Directors' remuneration report

> We have made our decisions in a considered way, applying discretion where necessary, as we transition to the new policy.

Professor Dame Ann Dowling
Chair of the remuneration committee

Contents

Dear shareholder,

Last year, we introduced a new remuneration policy. This followed extensive consultation with major shareholders and with their representative bodies. They were clear that they wanted our policy to be simple and transparent, with a strong link between pay and performance, and deliver reduced levels of reward. We listened and responded to those concerns. We were pleased to receive strong support for this policy at the 2017 AGM. It is clear to us that you, our shareholders, expect us to implement this policy in a considered way and to be ready to apply discretion when necessary.

2017 has been a transitional year as we have moved from the old policy to the new. We applied the new policy from the start of 2017 (see panel opposite). Therefore salary, the 2017 annual bonus and long-term awards made in 2017, based on performance over the three-year period 2017-19, are all made under the new policy. However, the long-term awards granted under the 2015-17 plan were under our old policy and are based on measures in that policy. The committee scored the safety, operational and financial performance against targets set in 2015, before reviewing the result to see if discretion should be applied. Business performance over the period, and in particular for 2017, has been strong, reflected in the company's first place ranking for TSR among our peer group of major oil and gas companies. However, while returns, which have been explicitly included in the new policy through a ROACE measure have more than doubled over the last two years, there is room for further improvement and the company has continued to incur costs from the Gulf of Mexico oil spill payments. Taking these factors into account, the committee chose to reduce the level of payment for these long-term performance shares by 26%. In applying this reduction, the committee acted in accordance with the messages we received from shareholders and the principles that govern our new policy.

In 2015 Bob Dudley received a maximum performance award of 550% of salary for the period 2015-17. In the spirit of applying the new policy early, he requested a reduction in his maximum award to 500% in line with the 2017 policy. The committee appreciates this request which, together with the committee's discretion, has reduced his payment by $4.2 million (24%) from the formulaic outcome.

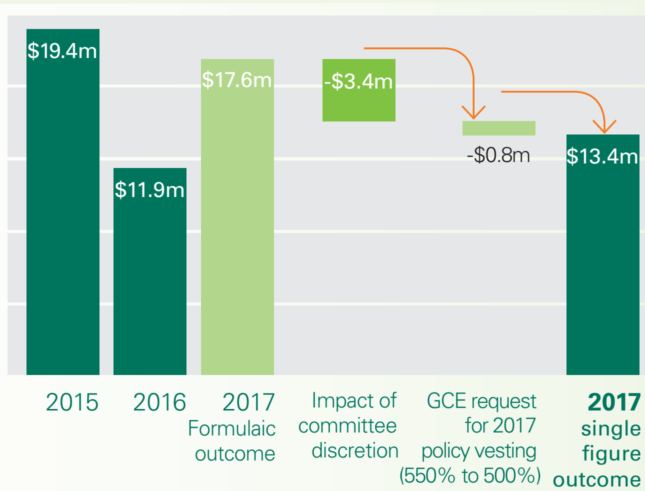
We believe that the outcome for executive directors, representing an increase on 2016 but moderated by discretion, fairly reflects management's performance and the experience of shareholders over this longer period, and is consistent with the aims of the policy approved by shareholders last year.

Business performance

2017 has been one of the strongest years of operational delivery for BP. This has been reflected in our financial results, with a doubling of our underlying replacement

Key outcomes for 2017 Bob Dudley (GCE) – total pay

Seven major projects delivered in the year.	First among peers for total shareholder return.
Discretion used to reduce outcome for performance.	Total pay reduced by $4.2 million (24%) due to GCE request and committee discretion.



More information

Key performance indicators
For an overview of the group's KPIs, with those featuring in the current and previous remuneration policies, see page 18.

cost profit over the year to $6.2 billion and an underlying operating cash flow of $24.1 billion, excluding post-tax oil spill related payments. Over the year BP distributed $7.9 billion in dividends. Following consistent strong progress and the board's confidence in the growing organic free cash flow, we recommenced a share buyback programme in the fourth quarter to offset dilution from the scrip dividend paid to shareholders electing to receive shares rather than cash.

Our TSR for the period 2015-17 was first among our peer group of major oil and gas companies. TSR on the UK shares has been 44% over the three-year period, significantly out-performing the UK market. Seventeen major projects have been delivered over the three-year period. This has contributed to a 10% increase in BP's reported production since 2016 and places us in a strong position for further growth. We have had our most successful year of exploration since 2004. The downstream business had an excellent year in terms of replacement cost profit, driven by strong earnings growth in our marketing and manufacturing businesses. Our Alternative Energy business grew and BP re-entered solar but in a new way, partnering with Lightsource to combine our scale, relationships and expertise in major projects with Lightsource's expertise in developing solar projects.

Overall this has been a year of disciplined execution and growth across the business and BP has made a good start in delivering the company's five-year strategy out to 2021.

Committee process for 2017

In order to gain a comprehensive perspective on performance, the remuneration committee sought the views of the board, audit committee and safety, ethics and environment assurance committee (SEEAC) to evaluate the group's performance against financial, operational and strategic measures for the purposes of executive remuneration.

Incentive outcomes in 2017

2017 was a year of strong performance and achievements, where all targets were met or exceeded for the annual bonus, leading to a formulaic result of 1.54 out of 2. The audit committee and the SEEAC recommended an exercise of downward discretion. This resulted in the remuneration committee reducing the final bonus score to 1.43 out of 2. This results in a bonus of 71.5% of the maximum, half of which will be delivered as shares and held for three years.

For the performance share award made in 2015, the measures are relative TSR, and various financial, safety and operational measures assessed over the three years from 2015 to 2017. The formulaic results led to an outcome of 96% of maximum, reflecting the fact that BP came in first place against the peer group on relative TSR and performed strongly against the other targets set.

This outcome was considered by the committee and reviewed with the executive directors in the context of the overall levels of pay, the wider performance of the company, and the experience of shareholders over

A summary of the 2017 policy is set out on page 110, including the following changes to the 2014 policy:

Simplification

- Reduction to two incentive plans – a short-term annual bonus and a long-term performance share plan – deferred shares no longer matched with additional shares.
- Maximum bonus only earned where stretch performance is delivered on every measure.
- Fewer measures. Eliminated duplication of measures between bonus and long-term incentives.

Transparency

- Total shareholder return (TSR) and return on average capital employed (ROACE) targets disclosed at the start of the three-year performance period. For awards granted in 2017 and 2018, these determine 80% of the available performance shares.
- The group's quarterly results announcements now include updates on all of the KPIs on which remuneration is based other than TSR, with commentary on progress on our strategic priorities which, for awards granted in 2017 and 2018, determine 20% of the available performance shares.

Reduced package

- The level of bonus paid for an 'on-target' score reduced by 25%, and the mandatory bonus deferral increased to 50% of bonus with no matching shares. Bonus scale for executive directors now aligned with the wider managerial population.
- The maximum longer-term incentives for the group chief executive (GCE) reduced from seven times salary (previously made up of matching shares on the deferred annual bonus and performance shares) to a maximum of five times salary.

Link to strategy and shareholder outcome

- Straightforward use of TSR and ROACE as measures of longer-term performance.
- Performance shares vest based in part on strategic priorities which include BP's progress towards a lower carbon future.

Stewardship

- No change to the six-year period for performance shares (three-year holding period after three-year performance period), nor to the minimum shareholding requirement of 5x base salary. There is a new post-retirement holding expectation of 2.5x base salary.
- Safety and the environment remain important considerations through bonus measures and the underpin on long-term incentives.
- Remuneration committee has the responsibility of balancing the outcomes from quantitative results with discretion to adjust final results based on the broader environment and performance.

i For the full policy see *bp.com/remuneration*

How did we determine 2017 outcomes?

1 Assess performance	2 Review outcomes with committees	3 Alignment with employees	4 Apply discretion
Performance assessed against safety, operational and financial measures.	Sought input from the SEEAC and audit committee to ensure a holistic review of performance.	The remuneration committee considered outcomes in the context of BP's group leaders and the broader comparator group of US and UK employees in professional and managerial roles.	The committee used judgement to reflect the broader market environment and outcomes for shareholders.
Determined outcomes against targets set.	Annual bonus scores reduced following the committees' review.		Downward discretion exercised for final outcomes.

the three-year period of the plan. In addition, the committee decided to incorporate early application of some of the principles of the new 2017 policy, for example the more stringent vesting scales. In light of these factors and an overall assessment of pay relative to performance, the committee applied its discretion to reduce the 2015 performance share award vesting from 96% to 70% of maximum.

The exercise of committee discretion on annual bonus and performance share outcomes reduced the amount of variable pay by $3.4 million for Bob Dudley and £1.2 million for Brian Gilvary.

Consistent with the approach of applying certain aspects of the new policy early, Bob Dudley has requested that his performance share vesting should be based on an award level of 500% of salary (from the 2017 policy), rather than the 550% of salary that applied for the 2014 policy.

Furthermore, demonstrating their commitment to delivering long-term sustainable value for BP shareholders, the executive directors have also voluntarily agreed to the extension of vesting periods for certain share awards under a discontinued plan as a transitional approach to the new policy. These share awards remain subject to continued application of a safety underpin.

Following these decisions, the total reported single figure of pay for Bob Dudley and Brian Gilvary was $13.4 and £6.5 million. These are substantially below formulaic outcomes for 2017 but, because the business performance is much improved, are higher than the single figure outcomes for 2016. The committee believes that these outcomes appropriately reflect the strong operational and financial performance of BP this year and over the past three years whilst demonstrating a commitment to a considered approach. This year's single figure for Brian Gilvary is substantially affected by the inclusion of deferred bonus shares from 2014 which have now vested, and the 2017 bonus shares that are being deferred but we now report in the year the shares are granted.

Implementation of the policy for 2018

We plan to make two changes to the performance measures in 2018. For the annual bonus, the upstream measure for 'reliable operations' will be changed from 'upstream operating efficiency' to 'BP-operated upstream plant reliability', creating comparability between our upstream and downstream measures. For performance shares granted in 2017, the ROACE target was based on the final year of the performance period. In response to investor feedback, we are moving progressively towards a three-year evaluation period to encourage steady and sustainable growth. For the 2018 awards, we will average ROACE over the final two years (2019 and 2020) and then use a three-year average for 2019 awards onwards.

We reviewed base salaries for the Bob Dudley and Brian Gilvary, noting the salary increases for UK and US-based employees across the group. The committee has decided there should be no increase in annual salary for Bob Dudley. Brian Gilvary's salary will be increased by 2%, which was below the general increases for the UK and US based employees across the group.

Alignment with strategy and the low carbon transition

In 2017 BP announced details of our five-year strategy to 2021, focusing on strategic and investment choices that are resilient to a range of future outcomes whilst considering the dual challenge of meeting society's need for more energy while working to reduce carbon emissions. To reinforce the importance of the strategy for the group's long-term success, the 2017 policy introduced a balanced but stretching set of measures into the incentives to reflect BP's strategy. During the year we have included updates on our strategic progress in our quarterly results announcements.

We also introduced an underpin for performance shares which includes absolute TSR, safety performance and consideration of issues around carbon and climate change. This framework will allow the committee to monitor progress against the broader approach we outlined in February 2018 – reducing our emissions, improving our products and creating low carbon businesses. See 'Advancing the energy transition' on page 96.

Wider workforce pay

During the year the committee reviewed the group's approach to reward below board level across job levels and geographies. This wider environment provided important context for the committee's decisions on executive directors' remuneration.

Last year, we voluntarily disclosed the GCE-to-employee pay ratio, using the employee comparator group of the professional/managerial grade employees based in the UK and US (representing some 30% of the global employee population). We are aware that regulations will be introduced to require companies to calculate and disclose a ratio. As the regulatory methodology is not yet final, we have continued the practice we adopted in 2017.

Work undertaken by the group in preparation for UK regulatory requirements on gender pay gap reporting was reviewed with the committee, who considered the distribution of employees by grade and gender. In that context the committee received assurance that there was equal pay for equal or like work.

Committee changes

There have been changes to the membership of the committee during the year: Andrew Shilston retired from the board at the AGM in May 2017, with Brendan Nelson and Paula Reynolds joining the committee during 2017. The chairs of both audit committee and SEEAC are now members of the remuneration committee which strengthens the committee's ability to take a wider perspective on the group's performance when discussing reward. I believe that we have a broad range of skills and experience amongst the membership upon which to draw on when looking at issues around remuneration.

Following six years on this committee, the last three as chair, I have decided to step down from the committee following the AGM in May 2018. Paula Reynolds will take the chair. I want to take the opportunity to thank my fellow committee members for their support and welcome Paula to the role of chair. I would also like to thank the executive directors for their positive engagement in the policy changes and exercise of discretion over the last two years.

Conclusion

The board continues to place a high priority on building confidence in the operation of our remuneration policy. This requires the remuneration committee to exercise discretion to align pay outcomes to performance, particularly as we navigate the transition from the pre-2017 policy to our new policy for the future. We have sought to do this in a considered way that reflects shareholder expectations, the performance of BP, and the commitments made to executives. In putting this report forward for an advisory vote at the AGM, we seek your support for the balance we have struck.

Ann Dowling

Professor Dame Ann Dowling
Chair of the remuneration committee
29 March 2018

Summary of our pay and performance for 2017

2017

Business performance

We have made good progress, with strong cash flow and share price growth and the announcement of a number of major investments, all aimed at contributing to returns over the medium and long term.

Key strategic highlights

- Underlying replacement cost profit up 139%.
- Organic cash flows back in balance.
- Seven new major projects delivered.

1st	$24.1bn	$7.9bn
Among peers for total shareholder return for 2015-17.	Operating cash flow, excluding Gulf of Mexico payments.	Dividends paid, including scrip.

Performance outcomes

Annual bonus

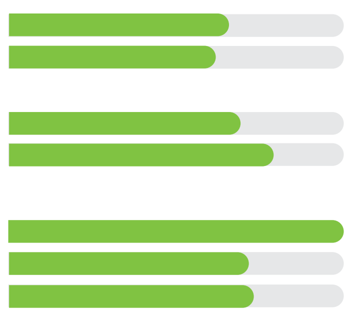
77%	-5.5%	71.5%
Formulaic outcome (% of maximum)	Committee discretion to reduce award	Final outcome after committee discretion (% of maximum)

Performance measures (% weighting) Nil Maximum

Safety
Tier 1 process safety events (10%)
Recordable injury frequency (10%)

Reliability
Refining availability (15%)
Upstream operating efficiency (15%)

Financial
Operating cash flow (excluding Gulf of Mexico oil spill payments) (20%)
Underlying replacement cost profit (20%)
Upstream unit production costs (10%)



Performance shares

96%	-26%	70%
Formulaic outcome (% of maximum)	Committee discretion to reduce award	Expected outcome after committee discretion[a] (% of maximum)

Performance measures (% weighting) Nil Maximum

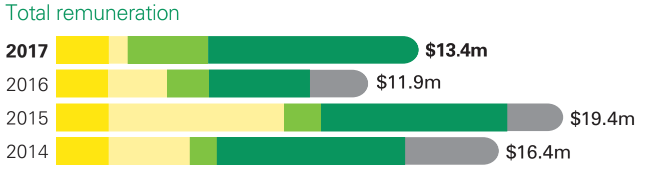
Financial
Relative TSR (33.3%)
Cumulative operating cash flow (33.3%)

Strategic imperatives
Reserves replacement ratio[a] (11.1%)
Major project delivery (11.1%)
Safety and operational risk
– Tier 1 process safety events
– Recordable injury frequency (11.1%)

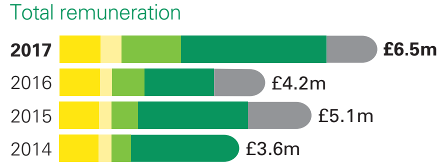
[a] The final outcome for part of this award is based on the company's relative RRR ranking, presently forecast to be second amongst its peers: this will not be known until after the publication of our peers' reports and will therefore be reported in the directors' remuneration report for 2018.

Remuneration outcomes

Bob Dudley, group chief executive
Total remuneration



Brian Gilvary, chief financial officer
Total remuneration



Salary and benefits · Retirement benefits · Annual bonus · Performance shares · Discontinued plans

Reduction in total remuneration

$3.4 million
Reduction due to committee discretion

$0.8 million
Bob Dudley's voluntary performance share reduction

£1.2 million
Reduction due to committee discretion

Share ownership

Shareholding is a key means by which the interests of executive directors are aligned with those of shareholders. As at 14 March 2018 both directors had holdings in BP which significantly exceeded their shareholding requirement. Further details are set out on page 105.

Policy requirement: minimum of **five times** salary

Bob Dudley, group chief executive

3,065,694 shares[b]	10.71 times salary

Brian Gilvary, chief financial officer

1,825,299 shares	11.17 times salary

[b] Held as ADSs.

Summary of our remuneration policy and approach for 2018

2018

BP's policy approach

Simplification. | Reduced package versus previous policy. | Link to strategy. | Stewardship.

Elements of package

Element	
Salary and benefits	Competitive salary and benefits to reflect role and home country norms
Retirement benefits	
Annual bonus	Bonus aligned with annual objectives
Performance shares	Share award for meeting three-year targets
Share ownership	Long-term shareholding

Approach

Salary and benefits

Fixed pay policy is unchanged. Salary and benefits are set at a level which reflects the scale and complexity of the role while recognizing competitive practice in the relevant market.

- The salary for the group chief executive will remain at $1,854,000 for 2018. Bob Dudley has not received a salary increase since July 2014.
- With effect from the AGM, the salary for the chief financial officer will be £775,000.
- The increase to Brian Gilvary's salary continues to reflect the changes to his role when he took on additional responsibilities for BP's trading and shipping functions. This increase of 2% is within the range used by the company for other UK and US employees.
- Benefits will remain unchanged – these include car-related benefits, security assistance, insurance and medical benefits.

Retirement benefits

- From September 2016, Bob Dudley has no further service accrual under the defined benefit pension arrangements. The 401(k) benefits have been partially capped for future years.
- Brian Gilvary receives a cash supplement on the same terms as other participants in the BP UK defined benefit scheme. He receives no further service accrual under the defined benefit pension arrangements.

Annual bonus

Up to 225% of salary

The bonus links variable pay to safety, reliable operations and financial performance for the year.

- Maximum bonus only payable for outperformance on every measure.
- Bonus payable for delivery of bonus scorecard of 1.0 out of 2.0 is half of maximum.
- 50% of any bonus earned will be paid in cash; there will be a mandatory deferral of 50% into shares for three years.
- Awards will be subject to clawback and malus provisions.
- The measures for the bonus are set annually to reflect annual priorities.
- For 2018, performance judged on three key areas:
  – safety (20%)
  – reliable operations (30%)
  – financial performance (50%).
- Overall discretion to review outcomes in the context of annual performance.

Performance shares

GCE – 500%
CFO – 450%
of salary

Directly linked to long-term performance and represents the largest part of the package.

- Three-year performance period, with further three-year holding period.
- Measures aligned to long-term strategy and shareholders' interests.
- Awards will be subject to clawback and malus provisions.
- For 2018 awards, performance judged on three key areas:
  – TSR relative to oil and gas majors over three years (50%)
  – ROACE based on the average of performance over 2019 and 2020 (30%)
  – strategic progress assessed over the performance period (20%).
- Additional underpin – broader performance including absolute TSR performance and safety and environmental factors (including consideration of issues around carbon and climate change) to be considered before determining vesting outcomes.

Share ownership

Stewardship and alignment with shareholders

- Continuing requirement for directors to maintain a holding of five times salary.
- It is expected that Bob Dudley and Brian Gilvary will maintain a holding of at least 250% of salary for two years following retirement.
- In addition the executive directors have voluntarily agreed to extend the vesting periods of certain discontinued share awards, subject to a continued safety underpin.

Single figure table – executive directors' (audited)

Remuneration is reported in the currency in which the individual is paid	Bob Dudley (thousand)		Brian Gilvary (thousand)	
	2017	2016	**2017**	2016
Salary and benefits				
Salary	**$1,854**	$1,854	**£752**	£732
Benefits	**$73**	$74	**£38**	£67
Retirement benefits				
Pension and retirement savings – value increase[a]	**$746**	$2,205	**£186**	–
Cash in lieu of future accrual	**–**	–	**£263**	£256
Annual bonus				
Cash bonus	**$1,491**	$1,696	**£611**	£669
Shares – deferred for three years	**$1,491**	–	**£611**	–
Performance shares				
Performance shares	**$7,787[b]**	$4,024[c]	**£2,981[b]**	£1,455[c]
Total remuneration (excluding discontinued plans)[d]	**$13,443**	$9,852	**£5,440**	£3,179
Discontinued plans				
Deferred share awards from prior-year bonuses[e]	**–[f]**	$2,052	**£1,040**	£1,065
Total remuneration[d]	**$13,443**	$11,904	**£6,481**	£4,244

[a] Represents (1) the annual increase net of inflation in accrued pension multiplied by 20 as prescribed by UK regulations, and (2) the aggregate value of the company match and investment gains on the accumulating unfunded BP Excess Compensation (Savings) Plan (ECSP) account under Bob Dudley's US retirement savings arrangements. Full details are set out on page 101.

[b] Represents the assumed vesting of shares in 2018 following the end of the relevant performance period, based on a preliminary assessment of performance achieved under the rules of the plan and includes reinvested dividends on shares vested. In accordance with UK regulations, the vesting price of the assumed vesting is the average market price for the fourth quarter of 2017 which was £5.01 for ordinary shares and $39.85 for ADSs. The final vesting will be confirmed by the committee in second quarter of 2018 and provided in the 2018 directors' remuneration report. Bob Dudley has requested that the EDIP performance share vesting in respect of the performance period 2015-17 is based on the 500% maximum annual award level which applies under the 2017 directors' remuneration policy, rather than the 550% maximum annual award level which applies under the 2014 directors' remuneration policy.

[c] In accordance with UK regulations, in the 2016 single figure table, the performance outcome value was based on an estimated vesting at an assumed share price of £4.73 for ordinary shares and $35.39 for ADSs. In May 2017, after the external data became available, the committee reviewed the relative reserves replacement ratio position. This resulted in no adjustment to the final vesting of 40%. On 19 May 2017, 108,923 ADSs for Bob Dudley and 308,286 shares for Dr Brian Gilvary vested at prices of $36.94 and £4.72 respectively. This total includes the additional accrual of notional dividends which vested on 2 August 2017. The 2016 values for the total vesting have increased by $310,709 for Bob Dudley and by £67,820 for Dr Brian Gilvary.

[d] Due to rounding, the total does not agree exactly with the sum of its component parts.

[e] Value of vested deferred bonus and matching shares. The amounts reported for 2017 relate to the 2014 annual bonus deferred over three years, which vested on 20 February 2018 at the market price of £4.75 for ordinary shares and include reinvested dividends on shares vested. There was an additional accrual of notional dividends on 29 March 2018 which will vest in 2018 and will be provided in the 2018 directors' remuneration report. The amounts reported for 2016 relate to the 2013 annual bonus and have been adjusted from the number provided in the 2016 directors' remuneration report to include the accrual and vesting of notional dividends.

[f] As stated in the 2016 directors' remuneration report, Bob Dudley has voluntarily agreed to defer vesting of these awards until after retirement, therefore the performance period is expected to exceed the minimum term of three years.

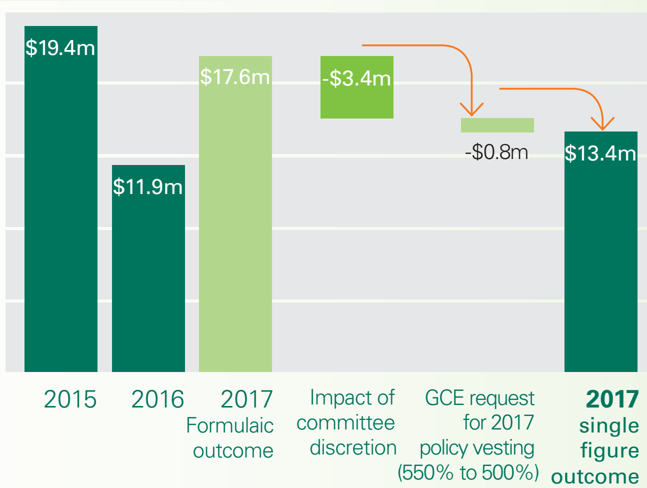
Key outcomes for 2017 Bob Dudley (GCE) – total pay

Seven major projects delivered in the year.

First among peers for total shareholder return.

Discretion used to reduce outcome for performance.

Total pay reduced by $4.2 million (24%) due to GCE request and committee discretion.



Alignment with strategy

BP set out an update of its strategy in 2017, which was reinforced in the results announcement in February 2018. The foundations for strong performance are safe and reliable operations, a balanced portfolio, and a focus on returns.

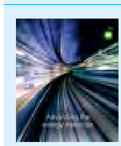
How we align our strategy and remuneration measures	Safer Safe, reliable and efficient execution	Fit for future A distinctive portfolio fit for a changing world	Focused on returns Value based, disciplined investment and cost focus	Growing sustainable free cash flow and distributions to shareholders over the long term
Element of remuneration	↓	↓	↓	↓
Annual bonus				
Safety	✓			✓
Reliable operations	✓			✓
Financial performance			✓	✓
Performance shares				
Total shareholder return			✓	✓
Return on average capital employed			✓	✓
Strategic priorities		✓		✓
Underpin: absolute TSR and safety/environmental factors	✓	✓	✓	✓

Strategic priorities

The strategic priorities component of the performance shares covers measurement across a range of objectives including: growing gas and advantaged oil in the upstream; market-led growth in the downstream; venturing and low carbon across multiple fronts; and gas, power and renewables trading growth. These priorities are aimed at growing sustainable value for our shareholders and increasing the proportion of lower carbon activities in our portfolio over time. The seven major project start-ups in 2017 (see page 14) have enabled a significant shift in the proportion of gas in our portfolio, laying a strong foundation for our gas business moving forwards.

Progress against each of the strategic priorities is being monitored against a balanced set of measures that will be viewed in the round relative to strategy. For example, 'growing gas and advantaged oil in the upstream' will be assessed against a range of measures including the proportion of gas in the portfolio and the movement of unit production costs per barrel (which reflect how 'advantaged' the barrels are).

More information



Advancing the energy transition
In this report, we examine how the energy world is rapidly changing, set out our low carbon ambitions and the changes we are making across our entire business to help advance the energy transition. Publishes April, see *bp.com/energytransition*

Low carbon transition

BP's ambition is to provide more energy while advancing the energy transition. The focus on lower carbon has three main elements:

Reducing our emissions in our operations

Reducing our emissions through operational emission reduction activities.

Improving our products

Improving our products to enable customers to lower their emissions.

Creating low carbon businesses

Creating low carbon businesses to grow value and complement our existing portfolio.

The committee believes that BP's strategic priorities can help advance the energy transition. The measures related to our lower carbon activities – gas, venturing, renewables trading and renewable energy – underscore this commitment. These activities should grow over time.

Our performance share plan features an underpin which will be applied after the formulaic outcome but before the final vesting outcome has been determined. This underpin takes into account absolute TSR, safety and environmental factors (including consideration of issues around carbon and climate change). In this regard, the committee will consider progress on matters such as reducing emissions, improving our products and creating low carbon businesses.

Remuneration in the wider group

During the year the committee has received detailed information on pay below the board by region and job level, including the cascade of pay mix and incentive structures, typical salary budgets, and approaches across different sectors of the group's business. This context has informed decision making on executive director pay, for example in relation to bonus outcomes, which are largely aligned across the group, and salary increases.

UK gender pay gap

The committee reviewed the data and methodology for the group's reporting against the UK gender pay gap regulations. These require the company to publish the difference in mean and median pay, mean and median bonus pay, proportion of male and female employees who received bonus pay and the number of male and female employees in quartile pay bands.

The committee also looked at factors such as:

- The uneven gender distribution of employees within BP job grades.
- How certain roles with specific pay practices such as allowances (e.g. offshore/rotator allowances) and bonus structures (e.g. trading bonuses) have a disproportionally higher number of men and contribute to the pay and bonus gap.
- How the gender pay gap analysis does not take grades and roles into consideration (as when analysing by internal grade, BP's pay gap falls significantly).

The committee was assured that the group provides equal pay for equal or like work.

Finally the committee and the board considered BP's initiatives to support long-term growth in female talent, including developing the technical talent pool, hiring, retention and progression. BP's gender pay gap in 2017 report was published on 21 February 2018 and can be found at *bp.com/ukgenderpaygap*.

GCE-to-employee pay ratio

The committee commenced reporting on the GCE-to-employee pay ratio in 2017. The committee notes that regulations will be published during 2018, setting out a methodology for the calculation of such a ratio. As the regulatory methodology to be used is not yet final, the committee has continued with the approach we used in 2017 and the comparator group which it believes is the most relevant for BP.

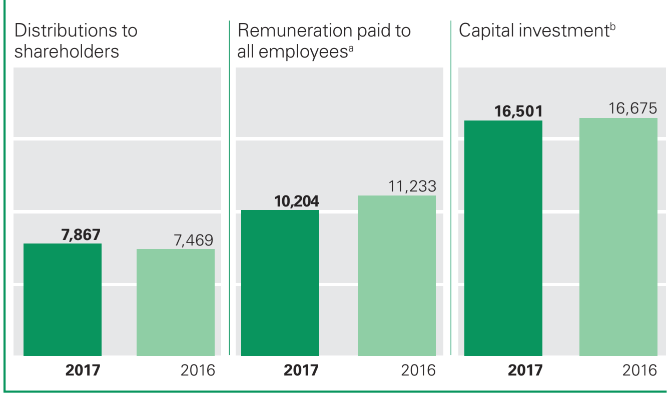
This group is the professional/managerial grade employees based in the UK and US which represent some 30% of the global employee population and is used elsewhere in this report. The GCE-to-median worker pay ratio for this group was 92 to 1 in 2017 (71 to 1 in 2016). The ratio is based on a comparison of total compensation (base salary, actual annual bonus and vested equity awards) in the year.

Percentage change in GCE remuneration

Comparing 2017 to 2016	Salary	Benefits	Bonus
% change in GCE remuneration	0%	-0.6%	75.8%
% change in comparator group remuneration	4.3%	0%	22.9%

The comparator group used here is the same as that used in the pay ratio calculation above, and comprises some 30% of BP's global employee population being professional/managerial grades of employees based in the UK and US and employed on more readily comparable terms.

Relative importance of spend on pay ($ million)



[a] Total remuneration reflects the reduction in number of employees and the total overall employee costs. See Financial statements – Note 33 for further information.
[b] Capital investment is illustrated to reflect the overall scale of BP investment decisions. BP changed its reporting of organic capital expenditure to a cash basis in 2017; the 2016 number has been restated to be reported on a cash basis.

Corporate governance

Pay and performance for 2017

Salary and benefits

Base salary

No salary increase was awarded to Bob Dudley for 2017 and his salary remained at $1,854,000. Bob Dudley has not received a salary increase since 2014.

As was disclosed in the 2017 report to shareholders, Brian Gilvary's salary was increased with effect from May 2017 to £759,000 reflecting his additional responsibilities for BP's trading and shipping functions.

Benefits

Executive directors received car-related benefits, security assistance, insurance and medical benefits.

Annual bonus

The targets for the 2017 annual bonus were set at the start of the year based on a combination of safety, reliability and financial performance. Targets were set in the context of the group's strategy and the annual plan.

During 2017 BP's share price performed strongly. The group distributed $7.9 billion to shareholders in cash and scrip dividends. In the fourth quarter, the group commenced a share buyback programme to mitigate the dilutive effects of issuing shares under the scrip dividend programme.

Overall it was one of the strongest years in BP's recent history. There was delivery of the group's strategy, particularly the delivery of seven major projects within the year and below the total budget. There were strong earnings in the downstream and a 10% year-on-year increase in production for the BP group as a whole.

The group's operating cash flow was strong and well above plan. Underlying replacement cost profit was $6.2 billion, an increase of 139% on 2016. Goals for reduction in controllable costs were delivered, together with good discipline on capital expenditure. Operational reliability was high and safety outcomes were above target.

When reviewing performance over the period, the committee sought input from the chairs of the audit committee and the SEEAC to ensure a comprehensive review of performance.

Following input from the audit committee on the treatment of certain accounting items for which it would not be appropriate for participants to benefit, for example a gain from a legal settlement, the formulaic score under the bonus was reduced from 1.54 to 1.49. In addition, the SEEAC recommended an exercise of downward discretion to the safety element for executive directors after taking a longer term view of safety performance to date. Following SEEAC's recommendation on the safety component of the scorecard, the remuneration committee exercised its discretion to reduce the score by 0.06, resulting in a final annual bonus scorecard outcome of 1.43 out of 2, a payout of 71.5% of maximum.

Overall, the committee believes that the bonuses for 2017 fairly reflect performance over the period.

Outcome

Name	Adjusted outcome after committee discretion (thousand)	Paid in cash (thousand)	Deferred into BP shares (thousand)
Bob Dudley	$2,983[a]	$1,491	$1,491
Brian Gilvary	£1,221[a]	£611	£611

[a] Due to rounding, the total does not agree exactly with the sum of its component parts.

Under the terms of the 2017 policy, half of the bonus earned is deferred into shares that will vest after three years. Deferred bonus shares are now reported in the single figure for the bonus year to which they relate. This is different from the 2014 policy, when the shares were only reported on vesting at the end of the three-year period. For Brian Gilvary, the 2017 single figure includes both the 2017 bonus deferred to future years, and the deferred shares from the 2014 bonus vesting in the current period.

Annual bonus – continued

Scorecard

2017 annual bonus

REM Measures used for the 2017 remuneration policy.

More information

Key performance indicators page 18

1 Safety 0.25 + 2 Reliable operations 0.45 + 3 Financial performance 0.84 = 4 Formulaic score 1.54 out of 2.0

Measures	Weighting	Threshold (0)	Target (1)	Maximum (2)	Performance and outcome
1 Safety **(20% weight)**					
Tier 1 process safety event (defined by API)	10%	24 events 0	20 events 0.1	14 events 0.2	18 events 0.13
Recordable injury frequency	10%	0.249/200k hrs 0	0.228/200k hrs 0.1	0.188/200k hrs 0.2	0.218/200k hrs 0.12
Safety outcome					**0.25**
2 Reliable operations **(30% weight)**					
Downstream refining availability (Solomon Associates' operational availability)	15%	94.6% 0	95.1% 0.15	95.6% 0.3	95.3% 0.21
Upstream operating efficiency	15%	77.3% 0	79.3% 0.15	81.3% 0.3	80.5% 0.24
Reliable operations outcome					**0.45**
3 Financial performance **(50% weight)**					
Operating cash flow (excluding Gulf of Mexico oil spill payments)	20%	$19.9bn 0	$21.4bn 0.2	$22.9bn 0.4	$24.1bn 0.4
Underlying replacement cost profit	20%	$5.0bn 0	$5.8bn 0.2	$6.6bn 0.4	$6.2bn 0.29
Upstream unit production costs	10%	$7.7/bbl 0	$7.3/bbl 0.1	$6.9/bbl 0.2	$7.11/bbl 0.15
Financial performance outcome					**0.84**
4 Formulaic score					**1.54 out of 2.0**

Formulaic scorecard outcome 1.54 out of 2 → Audit committee Discretion - 0.05 → SEEAC Discretion - 0.06 → Final scorecard outcome 1.43 out of 2 → **71.5%** outcome of maximum bonus

Performance shares

For performance shares awarded in 2015, vesting was determined under the terms of the 2014 policy, by a combination of relative TSR, safety, financial and operational performance assessed over the three years from 2015 to 2017. The results are summarized in the table on page 100.

TSR – the company's TSR over the three-year period was in first place. The TSR element is measured on a relative basis in common currency against the oil majors: Chevron, ExxonMobil, Shell and Total.

Cumulative operating cash flow – under the 2014 policy, the outcome was measured by taking the cumulative operating cash flow for the three years. This measure was assessed by adjusting the target to the actual oil price as has been the case in previous years. Against this adjusted target, this element of the performance shares achieved maximum score of 33.3%. Without adjustment, the score would reduce from 33.3% to 32.4%, a reduction of 0.9%.

Safety and operational risk – assessed through a look-back over tier 1 process safety events and recordable injury frequency (RIF) over the three-year period. The committee sought input from the SEEAC in making this subjective assessment. The SEEAC noted the reduction in tier 1 events, the trend in RIF and the high annual scores for both safety measures throughout the three-year period and recommended a score of 85% of maximum for this element of the performance shares.

Performance shares – continued

Project delivery – the vesting outcome reflects the strong progress over the three-year period with 17 projects delivered, seven within 2017. Further details of these projects are set out on page 14.

Relative reserves replacement ratio – preliminary assessment indicates vesting for this measure. For the purpose of this report, a forecast of second place has been used. The final outcome for this measure will be confirmed later in the year, once competitor data is published in full.

Contextual review

The committee undertook a wider review of performance over the three-year performance period, in the context of the overall levels of pay, the wider performance of the company, and the experience of shareholders over the three-year period of the plan. While performance over the period, and in particular in 2017, has been strong, we also recognize that although returns have doubled over the past year, there is still room for further improvement and that the company has continued to incur costs associated with Gulf of Mexico oil spill payments. The committee also sought where appropriate to apply principles of the new policy early to awards vesting in respect of 2017 performance. This included, for example, consideration of the more stringent vesting scales adopted in the 2017 policy. In light of these factors and an overall assessment of pay relative to performance, the committee determined that it would be appropriate to exercise downward discretion on this part of the award. It also determined that the vesting for the 2017 award should be reduced from the formulaic outcome of 96% of maximum to 70% of maximum. In addition, consistent with the approach of applying the principles of the 2017 policy to awards vesting in the year, Bob Dudley asked the committee to base his performance shares award on 500% of salary that applies under the terms of the 2017 policy, rather than the 550% of salary that was actually granted in 2015. The committee's discretion and Bob Dudley's request together reduced his performance shares by $4.0 million (34%).

Scorecard

2015-17 performance shares

REM These measures were used under the terms of our previous policy.

More information

Key performance indicators page 18

1 Financial 66.6% + 2 Strategic imperatives 29.4% = 3 Formulaic vesting 96.0%

Measures	Weighting at maximum	Threshold performance	Maximum performance	Performance and outcome
1 Financial				
Relative total shareholder return	33.3%	Third	First	First 33.3%
Cumulative operating cash flow	33.3%	$45.6bn	$61.6bn	$61.9bn 33.3%
				66.6%
2 Strategic imperatives				
Relative reserves replacement ratio	11.1%	Third	First	Second 8.9%
Major project delivery	11.1%	10	14	17 11.1%
Safety and operational risk: – Process safety tier 1 events – Recordable injury frequency	11.1%	Continuous improvement look back		85% of maximum 9.4%
				29.4%
3 Total formulaic vesting				**96.0%**

Formulaic vesting: 96%

Committee review of context and shareholder experience over three-year period of plan

70% final vesting after committee discretion

The committee's discretion and Bob Dudley's request together reduced the vesting value of his performance shares by $4.0 million

Performance shares – continued

Preliminary outcome – 2015-17 performance shares

Name	Shares awarded	Shares vesting including dividends	Value of vested shares
Bob Dudley	1,501,770	1,172,484	$7,787,248
Brian Gilvary	685,246	594,932	£2,980,609

These values are based on estimated vesting levels. As noted above, final vesting will be determined once competitor data is published in respect of relative reserves replacement (RRR).

2014-16 performance shares – final outcome

Last year the committee made a preliminary assessment of third place for the relative RRR in the 2014-16 performance shares element.

In April 2017 the committee reviewed the results for all comparator companies as published in their annual reports and assessed that BP was in third place relative to other oil majors and that no further adjustment was required.

Discontinued plans: deferred bonus and matching shares

Both Bob Dudley and Brian Gilvary deferred two thirds of their 2014 annual bonus in accordance with the prevailing terms of the deferred bonus plan.

The original three-year performance period for this deferred award ended on 31 December 2017.

As required by the terms of the discontinued plan, the committee reviewed safety and environmental sustainability performance over this period and sought the input of the safety, ethics and environment assurance committee. This included an assessment of both actual outcomes under safety and sustainability measures and consideration of the long-term performance trend.

Over the three-year period 2015-17 safety performance continued to demonstrate progress and improvement overall. The committee also noted the extent to which safety performance had become embedded into the culture of the organization and the degree to which this has supported stronger operational and financial performance.

As a sign of their commitment to the long-term interests of the company, and to further align with the shareholder experience, both Bob Dudley and Brian Gilvary have requested that the committee delay the vesting of some of the awards under discontinued plans. In light of this request, the committee has approved the deferral of Bob Dudley's 2014 deferred and matching awards until after his retirement from the group. The vesting of Brian Gilvary's 2014 matching award will also be deferred for a period of two years. The committee will extend the original safety and environmental sustainability performance condition for the same period.

Following the committee's review, full vesting of Brian Gilvary's deferred shares in respect of the 2014 deferred bonus was approved.

No further matching awards will be granted under the deferred bonus plan following approval of the 2017 remuneration policy by shareholders at the 2017 AGM.

2014 deferred bonus vesting – outcome

Name	Shares deferred	Vesting agreed	Total shares including dividends	Total value at vesting
Bob Dudley[a]	588,216	–	–	–
Brian Gilvary	353,152	100%	219,004	£1,040,269

[a] Bob Dudley has voluntarily agreed to defer vesting of these awards until after retirement, therefore the performance period is expected to exceed the minimum term of three years.

Conclusions of the safety and sustainability assessment

No systemic issues identified	No major incidents	Safety culture and values embedded within the global organization	Strong safety performance supports efficiency and financial results across the group

Retirement benefits

2017 outcomes

Bob Dudley participates in the US pension and retirement savings plans described on page 104. In 2017, Bob Dudley's accrued defined benefit pension did not increase. In accordance with the requirements of the UK regulations, the value attributed to this accrued pension in the single figure table on page 95 is therefore zero. In relation to the retirement savings plans, Bob Dudley made contributions in 2017 to the ESP totalling $27,000. For 2017 the total value of BP matching contributions in respect of Bob Dudley to the ESP and notional matching contributions to the ECSP was $129,800, 7% of eligible pay. After adding the investment gains within his accumulating unfunded ECSP account (aggregating the unfunded arrangements relating to his overall service with BP and TNK-BP), the amount included in the single figure table on page 95 is $746,200.

Brian Gilvary participates in the UK pension arrangements described on page 104 in common with over 4,500 UK employees employed prior to 2010. In 2017 as a result of his salary increase Brian Gilvary's accrued pension increased, net of inflation, by £9,280. This increase has been reflected in the single figure table on page 95 by multiplying it by a factor of 20 in accordance with the requirements of the UK regulations (giving £185,600).

He has exceeded the lifetime allowance under UK pensions legislation and, in accordance with the policy, receives a cash supplement of 35% of base salary, which has been separately identified in the single figure table on page 95.

The committee continues to keep under review the increase in the value of pension benefits for individual directors and its alignment to the broader workforce.

- The BP defined benefit (DB) plan remains open for employees in the UK who were employed before 2010 (or before 2014 in the North Sea). The plan provides an inflation linked pension of 1/60th of final salary for each year of service. As of October 2017 over 4,500 active employees were members of the plan.
- Currently over 800 employees have, like Brian Gilvary, elected to stop future service accrual under the DB plan and instead receive a cash allowance of 35% of base pay, reducing to 15% by April 2024. Brian Gilvary receives the same cash allowance as those 800 other employees.

Implementation of the policy for 2018

Salary and benefits

The committee noted that salary increases for UK and US based employees across the group were generally around 3%. The committee has considered the salaries for Bob Dudley and Brian Gilvary and has decided that there will be no increase for 2018 for Bob Dudley. Brian Gilvary's salary will be increased by 2% to £775,000.

Benefits for 2018 will remain broadly unchanged from prior years.

Salary increases over the last five years

Year	Bob Dudley	Brian Gilvary
2018	**Nil**	**2.0%**
2017	Nil	3.75%
2016	Nil	Nil
2015	Nil	Nil
2014	3.0%	3.0%

	Salary with effect from AGM	Increase
Bob Dudley	$1,854,000	Nil
Brian Gilvary	£775,000	2%

Annual bonus

For 2018, the bonus measures will again focus on three areas: safety and operational risk, reliable operations and financial performance.

This approach is intended to provide a balanced assessment of how the business has performed over the course of the year against stated objectives. Targets are aligned with the annual plan and strategic and operational priorities for the year.

The safety element continues to focus on measures that are robust and externally comparable. In addition, the measures linked to reliable operations also require execution of good safety practices.

The committee has agreed that the upstream measure for 'reliable operations' be amended from 'upstream operating efficiency' to 'BP-operated upstream plant reliability'. This latter measure is more comparable with the equivalent metric disclosed for the downstream.

Although the detail of the targets is currently commercially sensitive, the committee intends to continue to provide retrospective disclosure following the year end. The targets have been agreed by the committee after consultation on the safety targets with the SEEAC and on the financial targets with the audit committee.

One of the challenges faced in a commodity industry is to provide a fair assessment of underlying performance, and therefore changes in plan conditions (including oil and gas prices and refining margins) are considered when reviewing financial outcomes. The committee retains discretion to review outcomes in the context of overall performance.

Awards will be subject to malus and clawback provisions as described in the 2017 policy.

The maximum bonus opportunity is 225% of salary for a maximum bonus score of 2.0. In accordance with the 2017 policy, the bonus payable for performance which meets the annual plan (i.e. a bonus scorecard of 1.0 out of a maximum of 2.0) is half of maximum.

For any bonus earned, 50% will be delivered in cash and 50% must be deferred into shares that will vest after three years.

Measures for 2018 annual bonus

Element

1 Safety 20%

Measures include	Weighting for 2018
Recordable injury frequency	10%
Tier 1 process safety events	10%

2 Reliable operations 30%

Measures include	Weighting for 2018
BP-operated upstream plant reliability	15%
Downstream refining availability (Solomon Associates' operational availability)	15%

3 Financial performance 50%

Measures include	Weighting for 2018
Operating cash flow (excluding Gulf of Mexico oil spill payments)	20%
Underlying replacement cost profit	20%
Upstream unit production costs	10%

Performance shares

Under the 2017 policy the measures for the performance shares focus on shareholder value, capital discipline and future growth.

Shareholder value

The TSR element is measured on a relative basis in common currency against the oil majors: Chevron, ExxonMobil, Shell and Total. The committee continues to believe that the current comparator group remains appropriate as it is used for benchmarking across a range of activities in other parts of the group. There will be no vesting of this element if BP's TSR is positioned below third place in the group.

Capital discipline

ROACE is calculated by dividing the underlying replacement cost profit (after adding back net interest) by average capital employed excluding cash and goodwill (for full definition, see the Glossary on page 289). ROACE is measured based on the actual price environment for each of the years in question; there will be no adjustments for changes to plan conditions.

For the 2017-19 performance shares, this assessment will be based on the final year of the three-year period. The committee has reviewed this methodology in the light of engagement with shareholders and broader FTSE practice and has decided to move progressively to a determination of ROACE on a three-year average rather than being based on the final year. For the 2018-20 performance shares, the calculation of ROACE will be averaged over the last two years and for 2019-21 performance shares, the intention is that it will be averaged over the full three-year period.

Targets for TSR and ROACE measures for 2018 – determining 80% of the performance shares available – are set out below at the start of the assessment period.

Future growth

Measures for the strategic element are directly focused on delivery of the company's long-term strategy, positioning the portfolio for resilience and future growth. We will be following the implementation of our strategy through the four measures relating to the strategic priorities set out below. The committee has also sought input from the board regarding the specific measures.

Details of the strategic priorities targets – determining 20% of the performance shares available – are commercially sensitive and are not included in this report. However, the committee intends to provide detailed retrospective disclosure after the end of the performance period so that shareholders can understand the basis of payment. The board regularly reviews progress on the strategic priorities throughout the year and BP's quarterly results announcement includes updates on the group's strategic progress.

Measures for 2018 performance shares

Element	1 Relative TSR versus oil majors[a] 50%	2 Return on average capital employed[b] 30%	3 Strategic progress 20%
Threshold vesting	25% of element Third out of five	0% of element 6% return on average capital employed	• Growing gas and advantaged oil in the upstream • Market led growth in the downstream • Venturing and low carbon across multiple fronts • Gas, power and renewables trading and marketing growth
Maximum vesting	100% of element First place	100% of element 11.5% return on average capital employed	

[a] Nil vesting for fourth and fifth place. Vesting of 80% for second place.
[b] Based on the average of performance over 2019 and 2020. There will be straight-line vesting for performance between the threshold and maximum vesting level. Adjustments may be required in certain circumstances (e.g. to reflect changes in accounting standards).

Operation of the performance share plan and the underpin

Prior to approving vesting outcomes, the committee will additionally consider the broader performance of the business including absolute TSR performance, together with safety and environmental factors (including consideration of issues around carbon and climate change) over the three-year period as part of an underpin. The underpin will be applied after the formulaic outcome for the performance shares but before the final vesting outcome has been determined. In looking at environmental factors, the committee will consider the group's progress on issues such as reducing emissions, improving our products and creating low carbon businesses.

In line with our new policy, share awards will be made at the level of 500% of salary for Bob Dudley and 450% of salary for Brian Gilvary.

Performance will be measured over three years, with any vested shares being subject to a mandatory holding period for a further three years.

Awards will be subject to malus and clawback provisions as set out in the policy.

Retirement benefits

Bob Dudley

Bob Dudley is provided with pension benefits and retirement savings through a combination of tax-qualified and non-qualified benefit plans, consistent with applicable US tax regulations.

The BP supplemental executive retirement benefit plan (SERB) is a non-qualified pension plan which provides a pension of 1.3% of final average earnings (as defined in plan rules) for each year of service, less benefits paid under all other BP (US) tax-qualified and non-qualified pension plans. Final average earnings include base salary and annual bonus. Service, including service with TNK-BP, is limited to 37 years. Bob Dudley completed 37 years of service in September 2016 and therefore will not receive any further service accrual under these arrangements. There will be no additional payment in lieu of any further service accrual.

The benefit payable under the SERB is unreduced at age 60 or above.

Bob Dudley is also a member of other tax-qualified and non-qualified pension plans. However, the benefits from those plans are offset against the SERB benefit and so his benefit entitlement is determined by his participation in the SERB.

The BP Employee Savings Plan (ESP) is a US tax-qualified section 401(k) plan to which both Bob Dudley and BP contribute. BP matches contributions by Bob Dudley 1:1 up to 7% of eligible pay up to an IRS limit. The BP Excess Compensation (Savings) Plan (ECSP) is a non-qualified retirement savings plan under which BP provides a notional match in respect of eligible pay that exceeds the IRS limit. In common with other participants, Bob Dudley does not contribute to the ESCP. From 2017 onwards, for the purposes of both plans, eligible pay for Bob Dudley is base salary only.

Under both tax-qualified and non-qualified savings plans, Bob Dudley is entitled to make investment elections, involving an investment in the relevant fund in the case of the ESP and a notional investment (the return on which would be delivered by BP under its unfunded commitment) in the case of the ECSP.

Although investment returns on the ECSP relate to contributions made in previous years, UK disclosure rules for the single figure require these returns to be included in the single figure for the year. As Bob Dudley has a significant proportion of his notional ECSP investment in BP shares, an increase in the BP share price results in a contribution to the single figure through this component.

Benefits payable under the ECSP are unfunded and therefore paid from corporate assets. Benefits are generally paid as a lump sum, with any pension benefit being converted to a lump sum equivalent.

Brian Gilvary

Brian Gilvary participates in a UK final salary pension plan, the BP Pension Scheme (BPPS), along with over 4,500 other employees in service prior to 1 April 2011. The BPPS is closed to new hires but for existing participants the plan continues to provide a pension of one sixtieth of final base salary for each year of service, up to a maximum of two thirds of final base salary, and a dependant's benefit of two thirds of the member's pension.

BPPS participants can elect to stop future service pension accrual and instead receive a cash allowance. On 1 April 2011 Brian Gilvary elected to stop future service pension accrual and receive the cash allowance of 35% of base salary. It has been agreed for all participants who have elected to receive the cash allowance, including Brian Gilvary, that a transition will take effect from April 2021 when the level of cash allowance will progressively reduce to 15% of base salary by 2024.

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

The rules of the BPPS were amended in 2006 to introduce a normal retirement age of 65, but in common with other BPPS participants in service on 30 November 2006, Brian Gilvary has a normal retirement age of 60.

If Brian Gilvary were to retire between age 55 and 60, then subject to the consent of the committee, he would be entitled to an immediate pension, with a reduction (currently 3%) for each year before normal retirement age in respect of the benefit that relates to service since 1 December 2006 and no reduction in respect of the remainder of his benefit.

Irrespective of this, on leaving in circumstances of total incapacity, an immediate unreduced pension would be payable as from his leaving date.

Shareholding requirements

Both executive directors exceed the share ownership requirements of five times salary. It is expected that Bob Dudley and Brian Gilvary will maintain a shareholding of at least 250% of salary for two years following retirement.

Stewardship

The committee places significant emphasis on executive directors having material interests in the shares of the company. Such shareholding not only provides direct alignment with the experience of shareholders, but also encourages a longer-term focus when considering the performance of BP. Executive directors are required to build a personal shareholding of five times salary within five years of their appointment.

Both executive directors significantly exceed the minimum holding required. This ensures they are subject to any fluctuation in the share price and the wider shareholder experience.

Post-retirement share ownership interests

Given the long-term nature of the group's operations, the committee sees the merits of ensuring that executives have performance alignment beyond the timeframe of existing incentive plans. The executive directors have taken a number of steps in this respect.

As reported last year, the current executive directors have indicated to the committee that they expect to maintain a shareholding of at least 250% of salary for two years following retirement.

As a sign of their commitment to the long-term interests of the company, and to further align with the shareholder experience, both executive directors have requested that the committee delay the vesting of some of the awards under discontinued plans. Bob Dudley has voluntarily opted to delay the vesting of all outstanding deferred bonus and matching shares in respect of his 2014 and 2015 bonus (representing a total interest over 1,691,784 ordinary shares), which were originally due to vest in 2018 and 2019 respectively, so that vesting is delayed until after retirement. In a similar way, the vesting of Brian Gilvary's 2014 matching award will also be deferred for a period of two years. As per the original terms, the committee will extend the safety and environmental sustainability performance condition for the same period.

These factors significantly extend the time horizons for both executive directors. The committee fully endorses the steps taken by both executive directors as they clearly demonstrate a continued commitment to the long-term stewardship of the group.

Directors' shareholdings

The table below shows the status of each of the executive directors in developing the required level of share ownership. These figures include the value as at 14 March 2018 of the directors' interests shown below excluding the assumed vesting of the 2015-17 performance shares.

Current directors	Appointment date	Value of current shareholding	% of policy achieved
Bob Dudley	October 2010	$19,860,588	214
Brian Gilvary	January 2012	£8,483,077	223

The figures below indicate and include all beneficial and non-beneficial interests of each executive director of the company in shares of BP (or calculated equivalents) that have been disclosed to the company.

Current directors	Ordinary shares or equivalents at 1 Jan 2017	Ordinary shares or equivalents at 31 Dec 2017	Changes from 31 Dec 2017 to 14 Mar 2018	Ordinary shares or equivalents total at 14 Mar 2018
Bob Dudley[a]	2,509,500	3,065,520	174	3,065,694
Brian Gilvary	1,419,263	1,709,243	116,056	1,825,299

[a] Held as ADSs.

The following table shows both the performance shares and the deferred bonus element awarded under the executive directors' incentive plan (EDIP) and yet to vest. These figures represent the maximum possible vesting levels. The actual number of shares/ADSs that vest will depend on the extent to which applicable performance conditions have been satisfied.

Current directors	Ordinary shares or equivalents at 1 Jan 2017	Ordinary shares or equivalents at 31 Dec 2017	Changes from 31 Dec 2017 to 14 Mar 2018	Ordinary shares or equivalents total at 14 Mar 2018
Bob Dudley[a]	6,607,314	6,870,048	0	6,870,048
Brian Gilvary	3,259,891	3,329,274	(176,576)	3,152,698

[a] Held as ADSs.

At 14 March 2018, the following directors held options under the BP group share plan schemes over ordinary shares or their calculated equivalent set out below. None of these are subject to performance conditions. Additional details regarding these plans can be found on page 109.

Current director	Share options
Brian Gilvary	503,103

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.

There are no directors or other members of senior management who own more than 1% of the ordinary shares in issue. At 14 March 2018, all directors and other members of senior management as a group held interests of 15,896,179 ordinary shares or their calculated equivalents, 6,757,019 restricted share units (with or without conditions) or their calculated equivalents, 10,022,746 performance shares or their calculated equivalents and 5,012,307 options over ordinary shares or their calculated equivalents under the BP group share option schemes. Senior management comprises members of the executive team. See page 66 for further information.

History of CEO remuneration

Year	CEO	Total remuneration thousand[a]	Annual bonus % of maximum	Performance shares vesting % of maximum
2009	Hayward	£6,753	89[b]	17.5
2010[c]	Hayward	£3,890	0	0
	Dudley	$8,057	0	0
2011	Dudley	$8,439	67	16.7
2012	Dudley	$9,609	65	0
2013	Dudley	$15,086	88	45.5
2014	Dudley	$16,390	73	63.8
2015	Dudley	$19,376	100	74.3
2016	Dudley	$11,904	61	40
2017	Dudley	$13,443	71.5	70

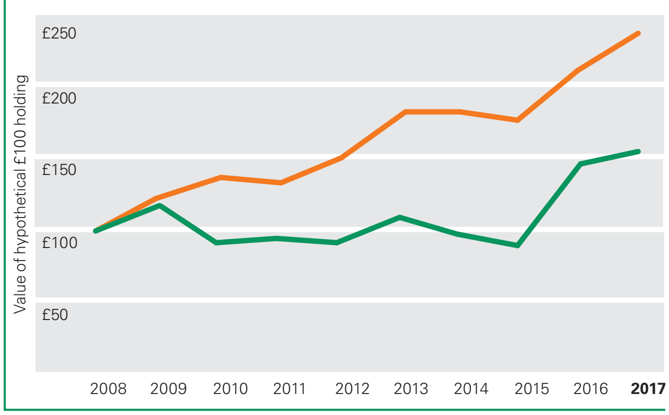
[a] Total remuneration figures include pension. The total figure is also affected by share vesting outcomes and these amounts represent the actual outcome for the periods up to 2011 or the adjusted outcome in subsequent years where a preliminary assessment of the performance for EDIP was made. For 2017, the preliminary assessment has been reflected.

[b] 2009 annual bonus did not have an absolute maximum and so is shown as a percentage of the maximum established in 2010.

[c] 2010 figures show full year total remuneration for both Tony Hayward and Bob Dudley, although Bob Dudley did not become CEO until October 2010.

Further information

Historical TSR performance



This graph shows the growth in value of a hypothetical £100 holding in BP p.l.c. ordinary shares over nine years, relative to a hypothetical £100 holding in the FTSE 100 Index of which the company is a constituent.

Independence and advice

The board considers all committee members to be independent with no personal financial interest, other than as shareholders, in the committee's decisions. Further detail on the activities of the committee, including activities during the year, advice received and shareholder engagement is set out in the remuneration committee report on page 86.

During 2017 David Jackson, the company secretary, who is employed by the company and reports to the chairman of the board, acted as secretary to the remuneration committee.

Deloitte LLP acted as independent adviser to the committee during the year until September 2017, when it stepped down as part of the transition process for its role as BP's statutory auditor for the financial year 2018.

Following a competitive tender process, the committee appointed PwC as its independent adviser from September 2017. PwC is a member of the Remuneration Consulting Group and, as such, operates under the code of conduct in relation to executive remuneration consulting in the UK. The committee is satisfied that the advice received is objective and independent.

Freshfields Bruckhaus Deringer LLP provided legal advice on specific compliance matters to the committee.

Deloitte, PwC and Freshfields provide other advice in their respective areas to the group. During the year, Deloitte also provided BP with services including consulting on HR and upstream matters and PwC provided BP with services including subsidiary company secretarial support.

Total fees or other charges (based on an hourly rate) for the provision of remuneration advice to the committee in 2017 (save in respect of legal advice) are as follows:

Deloitte	£164,280
PwC	£62,213

Shareholder engagement

As set out in last year's report, during 2017 we had extensive dialogue with many of our largest shareholders as well as representative bodies on remuneration matters, particularly in the run-up to the AGM.

The table below shows the votes on the report for the last three years.

AGM directors' remuneration report vote results

Year	% vote 'for'	% vote 'against'	Votes withheld
2017	97.05%	2.95%	63,453,383
2016	40.7%	59.3%	464,259,340
2015	88.8%	11.2%	305,297,190

The remuneration policy was approved by shareholders at the 2017 AGM on 17 May 2017. The votes on the policy are shown below.

2017 AGM directors' remuneration policy vote results

Year	% vote 'for'	% vote 'against'	Votes withheld
2017	97.28%	2.72%	36,563,886

External appointments

The board supports executive directors taking up appointments outside the company to broaden their knowledge and experience. Each executive director is permitted to accept one non-executive appointment, from which they may retain any fee. External appointments are subject to agreement by the chairman and reported to the board. Any external appointment must not conflict with a director's duties and commitments to BP. Details of appointments as non-executive directors during 2017 are shown below.

Director	Appointee company	Additional position held at appointee company	Total fees
Bob Dudley	Rosneft[a]	Director	0
Brian Gilvary	L'Air Liquide	Director	Euros 64,310

[a] Bob Dudley holds this appointment as a result of the company's shareholding in Rosneft.

Non-executive directors

This section of the directors' remuneration report completes the directors' annual report on remuneration with details for the chairman and non-executive directors (NEDs). The board's remuneration policy for the NEDs was approved at the 2017 AGM. This policy was implemented during 2017. There has been no variance of the fees or allowances for the chairman and the NEDs during 2017.

Chairman

The fee structure for the chairman, which has been in place since 1 May 2013, is £785,000 per year. He is not eligible for committee chairmanship and membership fees or intercontinental travel allowance. He has the use of a fully maintained office for company business, a car and driver, and security advice in London. He receives a contribution to an office and secretarial support as appropriate to his needs in Sweden.

The table below shows the fees paid for the chairman for the year ended 31 December 2017.

2017 remuneration (audited)

£ thousand	Fees		Benefits[a]		Total	
	2017	2016	**2017**	2016	**2017**	2016
Carl-Henric Svanberg	**785**	785	**35**	58	**820**	843

[a] Benefits include travel and other expenses relating to attendance at board and other meetings. Amounts disclosed have been grossed up using a tax rate of 45%, where relevant, as an estimation of tax due.

Chairman's interests

The figures below include all the beneficial and non-beneficial interests of the chairman in shares of BP (or calculated equivalents) that have been disclosed under the DTRs as at the applicable dates. The chairman's holdings represented as a percentage against policy achieved are 1,229%.

Chairman	Ordinary shares or equivalents at 1 Jan 2017	Ordinary shares or equivalents at 31 Dec 2017	Change from 31 Dec 2017 to 14 Mar 2018	Ordinary shares or equivalents total at 14 Mar 2018
Carl-Henric Svanberg	2,076,695	2,076,695	–	2,076,695

Non-executive directors

Fee structure

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

	Fees £ thousand
Senior independent director[a]	120
Board member	90
Audit, geopolitical, remuneration and SEEA committees chairmanship fees[b]	30
Committee membership fee[c]	20
Intercontinental travel allowance	5

[a] The senior independent director is eligible for committee chairmanship fees and intercontinental travel allowance plus any committee membership fees.
[b] Committee chairmen do not receive an additional membership fee for the committee they chair.
[c] For members of the audit, geopolitical, SEEA and remuneration committees.

2017 remuneration (audited)

£ thousand	Fees		Benefits[a]		Total	
	2017	2016	**2017**	2016	**2017**	2016
Nils Andersen	**115**	23	**17**	6	**132**	29
Paul Anderson	**155**	165	**27**	32	**182**	197
Alan Boeckmann	**165**	168	**11**	17	**176**	185
Admiral Frank Bowman	**155**	162	**15**	14	**170**	176
Cynthia Carroll[b]	**54**	140	**36**	28	**90**	168
Ian Davis	**154**	136	**2**	2	**156**	138
Professor Dame Ann Dowling[c]	**145**	150	**5**	2	**150**	152
Melody Meyer[d]	**86**	–	**23**	–	**109**	–
Brendan Nelson	**138**	130	**14**	30	**152**	160
Paula Rosput Reynolds	**140**	140	**8**	17	**148**	157
Sir John Sawers	**145**	148	**5**	19	**150**	167
Andrew Shilston[b]	**75**	190	**1**	5	**76**	195

[a] Benefits include travel and other expenses relating to the attendance at board and other meetings. Amounts disclosed have been grossed up using a tax rate of 45%, where relevant, as an estimation of tax due.
[b] Resigned on 17 May 2017.
[c] In addition, Professor Dame Ann Dowling received £25,000 for chairing and being a member of the BP technology advisory council.
[d] Appointed on 17 May 2017.

Non-executive director interests

The figures below indicate and include all the beneficial and non-beneficial interests of each non-executive director of the company in shares of BP (or calculated equivalents) that have been disclosed to the company under the DTRs as at the applicable dates.

	Ordinary shares or equivalents at 1 Jan 2017	Ordinary shares or equivalents at 31 Dec 2017	Change from 31 Dec 2017 to 14 Mar 2018	Ordinary shares or equivalents total at 14 Mar 2018	Value of current shareholding	% of policy achieved
Nils Andersen	47,855	125,000	–	125,000	£580,938	645
Paul Anderson	30,000[b]	30,000[b]	–	30,000[b]	$194,350	168
Alan Boeckmann	44,772[b]	44,772[b]	–	44,772[b]	$290,048	250
Admiral Frank Bowman	24,864[b]	24,864[b]	–	24,864[b]	$161,077	139
Cynthia Carroll[a]	10,500[b]	–	–	–	–	–
Ian Davis	25,735	47,500	–	47,500	£220,756	184
Professor Dame Ann Dowling	22,320	22,320	–	22,320	£103,732	115
Melody Meyer[c]	–	20,646[b]	–	20,646[b]	$133,752	115
Brendan Nelson	11,040	11,040	–	11,040	£51,308	57
Paula Rosput Reynolds	52,200[b]	58,200[b]	15,000	73,200[b]	$474,214	409
Sir John Sawers	13,528	14,198	–	14,198	£65,985	73
Andrew Shilston[a]	15,000	–	–	–	–	–

[a] Resigned on 17 May 2017.
[b] Held as ADSs.
[c] Appointed on 17 May 2017.

Past directors

Sir Ian Prosser (who retired as a non-executive director of BP in April 2010) was appointed as a director and non-executive chairman of BP Pension Trustees Limited on 1 October 2010. During 2017, he received £100,000 for this role.

Executive directors interests

Deferred shares (audited)[a]

	Bonus year	Type	Performance period	Date of award of deferred shares	Deferred share element interests			Interests vested in 2017 and 2018		
					Potential maximum deferred shares					
					At 1 Jan 2017	Awarded 2017	At 31 Dec 2017	Number of ordinary shares vested	Vesting date	£ Face value of the award
Bob Dudley[b]	2013	Comp	2014-2016	12 Feb 2014	149,628	–	–	183,732[c]	24 Feb 2017	–
		Mat	2014-2016	12 Feb 2014	149,628	–	–	183,732[c]	24 Feb 2017	–
	2014	Comp	2015-2017[d]	11 Feb 2015	147,054	–	147,054	–	–	655,861
		Vol	2015-2017[d]	11 Feb 2015	147,054	–	147,054	–	–	655,861
		Mat	2015-2017[d]	11 Feb 2015	294,108	–	294,108	–	–	1,311,722
	2015[f]	Comp	2016-2018[d]	4 Mar 2016	275,892	–	275,892	–	–	1,015,283
		Vol	2016-2018[d]	4 Mar 2016	275,892	–	275,892	–	–	1,015,283
		Mat	2016-2018[d]	4 Mar 2016	551,784	–	551,784	–	–	2,030,565
	2016[g]	Comp	2017-2019	19 May 2017	–	147,642	147,642	–	–	697,092
		Mat	2017-2019[d]	19 May 2017	–	147,642	147,642	–	–	697,092
Brian Gilvary	2013	Comp	2014-2016	12 Feb 2014	96,653	–	–	119,157[c]	24 Feb 2017	–
		Mat	2014-2016	12 Feb 2014	96,653	–	–	119,157[c]	24 Feb 2017	–
	2014	Comp	2015-2017	11 Feb 2015	88,288	–	88,288	109,502[c]	20 Feb 2018	–
		Vol	2015-2017	11 Feb 2015	88,288	–	88,288	109,502[c]	20 Feb 2018	–
		Mat	2015-2017[e]	11 Feb 2015	176,576	–	176,576	–	–	787,529
	2015[f]	Comp	2016-2018	4 Mar 2016	159,021	–	159,021	–	–	585,197
		Vol	2016-2018	4 Mar 2016	159,021	–	159,021	–	–	585,197
		Mat	2016-2018	4 Mar 2016	318,042	–	318,042	–	–	1,170,395
	2016[g]	Comp	2017-2019	19 May 2017	–	73,070	73,070	–	–	345,000
		Mat	2017-2019[h]	19 May 2017	–	73,070	73,070	–	–	345,000
Former executive directors										
Iain Conn	2013	Comp	2014-2016	12 Feb 2014	100,563	–	–	123,977[c]	24 Feb 2017	–
		Mat	2014-2016	12 Feb 2014	33,521[i]	–	–	41,325[c]	24 Feb 2017	–

Comp = Compulsory.
Vol = Voluntary.
Mat = Matching.

[a] Since 2010, vesting of the deferred shares has been subject to a safety and environmental sustainability hurdle, and this will continue. If the committee assesses that there has been a material deterioration in safety and environmental performance, or there have been major incidents, either of which reveal underlying weaknesses in safety and environmental management, then it may conclude that shares should vest only in part, or not at all. In reaching its conclusion, the committee will obtain advice from the SEEAC. There is no identified minimum vesting threshold level.

[b] Bob Dudley received awards in the form of ADSs. The above numbers reflect calculated equivalents in ordinary shares. One ADS is equivalent to six ordinary shares.

[c] Represents vestings of shares made at the end of the relevant performance period based on performance achieved under rules of the plan and includes reinvested dividends on the shares vested. The market price of each share used to determine the total value at vesting on the vesting dates of 24 February 2017 and 20 February 2018 were £4.47 and £4.75 respectively and for ADSs on 24 February 2017 was $33.50. These totals include the additional accrual of dividends which vested on 19 May 2017 and 2 August 2017.

[d] Bob Dudley has voluntarily agreed to defer vesting of these awards until after retirement, therefore the performance period is expected to exceed the minimum term of three years. The market price of ordinary shares used to determine the total value at vesting on 11 February 2015 was £4.46.

[e] Brian Gilvary has voluntarily agreed to defer vesting of these awards for five years with a further one year retention period.

[f] The face value has been calculated using the market price of ordinary shares on 4 March 2016 of £3.68.

[g] The market price at closing of ordinary shares on 19 May 2017 was £4.72 and for ADSs was $36.94. The sterling value has been used to calculate the face value.

[h] Brian Gilvary has voluntarily agreed to defer vesting of these awards until the later of three years post award or one year post retirement, therefore the performance period is expected to exceed the minimum term of three years.

[i] All matching shares have been pro-rated to reflect actual service during the performance period and these figures have been used to calculate the face value.

Performance shares (audited)

	Performance period	Date of award of performance shares	Share element interests: Potential maximum performance shares[a] At 1 Jan 2017	Awarded 2017	At 31 Dec 2017	Interests vested in 2017 and 2018: Number of ordinary shares vested	Vesting date	£ Face value of the award
Bob Dudley[b]	2014-2016	12 Feb 2014	1,304,922	–	–	653,538[c]	19 May 2017[d]	–
	2015-2017	11 Feb 2015	1,501,770	–	1,365,240[e]	1,172,484	May 2018	–
	2016-2018[f]	4 Mar 2016	1,809,582	–	1,645,074[e]	–	–	6,053,872
	2017-2019[f]	19 May 2017	–	1,571,628	1,428,750[e]	–	–	6,743,700
Brian Gilvary	2014-2016	12 Feb 2014	605,544	–	–	308,286[c]	19 May 2017[d]	–
	2015-2017	11 Feb 2015	685,246	–	685,246	594,932	May 2018	–
	2016-2018[f]	4 Mar 2016	786,559	–	786,559	–	–	2,894,537
	2017-2019[f]	19 May 2017	–	722,093	722,093	–	–	3,409,362
Former executive directors								
Iain Conn	2014-2016	12 Feb 2014	220,043	–	–	112,025[c g]	19 May 2017[d]	–

[a] For awards under the 2014-2016, 2015-2017 and 2016-2018 plans, performance conditions are measured one third on TSR relative to ExxonMobil, Shell, Total and Chevron; one third on operating cash flow; and one third on a balanced scorecard of strategic imperatives. There is no identified overall minimum vesting threshold level but to comply with UK regulations a value of 44.4%, which is conditional on the TSR, operating cash flow, each of the strategic imperatives and strategic progress reaching the minimum threshold, has been calculated. For awards under the 2017-2019 plan, performance conditions are measured 50% on TSR relative to ExxonMobil, Shell, Total and Chevron over three years; 30% on ROACE based on performance in 2019 and 20% on strategic progress assessed over the performance period. Each performance period ends on 31 December of the third year.

[b] Bob Dudley received awards in the form of ADSs. The above numbers reflect calculated equivalents in ordinary shares. One ADS is equivalent to six ordinary shares.

[c] Represents vestings of shares made at the end of the relevant performance period based on performance achieved under rules of the plan and includes reinvested dividends on the shares vested. The market price of each share at the vesting date of 19 May 2017 was £4.72 and for ADSs was $36.94. For the assumed vestings dated May 2018 a price of £5.01 per ordinary share and $39.85 per ADS has been used. These are the average prices from the fourth quarter of 2017. These totals include the additional accrual of dividends which vested on 2 August 2017.

[d] The 2014-2016 award vested on 19 May 2017, which resulted in an increase in value at vesting of £24,644 for Iain Conn. Details for Bob Dudley and Brian Gilvary can be found in the single figure table on page 95.

[e] Bob Dudley has requested that the EDIP performance shares vestings in respect of the performance periods 2015-2017 and 2016-2018 are based on the 500% maximum annual award level which applies under the 2017 directors' remuneration policy, rather than the 550% maximum annual award level which applies under the 2014 directors' remuneration policy.

[f] The market price at closing of ordinary shares on 4 March 2016 was £3.68 and for ADSs was $31.15 and on 19 May 2017 was £4.72 and for ADSs was $36.94.

[g] Potential maximum of performance shares element has been pro-rated to reflect actual service during the performance period.

Share interests in share options plans (audited)

	Option type	At 1 Jan 2017	Granted	Exercised	At 31 Dec 2017	Option price	Market price at date of exercise	Date from which first exercisable	Expiry date
Brian Gilvary	BP 2011	500,000	–	–	500,000	£3.72	–	07 Sep 2014	07 Sep 2021
	SAYE	3,103	–	–	3,103	£2.90	–	01 Sep 2019	28 Feb 2020

The closing market prices of an ordinary share and of an ADS on 29 December 2017 were £5.227 and $42.03 respectively.
During 2017 the highest market prices were £5.247 and $42.03 respectively and the lowest market prices were £4.3975 and $33.31 respectively.
BP 2011 = BP 2011 plan. These options were granted to Brian Gilvary prior to his appointment as a director and are not subject to performance conditions.

Remuneration policy table – executive directors

A summary of the remuneration policy approved by shareholders at the 2017 AGM is set out below. For the full remuneration policy, please refer to the 2016 Directors' remuneration report at *bp.com/remuneration*.

Salary and benefits

Purpose

To provide fixed remuneration to reflect the scale and complexity of both the business and the role, and to be competitive with the external market.

Operation and opportunity

Salary

- Salary levels take into account the nature of the role, performance of the business and the individual, market positioning and pay conditions in the wider BP group. When setting salaries, the committee considers practice in other oil and gas majors as well as European and US companies of a similar size, geographic spread and business dynamic to BP.
- Salaries are normally set in the home currency of the executive director and are reviewed annually. They may be reviewed at other times where appropriate, for example following a major role change.
- Salary levels are specific to the role and individual and therefore there is no maximum salary under the policy. However, when reviewing salaries for executive directors, the committee will consider salary increases for the most senior management and for employees in relevant countries. Percentage increases for executive directors will not exceed that of the broader employee population, other than in specific circumstances identified by the committee (e.g. in response to a substantial change in responsibilities).
- Following the 2018 AGM, the annual salaries for the executive directors will be:
  - Group chief executive – Bob Dudley: $1,854,000.
  - Chief financial officer – Brian Gilvary: £775,000.

Benefits

- The committee expects to maintain benefits at the current level.
- Executive directors are entitled to receive those benefits available to all BP employees generally, such as participation in all-employee share plans, sickness pay, relocation assistance and maternity pay. Benefits are not pensionable.
- Executive directors may receive other benefits that are judged to be cost effective and appropriate in terms of the individual's role, time and/or security. These include car-related benefits or cash in lieu, driver, security, assistance with tax return preparation, insurance and medical benefits. The company may meet any tax charges arising on business-related benefits provided to directors, for example security.
- The taxable value of benefits provided may fluctuate during the period of this policy, depending on the cost of provision and a director's personal circumstances.

Performance framework

- Not applicable

Annual bonus

Purpose

To provide variable remuneration dependent on performance against annual financial, operational and safety measures. 50% of the bonus is paid in cash and 50% is mandatorily deferred and held in BP shares for three years to reinforce the long-term nature of the business and the importance of sustainability.

Operation and opportunity

- The bonus is based on performance against annual measures and targets set at the start of the year, evaluated over the financial year and assessed following the year end.
- Typically the annual bonus earned would be 50% of the maximum available for delivery of performance in line with the annual plan. The level of bonus payable may vary depending on the nature of the performance measure and level of target set.
- Executive directors may earn a maximum annual bonus (including any deferral) of up to 225% of salary for stretching performance against the objectives set for the year. The committee intends to set demanding requirements for maximum payment.
- 50% of the bonus earned is required to be deferred into BP shares for three years. Dividends (or equivalents, including the value of any reinvestment) may accrue in respect of any deferred shares.
- Awards are subject to malus and clawback provisions as described in policy, see *bp.com/remuneration*.

Performance framework

- The committee determines specific measures, weightings and targets each year to reflect the priorities in the annual plan, which is designed to deliver the group's strategy and is approved by the board.
- Measures will typically include a balance of financial, operational and safety measures. Details of the measures will be reported in advance each year in the annual report on remuneration. The committee intends to disclose targets for the annual bonus retrospectively.

Performance shares

Purpose

To link the largest part of remuneration opportunity with the long-term performance of the business. The outcome varies with performance against measures linked directly to strategic priorities.

Operation and opportunity

- Annual awards of shares will vest based on performance relative to measures and targets that reflect the delivery of BP's strategy. Performance will normally be measured over a period of at least three years.
- The maximum annual award level for the group chief executive will be 500% of salary and 450% of salary for the chief financial officer.
- Performance shares will only vest to the extent that performance targets are met. The level of vesting for performance will depend on the stretch of the objective set, but the threshold level would normally not be expected to exceed 25% of the maximum opportunity for the relevant element.
- Once performance has been measured, a proportion of the shares that will vest are subject to a holding period. The combined length of the performance and holding periods will be normally six years.
- Dividends (or equivalents, including the value of reinvestment) may accrue in respect of vested shares.
- Awards are subject to malus and clawback provisions, See *bp.com/remuneration*.

Performance framework

- Performance shares may vest based on a combination of total shareholder return, financial and strategic measures.
- For 2018 awards, the measures and weightings will be:
  – total shareholder return relative to oil and gas majors (50%)
  – return on average capital employed (30%)
  – strategic progress (20%)
- Details of 2018 targets relating to the total shareholder return and return on average capital employed measures are outlined in the remuneration report. Details relating to strategic progress will be disclosed retrospectively.
- Prior to granting each award the committee will review the measures, weightings and targets to ensure they remain focused on delivering the strategy and are in the interests of shareholders.
- At least 40% of any award will be subject to measures linked to shareholder returns and the proportion linked to strategic progress will not exceed 30%. The committee would consult appropriately with major shareholders regarding any material changes to the measures.

Shareholding requirements

Purpose

To provide alignment between the interests of executive directors and our other shareholders.

Operation and opportunity

- An executive director is expected to build up and maintain a minimum shareholding of five times their base salary within five years of their appointment.

Performance framework

- Not applicable.

Retirement benefits

Purpose

To recognize competitive practice in home country.

Operation and opportunity

- Executive directors normally participate in the company retirement plans that operate in their home country.
- Senior executives in BP have generally been employees of the group for a number of years. They often remain participants in long-standing arrangements in which other group employees continue to participate, but which are no longer offered to new employees. The maximum opportunity will vary depending on the terms of these arrangements.
- UK participants may remain members of the company's defined benefit plan. In common with other employees in this plan, they may choose to receive up to 35% of salary in lieu as a cash supplement but do not receive further service accrual under this plan. The level of this allowance is expected to reduce in future, in line with the proposed reduction for other UK employees who participate in this arrangement.
- US executive directors participate in long-standing plans of Amoco and Arco and other BP defined benefit and retirement savings plans for US employees.
- For future appointments, the committee will carefully review any retirement benefits to be granted to a new director. This will take account of retirement policies across the wider group, any arrangements currently in place, local market practice and individual circumstances. The committee will consider retirement benefits in the context of the overall approach to remuneration.

Performance framework

- Retirement benefits in the UK are not directly linked to performance. Reflecting local market practice, legacy arrangements in the US may reference bonuses when determining the benefit level.

Remuneration policy table – non-executive directors

Non-executive chairman

Fees

Approach	Remuneration is in the form of cash fees, payable monthly. The level and structure of the chairman's remuneration will primarily be compared against UK best practice.
Operation and opportunity	The quantum and structure of the non-executive chairman's remuneration is reviewed annually by the remuneration committee, which makes a recommendation to the board.

Benefits and expenses

Approach	The chairman is provided with support and reasonable travelling expenses.
Operation and opportunity	The chairman is provided with an office and full time secretarial and administrative support in London and a contribution to an office and secretarial support in his home country as appropriate. A car and the use of a driver is provided in London, together with security assistance. All reasonable travelling and other expenses (including any relevant tax) incurred in carrying out his duties is reimbursed.

Non-executive directors

Fees

Approach	Remuneration is in the form of cash fees, payable monthly. Remuneration practice is consistent with recognized best practice standards for non-executive directors' remuneration and, as a UK-listed company, the level and structure of non-executive directors' remuneration will primarily be compared against UK best practice. Additional fees may be payable to reflect additional board responsibilities, for example, committee chairmanship and membership and for the role of senior independent director.
Operation and opportunity	The level and structure of non-executive directors' remuneration is reviewed by the chairman, the GCE and the company secretary who make a recommendation to the board. Non-executive directors do not vote on their own remuneration. Remuneration for non-executive directors is reviewed annually.

Other fees and benefits

Intercontinental allowance

Approach	Non-executive directors receive an allowance to reflect the global nature of the company's business. The intercontinental travel allowance is payable for the purpose of attending board or committee meetings or site visits.
Operation and opportunity	The allowance is paid in cash following each event of intercontinental travel.

Benefits and expenses

Approach	Non-executive directors are provided with administrative support and reasonable travelling expenses. Professional fees are reimbursed in the form of cash, payable following the provision of advice and assistance.
Operation and opportunity	Non-executive directors are reimbursed for all reasonable travelling and subsistence expenses (including any relevant tax) incurred in carrying out their duties. The reimbursement of professional fees incurred by non-executive directors based outside the UK in connection with advice and assistance on UK tax compliance matters.

The maximum fees for non-executive directors are set in accordance with the Articles of Association.

This directors' remuneration report was approved by the board and signed on its behalf by David J Jackson, company secretary on 29 March 2018.