Directors’ remuneration policy

The following pages set out the remuneration policy for directors of BP p.l.c., which, if approved by shareholders at the AGM on 10 April 2014, will take effect from the date of that meeting.

The policy is divided into separate sections for executive and non-executive directors. The remuneration of the executive directors is set by the remuneration committee (the committee) under delegated powers from the board. The committee makes a recommendation to the board for the remuneration of the chairman. The remuneration of the non-executive directors is set by the board based on a recommendation from the chairman, the group chief executive and the company secretary.

(a) Executive directors

Introduction

The remuneration policy for the executive directors and the decisions of the remuneration committee have been consistently guided by six key principles. These principles were introduced more than 10 years ago and have been described in all remuneration reports to shareholders since then.

Key principles

The principles represent the overarching approach of the board and the committee to the remuneration of the executive directors.

Linked to strategy: A substantial proportion of executive director remuneration is linked to success in implementing the company’s strategy.

Performance related: The major part of total remuneration varies with performance, with the largest elements being share based, further aligning with shareholders’ interests.

Long term: The structure of pay is designed to reflect the long-term nature of BP’s business and the significance of safety and environmental risks.

Informed judgement: There are quantitative and qualitative assessments of performance with the remuneration committee making informed judgement within a framework approved by shareholders.

Fair treatment: Total overall pay takes account of both the external market and company conditions to achieve a balanced, ‘fair’ outcome.

Shareholder engagement: The remuneration committee actively seeks to understand shareholder preferences and be transparent in explaining its policy and decisions.

The aim of this policy is to ensure that executive directors are remunerated in a way that reflects the company’s long-term strategy. Consistent with this, a high proportion of directors’ total potential remuneration has been, and will be, strongly linked to the company’s long-term performance.
Flexibility, judgement and discretion

The committee is empowered to undertake quantitative and qualitative assessments of performance in reaching its decisions. This involves the use of judgement and discretion within a framework that is approved by, and transparent to, shareholders.

The committee considers that the powers of flexibility, judgement and discretion are critical to successful design and implementation of the remuneration policy. This approach is supported in the UK by the ABI’s principles of remuneration and the GC100 and Investor Group’s guidance on directors’ remuneration reporting.

In framing this policy, the committee has therefore taken care to ensure that these existing and important powers are continued in the future.

- The committee considers that an effective remuneration policy needs to be sufficiently flexible to take account of future changes in the industry environment facing BP and in remuneration practice generally. The policy is therefore sufficiently flexible so that the committee can react to changed circumstances (for example in applying particular performance measures within schemes which may need to evolve with the strategy of the company), without the need for a specific shareholder approval.

- The policy preserves the committee’s long-standing power to exercise judgement in making a qualitative assessment in certain circumstances. For annual or long-term bonus awards a number of metrics are used. Many are numerical in nature and require a quantitative assessment. Some will be qualitative, for example the maintenance or improvement in the company’s reputation. Here an impartial assessment will be required.

- This policy sets out various areas where the committee has 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 and the company’s overall performance and positioning under particular performance metrics. In accordance with UK regulations, areas where the remuneration policy provides for the exercise of discretion are identified in the report.

This policy sets out the areas where the committee wishes to have flexibility or use discretion in its implementation. Each year, the committee will report to shareholders on the use of these powers.

Key considerations

The committee considers a wide range of factors when developing the remuneration policy for executive directors. The competitive market for top executives both within the oil sector and broader industrial corporations provides an important context. The committee believes that it has a duty to shareholders to ensure that the company is competitive so as to attract and retain the high calibre executives required to lead the company.

The committee also considers employment conditions within the company when establishing and implementing policy for executive directors to ensure alignment of principles and approach. In particular the committee reviews the policy for the group leaders of around 500 top executives to ensure that policy for both groups is aligned and reflects consistent standards and approach.

Decisions regarding remuneration for employees outside the group leaders are the responsibility of the group chief executive. Employees are not consulted directly by the committee when making policy decisions although feedback from employee surveys provide views on a wide range of points including pay which are regularly reported to the board.

The committee has a long-standing and active programme of engaging with key shareholders that includes one-on-one meetings with them each year. This engagement programme complements the overall investor relations and board engagement efforts of the company, and focuses mainly on our largest shareholders and main proxy advisers. Feedback from shareholders on executive director remuneration forms an important component of the committee’s considerations when establishing policy.

Implementation matters

This policy is a forward-looking document, but it is a requirement of the regulations that, if obligations under the company’s previous remuneration policy are to remain in force, these must be stated and certain information must be provided. In view of the long-term nature of BP’s remuneration structures – including obligations under service contracts, pension arrangements, the executive directors’ incentive plan (EDIP) and other incentive awards – a substantial number of pre-existing obligations will remain outstanding at the time that this policy is approved, including obligations that are ‘grandfathered’ by virtue of being in force at 27 June 2012. It is the company’s policy to honour in full any pre-existing obligations that have been entered into prior to the effective date of this policy.

Finally the new regulations require detailed information on performance measures and targets to be included in the report unless the directors consider that information to be commercially sensitive. The directors are committed to full and transparent disclosure to shareholders and will seek to provide the information wherever possible. However, the directors have determined that the current targets for short- and long-term incentives are commercially sensitive and should not be disclosed at the commencement of any relevant performance period as they believe this is not in the interests of the company. The directors will review such targets at the end of each relevant performance period and determine whether any target may be disclosed.

Executive directors’ incentive plan

The EDIP was first approved by shareholders in April 2000 and has since provided the umbrella framework for share based remuneration for executive directors. With the introduction of the new UK regulations on pay reporting, the prime shareholder approval for all elements of remuneration policy, including share based elements, will now be via the policy report. The EDIP will continue to provide the vehicle to implement the share based elements of policy that have been approved by shareholders, the EDIP will continue to require a separate shareholder approval under UK Listing Rules, and its renewal has been brought forward to the 2014 AGM to coincide with the approval of this remuneration policy. Given the duplication of the two regulatory regimes, the remuneration committee will ensure that any actions taken in future under the EDIP will be consistent with the policy approved by shareholders.
### Remuneration policy table

<table>
<thead>
<tr>
<th>Element and purpose</th>
<th>Operation and opportunity</th>
</tr>
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</table>
| **Salary and benefits** | ・Salaries are normally set in the home currency of the executive director and reviewed annually.  
・Salary levels and total remuneration of oil and other top European multinationals, and related US corporations, are considered by the committee. Internally, increases for the group leaders as well as all employees in relevant countries are considered.  
・Salary increases will be in line with all employee increases in the UK and US and limited to within 2% of average increase for the group leaders.  
・Benefits reflect home country norms. The current package of benefits will be maintained, although the taxable value may fluctuate. |  
| Provides base-level fixed remuneration to reflect the scale and dynamics of the business, and to be competitive with the external market.  
See page 100. |  |
| **Annual bonus** | ・Total overall bonus (before any deferral) is based on performance relative to measures and targets reflected in the annual plan, which in turn reflects BP’s strategy.  
・On-target bonus is 150% of salary with 225% as maximum.  
・Achieving annual plan objectives equates to on-target bonus. The level of threshold payout for minimum performance varies according to the nature of the measure in question. |  
| Provides a variable level of remuneration dependent on short-term performance against the annual plan.  
See page 100. |  |
| **Deferred bonus** | ・A third of the annual bonus is required to be deferred and up to a further third can be deferred voluntarily. This deferred bonus is awarded in shares.  
・Deferred shares are matched on a one-for-one basis, and both deferred and matched shares vest after three years depending on an assessment by the committee of safety and environmental sustainability over the three-year period.  
・Where shares vest, additional shares representing the value of reinvested dividends are added.  
・Before being released, all matched shares that vest after the three-year performance period are subject (after tax) to an additional three-year retention period. |  
| Reinforces the long-term nature of the business and the importance of sustainability, linking a further part of remuneration to equity.  
See page 101. |  |
| **Performance shares** | ・Shares up to a maximum value of five and a half times salary for the group chief executive and four times salary for the other executive directors can be awarded annually.  
・Vesting of shares after three years is dependent on performance relative to measures and targets reflecting BP’s strategy.  
・Where shares vest, additional shares representing the value of reinvested dividends are added.  
・Before being released, those shares that vest after the three-year performance period are subject (after tax) to an additional three-year retention period. |  
| Ties the largest part of remuneration to long-term performance. The level varies according to performance relative to measures linked directly to strategic priorities.  
See page 102. |  |
| **Pension** | ・Executive directors participate in the company pension schemes that apply in their home country.  
・Current UK executive directors remain on a defined benefit pension plan and receive a cash supplement of 35% of salary in lieu of future service accrual when they exceed the annual allowance set by legislation.  
・Current US executive directors participate in transition arrangements related to heritage plans of Amoco and Arco and normal defined benefit plans that apply to executives with an accrual rate of 1.3% of final earnings (salary plus bonus) for each year of service. |  
| Recognizes competitive practice in home country.  
See page 103. |  |

Note: Further information is set out in the accompanying notes which follow this table.
<table>
<thead>
<tr>
<th>Performance framework</th>
<th>Changes to policy</th>
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<tbody>
<tr>
<td>• Salary increases are not directly linked to performance. However a base-line level of personal contribution is needed in order to be considered for a salary increase and exceptional sustained contribution may be grounds for accelerated salary increases.</td>
<td>No change to policy.</td>
</tr>
<tr>
<td>• Specific measures and targets are determined each year by the remuneration committee. • A proportion will be based on safety and operational risk management and is likely to include measures such as loss of primary containment, recordable injury frequency and tier 1 process safety events.</td>
<td>No change to policy.</td>
</tr>
<tr>
<td>• Both deferred and matched shares must pass an additional hurdle related to safety and environmental sustainability performance in order to vest. • If there has been a material deterioration in safety and environmental metrics, or there have been major incidents revealing underlying weaknesses in safety and environmental management then the committee, with advice from the safety, ethics and environmental assurance committee, may conclude that shares vest in part, or not at all. • All deferred shares are subject to clawback provisions if they are found to have been granted on the basis of materially misstated financial or other data.</td>
<td>Introduction of an additional three-year retention period on matched shares that vest. This results in a six-year plan, the same as for performance shares.</td>
</tr>
<tr>
<td>• Performance shares will vest on the following three performance measures: – Total shareholder return relative to other oil majors. – Operating cash flow. – Strategic imperatives. • Measures based on relative performance to oil majors will vest 100%, 80%, 25% for first, second and third place finish respectively and 0% for fourth or fifth position.</td>
<td>Override provision extended requiring high levels of vesting to be consistent with shareholder benefit. More stringent vesting schedule for those metrics that are measured on performance relative to the other four oil majors. Third place finish reduced from 35% to 25% and second place increased from 70% to 80%.</td>
</tr>
<tr>
<td>• Pension in the UK is not directly linked to performance. • Pension in the US includes bonus in determining benefit level.</td>
<td>No change to policy.</td>
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</table>
Remuneration policy in more depth

Salary and benefits

At 1 January 2014, the annual salaries for executive directors were as follows: Bob Dudley £1,800,000, Iain Conn £774,000 and Dr Brian Gilvary £710,000.

Most components of total remuneration are determined as multiples of salary and so the committee reviews salaries, normally annually. These reviews consider both external competitiveness and internal consistency when determining if any increases should be applied.

Salaries are compared against other oil majors, but the committee also monitors market practice among 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. The levels of increase for all our employees in relevant countries, as well as the profile of increases for group leaders, are reviewed and considered when assessing executive director salary increases.

The committee would expect annual increases to be in line with all employee increases in the UK and US, unless there are promotions or significant changes in responsibilities, in which case they would retain the flexibility to recognize these with appropriate salary increases but will be limited to within 2% of average increase for the group leaders.

The rigorous process followed by the committee has resulted in bonus levels varying considerably over a number of years, reflecting the changing circumstances of the company during the period. The following chart shows the average annual bonus result (before any deferral) relative to an on-target level for executive directors.

The committee will make a balanced judgement of what, if any, increase should be applied to each executive director’s salary. These decisions, and the reasons for them, form part of the annual report of remuneration.

Benefits and other emoluments

Executive directors are entitled to receive those benefits which are made available to employees generally in accordance with their applicable terms, for example sharesave plans, sickness policy, relocation assistance and maternity pay. Benefits are not pensionable.

In addition, executive directors may receive other benefits that are judged to be cost effective and prudent in terms of the individual’s time and/or security. These include car-related benefits, security assistance, tax preparation assistance, insurance and medical benefits. The costs of these are treated as taxable benefits to the individuals and are included in the single figure table of the annual report on remuneration. The company would meet any tax charges arising in respect of benefits provided to directors that it considers relate to its business (for example security assistance).

The committee expects to maintain benefits at their current level for the duration of this policy but notes that the taxable value may fluctuate depending on, amongst other things, insurance premiums, and a director’s personal circumstances.

Annual bonus

Operation

Highlights

150% of salary on target, 225% maximum.

Metrics focused on safety and operational risk, and on value creation.

Details on performance measures will be explained each year in annual report on remuneration.

Executive directors are eligible for an annual bonus (before any deferral) of 150% of salary at target and 225% at maximum. Bonuses for the group chief executive and the chief financial officer will be based entirely on group measures. Executive directors with large operating responsibilities may have up to 50% of their bonus based on their respective business segment, with the balance based on group measures.

The strategy provides the overall context for the company’s key performance indicators and the focus for the annual plan. From this, measures and targets to reflect the key priorities of the business are selected at the start of the year for senior managers, including executive directors. Measures typically include a range of financial and operating measures as well as those relating to safety and the environment.

Where possible, the committee uses quantifiable, hard targets that can be factually measured and objectively assessed. Where it is appropriate to use qualitative measures, the information used to make assessments will be established at the start of or early in the year. Targets are set so that achieving plan levels of performance results in on-target bonus. For maximum levels, targets reflect performance levels that the committee judges are very stretching but nonetheless achievable.

At the end of each year, performance is assessed relative to the measures and targets established at the start of the year, adjusted for any material changes in the market environment (predominantly oil prices).

In addition to the specific bonus metrics, the committee also reviews the underlying performance of the group in light of the annual plan, competitors’ results and analysts’ reports, and seeks input from other committees on relevant aspects. When appropriate, the committee may make adjustments, up or down, to a straight formulaic result based on this fuller information. The committee considers that this informed judgement is important to establishing a fair overall assessment.

The rigorous process followed by the committee has resulted in bonus levels varying considerably over a number of years, reflecting the changing circumstances of the company during the period. The following chart shows the average annual bonus result (before any deferral) relative to an on-target level for executive directors.

Performance measures

The measures used to determine bonus results will derive from the annual plan and support the strategic priorities of safety and operational risk (S&OR) management and reinforcing value creation.

The committee determines specific measures, weightings and targets each year to reflect the group’s strategy, key performance indicators (KPIs) and the priorities in the annual plan. These measures will be reported each year in the annual report on remuneration.

For safety and operational risk management the measures may include established ones such as loss of primary containment, tier 1 process safety events, recordable injury frequency, and/or days away from work frequency. The measures selected will typically track both process and personal safety and give an overall perspective on performance. The committee will also seek the input of the safety, ethics and environmental assurance committee (SEEAC) to determine if there are any other factors or metrics that should be considered in arriving at a final assessment at year end.

Value creation will form the principal measures and include both financial and operating metrics that track performance relative to value creation. Financial measures for value creation may include operating cash flow, underlying replacement cost profit, and cost management or other similar measures tracking the financial outcome of the company’s pursuit of strategic goals. Additional operating metrics may include major project delivery, Upstream unplanned deferrals, and Downstream net income per barrel or other similar measures that track key operating aspects of the strategy.

Where segment metrics are applied, they will typically include specific safety metrics for the segment as well as value metrics such as availability, efficiency, profitability and major project delivery.
Deferred bonus
The structure of deferred bonus, awarded in shares, focuses on long-term alignment with shareholder interests and reinforces the critical importance of maintaining high safety and environmental standards. It translates the outcome of a portion of the annual bonus into a long-term plan with additional performance hurdles. As shown below, the deferred bonus is converted to shares, matched and deferred for three years. Half the total that vests will then normally have an additional three-year retention period before release.

**Operation**

**Highlights**
- A third mandatory and up to a third voluntary deferral.
- Converted to shares, matched one-for-one and deferred for three years.
- Vesting of all conditional on safety and environmental sustainability hurdle.
- Matched shares subject to additional three-year retention period post vesting.

A third of the annual bonus is required to be deferred for three years. Under the rules of the plan, the average share price over the three days following the announcement of full-year results is used to determine the number of shares awarded. Deferred shares are matched on a one-for-one basis.

Executive directors may elect, with the committee’s agreement, to take up to a further third of their annual bonus in shares, which will vest and will qualify for matching on the same basis as above.

Both deferred and matched shares vest after three years depending on the committee’s assessment of safety and environmental sustainability over the three-year deferral period. Where shares vest, the executive director will also receive additional shares representing the value of the reinvested dividends on those shares.

Beginning with the 2013 bonus deferral, matched shares that vest (half of the total that vests) will normally be subject to a compulsory retention period of a further three years. Sufficient shares may be sold to discharge tax liabilities at the vesting date.

**Performance measures**

The safety and environmental sustainability hurdle, in place since 2010, will continue to be applied to all deferred shares. If the committee assesses that there has been a material deterioration in safety and environmental metrics, or there have been major incidents either of which reveal underlying weaknesses in safety and environmental management, then it may conclude that shares vest in part, or not at all. In reaching its conclusion, the committee will obtain advice from the SEEAC.

The committee believes that this safety and environmental hurdle is appropriate for several reasons:
- High standards in this area are an important priority of BP’s strategy.
- Maintaining safety and environmental standards over the long term is a good qualitative reflection of the sustainability of the business.
- This non-financial hurdle complements the financial and operational performance conditions applicable to performance share awards.
Performance shares

The performance share element reflects the committee’s policy that a large proportion of remuneration is tied to long-term performance. This three-year performance period, combined with a further three-year retention period for those shares that vest, creates a six-year incentive plan designed to ensure executive interests are aligned with those of shareholders.

Operation

Highlights

- Shares awarded to five and a half times salary for the group chief executive and four times for other executive directors.
- Three-year performance period.
- Performance measures reflect strategy and KPIs.
- Three-year retention period for those shares that vest.

Performance shares may be awarded conditionally at the start of each year to a value of up to five and a half times salary for the group chief executive and up to four times salary for the other executive directors (the maximum allowed under the EDIP). Under the rules of the EDIP, the average share price over the final quarter before the start of the performance period is used to determine the number of shares awarded. Performance shares will only vest to the extent that performance conditions are met.

Where shares vest, the executive director will receive additional shares representing the value of the reinvested dividends on those shares. Sufficient shares may be sold at vesting to discharge tax liabilities. The remaining vested shares will normally be subject to a compulsory retention period of a further three years.

A history of vesting of the share element is shown below, reflecting both demanding performance conditions and poor company performance during this period.

History of performance share vesting

Performance measures

Performance measures will be aligned to BP’s strategy that focuses on value creation and reinforcing safety and operational risk management. Vesting of a portion of shares will be based on our total shareholder return (TSR) compared to other oil majors, reflecting the central importance of restoring and maintaining the value of the company. A further portion will be based on the operating cash flow of the company, reflecting a central element of value creation. The final portion will be based on a set of strategic imperatives such as reserves replacement ratio, S&OR management, and major project delivery.

For the TSR and the reserves replacement ratio measures, the comparator group will continue to consist of ExxonMobil, Shell, Total and Chevron. This group can be altered by the committee if circumstances change, for example, if there is significant consolidation in the industry. While a narrow group, it continues to represent the comparators that both shareholders and management use in assessing relative performance.

TSR will be calculated by taking the share price performance over the three-year performance period, assuming dividends are reinvested. All share prices will be averaged over the three-month period before the beginning and end of the performance period. They will be measured in US dollars.

The methodology used for the relative measures will rank each of the five oil majors on each measure. Performance shares for each component will vest at levels of 100%, 80% and 25% respectively, for performance equivalent to first, second and third place. No shares will vest for fourth or fifth place.

Operating cash flow has been identified as a core measure of strategic performance of the company. Targets will reflect agreed plans and normal operating assumptions.

The committee will determine the weightings, specific measures and targets for each year to reflect the strategic priorities for that year and the committee’s judgement of where the focus should be for the upcoming period. These will be explained in the annual report on remuneration.

The committee considers that a combination of quantitative and qualitative measures reflects the long-term value creation priorities and the factors underpinning business sustainability.

The committee may exercise its judgement, in a reasonable and informed manner, to adjust vesting levels upwards or downwards if it concludes that this approach does not reflect the reality of the health and performance of the business relative to its peers. In addition the committee will review whether the level of vesting is consistent with shareholder interests. Any adjustments are explained in the annual report on remuneration following vesting, in line with its commitment to transparency.
**Executive directors are eligible to participate in the pension schemes that apply in their home country and which follow the national norms for structure and levels.**

### US executive directors

**Highlights**

- Defined benefit core schemes.
- Annual accrual of 1.3% of average annual earnings generally provides overall benefit.
- Average earnings include salary and bonus.

Pension benefits in the US are provided through a combination of tax-qualified and non-qualified benefit plans, consistent with applicable US tax regulations.

The BP retirement accumulation plan (US pension plan) is a US tax-qualified plan that features a cash balance formula and includes grandfathering provisions under final average pay formulae for certain employees of companies acquired by BP (including Amoco and Arco) who participated in these predecessor company pension plans.

The TNK-BP supplemental retirement plan is a lump sum benefit based on the same calculation as the benefit under the US pension plan but reflecting service and earnings at TNK-BP.

The BP excess compensation (retirement) plan (excess compensation plan) provides a supplemental benefit which is the difference between (a) the benefit accrual under the US pension plan and the TNK-BP supplemental retirement plan without regard to the IRS compensation limit (including for this purpose base salary, cash bonus and bonus deferred into a compulsory or voluntary award under the deferred matching element of the EDIP), and (b) the actual benefit payable under the US pension plan and the TNK-BP supplemental retirement plan, applying the IRS compensation limit. The benefit calculation under the Amoco formula includes a reduction of 5% per year if taken before age 60.

The BP supplemental executive retirement benefit plan (SERB) is a supplemental plan based on a target of 1.3% of final average earnings (including, for this purpose, base salary plus cash bonus and bonus deferred into a compulsory or voluntary award under the deferred matching element of the EDIP) for each year of service (without regard for tax limits) less benefits paid under all other BP (US) qualified and non-qualified pension arrangements. The benefit payable under SERB is unreduced at age 60 but reduced by 5% per year if separation occurs before age 60. Benefits payable under this plan are unfunded and therefore paid from corporate assets.

### UK executive directors

**Highlights**

- Defined benefit core schemes.
- One sixtieth annual accrual to a maximum of two-thirds final salary.
- 35% cash supplement in lieu of future service accrual for those in excess of UK government limits.

UK executive directors are members of the BP pension scheme in respect of service prior to 1 April 2011. The core benefits under this scheme are non-contributory. The benefits include a pension accrual of one sixtieth of basic salary for each year of service, up to a maximum of two-thirds of final basic salary and a dependant’s benefit of two-thirds of the member’s pension. The scheme pension is not integrated with state pension benefits. Higher accrual rules are offered to employees on the payment of personal contributions.

Since 1 April 2011, participants may receive a cash supplement in lieu of future service pension accrual in the BP pension scheme. This follows the reduction in the annual allowance applicable to plans such as the BP pension scheme in 2011. Some participants ceased pension accrual for future service to remain within the new annual allowance. For these employees the cash supplement is equal to 35% of basic salary.

Until the end of March 2011, pension benefits in excess of the individual lifetime allowance set by legislation were paid via an unapproved, unfunded pension arrangement provided directly by the company. From April 2011 only increases in accrued benefits due to increases in salary in excess of the individual lifetime allowance are covered by the arrangements.

The rules of the BP pension scheme were amended in 2006 to reflect the normal retirement age of 65. Prior to 1 December 2006, scheme members could retire on or after age 60 without reduction.

Special early retirement terms apply to executives in service on 1 December 2006. If they retire between 60 and 65, they are entitled to an immediate unreduced pension. If they retire between 55 and 60, they are entitled to an immediate unreduced pension in respect of the proportion of their benefit for service up to 30 November 2006, and are subject to such reduction as the scheme actuary certifies in respect of the period of service after 1 December 2006. For retirees leaving in circumstances approved by the committee, the scheme actuary has to date applied a reduction of 3% per annum in respect of the period of service from 1 December 2006 up to the leaving date; however a greater reduction can be applied in other circumstances. Those leaving before 55 are entitled to a deferred pension that becomes payable from 55 or later, on the basis set out above. Irrespective of this, an individual leaving in circumstances of total incapacity is entitled to an immediate unreduced pension as from their leaving date.
Scenario charts

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 in UK regulations. The fixed component in each chart includes current salary, taxable benefits and pension. The annual component reflects cash bonus, and in the case of Bob Dudley the pension accruing on his bonus. The long term includes both the deferred bonus and the performance shares. Detailed calculation assumptions are noted to the right of the charts.

### Calculation assumptions

#### Minimum

**Fixed components only**
- Current salary and taxable benefits.
- Pension value of one year’s service using current salary for US and cash in lieu for UK.
  - UK 35% x salary.
  - US 1.3% x salary x 20.

#### Target

- Current salary and taxable benefits.
- Pension value of one year’s service using current salary for US and cash in lieu for UK.
  - UK 35% x salary.
  - US 1.3% x salary x 20.

#### Annual

- Cash bonus reflecting on-target level of 150% of salary of which two thirds are paid in cash.
- For Bob Dudley, pension value of one year’s service based on target bonus times 20 (1.3% x 150% x salary x 20).

#### Long term

- Deferred bonus reflecting one third of target bonus of 150% of salary and one-for-one match.
- Performance shares that vest to half maximum amounting to 2.75 times salary for Bob Dudley and two times salary for Iain Conn and Dr Brian Gilvary.

#### Maximum

**Fixed**
- Current salary and taxable benefits.
- Pension value of one year’s service using current salary for US and cash in lieu for UK.
  - UK 35% x salary.
  - US 1.3% x salary x 20.

**Annual**
- Cash bonus reflecting maximum of 225% of salary of which one third is paid in cash.
- For Bob Dudley, pension value of one year’s service based on maximum bonus times 20 (1.3% x 225% x salary x 20).

**Long term**
- Deferred bonus reflecting two thirds of maximum bonus of 225% of salary and one-for-one match.
- Performance shares that fully vest amounting to five and a half times salary for Bob Dudley and four times salary for Iain Conn and Dr Brian Gilvary.

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### Bob Dudley ($ thousand)

<table>
<thead>
<tr>
<th></th>
<th>Fixed</th>
<th>Annual</th>
<th>Long term</th>
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<tbody>
<tr>
<td>$20,000</td>
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<tr>
<td>$5,000</td>
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#### Scenario charts

**Minimum**
- Current salary and taxable benefits.
- Pension value of one year’s service using current salary for US and cash in lieu for UK.
  - UK 35% x salary.
  - US 1.3% x salary x 20.

**Target**
- Current salary and taxable benefits.
- Pension value of one year’s service using current salary for US and cash in lieu for UK.
  - UK 35% x salary.
  - US 1.3% x salary x 20.

**Annual**
- Cash bonus reflecting on-target level of 150% of salary of which two thirds are paid in cash.
- For Bob Dudley, pension value of one year’s service based on target bonus times 20 (1.3% x 150% x salary x 20).

**Long term**
- Deferred bonus reflecting one third of target bonus of 150% of salary and one-for-one match.
- Performance shares that vest to half maximum amounting to 2.75 times salary for Bob Dudley and two times salary for Iain Conn and Dr Brian Gilvary.

### Dr Brian Gilvary (£ thousand)

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<thead>
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<th></th>
<th>Fixed</th>
<th>Annual</th>
<th>Long term</th>
</tr>
</thead>
<tbody>
<tr>
<td>£8,000</td>
<td></td>
<td></td>
<td>76%</td>
</tr>
<tr>
<td>£6,000</td>
<td></td>
<td></td>
<td>55%</td>
</tr>
<tr>
<td>£4,000</td>
<td></td>
<td></td>
<td>19%</td>
</tr>
<tr>
<td>£2,000</td>
<td></td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

### Iain Conn (£ thousand)

<table>
<thead>
<tr>
<th></th>
<th>Fixed</th>
<th>Annual</th>
<th>Long term</th>
</tr>
</thead>
<tbody>
<tr>
<td>£10,000</td>
<td></td>
<td></td>
<td>76%</td>
</tr>
<tr>
<td>£6,000</td>
<td></td>
<td></td>
<td>55%</td>
</tr>
<tr>
<td>£4,000</td>
<td></td>
<td></td>
<td>19%</td>
</tr>
<tr>
<td>£2,000</td>
<td></td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>
Recruitment
The committee expects any new executive directors to be engaged on terms that are consistent with the policy as described on the preceding pages. The committee recognizes that it cannot always predict accurately the circumstances in which any new directors 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 the committee to take account of the terms of that individual’s existing employment and/or their personal circumstances. Accordingly, the committee will ensure that:

- Salary level of any new director is competitive relative to the peer group.
- Variable remuneration will be awarded within the parameters outlined on pages 98-99, save that the committee may provide that an initial award under the EDIP (within the salary multiple limits on page 98) is subject to a requirement of continued service over a specified period, rather than a corporate performance condition.
- Where an existing employee of BP is promoted to the board, the company will honour all existing contractual commitments including any outstanding share awards or pension entitlements.
- 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 and assistance with visa applications or other immigration issues and ongoing arrangements such as tax equalization, annual flights home, and housing allowance.
- Where an individual would be forfeiting valuable remuneration 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 award and would, to the extent practicable, ensure any compensation was no more valuable than the forfeited award and that it was paid in the form of shares in the company.

The committee would expect any new recruit to participate in the company pension and benefit schemes that are open to senior employees and/or their personal circumstances. Accordingly, the committee will ensure that:

- Each executive director participates in bonus or incentive arrangements at the committee’s sole discretion. Currently, each participates in the discretionary bonus scheme and the deferred bonus and performance share plans as described on pages 100, 101 and 102 respectively.
- Where appropriate the company may also meet a director’s reasonable legal expenses in connection with either his appointment or termination of his appointment.
- In making any decision on any aspect of the remuneration package for a new recruit, the committee would balance shareholder expectations, current best practice and the requirements of any new recruit and would strive not to pay more than is necessary to achieve the recruitment. The committee would give full details of the terms of the package of any new recruit in the next remuneration report.

Service contracts
Summary details of each executive director’s service agreement are as follows:

<table>
<thead>
<tr>
<th>Executive Director</th>
<th>Agreement Date</th>
<th>Salary as at 1 Jan 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bob Dudley</td>
<td>6 Apr 2009</td>
<td>£1,800,000</td>
</tr>
<tr>
<td>Iain Conn</td>
<td>22 Jul 2004</td>
<td>£774,000</td>
</tr>
<tr>
<td>Dr Brian Gilvary</td>
<td>22 Feb 2012</td>
<td>£710,000</td>
</tr>
</tbody>
</table>

Bob Dudley’s contract is with BP Corporation North America Inc. He is seconded to BP p.l.c. under a secondment agreement dated 15 April 2009, which has been further extended to 15 April 2019. His secondment can be terminated with one month’s notice by either party and terminates automatically on the termination of his service agreement. Iain Conn’s and Dr Brian Gilvary’s service agreements are with BP p.l.c.

Each executive director is entitled to pension provision, details of which are summarized on page 103.

Each executive director is entitled to the following contractual benefits:

- A company car and chauffeur for business and private use, on terms that the company bear all normal servicing, insurance and running costs. Alternatively, the executive director is entitled to a car allowance in lieu.
- Medical and dental benefits, sick pay during periods of absence and tax preparation assistance.
- Indemnification in accordance with applicable law.
- Each executive director participates in bonus or incentive arrangements at the committee’s sole discretion. Currently, each participates in the discretionary bonus scheme and the deferred bonus and performance share plans as described on pages 100, 101 and 102 respectively.
- 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 his service agreement.
- In the event of termination by the company, each executive director may have an entitlement to compensation in respect of his 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 his appointment or termination of his appointment.
- The committee considers that its policy on termination payments arising from the contractual provisions summarized above provides an appropriate degree of protection to the director in the event of termination and is consistent with UK market practice.
Third, if the departing director is eligible for an early retirement pension, the committee would consider, if relevant under the terms of the plan in which the director participates, the extent of any actuarial reduction that should be applied.

- In determining the overall termination arrangements, the committee would have regard to all relevant circumstances, and would therefore distinguish between types of leaver and the circumstances under which the director left the company. This mainly relates to consideration of how discretion would be exercised in relation to conditional share awards under the EDIP. It is also relevant where a departing director has a right to an early retirement pension. UK directors who leave in circumstances approved by the committee may have a favourable actuarial reduction applied to their pensions (which has to date been 3%). Departing directors who leave in other circumstances are subject to a greater reduction.

- The performance of the leaving director would be taken into account in various respects. In particular, in deciding whether to exercise discretion to preserve EDIP awards, the committee would have regard to the director’s performance during the performance cycle of the relevant awards, as well as a range of other relevant factors, including the proximity of the award to its maturity date.

- The committee would also have regard to all other relevant factors, including consideration of whether a contractual provision in the director’s arrangements complied with best practice at the time the director’s employment was terminated, as well as at the time the provision was agreed to.

- A shorter vesting period for any share awards may apply on change of control.

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 during 2013 are shown below.

<table>
<thead>
<tr>
<th>Director</th>
<th>Appointee company</th>
<th>Additional position held at appointee company</th>
<th>Total fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bob Dudley&lt;sup&gt;a&lt;/sup&gt;</td>
<td>Rosneft</td>
<td>Director</td>
<td>0</td>
</tr>
<tr>
<td>Iain Conn</td>
<td>Rolls-Royce plc</td>
<td>Senior independent director and chairman of the ethics committee</td>
<td>£82,000</td>
</tr>
<tr>
<td>Dr Byron Grote&lt;sup&gt;b&lt;/sup&gt;</td>
<td>Unilever</td>
<td>Audit committee member</td>
<td>Unilever PLC £19,375 Unilever NV €22,990</td>
</tr>
</tbody>
</table>

<sup>a</sup> Bob Dudley holds this appointment as a result of the company’s shareholding in Rosneft.

<sup>b</sup> On retirement at 11 April 2013.
### (b) Non-executive directors

This section of the directors’ remuneration report describes the separate policies of the BP board for the remuneration of the chairman and the non-executive directors (NEDs).

#### Key principles

The principles which underpin the board’s policies for the remuneration of the chairman and the NEDs are as follows:

- Remuneration should be sufficient to attract, motivate and retain world-class non-executive talent.
- Remuneration practice should be consistent with recognized best practice standards for chairman and NED remuneration.
- The aggregate annual remuneration payable to the chairman and NEDs is determined by shareholder resolution in accordance with the company’s Articles of Association. The aggregate limit will be increased to £5 million if resolution 20 at the 2014 AGM is duly passed.

#### Board remuneration policy for the chairman

The chairman is non-executive and, in accordance with the Governance Code, independent on appointment. The quantum and structure of the chairman’s remuneration is set by the board based upon a recommendation from the remuneration committee. The chairman is not involved in setting his own remuneration.

This policy reflects the approach adopted by the board over the years and which has previously been described to shareholders.

#### Element and purpose

<table>
<thead>
<tr>
<th>Operation and opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>The quantum and structure of chairman’s remuneration is reviewed annually by the remuneration committee, which makes a recommendation to the board.</td>
</tr>
</tbody>
</table>

#### Basic fee – chairman

Remuneration is in the form of cash fees, payable monthly. Remuneration practice is consistent with recognized best practice standards for a chairman’s remuneration and as a UK-listed company, the quantum and structure of the chairman’s remuneration will primarily be compared against best UK practice.

| 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 Sweden. A chauffeured car 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. |

#### Benefits and expenses

The chairman is provided with support and reasonable travelling expenses.

The maximum remuneration for non-executive directors is set in accordance with the Articles of Association.
## Board remuneration policy for non-executive directors

<table>
<thead>
<tr>
<th>Element</th>
<th>Operation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic fee</strong></td>
<td>The quantum and structure of NEDs’ remuneration is reviewed by the chairman, the group chief executive and the company secretary who make a recommendation to the board; the NEDs do not vote on their own remuneration. Remuneration for non-executive directors is reviewed annually.</td>
</tr>
<tr>
<td><strong>Committee fees and allowances</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Intercontinental allowance</strong></td>
<td>The allowance will be paid in cash following each event of intercontinental travel.</td>
</tr>
<tr>
<td><strong>Committee chairmanship fee</strong></td>
<td>Those NEDs who chair a committee receive an additional fee. The committee chairmanship fee reflects the additional time and responsibility in chairing a committee of the board, including the time spent in preparation and liaising with management.</td>
</tr>
<tr>
<td><strong>Committee membership fee</strong></td>
<td>Fees for committee chairmanship and membership are determined annually and paid in cash.</td>
</tr>
<tr>
<td><strong>The senior independent director (SID)</strong></td>
<td>The fee for the SID will be determined from time to time, and is paid in cash monthly.</td>
</tr>
<tr>
<td><strong>Benefits and expenses</strong></td>
<td>NEDs 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.</td>
</tr>
</tbody>
</table>

The maximum remuneration for non-executive directors is 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 6 March 2014.