held from time to time by the BP Employee Share Ownership Plan (No. 2) to facilitate the operation of the company’s option schemes.

No director has any interest in the preference shares or debentures of the company, or in the shares or loan stock of any subsidiary company.
PRINTS BLANK
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