Directors' remuneration report – the 2023 remuneration policy

Across pages 134 to 141 we set out our directors' remuneration policy for 2023 and subsequent years (the 2023 policy). We will present this 2023 policy to shareholders at the 2023 annual general meeting (AGM) and, subject to shareholder approval, it will come into effect for the 2023 financial year.

Remuneration principles

In preparation for the review of our directors' remuneration policy, the committee gave deep consideration to the existing reward framework for the wider workforce, alongside executive remuneration. As our 2020 policy has served us well during the current economic environment, we have decided that the remuneration principles are still fit for purpose to apply equally to executives, and to employees at all levels of our workforce hierarchy.

Alignment	Our remuneration programmes will align with bp's strategic priorities, long-term success and shareholders' experience. In delivering our remuneration programmes across the globe we will reflect the policies and practices of the respective markets in which we operate.
Competitiveness	Total remuneration will be competitive for the role taking into account scale, sector, complexity of responsibility and geography. When setting senior executive pay, we will consider both wider workforce remuneration and conditions, and external pay relativities.
Pay for performance	We promote a culture where all employees are accountable for delivering performance. Depending on the level of the individual in the organization, we use variable pay to incentivize delivery against performance. Pay will be delivered with an emphasis on long-term equity in line with seniority. Performance measures and targets will seek to balance collective bp success with clear line of sight for participants. Remuneration outcomes aim to reflect sustained long-term underlying performance of bp. Factors beyond the control of management will be adjusted in determining final outcomes.
Judgement	We will use discretion and judgement to review formulaic performance outcomes to arrive at fair and balanced remuneration outcomes for both bp and employees.
Sustainability	Remuneration programmes will support the development of a long-term sustainable business informed by environmental, societal and other inputs. Performance targets and measures will typically be chosen with due regard to incentives for prudent risk taking. Individual contribution and ways of working will be reflected in remuneration outcomes.

Shaping our 2023 remuneration policy

Throughout 2022, and in the first quarter of 2023, we engaged extensively with our shareholders. This began with a constructive listening session in November 2022 with our shareholders and representatives from the main proxy advisory firms. The exercise was important in shaping our 2023 remuneration policy. We identified the following themes from our engagement:

- Alignment of remuneration policy and outcomes to the shareholder experience remains important.
- There is increasing importance placed on the wider workforce context and how decisions and policy are aligned to this frame.
- ESG performance measures continue to play an important role in executive remuneration in both short- and long-term incentives.
- Continued application of discretion and restraint on executive remuneration outcomes and decisions will be important, as will the effective disclosure and rationale behind the decisions taken.

The engagement enabled us to identify a clear direction for our future policy. Input was also received from the company chairman and management while ensuring that conflicts of interest were suitably mitigated, the committee's appointed independent advisors also advised throughout the process. We have concluded that the current policy, adopted in 2020, can generally be retained as the basis for the 2023 policy. Stability in the policy has the advantage of being well understood and accepted by shareholders, our executives and wider workforce. We have proposed two modest changes for 2023 – a reduced deferral rate under the annual bonus from 50% to 33%, which will apply only once an executive director has met the 'minimum shareholding requirement' threshold and, raising the CEO and CFO's cash in lieu of retirement benefits to align with the majority of the UK workforce. We have engaged with shareholders extensively on these changes to ensure their views have been represented.

Changes to the 2023 remuneration policy

Annual bonus deferral

Under our 2020 policy, any annual bonus earned is paid 50% in cash, with 50% deferred into restricted share units subject to a three-year restricted period. Typically, these deferred shares are held until employment ceases and beyond, pursuant to our post-employment shareholding policy; executives must seek permission from the remuneration committee to dispose of shares after the three-year restricted period. This deferral has been a clear source of increasing the executives' personal shareholdings and rapidly bringing them to conformance with the minimum shareholding requirement (MSR). Under the 2023 remuneration policy, we are proposing that the bonus deferral be rebalanced from 50% to one third (33%) of any bonus received subject to the achievement of MSR conformance.

In our deliberations we recognized that the structure of bp's equity plans lead to the executive director shareholdings building quickly and, given that the committee does not expect the executive directors to sell shares while in office, they have a particular portfolio concentration exposure. For context, our previous CEO had over 15 times the MSR at his point of separation from bp. Since our control mechanism for ensuring alignment with shareholder interests is the MSR itself, we have concluded that once the MSR is met, the deferral rate should reduce. Thus, the 2023 policy has been updated to require a deferral rate of 33% once the MSR threshold has been met. The deferral rate would remain at 50% until the MSR is met.

We have considered key aspects of this change that arose in our deliberations with shareholders including portfolio balance, shareholder experience, risk management and adherence to shareholder (and where appropriate, proxy agency) guidelines.

Malus and clawback provisions enable us to continue to manage and mitigate the risk associated with the incentive programmes. We note that all our share plans include provisions for malus and clawback, and we consider that bp's triggers are already stricter than the current market standard of misconduct and misstatement. We include 'material failure impacting safety or environmental sustainability' as well as 'such other exceptional circumstances that the committee consider to be similar in nature'. The headline remuneration policy on malus and clawback is supported with more detailed operational policies to ensure enforceability. Application of malus is also simplified by the synthetic nature of the share awards which are held as performance share units or restricted share units (RSUs).

The reduced bonus deferral rate means that at any given time the CEO will hold, at target payout, around 110% of salary in the form of vested shares, rather than 169% of base salary at target at the current deferral rate. However, in the event that the committee were to seek to apply a larger penalty, our operational policy also allows malus to be applied against unvested performance shares, which amount to up to 15x salary (three years of 5x salary awards). Thus we do not envisage a scenario in which the reduced deferral rate leaves us unable to operate malus to the appropriate extent.

We will maintain our current MSR policy, which requires the CEO to hold shares to a value of five times salary and other executive directors four and a half times salary. This policy also includes a three year post vesting holding period and post-employment shareholding requirement to maintain this minimum holding for two years following cessation of employment.

We have reviewed shareholder guidelines and have ensured that our new policy is aligned with the current guidelines.

The committee has concluded that our CEO's shareholding is 123% of his MSR (6.13x base salary) and our CFO's is 130% (5.86x base salary) of his MSR as at 17 February 2023. Subject to the 2023 policy being approved at the AGM, 2022 bonus would be subject to the 33% deferral rate at the point of payment after the AGM for both the CEO and CFO.

Executive director shareholding compared to minimum shareholding requirements as at 17 February 2023

Executive director cash in lieu of retirement benefits

In the 2021 directors' remuneration report we signalled an intention to review the cash pension allowance for the two executive directors within the context of the wider remuneration policy. In making this decision, the committee considered bp's global pension landscape and the history of bp's pension provision in the UK.

bp operates over 100 pensions schemes across 60 countries including defined benefit (DB), defined contribution (DC) and cash balance schemes. This leads to a complex landscape of plans representing its global wider workforce. Ensuring benefits are competitive while managing and transitioning legacy programmes can often result in multiple pension schemes within the same country and can lead to market competitive but differentiated distribution of reward between different employee groups. For example, bp also operates a retail business in the UK with c.6,800 bp-contracted employees. Pension arrangements for this group continue to follow competitive market practice.

In the UK prior to 2021, bp operated both a DB pension plan (closed to most new entrants since April 2010) and a DC pension plan. Under the DC plan, participants were provided a flexible cash allowance equal to 15% of salary which could be invested in pensions, other benefits or taken as cash. This created a significant variance in the value provided to employees between the DB and DC plans. In 2021, as part of a holistic review and modernization of the UK reward package, the UK DB plan was closed, and the primary pension scheme became a DC pension plan. To manage a smooth transition the legacy DB plan participants received a cash allowance which stepped down in value from 35% in 2021 to 20% in April 2023. To drive fairness, legacy DC plan participants had their flexible cash allowance increased from 15% to 20%. Thus effective 1 April 2023 the majority of the UK workforce (62% of employees) are now aligned and receive a 20% flexible cash allowance. It is a cash allowance and an employee may elect how this is allocated, they may invest some or all of this in the DC pension scheme, choose from a range of benefits or take it all in cash. The new pension offer brought greater fairness and equity through the alignment of employees in similar roles. The only two employees who did not participate in this arrangement and who did not receive an increase in their pension allowance were the executive directors, Bernard Looney and Murray Auchincloss.

Before Bernard's appointment as CEO in 2020, he was a member of the legacy DB plan with an annual pension value in excess of 25% of base salary. On appointment, he ceased to be a participant in the DB plan and was aligned to the wider workforce at that point with a then 15% cash allowance under the DC plan. Before Murray's appointment as CFO, he was a member of both DB and DC arrangements as a US employee. The value of these two pension benefits were in excess of 33% of base salary. On appointment, he ceased to be a participant in the two legacy US DB and DC schemes and was aligned with Bernard and the wider workforce in the UK with a 15% cash allowance under the UK DC plan.

Our 2020 policy stated that pension contribution rates for the executive directors were limited to no more than the median allowance offered to the wider workforce in the UK (as a percentage of salary). At the time of Bernard and Murray's appointments, as stated above, this was 15% of base salary. As explained, it is now the case that the majority of the UK workforce receive a 20% of base salary flexible cash allowance. The committee feels it is appropriate to increase the maximum cash allowance permitted under the policy to 20% of base salary for Bernard and Murray. In 2023 the committee has determined to retain Bernard's allowance at 15% of salary. The committee will bring the allowance into line with that of the wider workforce in 2024.

Our approach remains fully aligned to commitments under the UK Corporate Governance Code.

★ See glossary on page 389

Policy table – executive directors

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 will relate to the nature of the role, performance of the business and the individual, market positioning and pay conditions in the wider bp group. There is no maximum salary under the policy. When setting salaries, the committee considers practice in other energy majors as well as European and US companies of a similar size, geographic spread and business dynamic to bp. The committee will also consider salary increases for the most senior management and the wider workforce. In particular, percentage increases for executive directors will not exceed increases for the broader employee population, other than in specific circumstances identified by the committee (e.g. in response to a substantial change in responsibilities). 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.	**Benefits** Executive directors are entitled to receive those benefits available to a majority of the wider workforce. These include participation in all-employee share plans, sickness pay, relocation assistance and parental leave. 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 and/or cash in lieu, 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. In general, the committee expects to maintain benefits at the current level.

Retirement benefits

Purpose	To recognize competitive practice in the directors' home country while aligned with the majority of the workforce.	
Operation and opportunity	Executive directors normally participate in the company retirement plans that operate in their home country. New appointees from within the bp group retain previously accrued benefits. For future appointments, the committee will carefully review any retirement benefits to be granted to a new director, taking account of retirement policies across the wider workforce and any arrangements currently in place.	For both new and future appointments, the committee will be sensitive to investor concerns over pensions for directors, and limit cash in lieu of benefits allowance rates to no more than the allowance offered to the majority workforce in the UK (the maximum allowance is 20% of salary). Current executives have been employees of bp for a number of years but for their service as a director, retirement benefits will align to the cash in lieu of benefits allowance rate enjoyed by a majority of bp's workforce in the UK.
Performance framework	Retirement benefits are not directly linked to performance.	

Annual bonus

Purpose	To provide variable remuneration dependent on annual performance against three categories: safety and sustainability, financial, and operational. Bonus is subject to a mandatory deferral into bp shares which are held for three years to reinforce the long-term nature of the business and the importance of safety.	
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. The target annual bonus is half of the maximum available, and typically relates to delivery of performance in line with targets in the annual plan. Executive directors may earn a maximum annual bonus of 225% of salary. This maximum level would relate to performance at or above the highest end of the performance scale for every measure. The committee intends to set demanding requirements for maximum payment. Achievement of threshold performance would normally result in a payout of 0% of the maximum opportunity. Bonus calculation is based on salary as at 31 December in each performance year.	The final bonus outcome, following the formulaic assessment of performance relative to targets, is specifically reserved as a matter for the committee's judgement. Accordingly, the committee may exercise its discretion to adjust the formulaic outcome either upwards or downwards. Half the bonus is paid in cash, and half is deferred into bp shares for three years up until 'minimum shareholding requirement' (MSR) is met, as determined by the committee under the shareholding guidelines. Once met, 67% is paid in cash and 33% is deferred into bp shares. 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 on page 137.

Annual bonus

Performance framework

The committee determines a scorecard of specific measures, weightings and targets each year to reflect the priorities in the annual plan and thus deliver the group's strategy.

The committee holds discretion to choose the specific measures and weightings to be adopted within each of the three categories to better reflect the annual plan as agreed with the board.

The scorecard will typically include a balance of measures in three categories: safety and sustainability, financial and operational measures. Details of the measures and weighting will be reported in advance each year in the annual report on remuneration, while targets, where commercially sensitive, will be disclosed retrospectively.

Performance shares

Purpose

To link the largest part of remuneration opportunity with the long-term performance of the business.

Operation and opportunity

The maximum annual award level for the chief executive officer will be 500% of salary and 450% of salary for the chief financial officer.

Annual awards of shares will vest based on performance relative to measures and targets that reflect the delivery of bp's strategy over a performance period of typically three years. The scorecard will typically measure performance against relative total shareholder return (rTSR), financials, environment, social and governance (ESG) and strategic progress measures.

For each measure, the threshold level at which vesting is first triggered is not expected to yield vesting above 25% of the maximum.

The final performance shares outcome, following the formulaic assessment of performance relative to targets, is specifically reserved as a matter for the committee's judgement. Accordingly, the committee may exercise its discretion to adjust the formulaic outcome either upwards or downwards.

The shares that vest are subject to a three year post vesting holding period.

Dividends (or equivalents, including the value of reinvestment) may accrue in respect of share awards to the extent that they vest. Awards are subject to robust malus and clawback provisions as described on page 137.

Performance framework

Performance shares vest relative to performance achieved against a combination of financial, ESG and strategic progress measures.

At the outset of each performance cycle the committee holds the discretion to review the measures that are to govern the award, along with weightings and targets, to ensure they remain focused on delivering the strategy and are in the interests of shareholders.

The committee will assess in year safety outcomes and long-term trends in safety outcomes over the performance cycle as an underpin in determining the final vesting percentage.

Shareholding requirements

Purpose

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

Operation and opportunity

The chief executive officer is required to build and maintain a minimum shareholding of five times base salary within five years of appointment, and to maintain that minimum shareholding for at least two years post-retirement.

Other executive directors are required to build and maintain a minimum shareholding of four and a half times base salary within five years of appointment, and to maintain that minimum shareholding for at least two years post-retirement.

Performance framework

Not applicable.

Notes to the policy table

1. New components and key changes from the 2020 policy

While the structure of the 2020 policy has been retained, the committee highlights the following modest changes:

- Introducing a reduced deferral rate for bp shares from 50% to 33% once an executive has met the MSR threshold. This will be applicable to the 2022 annual bonus, subject to approval at the AGM in April 2023.
- Lifting both the CEO and CFO's cash in lieu of retirement benefits from 15% to 20% of salary aligning them to a majority of the wider UK workforce.

2. How is variable pay linked to performance?

Annual bonus	Bonus aligned with company performance	<100% MSR[a]: 50% paid in cash; 50% in bp shares deferred for 3 years >100% MSR[a]: 67% paid in cash: 33% in bp shares deferred for 3 years
Performance bonus	Share award for meeting three-year targets	6 years; 3 year performance period + 3 year holding period
Share ownership	Long-term shareholding	Built up over 5 years and maintained for a further two years post-employment

a MSR: group chief executive to build a shareholding of at least five times salary, and other executive directors four and a half times salary, within five years of appointment.

The three elements described above provide a balance between focus on short-term, medium-term and long-term performance, while encouraging behaviours which are in the long-term interests of shareholders. The operation of variable pay is supported by a focus on stewardship. There is a requirement that the chief executive officer will build up a holding of five times salary, and other executive directors a holding of four and a half times salary, over a period of five years following appointment and maintain that level during employment and for a further two years post employment.

3. How are performance measures linked to strategy?

Variable pay is linked to performance measures designed to deliver the bp strategy. At the start of each year, the remuneration committee reviews the measures, targets and weightings to ensure they remain consistent with the priorities in the annual plan and the group strategy. For the annual bonus and performance shares, the approach to performance measurement is intended to provide a balance of measures to assess performance reflecting the global scale of the business, the unique characteristics of the energy sector, and progress in transitioning to an integrated energy company.

4. Our use of flexibility, judgement and discretion

The committee reviews bp's performance against specific measures and targets, and in doing so may make both quantitative and qualitative assessments of performance in reaching its decisions. This involves the application of judgement and discretion, in which the committee also seeks relevant input from the board's audit, safety and sustainability committees. Accordingly, the committee may decide to adjust the formulaic outcome derived from the relevant scorecards, either upwards or downwards, to reflect broader considerations. The committee continues to consider that the powers of flexibility, judgement and discretion are critical to the successful execution of the policy.

In framing the policy, the committee has taken care to ensure that these important powers continue to be available:

- Sufficient flexibility to take account of future changes in the industry environment and in remuneration practice generally. This allows the committee to respond to changes in circumstances, for example in applying particular performance measures and/or weightings within the plans, or in broadening the comparator group for the relative returns measure, in order to evolve with the company's strategy, without the need for specific shareholder approval.
- Power to exercise judgement in making a qualitative assessment in certain circumstances. A number of measures are used for annual or long-term incentive awards, many of which are numerical in nature and require a quantitative assessment of performance. Others may require a qualitative assessment, such as the strategic progress measures in the performance share plan.
- Scope for the committee to exercise discretion, mainly where it is desirable to vary a formulaic outcome that would otherwise arise from the policy's implementation. The committee considers that the ability to exercise discretion, upwards or downwards, is important to ensure that a particular outcome is fair in light of the director's own performance, the company's overall performance and positioning under particular performance measures and outcomes for shareholders.

The committee may make minor amendments to the remuneration policy to aid its operation or implementation without seeking shareholder approvals (e.g. for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation).

The committee intends to provide appropriate disclosure on the use of flexibility, judgement and discretion so that shareholders can understand the basis for its decisions.

5. How will we safeguard against payments for failure?

Performance based pay	A significant portion of remuneration varies with performance – where performance targets are not achieved, lower or no payments will be made under the plans.	
Discretion	The committee may vary formulaic outcomes where these do not suitably reflect performance or other circumstances over the relevant performance period.	
Malus and clawback	The robust malus provisions enable the committee to reduce the size of award, cancel an unvested award, or impose further conditions on an award made under this policy. The malus provisions may apply if, prior to the vesting or payment of an award, there is a negative event such as: • Material failure impacting safety or environmental sustainability. • Incorrect award outcomes due to miscalculation or based on incorrect information. • Restatement due to financial reporting failure or misstatement of audited results. • Material misconduct by the participant. • Such other exceptional circumstances that the committee consider to be similar in nature.	The robust clawback provisions enable the committee to require participants to return some or all of an award after payment or vesting. They may be applied under the following circumstances: • Incorrect outcomes due to miscalculation or based on incorrect information. • Restatement due to financial reporting failure or misstatement of audited results. • Material misconduct by the participant.

★ See glossary on page 389

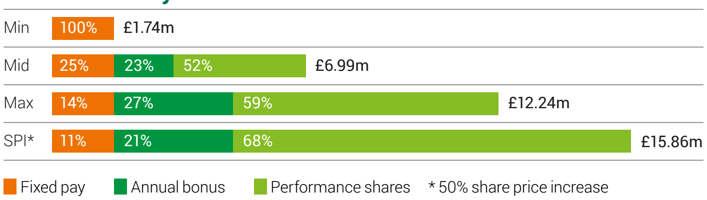
6. Differences from remuneration policy in the wider group

This executive director remuneration policy is structurally similar to remuneration for the majority of the wider workforce, but naturally differs in quantum, reflecting market norms for the differing size and complexity of roles, see page 118 for more detail on these differences.

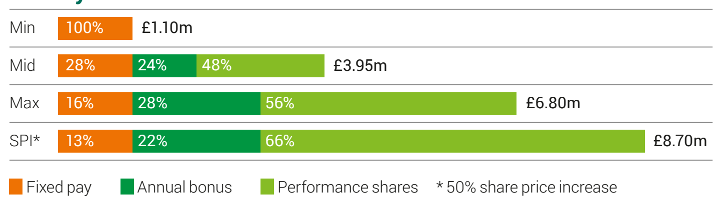
Illustrations of application of remuneration policy

The total remuneration opportunity for executive directors is strongly performance-based and weighted to the long term. The charts below provide scenarios for the total remuneration of executive directors at different levels of performance and are calculated as prescribed by UK regulations.

Bernard Looney



Murray Auchincloss



Due to rounding, the sum of the parts does not equal 100%.

Fixed components

For these illustrations salary, benefits and pension are the same in each scenario (annual values shown).

Salary	CEO (Looney)	£1,448,220	Bernard's salary, effective from the 2023 AGM
	CFO (Auchincloss)	£844,000	Murray's salary, effective from the 2023 AGM
Benefits and pension benefits	CEO (Looney)	£292,233	Based on cash in lieu of retirement benefits at 15% of salary, with an estimated £75k total for other benefits. Cash in lieu of retirement benefits will increase to 20% from 2024.
	CFO (Auchincloss)	£256,800	Based on cash in lieu of retirement benefits at 20% of salary, with an estimated £88k total for other benefits.

Variable components

Variable pay under the policy comprises annual bonus and performance shares.

Scenario	Minimum	Mid	Maximum
	↓	↓	↓
Annual bonus (including cash and deferred elements)	Threshold not met Nil	50% of maximum 112.5% of salary	100% of maximum 225% of salary
Performance shares	Threshold not met CEO – Nil CFO – Nil	50% vesting CEO – 250% of salary CFO – 225% of salary	100% vesting CEO – 500% of salary CFO – 450% of salary

Recruitment policy

The committee expects any new executive director to be engaged on terms that are consistent with the policy. However it recognizes that it cannot anticipate circumstances in which any new executive director may be recruited. The committee may determine that it is in the interests of the company and shareholders to secure the services of a particular individual which may require it to take account of the terms of that individual's existing employment and/or their personal circumstances.

Accordingly, the committee will ensure that:

- The salary level of any new director is appropriate to their role and the competitive environment at the time of appointment. Where appropriate it may appoint an individual on a lower salary (relative to any previous incumbent), then gradually increase salary levels as the individual gains experience in the role.
- Variable remuneration will be awarded within the parameters of the policy for current executive directors.
- The committee may tailor the vesting criteria for initial incentive awards depending on the specific circumstances.
- Where an existing employee is promoted to the board, the company may honour all existing contractual commitments including any outstanding share awards.
- The committee would expect any new director to participate in the company pension and benefit schemes that are open to other employees (where appropriate referencing the candidate's home country).
- Where an individual is relocating in order to take up the role, the company may provide certain one-off benefits such as reasonable relocation expenses, accommodation for a period following appointment, assistance with visa applications or other immigration issues and ongoing arrangements such as tax filing assistance, annual flights home and a housing/utilities allowance.
- Where an individual would be forfeiting remuneration or employment terms in order to join the company, the committee may award appropriate compensation. The committee would require reasonable evidence of the nature and value of any forfeited arrangements and would, to the extent practicable, ensure any compensation was of comparable commercial value and capped as appropriate, considering the terms of the previous arrangement being forfeited (for example the form and structure of award, timeframe, performance criteria and likelihood of vesting). Where appropriate, the committee prefers to deliver buy-outs in the form of restricted shares in the company.

In making any decision on the remuneration of a new director, the committee would balance shareholder expectations, current best practice and the circumstances of any new director. It would strive not to pay more than is necessary to recruit the right candidate and would give full details in the next remuneration report.

Service contract

Bernard Looney's and Murray Auchincloss' service contracts are with BP p.l.c.

Each executive director is entitled to retirement benefits as outlined on page 134.

Each executive director is also entitled to the following contractual benefits:

- If appropriate for security reasons, a company car and driver is provided for business and private use, with the company bearing all normal employment, servicing, insurance and running costs. Alternatively, where not required for security reasons, a cash allowance may be paid instead.
- Medical and dental benefits, sick pay during periods of absence and assistance with the preparation of tax returns.
- Indemnification in accordance with applicable law.
- Participation in bonus or incentive arrangements at the committee's sole discretion.

Each executive director may terminate their employment by giving 12 months' written notice. In this event, for business reasons, the employer may not necessarily hold the executive director to their full notice period.

The employer may lawfully terminate the executive director's employment in the following ways:

- By giving the director 12 months' written notice.
- Without compensation, in circumstances where the employer is entitled to terminate for cause, as defined for the purposes of their service contract.

The company may lawfully terminate employment by making a lump sum payment in lieu of notice equal to 12 months' salary, or by monthly instalments rather than as a lump sum.

The lawful termination mechanisms described above are without prejudice to the employer's ability in appropriate circumstances to terminate in breach of the notice period referred to above, and thereby to be liable for damages to the executive director.

In the event of termination by the company, each executive director may have an entitlement to compensation in respect of their statutory rights under employment protection legislation in the UK and potentially elsewhere. Where appropriate the company may also meet a director's reasonable legal expenses in connection with either their appointment or termination of their appointment.

Copies of the executive directors' service contracts, along with the non-executive director appointment letters, are available for inspection at the registered office of BP p.l.c.

★ See glossary on page 389

Termination payments

In determining overall termination arrangements, the committee will distinguish between types of leaver and the circumstances of their leaving. The committee would also consider all relevant circumstances, including whether a contractual provision in the director's arrangements complied with best practice at the time of termination and the date the provision was agreed, as well as the performance of the director in certain respects.

Where appropriate, the committee may consider providing certain benefits relating to termination including the provision of outplacement support or reasonable costs associated with relocation back to an individual's home country. Should it become necessary to terminate an executive director's employment, and therefore to determine a termination payment, the committee's policy is as follows:

Termination payments	The director's primary entitlement would be a termination payment in respect of their service agreement, as set out above. However the committee will consider mitigation to reduce the termination payment where appropriate to do so, taking into account the circumstances for leaving and the terms of the agreement. Mitigation would not be applicable where a contractual payment in lieu of notice is made.	If the departing director is eligible for an early retirement pension, the committee would consider, if relevant under the terms of the appropriate plan, the extent of any actuarial reduction that should be applied. UK directors who leave in circumstances approved by the committee may have a favourable actuarial reduction applied to their pensions (which to date has been 3%). Departing directors who leave in other circumstances may be subject to a greater reduction.
Annual bonus	The committee would consider whether the director should be entitled to an annual bonus in respect of the financial year in which the termination occurs.	Normally, any such bonus would be restricted to the director's actual period of service in that financial year.
Share awards	Share awards will be treated in accordance with the relevant plan rules. For awards granted under the executive directors' incentive plan (EDIP), the treatment can only be made in accordance with the framework approved by shareholders. The committee would consider whether conditional share awards held by the director should lapse on leaving or should, at the committee's discretion, be preserved. If awards are preserved, the award would normally continue until the vesting date. Awards may be pro-rated based on service over the performance period.	In deciding whether to exercise discretion to preserve EDIP awards, the committee would also consider the proximity of the award to its maturity date. To the extent that any such share award vests, the release of those shares to the former director will be made approximately one year after their date of termination (even if they would have been subject to a longer holding period had the executive remained in employment with bp).

Remuneration in the wider group

The committee considers employment conditions in the bp group when establishing and implementing policy for executive directors to ensure the alignment of and context for principles and approach. In particular, the committee reviews the policy and makes decisions for the most senior leaders (the bp leadership team that reports to the CEO). Decisions regarding remuneration for employees outside the most senior leaders are the responsibility of the chief executive officer. The committee does not consult directly with employees when formulating the policy. However, feedback from employee focus groups and employee surveys, that are regularly reported to the board, provide views on a wide range of employee matters including pay.

The wider employee group participates in performance-based incentives. Throughout the group, salary and benefit levels are set in accordance with the prevailing relevant market conditions and practice in the countries in which employees are based. Differences between executive director pay policy and that of other employees reflect the senior position of the individuals, prevailing market conditions and corporate governance practices in respect of executive director remuneration. The key difference in policy for executive directors is that a greater proportion of total remuneration is delivered as performance-based incentives.

Policy table – non-executive directors

The following table sets out the framework that will be used to determine the fees for non-executive directors during the term of this policy.

Non-executive chair	
Fees	
Approach	Remuneration is in the form of fees, payable monthly in cash. The level and structure of the chair's fee will primarily be compared against UK best practice.
Operation and opportunity	The quantum and structure of the non-executive chair's fee is reviewed annually by the remuneration committee, which makes a recommendation to the board.
Benefits and expenses	
Approach	The chair is provided with support and reasonable travelling expenses.
Operation and opportunity	The chair 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 are reimbursed.

Non-executive directors	
Fees	
Approach	Remuneration is in the form of fees, payable monthly in cash. Remuneration practice is consistent with recognized best practice standards for non-executive directors 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 chairship 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 chair, the CEO and the company secretary, who make a recommendation to the board. Non-executive directors do not vote on their own remuneration. Fee levels for non-executive directors are reviewed annually.
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. Professional fees incurred by non-executive directors based outside the UK in connection with advice and assistance on UK tax compliance matters are reimbursed.
Shareholding guidelines	
Approach	Chair and non-executive directors are encouraged to establish a holding in bp shares of the equivalent value of one year's base fee.

Letters of appointment for chair and non-executive directors	
Approach	The chair and non-executive directors each have letters of appointment. There is no term limit on a director's service, as bp proposes all directors for annual re-election by shareholders. There are no obligations arising from the non-executive directors' letters of appointment for remuneration or payments for loss of office, except for the chair whose appointment may be terminated in the following ways: • By either party giving three months' written notice, or • By the company for cause (as set out in the letter of appointment) and without compensation. The company may lawfully terminate the appointment by making a lump sum payment in lieu of notice equal to three months' fees. Copies of the executive directors' service contracts and non-executive directors' letters of appointment are available for inspection at the registered office of the company.

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

★ See glossary on page 389