Directors' remuneration report

Chairman's annual statement

"Our remuneration system has worked appropriately during difficult times, and I am confident it will continue to do so as performance returns to healthy sustained levels."

Dear shareholder

BP continued the disciplined and systematic execution of its strategy during 2013, focusing on safety and operational risk management, and on restoring value. As in 2012, there were many positive steps in the recovery journey during 2013 including improved safety, a strengthened portfolio and a new future in Russia. I encourage you to read about these in more detail elsewhere in this annual report.

Remuneration for executive directors continues to be tied closely to this overall recovery of the group. The vast majority of potential remuneration is based on outcomes relative to measures related directly to the company's strategy and key performance indicators. In addition to a direct link to strategy, our remuneration system has a strong bias towards sustained long-term performance, and our decisions regarding remuneration are guided by key principles of informed judgement, fair treatment and alignment with shareholders. My meetings with shareholders this year have again been helpful in understanding perspectives and have led to a few modifications to our policy.

Our report this year reflects the new UK regulations on directors' remuneration and so is divided into an annual report on remuneration and a separate policy report. The annual report on remuneration sets out and explains the outcomes of the various elements that make up 2013 total remuneration. The policy report explains our proposed remuneration policy for the next three years which, subject to approval by shareholders, will come into effect from the AGM. For both sections the information relating to executive directors (whose remuneration is determined by the remuneration committee) is presented separately from that relating to non-executive directors (whose remuneration is determined by the full board).

2013 outcomes

I am pleased to report that remuneration for 2013, as summarized on page 85, increased after several years where pay was significantly depressed by the aftermath of the Deepwater Horizon incident. It is particularly encouraging that a moderate portion of shares in the long-term performance share plan has vested this year. These outcomes reflect strong and sustained performance with safety steadily improving, operations performing well and a portfolio of assets growing through capital discipline and strong project management. The significant divestments of the last few years have made the company smaller but stronger, with improved potential to grow value.

Annual bonus

It was a good year for BP with improved safety, new discoveries and operations, a strengthened portfolio and benefits already accruing from the company's new relationship in Russia. Overall group performance exceeded annual plan levels and resulted in a score of 1.32 times target. Performance was assessed relative to metrics set at the start of the year and reflecting the company's strategy and key performance indicators.

Safety and operational risk management accounted for 30% of annual bonus. Led strongly from the top, this continued to show encouraging progress with particularly significant reductions in tier 1 process safety events and loss of primary containment – both important measures of process safety. Results this year confirm that it remains a constant priority throughout the business.

The company also made good gains in restoring value, which accounted for 70% of annual bonus. Underlying replacement cost profit and total cash costs were both better than plan targets, while operating cash flow achieved target levels. Key operating performance was also positive with important major projects commissioned and a significant improvement in unplanned Upstream deferrals. Downstream operations demonstrated high availability and good safety results but profitability was impacted by a difficult business environment affecting refinery margins.

Deferred bonus

The first of the deferred bonus share awards, implemented in 2010, became eligible for vesting at the end of 2013. Vesting was dependent on safety and environmental sustainability performance over the period from 2011 through 2013. Our review confirmed very positive results during this period with consistent improvements in key metrics and no major incidents. Based on this positive result, the deferred and matched shares for this period vested fully.

Performance shares

The 2011-2013 performance share plan, the first plan commencing after the Deepwater Horizon incident, focused on value creation, reinforcing safety and risk management and rebuilding trust. 50% of the award was dependent on total shareholder return which failed to make the threshold required for vesting. Reserves replacement, accounting for 20% of the award, is expected to be very positive and progress relative to the strategic imperatives, accounting for the remaining 30%, was very encouraging. Overall, we expect nearly 40% of shares will vest, the highest in over 10 years.

Other elements

Salaries were increased by just under 3% for Bob Dudley, Iain Conn and Dr Brian Gilvary mid-year. Pension increases reflect normal plan rules and valuation according to UK regulations. The increased value reported for Bob Dudley reflects his promotion to group chief executive in 2010 which, because his defined benefit pension is based on three-year average remuneration, takes a number of years to reach a steady state. In addition, the reported value is calculated according to UK regulations and the committee has been informed by the company's consulting actuaries that these significantly overstate the value of his US pension increase.

Remuneration policy

Attracting and retaining top talent is a key objective of our approach to remuneration. Our proposed policy, as summarized on page 98, remains largely unchanged from that which has applied for a number of years and its continuity has been a stabilizing force during a period of company turbulence. The core elements of salary, annual bonus, deferred bonus, performance shares and pension continue to provide an effective, relatively simple, performance-based system that fits well with the long-term nature of BP's business and strategy.

Three modifications have been included in our proposed policy as a result of our dialogue with investors. First, we have added a three-year retention period in the deferred bonus element for those matched shares that vest in the plan. Second, we have made the vesting of performance shares more stringent for those metrics based on performance relative to other oil majors. Finally, we have added a specific review of performance share vesting to ensure that high levels of vesting are consistent with shareholder benefits.

All of the above are explained in more detail in the policy report.

EDIP renewal

The executive directors' incentive plan (EDIP) has provided the umbrella framework for share-based remuneration for BP executive directors since it was first approved by shareholders in April 2000. It was renewed both in 2005 and 2010 and will expire in April 2015 according to its current mandate. The UK Listing Rules require a separate approval for this plan despite it largely being a duplication of what is included in the new policy report governed by a different regulatory regime. Given that the EDIP is an important vehicle to implement the remuneration policy, we concluded that it was appropriate to bring its renewal forward to coincide with the first policy vote. Details appear under resolution 19 in the Notice of Meeting, and are consistent with those included in the policy report.

It is reassuring to see momentum building in the business, led by a talented top team with resolve and commitment. Our remuneration system has worked appropriately during difficult times, and I am confident it will continue to do so as and when performance returns to healthy sustained levels.

Antony Burgmans
Chairman of the remuneration committee
6 March 2014

Remuneration – the big picture

2013 annual report on remuneration

This section reports on the remuneration outcomes for 2013 and 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

Total remuneration summary

Strategy > Key performance indicators > Performance > Pay
The clear link from strategy through to pay continues. For several years the company's strategy has centred on enhancing safety and risk management, rebuilding trust and restoring value. This strategy has provided focus for key performance indicators (KPIs) and in turn the measures for annual bonus, deferred bonus and performance share plans.

2013 summary of outcomes

These are shown in the table opposite and represent the following:

- **Salary –** reviewed mid-year and **increased just under 3%** for all except Dr Byron Grote who retired mid-year.
- **Annual bonus –** overall group bonus was based 30% on safety and operational risk (S&OR) management and 70% on restoring value. S&OR results were good both in terms of improvement and overall standard. Similarly, performance relative to value measures was overall better than the annual plan. **Overall group outcome was 1.32 times target level.**

  The resulting cash bonuses are shown in the table opposite with total deferred bonuses reflected in the 'Conditional equity' table as required by UK regulations. Dr Byron Grote, given his retirement, was not eligible for any deferral, and his bonus (prorated to reflect his service) was paid in cash.
- **Deferred bonus –** the 2010 deferred bonus was contingent on safety and environmental sustainability performance over the period 2011 through 2013. Overall assessment was very positive based on continually improving safety and risk management performance and strong evidence of ingrained safety culture and systems throughout the organization. Based on this, **2010 deferred and matched shares vested**.
- **Performance shares –** the 2011-2013 plan was based 50% on total shareholder return (TSR) and 20% on reserves replacement, both relative to the other oil majors, and reflecting the key strategic focus on restoring value. The final 30% was based on strategic imperatives made up equally of safety and risk management, external reputation and staff alignment and morale – all key strategic priorities in the period after the Deepwater Horizon incident in 2010. **39.5% of shares in the plan are expected to vest** based on strong reserves replacement performance and good progress against all three strategic imperatives. TSR performance did not achieve the minimum level required for any vesting.
- **Pension –** pension figures reflect the UK requirements to show 20 times the increase in pension value for defined benefit schemes, as well as any cash paid in lieu. In the case of Bob Dudley's reported figures, this UK requirement overstates the increase in the actuarial value of his US pension by several million dollars.

Single figure table of remuneration of executive directors in 2013 (audited)

Remuneration is reported in the currency received by the individual

	Bob Dudley thousand		Iain Conn thousand		Dr Brian Gilvary thousand		Dr Byron Grote thousand	
Annual remuneration 2013	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Salary	**$1,776**	$1,726	**£763**	£741	**£700**	£690	**$743**	$1,464
Annual cash bonus[a]	**$2,344**	$837	**£961**	£374	**£924**	£366	**$1,470**	$710
Benefits	**$90**	$86	**£59**	£39	**£45**	£13	**$10**	$15
Total	**$4,210**	$2,649	**£1,783**	£1,154	**£1,669**	£1,069	**$2,223**	$2,189
Vested equity								
Deferred bonus and match[b]	**$0**	$0	**£242**	£0	**£0**	£0	**$893**	$0
Performance shares	**$4,522[c]**	$0	**£1,332[c]**	£666	**£505[c]**	£299	**$2,225[c]**	$0
Total	**$4,522**	$0	**£1,574**	£666	**£505**	£299	**$3,118**	$0
Total remuneration	**$8,732**	$2,649	**£3,357**	£1,820	**£2,174**	£1,368	**$5,341**	$2,189
Pension								
Pension value increase[d]	**$4,447**	$6,535[e]	**£46**	£0	**£44**	£1,024	**$141**	$747
Cash in lieu of future accrual[f]	**N/A**	N/A	**£267**	£259	**£245**	£242	**N/A**	N/A
Total including pension	**$13,179**	$9,184	**£3,670**	£2,079	**£2,463**	£2,634	**$5,482**	$2,936

[a] This reflects the amount of total overall bonus paid in cash with the deferred portion set out in the conditional equity table below. The relevant portions are two-thirds cash and one-third deferred.
[b] This relates to the deferred bonus from prior years that vests.
[c] Represents the assumed vesting of shares in 2014 following the end of the relevant performance period, based on anticipated performance achieved under the rules of the plan and includes re-invested dividends on shares vested. In accordance with UK regulations, the vesting price of the assumed vesting is the average market price for the fourth quarter of 2013 which was £4.69 for ordinary shares and $45.52 for ADSs.
[d] Represents the annual increase in accrued pension multiplied by 20 as prescribed by UK regulations. For Bob Dudley the increase in actuarial value of $1,319,000 is considered to be a more accurate reflection of the increase.
[e] The figure for 2012 has been restated on the same basis as 2013 to be consistent with the finalized UK regulations.
[f] As for all employees affected by UK pension tax limits and who wished to remain within these limits, with effect from April 2011, Iain Conn and Dr Brian Gilvary received a cash supplement of 35% of basic salary in lieu of future service pension accrual.

Conditional equity – to vest in future years, subject to performance

		Bob Dudley		Iain Conn		Dr Brian Gilvary		Dr Byron Grote	
Deferred bonus in respect of bonus year		**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Total deferred bonus	Value (thousand)	**$1,172**	$1,674	**£481**	£748	**£462**	£732	**$0**	$1,420
Total deferred converted to shares	Shares	**149,628**	229,380	**100,563**	161,296	**96,653**	157,630	**0**	194,556
Total matched shares	Shares	**149,628**	229,380	**100,563**	161,296	**96,653**	157,630	**0**	32,424
Vesting date		**Feb 2017**	Feb 2016	**Feb 2017**	Feb 2016	**Feb 2017**	Feb 2016	**Feb 2017**	Feb 2016
Performance share element		**2013-2015**	2012-2014	**2013-2015**	2012-2014	**2013-2015**	2012-2014	**2013-2015**	2012-2014
Potential maximum shares		**1,384,026**	1,343,712	**694,688**	660,633	**637,413**	624,434	**142,278**	414,468
Vesting date		**Feb 2016**	Feb 2015	**Feb 2016**	Feb 2015	**Feb 2016**	Feb 2015	**Feb 2016**	Feb 2015

Total remuneration in more depth

Salary and benefits

2013 outcomes

Salaries were reviewed in May 2013 using a number of internal and external comparisons. Externally, the competitiveness of salaries and of overall packages relative to other oil majors, other large UK and Europe-based international companies and related US companies were considered. Internally the committee reviewed three distinct groups – the overall level of increases for all employees in both the UK and the US, the distribution and average level of increases for 'group leaders' comprising around 500 top executives in the company, and finally the individual and average increases for the top executive team.

Based on this review, salaries were increased by 2.8% for Bob Dudley (to $1,800,000), 2.9% for Iain Conn (to £774,000) and 2.9% for Dr Brian Gilvary (to £710,000) effective 1 July 2013.

Total benefits received by executive directors included car-related benefits, security assistance, insurance and medical benefits. The total value of taxable benefits is included in the summary table on page 85.

2014 implementation

The remuneration committee intends to review salaries in May 2014 and will again consider both internal and external comparisons. Benefits will continue unchanged.

Annual bonus

Framework

All executive directors were eligible for an overall annual bonus, including deferral, of 150% of salary at target and 225% of salary at maximum – unchanged since 2010.

Bob Dudley's annual bonus was based entirely on group results, as was Dr Brian Gilvary's and Dr Byron Grote's. Iain Conn's was based 70% on group results and 30% on his Downstream segment results.

Measures and targets for the annual bonus were set at the start of the year and were derived from the company's annual plan which, in turn, reflected the company's strategy and KPIs. Measures were grouped under the dominant themes of S&OR management, and restoring value. Targets were set so that meeting the plan equates to on-target bonus.

At group level, S&OR was set to account for 30% of total bonus and included targets for loss of primary containment, process safety tier 1 events and recordable injury frequency. Value measures were set to account for 70% of total bonus and included targets for operating cash flow, underlying replacement cost profit, total cash costs, Upstream unplanned deferrals, major project delivery and Downstream net income per barrel.

Additional measures and targets were set for Iain Conn's Downstream segment. These focused on safety, operating efficiency and profitability.

As well as the specific measures set out, the committee considers any other results or factors it deems relevant and applies its overall judgement in determining final bonus outcomes.

2013 annual bonus outcomes

Measures	Weight	Threshold / Target / Max	Result x target
Safety and operational risk management	**30.0%**	Threshold Target Max	
Loss of primary containment	10.0%		0.60
Process safety tier 1 events	10.0%		2.00
Recordable injury frequency	10.0%		1.55
Value	**70.0%**	Threshold Target Max	
Operating cash flow	16.3%		1.05
Underlying replacement cost profit	16.3%		1.65
Total cash costs	16.3%		1.50
Upstream unplanned deferrals	7.0%		2.00
Major project delivery	7.0%		0.50
Downstream net income per barrel	7.0%		0.68
Overall outcome			**1.32**

2013 outcomes

Overall group performance outcomes for the year are summarized in the table above.

S&OR management performance, weighted at 30%, was positive. Process safety events declined significantly to amongst the lowest of the oil majors. Loss of primary containment did not meet its target but still showed an improvement of more than 10% over 2012. Recordable injury frequency continued to show marked improvement.

Performance related to value measures were similarly positive. Underlying replacement cost profit and total cash costs both came in better than plan targets while operating cash flow met its plan level. Major projects met plan with one exception and Upstream unplanned deferrals exceeded target with a 30% improvement compared to 2012. Finally, Downstream net income per barrel was below target reflecting difficult trading conditions.

Based on these results, the group performance factor is calculated at 1.32 times target. The committee, as is its normal practice, considered this result in the context of the underlying performance of the group, competitors' results, shareholder feedback and input from the board and other committees. After review, it concluded that this represented fairly the overall performance of the business during the year and confirmed the score for group purposes.

In the Downstream segment, safety results were good with improvement in most areas of process and personal safety. Performance related to value measures was negatively impacted by compression of fuel margins and so operating cash flow was below plan level, but other operating measures were at or better than plan. A performance score of 1.13 times target was achieved.

Overall bonus is determined by multiplying the group score of 1.32 times target by the on-target bonus level of 150% of salary. Bob Dudley's total overall bonus therefore was 198% of salary (1.32x150%). The same score was applied to each of the other executive directors for group outcomes resulting in both Dr Brian Gilvary and Dr Byron Grote also receiving an overall bonus of 198% of salary. Combined with the results for his segment (accounting for 30% of his bonus), Iain Conn's total overall score was 1.26 times target, resulting in a bonus of 189% of salary.

Of the total bonuses referred to above, one-third is paid in cash, one-third is deferred on a mandatory basis, and one-third is paid either in cash or voluntarily deferred at the individual's election. Dr Byron Grote, who retired mid-year, was not eligible for deferral and so his entire bonus (reflecting his six months of service) was paid in cash.

2013 overall bonus outcome

	Paid in cash	Total deferred
Bob Dudley	$2,343,660	$1,171,830
Iain Conn	£961,380	£480,690
Dr Brian Gilvary	£924,000	£462,000
Dr Byron Grote	$1,470,150	$0

2014 implementation

For 2014, 100% of Bob Dudley's and Dr Brian Gilvary's bonus will be based on group results. Iain Conn will again have 70% of his bonus determined on group results and 30% on his Downstream segment results.

The committee determines specific measures and targets each year that reflect the priorities in the group's annual plan and KPIs, both of which are derived from the company's strategy. For 2014 there will be no change from the measures and weightings used in 2013 other than a minor change to the treatment of cost management. The table below shows the group measures that will be used, the weight attached to each and the alignment with KPIs and group strategy.

Targets have been agreed for each of the measures based on the annual plan. In addition the committee uses its judgement to set the range of bonus payouts from minimum acceptable at threshold to very stretching but achievable at maximum.

2014 annual bonus measures

Measures	KPI	Weight	Link to strategy
Safety and operational risk management		**30.0%**	
Loss of primary containment	✓	10.0%	Safe, reliable and compliant operations
Process safety tier 1 events	✓	10.0%	
Recordable injury frequency	✓	10.0%	
Value		**70.0%**	
Operating cash flow	✓	16.3%	Disciplined financial choices
Underlying replacement cost profit	✓	16.3%	Competitive project execution
Cost management		16.3%	Focus on high-value Upstream assets
Upstream unplanned deferrals		7.0%	Grow our exploration position
Major project delivery	✓	7.0%	Build high-quality Downstream businesses
Downstream net income per barrel		7.0%	

Deferred bonus

Framework

One-third of the total bonus awarded to the executive directors is required to be paid in shares under the terms of the deferred bonus element. Deferred shares are matched on a one-for-one basis and, after three years, vesting for both deferred and matched shares is contingent on an assessment of safety and environmental sustainability over the three-year deferral period.

Individuals may elect to defer up to an additional one-third of total bonus into shares on the same basis and subject to the same contingency as the mandatory deferral.

2013 outcomes

No bonuses were paid for group results in 2010, however both Iain Conn and Dr Byron Grote received a limited bonus related to their segment results that year. Deferrals from these were converted to shares, matched one-for-one, and deferred for three years from the start of 2011. The three-year performance period concluded at the end of 2013 and vesting was subject to a review of safety and environmental sustainability performance over the three-year deferral period. The committee reviewed safety and environmental sustainability performance over this period and, as part of this review, sought the input of the safety, ethics and environment assurance committee (SEEAC). Over the three-year period 2011-2013 safety measures showed a steady improvement, there were no major incidents, and the group-wide operating management system showed good signs of driving improvement in environmental as well as safety areas.

Based on their review, the committee approved full vesting of the deferred and matched shares for the 2010 deferred bonus as shown in the following table (as well as in the total remuneration summary chart on page 85).

2010 deferred bonus vesting

Name	Shares deferred	Vesting agreed	Total shares including dividends	Total value at vesting
Iain Conn	42,768	100%	49,340	£241,766
Dr Byron Grote	97,548	100%	110,640	$892,680

Dr Byron Grote's vesting reflected a prorating of the matched shares component to reflect his service. Dr Brian Gilvary participated in a separate deferred bonus plan prior to his appointment as an executive director and details of this are provided in the table on page 93.

Information on the deferred bonus awards made in early 2013, and pertaining to 2012 bonuses, was set out in last year's report and a summary is included in the table on page 85.

2014 implementation

The remuneration committee has determined that the safety and environmental sustainability performance hurdle will continue to apply to shares deferred from the 2013 bonus and that there will be no change to these measures. It has also proposed that in future all matched shares that vest will, after sufficient shares have been sold to pay tax, be subject to an additional three-year retention period before being released to the individual, further reinforcing our long-term orientation. These features are described in more detail in the policy section of the report and have been implemented for shares deferred from the 2013 bonus.

Performance shares

Framework

Performance shares were awarded to each executive director in early 2011 with vesting after three years dependent on performance relative to measures reflecting the company's strategic priorities in the period after the Deepwater Horizon accident. For the 2011-2013 plan, vesting was based 50% on TSR compared to the peer group, 20% on reserves replacement ratio, also relative to the peer group, and 30% on a set of strategic imperatives for rebuilding trust. These centred on S&OR management, rebuilding BP's external reputation, and reinforcing staff alignment and morale.

The peer group includes ExxonMobil, Shell, Chevron and Total. ConocoPhillips was originally included as part of the peer group but was removed following its demerger (with no impact on outcome in any case). Vesting was set at 100%, 70% and 35% for performance equivalent to first, second and third rank respectively and none for fourth or fifth place of the peer group.

2011-2013 performance shares outcome

Measures	Weight	Outcomes (Threshold – Max)	Result % of max
Total shareholder return	**50.0%**		0%
Reserves replacement	**20.0%**		70%
Strategic imperatives	**30.0%**		
Safety and operational risk management	10.0%		95%
Rebuilding external reputation	10.0%		80%
Staff alignment and morale	10.0%		80%
Overall outcome			**39.5%**

2013 outcomes

Overall, 39.5% of the shares awarded in the 2011-2013 plan are expected to vest, based on results as shown in the table above.

Relative TSR was weighted heaviest, reflecting the high strategic priority on restoring value. Outcomes failed to meet the threshold required and so no shares vested for this measure.

Reserves replacement has been very positive and we expect that BP will be in second place amongst the oil majors. Since the actual results of the other majors are not publicly available until their respective annual reports are published, the committee will review the outcomes when all information is confirmed and decide then on the final vesting. For the purposes of this report, and in accordance with UK regulations, second place has been assumed. Any adjustment to this will be reported in next year's annual report on remuneration.

The committee's review also concluded that progress against the three strategic imperatives has been positive. S&OR management culture has shown steady improvement and its high importance increasingly embedded in the minds of employees, as demonstrated by our internal surveys. Moreover the S&OR performance metrics have consistently improved including against those of our peers. BP's external reputation has similarly shown steady improvement as measured by external surveys assessing reputation amongst different groups in key countries. Finally, staff alignment and morale has been reassuringly positive in the aftermath of the Deepwater Horizon accident, with internal surveys demonstrating improvements and a high scoring of measures related to group priorities including safety and trust.

As in past years, the committee also considers the overall performance of the company during the period and whether any other relevant factors should be taken into account. Following this review, the committee concluded that a 39.5% vesting was a fair reflection of overall performance pending confirmation of the reserves replacement result. This will result in the vesting as shown in the table below.

2011-2013 performance shares outcome

	Shares awarded	Shares vested inc dividends	Value of vested shares
Bob Dudley	1,330,332	596,028	$4,521,866
Iain Conn	623,025	283,920	£1,331,585
Dr Brian Gilvary	90,000	102,550	£504,509
Dr Byron Grote	654,498	293,232	$2,224,653

Dr Brian Gilvary's vesting reflects awards granted prior to him joining the board under equivalent plans below board level which have vested in early 2014. Dr Byron Grote's award has been prorated to reflect his service prior to retirement.

Information on performance shares awarded in early 2013, relating to the 2013-2015 period, was set out in last year's report and a summary is included in the table on page 85.

2014 implementation

Shares were awarded in early 2014 to a value of five and a half times salary to Bob Dudley and four times salary to Iain Conn and Dr Brian Gilvary (details of which are shown in the table on page 85). These have been awarded under the performance share element of the executive directors' incentive plan (EDIP) and are subject to a three-year performance period, and for those shares that vest are subject, after tax, to an additional three-year retention period.

The 2014-2016 performance share plan will be based on the same measures as used last year and remain aligned directly with the company's strategic priorities and KPIs.

2014-2016 performance shares

Measures	KPI	Weight	Link to strategy
Total shareholder return	✓	1/3rd	Safe, reliable and compliant operations
Operating cash flow	✓	1/3rd	Disciplined financial choices
Strategic imperatives		1/3rd	Competitive project execution
Safety and operational risk management	✓		Focus on high-value Upstream assets
Reserves replacement ratio	✓		Grow our exploration position
Major project delivery	✓		Build high-quality Downstream businesses

TSR and reserves replacement ratio will be assessed on a relative basis compared with the other oil majors – Chevron, ExxonMobil, Shell and Total. As set out in the policy report, commencing with the 2014-2016 plan, vesting will be 100%, 80% and 25% for first, second and third place respectively amongst the oil majors and no vesting for fourth or fifth place. The committee has agreed targets and ranges for the other measures that will be used to assess performance at the end of the three-year performance period. As part of its overall assessment it also considers whether, in the event of high levels of vesting, the result is consistent with benefits achieved by shareholders. Full details are included in the policy report.

Pension

Framework

Executive directors are eligible to participate in company pension schemes that apply in their home countries which follow national norms in terms of structure and levels. Bob Dudley participates in the US plans (as did Dr Byron Grote), and Iain Conn and Dr Brian Gilvary in the UK plan. Full details on these plans are set out in the policy section of this report (page 103).

	Service at 31 Dec 2013	Total accrued pension at 31 Dec 2013	Additional pension earned during 2013 (net of inflation)	Actuarial value of increase earned during 2013	20 times increase earned during 2013
		(thousand)			
Bob Dudley (US)	34	$2,050	$222	$1,319	$4,447
Iain Conn (UK)	28	£326	£2	£0	£46
Brian Gilvary (UK)	27	£326	£2	£0	£44
Byron Grote (US)	n/a	$1,416	$7	-$93	$141

2013 outcomes

The table above sets out the change in pension for each of the executive directors for 2013.

Bob Dudley's pension increase is largely due to his promotion to group chief executive in late 2010. Since his pension is based on three-year average salary and bonus, the impact of a promotion takes a number of years to be fully reflected in his pension. He is entitled, as all former Amoco heritage employees, to receive the greater of the BP or Amoco plans that apply. As part of the transition agreed at the time of merger, the Amoco plan stopped accruing at the end of 2012, and therefore the BP plan applicable to senior US executives will now determine his overall accrued benefit. His total benefit under this plan is calculated as 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) for each year of service (without regard for tax limits) which may be paid from various qualified and non-qualified plans as described in the policy section of this report. The calculations in the above table reflect this transition. The calculations also incorporate the latest bonus reported on when determining the average of the best three successive years' bonus in the final average earnings calculation. Last year's numbers have been updated to be on a consistent basis.

Iain Conn and Dr Brian Gilvary participate in UK pension arrangements. The disclosure of total pension includes any cash in lieu of additional accrual that is paid to individuals in the UK scheme who have exceeded the annual allowance or lifetime allowance under UK regulations. Both Iain Conn and Dr Brian Gilvary fall into this category and in 2013 received cash supplements of 35% of salary in lieu of future service accrual.

In terms of calculating the increase in pension value both a column on 20 times additional pension earned during the year as required by the new UK regulations, as well as the actuarial value increase as previously stipulated have been included in the table above. The summary table on page 85 uses the 20 times additional pension earned figure and the cash supplements are separately identified.

In Bob Dudley's case, the committee has been informed by the company's consulting actuaries, Mercer, that the factor of 20 substantially overstates the increase in value of his pension benefits primarily because his US pension benefits are not subject to cost of living adjustments after retirement, as they are in the UK. They have indicated that a typical annuity factor for such US benefits is around 12, as compared to a UK plan where a factor of 20 is often taken to reflect the increase in value of pension benefits (as well as being required by UK regulations). Therefore the committee considers that the actuarial value of increase identified in the table above more accurately reflects the value of his pension increase.

Remuneration committee

The committee was made up of the following independent non-executive directors:

Members
Antony Burgmans (chairman)
George David
Ian Davis
Professor Dame Ann Dowling
Carl-Henric Svanberg normally attends the meetings

Committee role

The committee's tasks are formally set out in the board governance principles as follows:

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

Committee activities

During the year, the committee met six times. Key discussions and decision items are shown in the table below.

Remuneration committee 2013 meetings

	Jan	Mar	May	Jul	Sept	Dec
Strategy and policy						
Review and approve DRR for 2013 AGM	■					
Consider DRR vote from 2013 AGM			■			
Review impact of new UK regulations			■	■	■	■
Review policy			■	■	■	
Review committee operation			■			
Salary review						
Executive directors			■			
Executive team and group leaders	■					
Annual bonus						
Assess performance	■	■		■		■
Determine bonus for 2012	■					
Review measures for 2014					■	
Agree measures and targets for 2014						■
Long-term equity plans						
Assess performance	■			■		■
Determine vesting of 2010-2012 plans	■					
Agree awards for 2013-2015 plans	■	■				
Review measures for 2014-2016 plans					■	
Agree measures and targets for 2014-2016 plans						■
Other items						
Review chairman's fees						■
Review major pension programmes				■		
Other issues as required	■	■	■	■	■	■

The board's overall evaluation process included a separate questionnaire on the work of the remuneration committee. The results were analyzed by an external consultant and discussed at the committee's meeting in January 2014. Processes continued to be rated as good to excellent and a number of topics for more in-depth discussion were identified.

Independence and advice

Independence

The committee operates with a high level of independence. The board considers all committee members to be independent with no personal financial interest, other than as shareholders, in the committee's decisions.

Consultation

The group chief executive is consulted on the remuneration of the other executive directors and senior executives and on matters relating to the performance of the company; neither he nor the chairman of the board participate in decisions on their own remuneration. Both the group human resources director and head of group reward may attend relevant sections of meetings to ensure appropriate input on matters related to executives below board level.

The committee consults other relevant committees of the board, for example the SEEAC, on issues relating to the exercise of its judgement or discretion.

Advice

Gerrit Aronson, an independent consultant, is the committee's independent adviser. He is engaged directly by the committee. Mr Aronson acts as the secretary to the remuneration committee and advises the chairman, the board and the nomination committee on a variety of governance issues.

During 2013, advice to the committee was received from David Jackson, the company secretary, who is employed by the company and who reports to the chairman of the board. The company secretary periodically reviews the independence of the advisers. Advice and services on particular remuneration matters was received from other external advisers appointed by the committee.

Towers Watson provided information on the global remuneration market, principally for benchmarking purposes. Freshfields Bruckhaus Deringer LLP provided legal advice on specific compliance matters to the committee. Both firms provide other advice in their respective areas to the group.

Total fees or other charges (based on an hourly rate) paid in 2013 to the above advisers for the provision of remuneration advice to the committee as set out above (save in respect of legal advice) is as follows:

Gerrit Aronson £150,000

Towers Watson £85,000

Shareholder engagement

The committee values its dialogue with major shareholders on remuneration matters. During the year the committee's chairman and the committee's independent adviser held individual meetings with shareholders holding in aggregate more than 20% of the company's shares to ascertain their views and discuss important aspects of the committee's policy. They also met key proxy advisers. These meetings supplemented a group meeting of shareholders with all committee chairs and the chairman, as well as an investor relations programme including a regular ongoing dialogue between the chairman and shareholders. This engagement provides the committee with an important and direct perspective of shareholder interests and, together with the voting results on the Directors' remuneration report at the AGM, is considered when making decisions.

The committee reviewed remuneration policy during 2013 and, following dialogue with shareholders, made three adjustments to further reinforce our bias towards the long term and sustained performance.

First, a three-year retention period has been introduced to the matched shares that vest in the deferred bonus element.

Second, a more stringent vesting schedule has been introduced for those metrics in the performance share plan that are based on performance relative to the other oil majors.

Third, a specific review of performance share plan outcomes will take place to ensure high levels of vesting are consistent with shareholder benefits. These are explained in more detail in the policy report.

The shareholder vote from the 2013 AGM is shown below. Total votes withheld represent less than 1% of total shares outstanding.

2013 AGM directors' remuneration report vote results

Year	% vote 'for'	% vote 'against'	Votes withheld
2013	94.1%	5.9%	108,843,360

Directors' shareholdings

Executive directors are required to develop a personal shareholding of five times salary within a reasonable period of time from appointment. It is the stated intention of the policy that executive directors build this level of personal shareholding primarily by retaining those shares that vest in the deferred bonus and performance share plans which are part of the EDIP. In assessing whether the requirement has been met, the committee takes account of the factors it considers appropriate, including promotions and vesting levels of these share plans, as well as any abnormal share price fluctuations. The table below shows the status of each of the executive directors in developing this level. These figures include the value as at 24 February 2014 from the directors' interests shown below plus the assumed vesting of the 2011-2013 performance shares and is consistent with the figures reported in the single figure table on page 85.

	Appointment date	Value of current shareholding	% of policy achieved
Bob Dudley	October 2010	$5,477,092	61%
Iain Conn	July 2004	£3,888,423	101%
Dr Brian Gilvary	January 2012	£2,502,388	71%

The committee is satisfied that all executive directors comply with the policy by building the required personal shareholding in a reasonable period of time following their appointment. Importantly, none of the existing executive directors has sold shares that vested from the EDIP.

Directors' interests

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

	Ordinary shares or equivalents at 1 Jan 2013	Ordinary shares or equivalents at 31 Dec 2013	Change from 31 Dec 2013 to 24 Feb 2014	Ordinary shares or equivalents total at 24 Feb 2014
Bob Dudley	346,008[a]	355,707[a]	–	355,707[a]
Iain Conn	509,729[b]	600,272[b]	26,231	626,503[b]
Dr Brian Gilvary	331,977	412,973	81,570	494,543
Former executive director	At 1 Jan 2013	At retirement		
Dr Byron Grote	1,512,616[c]	1,512,616[d]	–	–

[a] Held as ADSs.
[b] Includes 48,024 shares held as ADSs.
[c] Held as ADSs, except for 94 shares held as ordinary shares.
[d] On retirement at 11 April 2013.

The following table shows both the performance shares and the deferred bonus element awarded under the EDIP. These figures represent the maximum possible vesting levels. The actual number of shares/ADSs that vest will depend on the extent to which performance conditions have been satisfied over a three-year period. Additional details regarding the deferred bonus and performance shares elements of the EDIP awarded can be found on pages 93 and 94.

	Performance shares at 1 Jan 2013	Performance shares at 31 Dec 2013	Change from 31 Dec 2013 to 24 Feb 2014	Performance shares total at 24 Feb 2014
Bob Dudley[a]	3,691,950	4,953,654	1,604,178	6,557,832
Iain Conn	2,305,847	2,666,314	818,486	3,484,800
Dr Brian Gilvary[b]	669,434	1,599,607	776,350	2,375,957
Former executive director	Performance shares at 1 Jan 2013	Performance shares at 31 Dec 2013	Change from 31 Dec 2013 to 24 Feb 2014	Performance shares total at 24 Feb 2014
Dr Byron Grote[a]	2,889,192	1,810,686[c]	–	–

[a] Held as ADSs.
[b] This includes conditionally awarded shares made under the competitive performance plan prior to his appointment as a director. The vesting of these shares is subject to performance conditions.
[c] On retirement at 11 April 2013.

At 24 February 2014, the following directors held the numbers of options under the BP group share option schemes over ordinary shares or their calculated equivalent, and the number of restricted shares as set out below. None of these are subject to performance conditions. Additional details regarding these options can be found on page 94.

	Options	Restricted shares
Bob Dudley	–	–
Iain Conn	3,814	–
Dr Brian Gilvary	504,191	80,335
Former executive director	Options	Restricted shares
Dr Byron Grote	–	–

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

There are no directors or members of senior management who own more than 1% of the ordinary shares in issue. At 24 February 2014, all directors and senior management as a group held interests of 9,632,638 ordinary shares or their calculated equivalent, 12,418,589 performance shares or their calculated equivalent and 6,058,172 options over ordinary shares or their calculated equivalent under the BP group share option schemes.

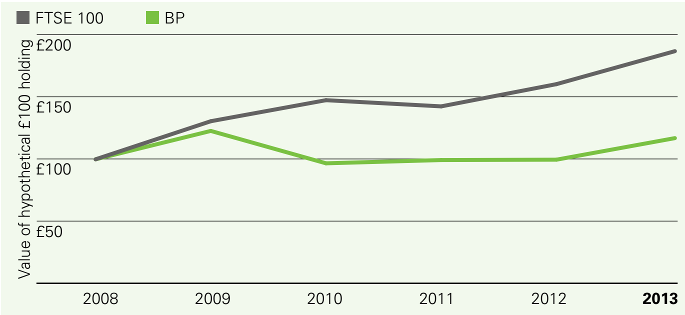
Executive director leaving the board

Dr Byron Grote retired from the board at the 2013 AGM and after a transition period, retired from the company at the end of June 2013. The terms of his departure were reported last year but are reiterated here for completeness. Under the rules of the EDIP, his outstanding performance share awards pertaining to 2011-2013, 2012-2014, and 2013-2015 performance periods, as well as the matching share awards in respect of the 2010, 2011 and 2012 deferred bonus have been prorated to reflect actual service during the applicable three-year performance periods. These share awards will vest at the normal time to the extent the performance targets or hurdles have been met. His 2013 bonus eligibility was likewise prorated to reflect his service and based on group results for the year. He has not received any termination payments on leaving service.

Remuneration statistics and comparisons

The information below is provided according to the requirements and definitions included in UK regulations.

Historical TSR performance



This graph shows the growth in value of a hypothetical £100 holding in BP p.l.c. ordinary shares over five years, relative to the FTSE 100 Index of which the company is a constituent. The values of the hypothetical £100 holdings at the end of the five-year period were £117.33 and £188.41 respectively.

History of CEO remuneration

Year	CEO	Total remuneration (thousand)[a]	Annual bonus % of maximum	Performance share vesting % of maximum
2009	Hayward	£6,753	89%[b]	17.5%
2010[c]	Hayward	£3,890	0%	0%
	Dudley	$7,722	0%	0%
2011	Dudley	$8,312	67%	16.7%
2012	Dudley	$9,184	65%	0%
2013	Dudley	$13,179	88%	39.5%

[a] Total remuneration figures include pension and are shown as reported each year in the respective directors' remuneration report with the exception of 2012 which is restated in line with the figure reported in the single figure table in this report.
[b] 2009 annual bonus did not have an absolute maximum and so is shown as a percentage of the maximum established in 2010.
[c] 2010 figures show full year total remuneration for both Hayward and Dudley, although Dudley did not become CEO until October 2010.

Relative importance of spend on pay

Key expenditure areas	2013 (million)	2012 (million)	% change
Remuneration paid to all employees[a]	$13,654	$13,448	1.5%
Distributions to shareholders (total)	$12,404	$6,276	97.6%
Dividends[b]	$6,911	$6,276	
Buybacks[c]	$5,463	$0	
Capital investment[d]	$24,600	$23,950	2.7%

[a] Total remuneration reflects overall employee costs. See Financial statements – Note 33 for further information.
[b] Dividends includes both scrip dividends as well as those paid in cash. See Financial statements – Note 12 for further information.
[c] See Financial statements – Note 31 for further information.
[d] Capital investment reflects organic capital expenditure. See footnote d on page 236 for further information.

Percentage change in CEO remuneration

Comparing 2013 to 2012	Salary	Benefits	Bonus
% Change in CEO remuneration	2.8%	4.7%	40%
% Change in comparator group remuneration[a]	3.3%	0%[b]	30%

[a] The comparator group comprises some 40% of BP's global employee population being professional/managerial grades of employees based in the UK and US and employed on more readily comparable terms.
[b] There was no change in employee benefits level overall. Those benefits that are linked to salary have changed in line with base salary increases.

Further details

Deferred shares (audited)[a]

	Bonus year	Type	Performance period	Date of award of deferred shares	Deferred share element interests: Potential maximum deferred shares: At 1 Jan 2013	Awarded 2013	At 31 Dec 2013	Awarded 2014	Interests vested in 2013 and 2014: Number of ordinary shares vested	Vesting date	Face value of the award at date of grant £
Bob Dudley[b]	2011[c]	Comp	2012-2014	08 Mar 2012	109,206	–	109,206	–	–	–	539,478
		Vol	2012-2014	08 Mar 2012	109,206	–	109,206	–	–	–	539,478
		Mat	2012-2014	08 Mar 2012	218,412	–	218,412	–	–	–	1,078,955
	2012[d]	Comp	2013-2015	11 Feb 2013	–	114,690	114,690	–	–	–	521,840
		Vol	2013-2015	11 Feb 2013	–	114,690	114,690	–	–	–	521,840
		Mat	2013-2015	11 Feb 2013	–	229,380	229,380	–	–	–	1,043,679
	2013[d]	Comp	2014-2016	12 Feb 2014	–	–	–	149,628	–	–	728,688
		Mat	2014-2016	12 Feb 2014	–	–	–	149,628	–	–	728,688
Iain Conn	2010	Comp	2011-2013	09 Mar 2011	21,384	–	21,384	–	24,670[f]	12 Feb 2014	–
		Mat	2011-2013	09 Mar 2011	21,384	–	21,384	–	24,670[f]	12 Feb 2014	–
	2011[c]	Comp	2012-2014	08 Mar 2012	80,652	–	80,652	–	–	–	398,421
		Vol	2012-2014	08 Mar 2012	80,652	–	80,652	–	–	–	398,421
		Mat	2012-2014	08 Mar 2012	161,304	–	161,304	–	–	–	796,842
	2012[d]	Comp	2013-2015	11 Feb 2013	–	80,648	80,648	–	–	–	366,948
		Vol	2013-2015	11 Feb 2013	–	80,648	80,648	–	–	–	366,948
		Mat	2013-2015	11 Feb 2013	–	161,296	161,296	–	–	–	733,897
	2013[d]	Comp	2014-2016	12 Feb 2014	–	–	–	100,563	–	–	489,742
		Mat	2014-2016	12 Feb 2014	–	–	–	100,563	–	–	489,742
Dr Brian Gilvary	2009	DAB[e]	2010-2012	15 Mar 2010	87,394	–	–	–	95,279[f]	15 Jan 2013	–
	2010	DAB[e]	2011-2013	14 Mar 2011	44,971	–	44,971	–	51,118[f]	09 Jan 2014	–
	2011[h]	DAB[e]	2012-2014	15 Mar 2012	73,624	–	73,624	–	–	–	362,966
	2012[d]	Comp	2013-2015	11 Feb 2013	–	78,815	78,815	–	–	–	358,608
		Vol	2013-2015	11 Feb 2013	–	78,815	78,815	–	–	–	358,608
		Mat	2013-2015	11 Feb 2013	–	157,630	157,630	–	–	–	717,217
	2013[d]	Comp	2014-2016	12 Feb 2014	–	–	–	96,653	–	–	470,700
		Mat	2014-2016	12 Feb 2014	–	–	–	96,653	–	–	470,700
Former executive director											
Dr Byron Grote[b]	2010	Comp	2011-2013	09 Mar 2011	26,604	–	26,604	–	30,174[f]	12 Feb 2014	–
		Vol	2011-2013	09 Mar 2011	26,604	–	26,604	–	30,174[f]	12 Feb 2014	–
		Mat	2011-2013	09 Mar 2011	53,208	–	44,340[i]	–	50,292[f]	12 Feb 2014	–
	2011[c]	Comp	2012-2014	08 Mar 2012	91,638	–	91,638	–	–	–	452,692
		Vol	2012-2014	08 Mar 2012	91,638	–	91,638	–	–	–	452,692
		Mat	2012-2014	08 Mar 2012	183,276	–	91,638[i]	–	–	–	452,692
	2012[d]	Comp	2013-2015	11 Feb 2013	–	97,278	97,278	–	–	–	442,615
		Vol	2013-2015	11 Feb 2013	–	97,278	97,278	–	–	–	442,615
		Mat	2013-2015	11 Feb 2013	–	194,556	32,424[i]	–	–	–	147,529

Comp = Compulsory.
Vol = Voluntary.
Mat = Matching.
DAB = Deferred annual bonus plan.

[a] Since 2010, vesting of the deferred shares has been subject to a safety and environmental sustainability hurdle, and this will continue. If the committee assesses that there has been a material deterioration in safety and environmental performance, or there have been major incidents, either of which reveal underlying weaknesses in safety and environmental management, then it may conclude that shares should vest only in part, or not at all. In reaching its conclusion, the committee will obtain advice from the SEEAC. There is no identified minimum vesting threshold level.
[b] Bob Dudley and Dr Byron Grote received awards in the form of ADSs. The above numbers reflect calculated equivalents in ordinary shares. One ADS is equivalent to six ordinary shares.
[c] The face value has been calculated using the market price of ordinary shares on 8 March 2012 of £4.94.
[d] The market price at closing of ordinary shares on 11 February 2013 was £4.55 and for ADSs was $43.01 and on 12 February 2014 was £4.87 and for ADSs was $48.38. The sterling value has been used to calculate the face value.
[e] Dr Brian Gilvary was granted the shares under the DAB prior to his appointment as a director. The vesting of these shares is not subject to further performance conditions and he receives deferred shares at each scrip payment date as part of his election choice.
[f] The market price of each share used to determine the total value at vesting on the vesting dates of 15 January 2013, 9 January 2014 and 12 February 2014 were £4.58, £4.97 and £4.90 respectively and for ADSs on 12 February 2014 was $48.41.
[h] The face value has been calculated using the market price of ordinary shares on 15 March 2012 of £4.93.
[i] All deferred and matched shares have been prorated to reflect actual service during the performance period and these figures have been used to calculate the face value.

Performance shares (audited)

			Share element interests				Interests vested in 2013 and 2014		
			Potential maximum performance shares[a]						
	Performance period	Date of award of performance shares	At 1 Jan 2013	Awarded 2013	At 31 Dec 2013	Awarded 2014	Number of ordinary shares vested	Vesting date	Face value of the award £
Bob Dudley[b]	2010-2012	09 Feb 2010	581,082	–	–	–	0	–	–
	2011-2013	09 Mar 2011	1,330,332	–	1,330,332	–	596,028[c]	March 2014	–
	2012-2014[d]	08 Mar 2012	1,343,712	–	1,343,712	–	–	–	6,637,937
	2013-2015[d]	11 Feb 2013	–	1,384,026	1,384,026	–	–	–	6,297,318
	2014-2016[d]	12 Feb 2014	–	–	–	1,304,922	–	–	6,354,970
Iain Conn	2008-2013[e]	13 Feb 2008	133,452	–	–	–	145,489	07 Feb 2013	–
	2010-2012	09 Feb 2010	656,813	–	–	–	0	–	–
	2011-2013	09 Mar 2011	623,025	–	623,025	–	283,920	March 2014	–
	2012-2014[d]	08 Mar 2012	660,633	–	660,633	–	–	–	3,263,527
	2013-2015[d]	11 Feb 2013	–	694,688	694,688	–	–	–	3,160,830
	2014-2016[d]	12 Feb 2014	–	–	–	660,128	–	–	3,214,823
Dr Brian Gilvary	2010-2012[f]	15 Mar 2010	60,000	–	–	–	65,414[c]	15 Jan 2013	–
	2011-2013[f]	14 Mar 2011	67,500	–	67,500	–	76,726[c]	09 Jan 2014	–
	2010-2012[g]	15 Mar 2010	22,500	–	–	–	0	–	–
	2011-2013[g]	14 Mar 2011	22,500	–	22,500	–	25,824[c]	06 Feb 2014	–
	2012-2014[d]	08 Mar 2012	624,434	–	624,434	–	–	–	3,084,704
	2013-2015[d]	11 Feb 2013	–	637,413	637,413	–	–	–	2,900,229
	2014-2016[d]	12 Feb 2014	–	–	–	605,544	–	–	2,948,999
Former executive directors									
Dr Anthony Hayward	2010-2012	09 Feb 2010	303,948[h]	–	–	–	0	–	–
Andrew Inglis	2010-2012	09 Feb 2010	218,938[h]	–	–	–	0	–	–
Dr Byron Grote[b]	2010-2012	09 Feb 2010	801,894	–	–	–	0	–	–
	2011-2013	09 Mar 2011	785,394	–	654,498[h]	–	293,232[c]	March 2014	–
	2012-2014[d]	08 Mar 2012	828,936	–	414,468[h]	–	–	–	2,047,472
	2013-2015[d]	11 Feb 2013	–	853,650	142,278[h]	–	–	–	647,365

[a] For awards under the 2010-2012 plan, performance conditions were measured one-third on TSR against ExxonMobil, Shell, Total, ConocoPhillips and Chevron and two-thirds on a balanced scorecard of underlying performance. For awards under the 2011-2013 plan, performance conditions are measured 50% on TSR against ExxonMobil, Shell, Total and Chevron; 20% on reserves replacement against the same peer group; and 30% against a balanced scorecard of strategic imperatives. For awards under the 2012-2014, 2013-2015 and 2014-2016 plans, performance conditions are measured one-third on TSR against ExxonMobil, Shell, Total and Chevron; one-third on operating cash flow; and one-third on a balanced scorecard of strategic imperatives. Each performance period ends on 31 December of the third year. There is no identified overall minimum vesting threshold level but to comply with UK regulations a value of 30%, which is conditional on the TSR, reserves replacement ratio and one of the strategic imperatives reaching the minimum threshold, has been calculated.

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

[c] Represents vestings of shares made at the end of the relevant performance period based on performance achieved under rules of the plan and includes reinvested dividends on the shares vested. The market price of each share at the vesting date of 15 January 2013 was £4.58, at 9 January 2014 was £4.97 and at 6 February 2014 was £4.77. For the assumed vestings dated March 2014 a price of £4.69 per ordinary share and $45.52 per ADS has been used. These are the average prices from the fourth quarter of 2013.

[d] The market price at closing of ordinary shares on 8 March 2012 was £4.94, on 11 February 2013 was £4.55 and for ADSs was $43.01 and on 12 February 2014 was £4.87 and for ADSs was $48.38. The sterling value has been used to calculate the face value.

[e] Restricted award under share element of EDIP. As reported in the 2007 directors' remuneration report in February 2008, the committee awarded Iain Conn restricted shares, in two tranches of 133,452 shares each and on vesting include re-invested dividends on the shares vested. The total vesting of the first tranche was 155,695 shares at £4.91 on 22 February 2011. The remaining award, noted above, vested on 7 February 2013, the fifth anniversary of the award at £4.58.

[f] Dr Brian Gilvary was conditionally awarded shares under the Executive Performance Plan prior to his appointment as a director. The vesting of these shares is not subject to further performance conditions.

[g] Dr Brian Gilvary was conditionally awarded shares under the Competitive Performance Plan prior to his appointment as a director. The vesting of these shares is subject to performance conditions.

[h] Potential maximum of performance shares element have been pro-rated to reflect actual service during the performance period and these figures have been used to calculate the face value as appropriate.

Share interests in share option plans (audited)

	Option type	At 1 Jan 2013	Granted	Exercised	At 31 Dec 2013	Option price	Market price at date of exercise	Date from which first exercisable	Expiry date
Bob Dudley[a]	BP SOP	17,835	–	17,835[b]	–	$38.10	$43.99	17 Feb 2006	16 Feb 2013
Iain Conn	SAYE	605	–	605[c]	–	£4.20	£4.54	01 Sep 2012	28 Feb 2013
	SAYE	3,017	–	–	3,017	£3.68	–	01 Sep 2016	28 Feb 2017
	SAYE	797	–	–	797	£3.16	–	01 Sep 2015	28 Feb 2016
Dr Brian Gilvary	BP 2011	500,000	–	–	500,000	£3.72	–	07 Sep 2014	07 Sep 2021
	SAYE	4,191	–	–	4,191	£3.68	–	01 Sep 2016	28 Feb 2017

The closing market prices of an ordinary share and of an ADS on 31 December 2013 were £4.88 and $48.61 respectively.
During 2013 the highest market prices were £4.93 and $48.61 respectively and the lowest market prices were £4.31 and $40.19 respectively.
BP SOP = BP Share Option Plan. These options were granted to Bob Dudley prior to his appointment as a director and are not subject to performance conditions.
BP 2011 = BP 2011 Plan. These options were granted to Dr Brian Gilvary prior to his appointment as a director and are not subject to performance conditions.
SAYE = Save As You Earn all employee share scheme.

[a] Numbers shown are ADSs under option. One ADS is equivalent to six ordinary shares.

[b] Options exercised on 6 February 2013. Market price at closing for information. Shares were sold in tranches after the exercise of options at an average price of $43.62 per ADS.

[c] Options exercised on 13 February 2013. Market price at closing for information. Shares were retained after the exercise of options.

(b) Non-executive directors

This section of the directors' remuneration report completes the directors' annual report on remuneration with details for non-executive directors.

There were no changes following the review of non-executive remuneration undertaken in 2012 which benchmarked the structure and fees of BP non-executive directors against the 10 largest companies by market capitalization in the FTSE100. In March 2013 it was agreed that the chairman's fee would be increased from 1 May 2013. There are no changes proposed to the implementation of the policy for non-executive directors and the chairman for 2014.

Fee structure

The table below shows the fee structure for non-executive directors from 1 May 2013:

	Fee level £ thousand
Chairman[a]	785
Senior independent director[b]	120
Board member	90
Audit, Gulf of Mexico, remuneration and SEEA chairmanship fees[c]	30
Committee membership fee[d]	20
Intercontinental travel allowance	5

[a] The chairman is ineligible for committee chairmanship and membership fees or intercontinental travel allowance. He has the use of a fully maintained office for company business, a chauffeured car and security advice in London. He receives secretarial support as appropriate to his needs in Sweden.
[b] The senior independent director is eligible for committee chairmanship fees and intercontinental travel allowance plus any committee membership fees.
[c] Committee chairmen do not receive an additional membership fee for the committee they chair.
[d] For members of the audit, Gulf of Mexico, SEEA and remuneration committees.

The table below shows the fees paid for non-executive directors for the years ended 31 December 2012 and 31 December 2013:

2013 remuneration (audited)

All fees in £ thousand	2013	Total fees 2012
Carl-Henric Svanberg	773[a]	750
Paul Anderson	175	149
Admiral Frank Bowman	165	126
Antony Burgmans	145	120
Cynthia Carroll	120	98
George David[b]	185	135
Ian Davis	150	128
Professor Dame Ann Dowling[c]	140	97
Brendan Nelson	130	119
Phuthuma Nhleko	150	123
Andrew Shilston	150	125

[a] The chairman received a further £49,000 by way of taxable benefits.
[b] In addition, George David received £12,500 for chairing the BP technology advisory council until 1 July 2013.
[c] In addition, Professor Dowling received £25,000 for chairing and being a member of the BP technology advisory council and £3,000 for an ad hoc technology advisory council meeting fee.

Non-executive director interests

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

Current non-executive directors	Ordinary shares or equivalents at 1 Jan 2013	Ordinary shares or equivalents at 31 Dec 2013	Change from 31 Dec 2013 to 24 Feb 2014	Ordinary shares or equivalents total at 24 Feb 2014	Value of current shareholding	% of policy achieved
Carl-Henric Svanberg	988,077	1,039,276	–	1,039,276	£5,258,737	670
Paul Anderson	6,000[a]	30,000[a]	–	30,000[a]	$251,350	168
Admiral Frank Bowman	16,320[a]	16,320[a]	–	16,320[a]	$136,734	91
Antony Burgmans	10,156	10,156	–	10,156	£51,389	57
Cynthia Carroll	10,500[a]	10,500[a]	–	10,500[a]	$87,973	59
George David	579,000[a]	579,000[a]	–	579,000[a]	$4,851,055	3,241
Ian Davis	10,866	11,449	–	11,449	£57,932	64
Professor Dame Ann Dowling	11,630	22,320	–	22,320	£112,939	125
Brendan Nelson	11,040	11,040	–	11,040	£55,862	62
Phuthuma Nhleko	–	–	–	–	–	0
Andrew Shilston	15,000	15,000	–	15,000	£75,900	63

[a] Held as ADSs.

Past directors

Sir Ian Prosser (who retired as a non-executive director of BP in April 2010) was appointed as a director and non-executive chairman of BP Pension Trustees Limited on 1 October 2010. During 2013, he received £100,000 for this role.

Peter Sutherland (who was chairman of BP until 31 December 2009) continued his membership of the BP international advisory board after his retirement from the board of BP p.l.c. During 2013, he received €100,000 for this role.

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

Element and purpose	Operation and opportunity	
Salary and benefits 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.	• 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.
Annual bonus Provides a variable level of remuneration dependent on short-term performance against the annual plan. See page 100.	• 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.
Deferred bonus Reinforces the long-term nature of the business and the importance of sustainability, linking a further part of remuneration to equity. See page 101.	• 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.
Performance shares 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.	• 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.
Pension Recognizes competitive practice in home country. See page 103.	• 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.

Note: Further information is set out in the accompanying notes which follow this table.

Performance framework		Changes to policy
• 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.		No change to policy.
• 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.	• The principal measures of annual bonus will be based on value creation and may include financial measures such as operating cash flow, replacement cost operating profit and cost management, as well as operating measures such as major project delivery, Downstream net income per barrel and Upstream unplanned deferrals. The specific metrics chosen each year will be set out and explained in the annual report on remuneration.	No change to policy.
• 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.	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.
• 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.	• The committee identifies the specific strategic imperatives to be included every year and may also alter the other measures if others are deemed to be more aligned to strategic priorities. These are explained in the annual report on remuneration. • The committee may exercise judgement to adjust vesting outcomes if it concludes that the formulaic approach does not reflect the true underlying performance of the company's business or is inconsistent with shareholder benefits. • All performance shares are subject to clawback provisions if they are found to have been granted on the basis of materially misstated financial or other data.	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%.
• Pension in the UK is not directly linked to performance. • Pension in the US includes bonus in determining benefit level.		No change to policy.

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 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 ones 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.

History of annual bonus results

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.

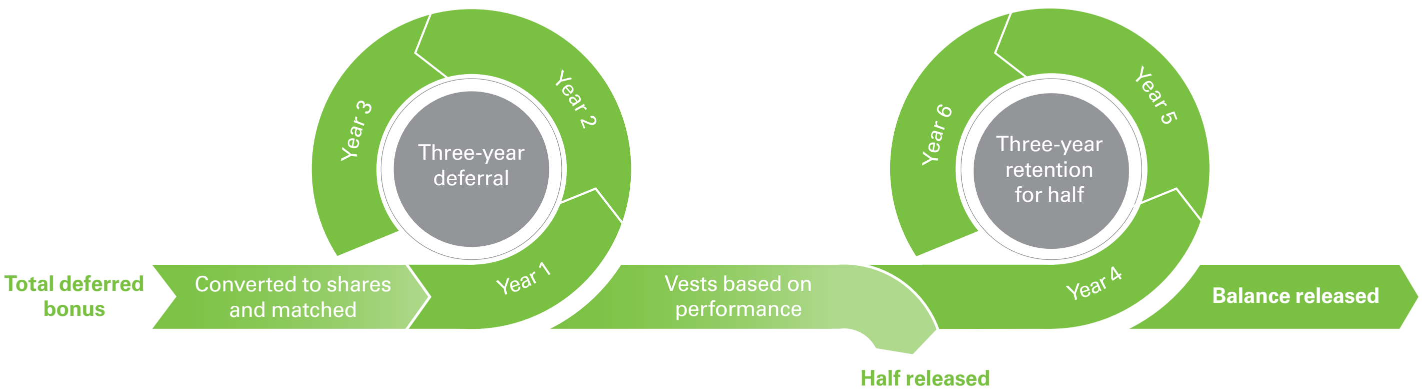
For safety and operational risk management the measures may include established ones such as loss of primary containment, tier 1 process safety events, recordable injury frequency, and/or days away from work frequency. The measures selected will typically track both process and personal safety and give 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

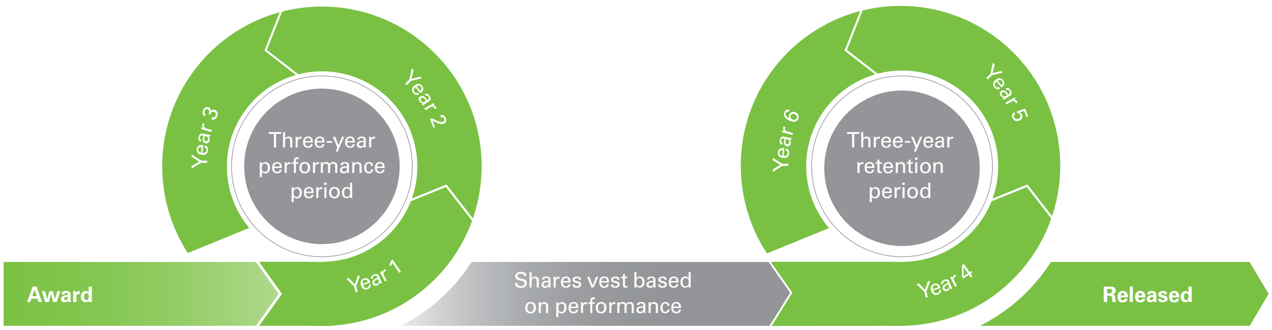
The safety and environmental sustainability hurdle, in place since 2010, will continue to be applied to all deferred shares. If the committee assesses that there has been a material deterioration in safety and environmental metrics, or there have been major incidents either of which reveal underlying 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

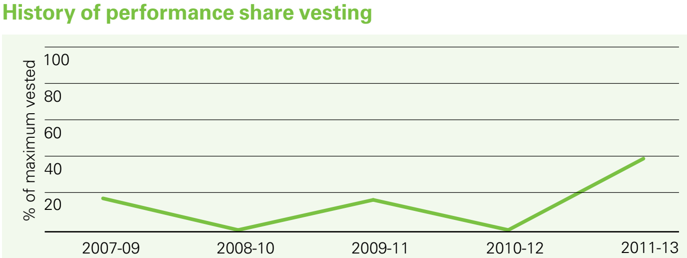
Highlights
Shares awarded to five and a half times salary for the group chief executive and four times for other executive directors.
Three-year performance period.
Performance measures reflect strategy and KPIs.
Three-year retention period for those shares that vest.

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.

Pension

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.

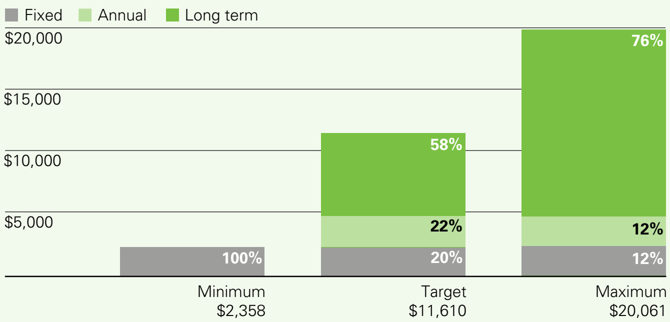
The rules of the BP pension scheme were amended in 2006 to reflect the normal retirement age of 65. Prior to 1 December 2006, scheme members could retire on or after age 60 without reduction.

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.

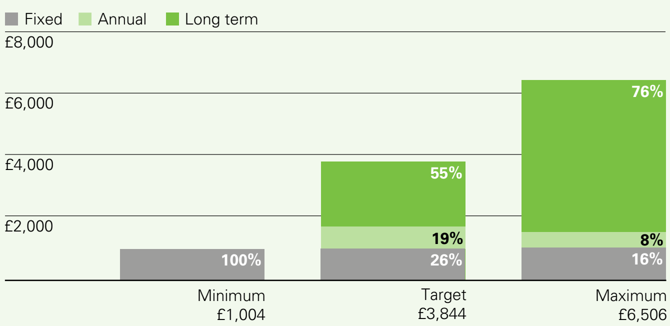
Scenario charts

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.

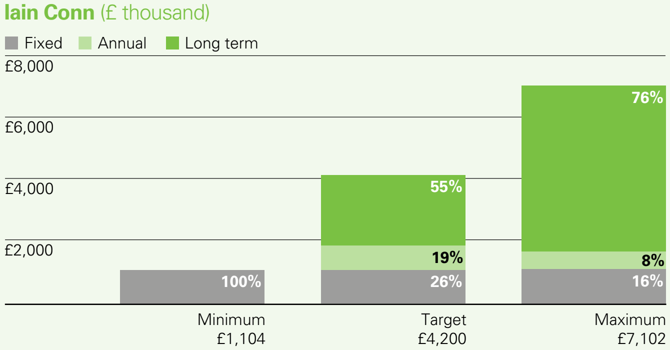
Bob Dudley ($ thousand)



Dr Brian Gilvary (£ thousand)



Iain Conn (£ thousand)



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

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 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.

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 in his home country but would have due regard to the recruit's existing arrangements and market norms.

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:

	Service agreement date	Salary as at 1 Jan 2014
Bob Dudley	6 Apr 2009	$1,800,000
Iain Conn	22 Jul 2004	£774,000
Dr Brian Gilvary	22 Feb 2012	£710,000

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.

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

Other than in the case of Dr Brian Gilvary (who became a director on 1 January 2012), the service agreements are expressed to expire at a normal retirement age of 60; however, such executive directors could not, under UK law, be required to retire at this (or any other) age following abolition of the default retirement age.

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.

Additionally, in the case of Iain Conn and Dr Brian Gilvary, the company may lawfully terminate employment by making a lump sum payment in lieu of notice equal to 12 months' base salary. The company may elect to pay this sum in 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 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.

Exit payments

Should it become necessary to terminate an executive director's employment, and therefore to determine a termination payment, the committee's policy would be as follows:

- The director's primary entitlement would be to a termination payment in respect of his service agreement, as set out above. The committee will consider mitigation to reduce the termination payment to a leaving director when appropriate to do so, taking into account the circumstances and the law governing the agreement. Mitigation would not be applicable where a contractual payment in lieu of notice is made. In addition, the director may be entitled to a payment in respect of his statutory rights. Other potential elements are as follows:
  - First, 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.
  - Second, the committee would consider whether conditional share awards held by the director under the EDIP should lapse on leaving or should, at the committee's discretion, be preserved (in which event the award would normally continue until the normal vesting date and be treated in the manner described on pages 101-102 of this report). Any such determination will be made in accordance with the rules of the EDIP, as approved by shareholders.

– 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.

Director	Appointee company	Additional position held at appointee company	Total fees
Bob Dudley[a]	Rosneft	Director	0
Iain Conn	Rolls-Royce plc	Senior independent director and chairman of the ethics committee	£82,000
Dr Byron Grote[b]	Unilever	Audit committee member	Unilever PLC £19,375 Unilever NV €22,990

[a] Bob Dudley holds this appointment as a result of the company's shareholding in Rosneft.
[b] 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. .
- NEDs should not receive share options, bonuses or retirement benefits from the company.
- NEDs are encouraged to establish a holding in BP shares of the equivalent value of one year's base fee.

NEDs are supported through the company secretary's office. This support includes assistance with travel and transport, security advice (when needed) and administrative services.

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

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	Operation and opportunity
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 quantum and structure of chairman's remuneration is reviewed annually by the remuneration committee, which makes a recommendation to the board.
Benefits and expenses The chairman is provided with support and reasonable travelling expenses.	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.

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

Board remuneration policy for non-executive directors

Element	Operation
Basic fee Remuneration is in the form of cash fees, payable monthly. Remuneration practice is consistent with recognized best practice standards for non-executive directors' remuneration and as a UK-listed company, the quantum and structure of NED director remuneration will primarily be compared against best UK practice.	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.
Committee fees and allowances	
Intercontinental allowance The NEDs receive an allowance to reflect the global nature of the Company's business. The allowance is payable for transatlantic or equivalent intercontinental travel for the purpose of attending a board or committee meeting or site visits.	The allowance will be paid in cash following each event of intercontinental travel.
Committee chairmanship fee 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.	
Committee membership fee NEDs receive a fee for each committee on which they sit other than as a chairman. The committee membership fee reflects the time spent in attending and preparation for a committee of the board.	Fees for committee chairmanship and membership are determined annually and paid in cash.
The senior independent director (SID) In the light of the SID's broader role and responsibilities, the SID is paid a single fee and is entitled to other fees relating to committees whether as chair or member.	The fee for the SID will be determined from time to time, and is paid in cash monthly.
Benefits and expenses The NEDs are provided with support and reasonable travelling expenses.	NEDs are reimbursed for all reasonable travelling and subsistence expenses (including any relevant tax) incurred in carrying out their duties.
Professional fees Fees will be reimbursed in the form of cash, payable following assistance.	The reimbursement of professional fees incurred by non-executive directors based outside the UK in connection with advice and assistance on UK tax compliance matters.

The maximum 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.