Directors' remuneration report

Chairman's annual statement

Dear shareholder,

2014 started strongly but, as others have commented in this report, ended more turbulently as the price of oil fell, mainly in the last quarter. This formed the backdrop for the decisions of the committee at the end of 2014. The work of the committee is governed by a number of overriding principles. Key among these is seeking a fair outcome in reward that is linked to BP's immediate and long-term performance and strategy delivery. As part of this, the committee seeks to ensure that variable remuneration is based on underlying performance and is not driven by factors over which the directors have no control. All of this work is carried out within the policy framework that was approved overwhelmingly by shareholders earlier in the year.

In this context:

- 2014 saw the end of an improving three-year period for BP. This is demonstrated elsewhere in the report. The high-performance gearing in remuneration of the executive directors reflects good business results through an overall increase in remuneration compared to last year.
- The world is a more uncertain place in 2015. BP has responded broadly to this, including freezing salaries, and the committee has refocused the measures for the annual bonus to reflect new challenges.
- There are clear concerns in society and among shareholders that remuneration for executive directors is simply too much. The policy, now approved by shareholders, is clear and recognizes these concerns particularly by placing limits on the amounts that can be awarded. Equally, this remuneration has to be appropriate to be aligned with the global market for talent in which BP works. Here the committee has to strike a balance.

2014 in retrospect

Our remuneration policy was approved at the 2014 AGM for a three-year period. At the same meeting, a number of shareholders voted against or withheld their votes on our annual remuneration report. There were several reasons for this. There were concerns around our commitment to disclosure of targets, whether prospectively or retrospectively, and the need for additional disclosure when the committee was exercising judgements around qualitative measures. Some shareholders believed that the overall remuneration of the executive directors was excessive.

We are responding to these concerns and are committed to making as full a retrospective disclosure of those targets that we are able to, subject to confidentiality. I believe that this is demonstrated in this year's report, particularly in the tables relating to annual bonus and performance shares. In terms of overall quantum of remuneration, I have previously made clear that the committee understands the concerns felt in society and by some shareholders. The committee, however, believes that these concerns are properly recognized and balanced in the way in which the policy is framed and implemented.

At the time of our last report, the outcome for the performance shares was based on an estimated second place for relative reserves replacement. Once results for the oil majors were publicly available it was assessed that BP was in first place, resulting in a vesting of 45.5%. The awards were adjusted and announced accordingly.

Finally, in July, Iain Conn agreed with the board that he would stand down as a director on 31 December 2014. Iain has made a significant contribution to the company over his long career and, on this basis, the terms of his departure were agreed with the committee within the policy. The terms were promptly communicated on BP's website and are set out again later in this report.

2014 outcomes

BP has performed well in increasingly difficult circumstances. This has been demonstrated by the delivery of the 10-point plan, which the board approved as BP's strategic direction in 2011. In considering performance in 2014 and its effect on remuneration, two areas stand out. Firstly, a key milestone in delivery of the plan was achieving $32.8 billion of operating cash flow★. The excellent performance in this measure had a strong influence on both the annual bonus and the performance share element. The second area with an equally strong influence was safety. Over the three years of the performance share element, performance improved by more than 15% on two of the measures and over 60% on one measure.

Annual bonus

Measures for the annual bonus that focused on safety and value were largely unchanged from previous years to encourage continuity of performance and delivery. There had been a strong safety performance in 2013. We seek continuous improvement in this area and the targets for 2014 were ambitious. Against that background, performance was mixed and showed a modest improvement.

Operating cash stood out as being well ahead of target but underlying replacement cost profit★ was below. Seven projects started up in 2014, making 16 major projects★ start-ups since the beginning of 2012. All of this resulted in a group performance score of 1.10, compared with a score of 1.32 last year. The committee felt that this score reasonably reflected the overall performance for the year. Following elections by the executive directors, one third of this bonus will be paid in cash and two thirds in shares that are deferred for three years and matched. There is retrospective disclosure of many of the targets for the annual bonus later in this report.

Deferred bonus

2011 deferred bonus share awards became eligible for vesting at the end of 2014. Vesting is dependent on safety and environmental sustainability performance over that period. The committee reviewed this in consultation with the SEEAC. Based on strong and consistent improvement and no significant incidents, the deferred and matching shares vested in full.

Performance shares

The 2012-2014 performance share plan was, as in the previous year, based on three sets of measures equally weighted; relative total shareholder return (TSR), operating cash flow and finally strategic imperatives, which include relative reserves replacement ratio (RRR), safety and operational risk and rebuilding trust. The committee made its assessment of performance over the three-year period against the agreed targets and its view of the achievements over that time. There were no shares awarded for TSR as the minimum threshold was not reached. As I have mentioned above, there was strong performance against the safety measures and the committee exercised its judgement based on qualitative data in respect of the need to rebuild trust. As for 2013, the assessment was preliminary as the final results from the comparator group for RRR were not available. On the basis of information available, second place was recorded. Based on this preliminary assessment, 60.5% of the shares are expected to vest. The committee believes that this represents a fair outcome for a continually improving performance over the period. Again, there is retrospective disclosure of many of the targets used for the 2012-2014 performance share plan in this report.

2015 and the future

During 2014, BP set out a clear proposition to shareholders aimed at delivering value rather than volume through active portfolio management, growing sustainable free cash flow through capital discipline and growing distributions for shareholders. The company's key performance indicators (KPIs) are designed to measure performance against this proposition. The committee is determined that the remuneration of the directors remains clearly linked to the company's strategy. There has been a refocus of some of the measures for the 2015 annual bonus to reflect this and the current short-term imperatives facing BP. The graphic below sets out BP's strategic priorities and links them to the measures used for short and long term remuneration with further detail in this report.

Previously, the committee reviewed the executive directors' salaries in May each year. In future, it will do so in January for implementation in April, at the same time as the rest of the organization. Given the general company pay freeze, no salary increases were awarded to directors for 2015.

Policy issues

In 2014, the UK Corporate Governance Code was revised. The Code introduced, on a 'comply or explain' basis, a requirement to introduce malus and clawback provisions into all performance related elements of directors' remuneration. The committee has reviewed the terms of the executive directors' remuneration and confirmed that malus and clawback provisions exist in all terms save the cash element of the annual bonus. It will propose an appropriate provision on the next occasion that it renews the remuneration policy. The committee also undertook a detailed examination of its tasks. The changes that have been made are set out in more detail later in this report.

Conclusion

Whilst BP has performed well in recent years and momentum has been building, there are clearly more challenging times ahead. We have set out our approach in this changing world. It is likely that, within our policy, we will need to exercise judgement and discretion based on solid data. Should we be required to do so, it will be done within our policy and with subsequent disclosure so that our shareholders are clear on the decisions that we have taken.

Finally, I will be standing down as the chair of the committee in June and I will be succeeded by Professor Dame Ann Dowling. Ann has sat on the committee after joining the board in 2012 and I look forward to introducing her to our shareholders. I would like to thank our shareholders for the support, and the challenge, over the past four years.

Antony Burgmans
Chairman of the remuneration committee
3 March 2015

Strategic priorities

2015 bonus and equity plans supporting BP's strategic priorities

Short-term: annual bonus		Long-term: performance share plan	
Safety and operational risk		Safety and operational risk	
Operating cash flow		Operating cash flow	
Underlying replacement cost profit	Net investment (organic)	Total shareholder return	
Major projects delivery	Corporate and functional costs	Major projects delivery	Reserves replacement

Creating long-term shareholder value

Group key performance indicator. Safety and operational risk KPIs include loss of primary containment, tier 1 process safety events★ and recordable injury frequency.

★ Defined on page 252.

Remuneration committee report

The committee was made up of the following independent non-executive directors in 2014.

Members
Antony Burgmans (chairman)
George David
Ian Davis
Professor Dame Ann Dowling
In addition, Carl-Henric Svanberg and Bob Dudley normally attend the meetings except for matters relating to their own remuneration.

Key responsibilities

The committee's tasks were reviewed during the year and are as follows:

- Determine the policy for the chairman and the executive directors (the policy) for inclusion in the remuneration policy for all directors as required by the regulations.
- Review and determine as appropriate the terms of engagement, remuneration and termination of employment of the chairman and the executive directors in accordance with the policy, and be responsible for compliance with all remuneration issues relating to the chairman and the executive directors required by the regulations.
- Prepare for the board an annual report to shareholders on the implementation of the policy, so far as it relates to the chairman and the executive directors, as required by the regulations.
- Approve the principles of any equity plan for which shareholder approval is to be sought.
- Approve the terms of the remuneration (including pension and termination arrangements) of the executive team as proposed by the group chief executive (GCE).
- Approve changes to the design of remuneration as proposed by the GCE, for the group leaders of the company.
- Monitor implementation of remuneration for group leaders to ensure alignment and proportionality.
- Engage such independent consultants or other advisers as the committee may from time to time deem necessary, at the expense of the company.

In these tasks regulations shall mean regulations made under the Companies Act 2006 from time to time in relation to the remuneration of directors of quoted companies, the UK Corporate Governance Code adopted by the Financial Reporting Council from time to time and the UK Listing Authority's Listing Rules from time to time.

Committee review and composition

The board evaluation process included a separate questionnaire on the work of the remuneration committee. The results were analysed by an external consultant and discussed at the committee's meeting in December 2014. Processes continued to be rated as good to excellent and a number of topics for more in-depth discussion were identified. In particular the committee decided to schedule a longer strategy meeting each year.

George David stands down from the board at the next annual general meeting and will leave the committee. Alan Boeckmann and Andrew Shilston will join the committee after that meeting.

Professor Dame Ann Dowling will take the chair of the committee in June 2015. Antony Burgmans will remain a member of the committee.

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 GCE is consulted on the remuneration of the other executive directors and the executive team and on matters relating to the performance of the group. Neither he, nor the chairman of the board, participate in decisions on their own remuneration. The group human resources director normally attends, and other executives may attend relevant parts of meetings.

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

During 2014 David Jackson, the company secretary, who is employed by the company and reports to the chairman of the board, acted as secretary to the remuneration committee. The company secretary periodically reviews the independence of the committee's advisers.

Gerrit Aronson, an independent consultant, is the committee's independent adviser. He is engaged directly by the committee. He advises the chairman, the board and the nomination committee on a variety of governance issues. Advice and services on particular remuneration matters were also 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 2014 to the above advisers for the provision of remuneration advice to the committee as set out above (save in respect of legal advice) are as follows:

Gerrit Aronson £140,000

Towers Watson £23,400

Activities during the year

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

Remuneration committee 2014 meetings

	Jan	May	Jul	Sept	Dec
Strategy and policy					
Review and approve DRR for 2014 AGM	■				
Review and approve EDIP for 2014 AGM	■				
Consider DRR votes from 2014 AGM		■			
Review committee tasks and operation	■	■		■	
Salary review					
Executive directors		■			
Executive team and leadership group	■				
Annual bonus					
Assess performance	■		■		■
Determine bonus for 2013	■				
Agree measures and targets for 2014	■				
Review measures for 2015				■	
Consider measures and targets for 2015					■
Long-term equity plan					
Assess performance	■		■		■
Determine vesting of 2011-2013 plan	■	■			
Determine vesting of 2010 deferred bonus	■				
Agree measures, targets and awards for 2014-2016 plan	■				
Review measures for 2015-2017 plan				■	
Consider measures and targets for 2015-2017 plan					■
Other items					
Review principles for target setting and disclosure			■	■	
Other issues as required	■	■	■	■	■

Executive directors

Total remuneration summary 2014

Salary – reviewed mid-year and **increased by an average of 3%** for all directors – this was in line with average employee increases in the UK and US.

Annual bonus – the key focus for 2014 was delivery of the group's 10-point plan, strong operating cash flow, safe and reliable operations and delivery of major projects within the year. Operating cash flow exceeded planned targets. Overall safety results were satisfactory and consolidated the improvements made over the last three years. The underlying operating performance was strong. **Overall group score was 1.10 times target.**

Deferred bonus – 2011 deferred bonus was conditional on safety and environmental sustainability performance over the period 2012 through to 2014. There was strong and consistent delivery against this hurdle and **2011 deferred and matched shares vested in full.**

Performance shares – vesting was based one third on relative total shareholder return (TSR), one third on operating cash flow and one third on strategic imperatives including safety and operational risk (S&OR), relative reserves replacement ratio (RRR) and rebuilding trust internally and externally. TSR performance did not achieve the minimum level necessary for this part of the award to vest. There was strong operating cash flow. There was similarly strong performance against the strategic imperatives. **On a preliminary assessment 60.5% of the 2012-2014 award are expected to vest.**

Pension – pension figures reflect the UK requirements to show 20 times the increase in accrued pension over the year for defined benefit plans, as well as any cash paid in lieu.

Single figure table of remuneration of executive directors in 2014 (audited)

Remuneration is reported in the currency received by the individual

	Bob Dudley thousand		Dr Brian Gilvary thousand		Iain Conn thousand	
Annual remuneration 2014	**2014**	2013	**2014**	2013	**2014**	2013
Salary	**$1,827**	$1,776	**£721**	£700	**£786**	£763
Annual cash bonus[a]	**$1,005**	$2,344	**£396**	£924	**£1,252**	£961
Benefits	**$114**	$90	**£51**	£45	**£55**	£59
Total	**$2,946**	$4,210	**£1,168**	£1,669	**£2,093**	£1,783
Vested equity						
Deferred bonus and match[b]	**$3,401**	$0	**£0**	£0	**£1,698**	£242
Performance shares	**$6,391[c]**	$5,963[d]	**£1,904[c]**	£505	**£2,014[c]**	£1,688[d]
Total	**$9,792**	$5,963	**£1,904**	£505	**£3,712**	£1,930
Total remuneration	**$12,738**	$10,173	**£3,072**	£2,174	**£5,805**	£3,713
Pension						
Pension value increase[e]	**$2,596**	$4,447	**£21**	£44	**£18**	£46
Cash in lieu of future accrual	**N/A**	N/A	**£252**	£245	**£275**	£267
Total including pension	**$15,334**	$14,620	**£3,345**	£2,463	**£6,098**	£4,026

[a] This reflects the amount of bonus paid in cash with the deferred portion as set out in the conditional equity table below. In the case of Iain Conn, there was no deferral of bonus and all bonus was paid in cash.
[b] Value of vested deferred bonus and matching shares. The amounts reported for 2014 relate to the 2011 annual bonus deferred over three years, which vested on 11 February 2015 at the market price of $40.35 and £4.46 and include re-invested dividends on shares vested. The amounts reported for 2013 relate to the 2010 annual bonus.
[c] Represents the assumed vesting of shares in 2015 following the end of the relevant performance period, based on a preliminary assessment of 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 2014 which was £4.27 for ordinary shares and $40.74 for ADSs. The final vesting will be confirmed by the committee in second quarter 2015 and provided in the 2015 Directors' remuneration report.
[d] In accordance with UK regulations, in the 2013 single figure table, the performance outcome value was based on an estimated vesting at an assumed share price of £4.69 for ordinary shares and $45.52 for ADSs. In May 2014, after the external data became available, the committee reviewed the relative reserves replacement ratio position and assessed that the group was first place relative to the other oil majors. This resulted in an adjustment to the final vesting from 39.5% to 45.5%. On 15 May 2014, 115,766 ADSs for Bob Dudley and 331,330 shares for Iain Conn vested at prices of $50.90 and £5.03 respectively. The vesting of the final notional dividends prior to the vesting date took place on 24 June 2014 when Bob Dudley received 1,331 ADSs and Iain Conn received 4,122 shares at prices of $52.84 and £5.24 respectively. The 2013 values for the total vesting have increased by $1,440,954 for Bob Dudley and £356,604 for Iain Conn.
[e] Represents the annual increase net of inflation in accrued pension multiplied by 20 as prescribed by UK regulations.

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

		Bob Dudley		Dr Brian Gilvary		Iain Conn	
Deferred bonus in respect of bonus year		**2014**	2013	**2014**	2013	**2014**	2013
Total deferred bonus	Value (thousand)	**$2,010**	$1,172	**£793**	£462	**–**	£481
Total deferred converted to shares	Shares	**294,108**	149,628	**176,576**	96,653	**–**	100,563
Total matched shares	Shares	**294,108**	149,628	**176,576**	96,653	**–**	100,563
Vesting date		**Feb 2018**	Feb 2017	**Feb 2018**	Feb 2017	**–**	Feb 2017
Release date[a]		**Feb 2021**	Feb 2020	**Feb 2021**	Feb 2020	**–**	Feb 2018

Performance share element	**2014-2016**	2013-2015	**2014-2016**	2013-2015	**2014-2016**	2013-2015
Potential maximum shares	**1,304,922**	1,384,026	**605,544**	637,413	**220,043[b]**	463,126[b]
Vesting date	**Feb 2017**	Feb 2016	**Feb 2017**	Feb 2016	**Feb 2017**	Feb 2016
Release date	**Feb 2020**	Feb 2019	**Feb 2020**	Feb 2019	**Feb 2018**	Feb 2017

[a] Deferred shares are released at vesting with the exception of matched shares which normally have a further three-year retention period.
[b] Potential maximum of performance shares element has been pro-rated to reflect actual service during the performance period.

Total remuneration in more depth

In describing the work and decisions of the committee in 2014, the summary wording of the approved policy has been used to introduce the committee's approach to each element of remuneration. Throughout this report, the word policy refers to the directors' remuneration policy approved by shareholders at the company's annual general meeting on 10 April 2014. BP's strategy is reflected in the measures adopted by the committee for the executive directors and further aligned with those for the senior leadership of the group. The policy is available at *bp.com/remuneration* and is set out in the *BP Annual Report and Form 20-F 2013*.

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.

Policy summary

Operation and opportunity

- 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 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.

Performance framework

- 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.

Base salary

The annual base salaries of the executive directors were reviewed in May 2014. In conducting this review the committee considered all of the factors required by the policy and the overall level of increases for employees in both the UK and the US. They also considered the distribution and average level of increases for group leaders comprising around 500 executives in the group. This averaged 3.1%. Based on this review, salaries were increased by 3% on average, resulting in salaries of $1,854,000 for Bob Dudley, £731,500 for Dr Brian Gilvary and £797,000 for Iain Conn. These increases took effect on 1 July 2014.

2015 implementation

The committee determined that in future years, salaries would be reviewed in January to be effective in April, consistent with the rest of BP's employees. No increases were granted for 2015, in line with the group-wide salary freeze.

Benefits

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

Annual bonus

Provides a variable level of remuneration dependent on short-term performance against the annual plan.

Policy summary

Operation and opportunity

- 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.

Performance framework

- 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.

Framework

The committee determined performance measures and their weightings for the 2014 annual bonus at the beginning of the performance year, focusing on two key priorities: safety and value.

Performance measures remained largely unchanged from last year in order to maintain continuity and build momentum for delivery of the 10-point plan. Measures and targets reflected the business plan for the year and were set so that meeting plan would result in an on target bonus reward.

Bob Dudley and Dr Brian Gilvary's annual bonus was based 100% on group annual bonus objectives.

Safety made up 30% of group annual bonus objectives. Safety measures related to loss of primary containment, tier 1 process safety events and recordable injury frequency. Challenging targets for these measures were set, both to build on the improving trend of the last three years and to continue to reduce the number of safety events.

Value made up 70% of group annual bonus objectives. Measures included delivering operating cash flow in line with the 10-point plan; increasing underlying replacement cost profit; reducing corporate and functional costs; improving operating efficiency in upstream operations by minimizing unplanned deferrals; completing major projects planned within the year; and delivering downstream profit per barrel of refining capacity.

Iain Conn's annual bonus was based 70% against the group annual bonus objectives and 30% against safety, operating efficiency and profitability performance of the downstream segment.

2014 outcomes

In January 2015, the committee considered the group's performance during 2014 against the measures and targets set out below.

In safety, the committee recognized that ambitious targets had been set and the improvements in the year varied between the measures. In loss of primary containment, the improvement was above the threshold but below the target resulting in a weighted score of 7.96 out of 10; similarly in recordable injury frequency (RIF) the improvement was above the threshold but below the target resulting in a weighted score of 6.07 out of 10. Importantly, these levels of performance still represented an improvement on the previous year. Tier 1 process safety events did not reach the threshold expectation and therefore did not score. The outcomes relative to these targets were mixed, however the underlying trend remained positive, reflecting continued improvement over the past three years.

Operating cash flow of $32.8 billion was well ahead of target of $30 billion. Underlying replacement cost profit of $12.1 billion was below target of $14.5 billion. Through greater simplification and efficiency across all functions, corporate and functional costs were reduced by 9% against a targeted reduction of 7%. In terms of operational performance seven major projects were successfully delivered in 2014 against the plan of six. Upstream unplanned deferrals were reduced by 6% against a targeted reduction of 9%. Downstream net income per barrel of $4.4/bbl was below target of $6.4/bbl.

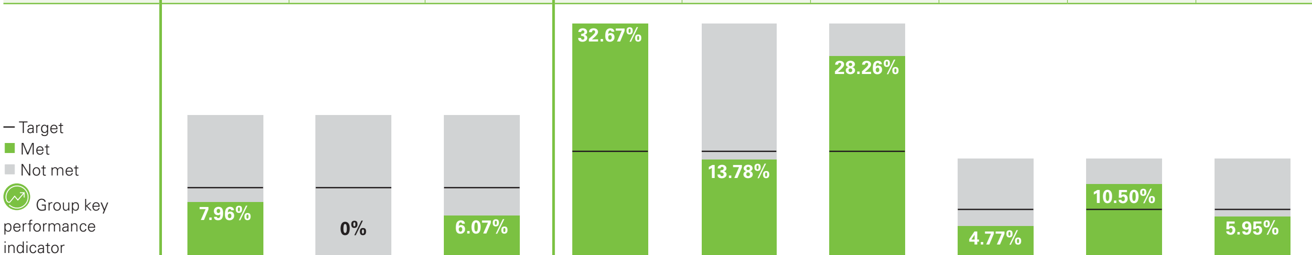
Based on these results, the overall group performance score was 1.10. The committee, as is its normal practice, considered this result in the context of the underlying financial performance of the group, competitors' results, shareholder feedback and input from the board and other committees. After review, it concluded that this result fairly represented the overall performance of the business during the year.

In the downstream segment, safety results were good with improvements in loss of primary containment and process safety tier 2 events. Operating cash flow was ahead of plan but refining availability and net income per barrel were below plan expectations. The performance score was 0.98.

A summary of the outcomes for each measure, set against the target for the year, is shown below.

2014 annual cash bonus

	Safety			Value						
Measures	Loss of primary containment	Tier 1 process safety events[a]	Recordable injury frequency	Operating cash flow[b]	Underlying replacement cost profit[b]	Corporate and functional costs	Downstream net income/ bbl[b]	Major project delivery	Upstream unplanned deferrals	Total
Weight On target Maximum	10% 20%	10% 20%	10% 20%	16.33% 32.67%	16.33% 32.67%	16.33% 32.67%	7% 14%	7% 14%	7% 14%	100% 200%
Weighted outcome %	7.96	Nil	6.07	32.67	13.78	28.26	4.77	10.50	5.95	**110% = score 1.10**
Plan/target	3-10% improvement			$30bn	$14.5bn	7% reduction	$6.4/bbl	6 project start-ups	9% reduction	
Outcome	246 events	28 events	0.307 per 200k hrs	$32.8bn	$12.1bn	9% reduction	$4.4/bbl	7 project start-ups	6% reduction	



[a] Defined by American Petroleum Institute (API).
[b] Assessment of the financial outcomes was done using the same conditions as the targets were set at – oil price, refining margin and other environmental factors were taken into account.

The overall bonus for directors was determined by multiplying the group score of 1.10 times target by the on-target bonus level of 150% of salary. Bob Dudley's total overall bonus was 165% of salary, as was Dr Brian Gilvary's. Iain Conn's total overall bonus was 159% of salary, based on both group and downstream segment performance (accounting for 30% of his bonus). Under the terms of the deferred element of the EDIP, one third of the total bonus is paid in cash. A director is required to defer a further third and the final third is paid either in cash or voluntarily deferred at the individual's election.

Bob Dudley and Dr Brian Gilvary have both elected to defer the final third of their annual bonus. Iain Conn, who left at the end of the year, was not eligible for deferral and so all his bonus (reflecting his 12 months of service) was paid in cash. The following table outlines the amounts paid in cash and amounts deferred into shares.

Annual bonus summary

	Overall bonus	Paid in cash	Deferred in BP shares
Bob Dudley	$3,014,550	$1,004,850	$2,009,700
Dr Brian Gilvary	£1,189,238	£396,413	£792,825
Iain Conn	£1,252,480	£1,252,480	£0

2015 implementation
For 2015, 100% of Bob Dudley's and Dr Brian Gilvary's bonus will be based on group results.

The 2015 bonus plan has been set in the context of recent group achievements (delivery of the 10-point plan), current short-term imperatives and the group's strategy. The committee will continue to focus on the two overall themes of safety and value. In order to focus on priorities of the short term, the number of value measures has been reduced from six in 2014 to five in 2015. The measures reflect the current short term imperatives and tie back to the 2015 priorities in the group's annual plan. Targets for each measure are challenging but realistic and have been set in the context of the current environment.

Continued improvement in safety remains a group priority and is fully reflected in the measures. Safety will continue to have a 30% weight in the overall bonus plan. The value measures are now more heavily weighted on operating cash flow and underlying replacement cost profit. Capital and cost discipline are reflected through two measures – net investment (organic) and corporate and functional cost management. The delivery of major projects remains a point of focus. All of these value measures are key to short-term performance within the group and will have an overall weight of 70% for the annual bonus 2015.

The committee agreed the performance measures for the 2015 annual cash bonus as set out opposite.

Targets will be disclosed retrospectively in the 2015 remuneration report to the extent that they are no longer considered commercially sensitive.

2015 annual bonus measures

Strategic priorities

Safety and operational risk 30%	Value 70%
Loss of primary containment 10%	Operating cash flow 20%
	Underlying replacement cost profit 20%
Process safety tier 1 events 10%	Net investment (organic) 15%
	Corporate and functional costs 10%
Recordable injury frequency 10%	Major project delivery 5%

Creating long-term shareholder value

Deferred bonus

Reinforces the long-term nature of the business and the importance of sustainability, linking a further part of remuneration to equity.

Policy summary

Operation and opportunity

- 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 framework

- 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.

2014 outcomes
Both Bob Dudley and Iain Conn deferred two thirds of their 2011 annual bonus in accordance with the terms of the policy in place at the time of deferral.

The three-year performance period concluded at the end of 2014. The committee reviewed safety and environmental sustainability performance over this period and sought the input of the safety, ethics and environment assurance committee (SEEAC). Over the three-year period 2012-2014 safety measures showed steady improvement. All performance hurdles were met and the group-wide operating management system★ is now sufficiently embedded throughout the organization to continue driving improvement in environmental as well as safety areas.

Following the committee's review, full vesting of the deferred and matched shares for the 2011 deferred bonus was approved, as shown in the following table (as well as in the single figure table on page 75).

2011 deferred bonus vesting

Name	Shares deferred	Vesting agreed	Total shares including dividends	Total value at vesting
Bob Dudley	436,824	100%	505,782	$3,401,384
Iain Conn	322,608	100%	380,785	£1,698,301

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 84.

Details of the deferred bonus awards made to the executive directors in early 2014, in relation to 2013 annual bonuses, were set out in last year's report. A summary of these awards is included on page 84.

2015 implementation
The committee has determined that the safety and environmental sustainability hurdle will continue to apply to shares deferred from the 2014 bonus. All matched shares that vest in 2018 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 in 2021. This further reinforces long-term shareholder alignment and the nature of the group's business. Both Bob Dudley and Dr Brian Gilvary deferred two thirds of their 2014 annual bonus.

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.

Policy summary

Operation and opportunity

- 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.

Performance framework

- 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.

Framework

Performance shares were conditionally awarded to each executive director in 2012. Maximum awards under the policy were granted representing five-and-a-half-times salary for Bob Dudley and four-times salary for Dr Brian Gilvary and Iain Conn. Vesting of these awards was subject to delivering targets set over the three-year performance period.

One third of the award was based on relative total shareholder return (TSR), one third on operating cash flow and one third on strategic imperatives which were relative reserves replacement ratio (RRR), safety and operational risk (S&OR) and rebuilding trust internally and externally, all equally weighted. Again, performance against each of these measures was designed to be aligned with group strategy, future direction and creation of shareholder value.

Relative TSR represents the change in value of a BP shareholding between the average of the fourth quarter of 2011 and the fourth quarter of 2014 compared to other oil majors (dividends are re-invested). RRR represents organic reserves added over the three-year performance period divided by the reserves extracted. This ratio is ranked against like-for-like organic RRR for other oil major peers.

The 2012-2014 comparator group for relative TSR (33.3% weight) and relative RRR (11.1% weight) was Chevron, ExxonMobil, Shell and Total. The number of conditional shares that would vest for each of the relative performance measures for first, second and third place was set at the start of 2012 and equals 100%, 70% and 35% respectively. This reflects the approved rules applicable to the 2012-2014 plan. No shares would vest for fourth or fifth place.

For S&OR, percentage improvement targets were set. For rebuilding trust measures, the committee determined that it would use qualitative and quantitative data to assess the improvement of external and internal perception of the group and to gauge whether trust was being rebuilt. Judgement would then be exercised as appropriate.

2014 outcomes

The committee considered the performance of the group over the three-year period of the plan and the specific achievements against each of the targets set for the measures. Based on a preliminary assessment of relative RRR, 60.5% of the shares awarded in the 2012-2014 plan are expected to vest.

Relative TSR did not achieve the minimum required for any vesting. The significant weight associated with this measure (one third in total) aligns the actual value delivered to executive directors with that to shareholders.

Operating cash flow, representing a further one third of the award, was $32.8 billion. This notably exceeded the target set in 2011 to increase operating cash flow by more than 50% between 2012 and 2014 at $100/bbl. Consequently, maximum shares for this component will vest.

Strategic imperatives represented the final third. These included relative RRR, S&OR, and rebuilding trust internally and externally. These elements are discussed individually below.

Preliminary assessment of BP's relative RRR indicated a positive outcome with a minimum expected second place amongst the comparator group. The final ranking will be determined once the actual results for 2014 have been published by other comparator companies. For the purposes of this report, and in accordance with the UK regulations, second place has been assumed. Any adjustment to this will be reported in next year's annual report on remuneration. Based on a provisional second place assessment, 7.8% of the maximum of 11.1% shares are expected to vest for RRR.

S&OR has improved significantly over the 2012-2014 period. Loss of primary containment showed a reduction of 32%, the number of reported work related incidents (RIFs) reduced by 15% and tier 1 process safety events reduced by 62%. The underlying trend of continuing improvement over the past three years has been very positive. Consequently, the maximum of 11.1% shares will vest for the safety measures.

In 2011, shortly after the Deepwater Horizon incident, restoring trust both externally and internally was an important priority for the group and, as such, featured as one of the strategic imperatives of the plan. Since then, external and internal trust has been measured by surveys conducted with external audiences and internally with employees. External trust is tracked through six indicators with key stakeholders in the US and UK. Over the three years, external surveys showed improvements ranging from one to six percent with different external audiences.

Employee engagement is assessed by an index which measures employees' perceptions of BP including understanding of business priorities, trust in BP leaders and confidence in BP's future strategy. This index has shown a four percent improvement since 2011 and a two percent improvement since 2012 across different levels of the organization.

★ Defined on page 252.

The results of this index were benchmarked against external data and were particularly encouraging.

Recognizing the need to make further progress in this area, the committee determined that 8.3% of the maximum 11.1% of shares will vest for the rebuilding trust measure.

As in past years, the committee also considered the overall performance of the group during the period and whether any other factors should be taken into account. Following this review, the committee assessed that a preliminary 60.5% vesting was a fair reflection of the overall performance pending confirmation of the reserves replacement result. This will result in the vesting shown in the table.

The vested shares for current executive directors are subject to a further three-year retention period before they will be released to the individuals in 2018.

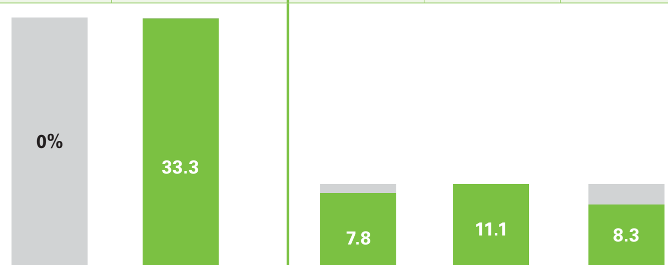
2012-2014 performance shares preliminary outcome

	Shares awarded	Shares vested inc dividends	Value of vested shares
Bob Dudley	1,343,712	941,286	$6,391,332
Dr Brian Gilvary	624,434	445,912	£1,904,044
Iain Conn	660,633	471,761	£2,014,419

The measures, targets and weight for the plan as well as, on a preliminary basis, the outcomes achieved are shown below.

2012-2014 performance shares vesting

Measures	Relative total shareholder return	Operating cash flow	Relative reserves replacement ratio	Safety[a]	Rebuilding trust	Total
Weight at maximum	33.3%	33.3%	11.1%	11.1%	11.1%	100%
Outcome %	Nil	33.3%	7.8%	11.1%	8.3%	**60.5%**
Plan/target	Outperform peers	$30bn	Outperform peers	Improvement 10-15%	Improvement	
Outcome	Fifth	$32.8bn	Second[b]	15-62%	Met	



Met
Not met
Group key performance indicator

[a] Safety includes loss of primary containment, tier 1 process safety event (defined by API) and recordable injury frequency.
[b] This represents a preliminary assessment.

2011-2013 final outcomes confirmation

Last year it was reported that the committee had made a preliminary assessment of second place for the relative RRR in the 2011-2013 performance shares element. In May 2014 the committee reviewed the results for all comparator companies as published in their reports and accounts and assessed that BP was in first place relative to other oil majors and that the full 20% of shares would vest for this performance measure as opposed to 14% for second place. This resulted in a final vesting of 45.5% from 39.5% for the entire award. This is reflected in the single figure table on page 75.

2015 implementation

Shares were awarded in February 2015 to the maximum value allowed under the policy, five-and-a-half-times salary for Bob Dudley and four-times salary for Dr Brian Gilvary (see table on page 85). These have been awarded under the performance share element of the EDIP and are subject to a three-year performance period. Those shares that vest are subject, after tax, to an additional three-year retention period. The 2015-2017 performance share element will be assessed over three years based on the following measures: relative TSR (one third); cumulative operating cash flow (one third); and strategic imperatives (one third) including relative RRR; S&OR risk assessment; and major project delivery.

2015-2017 performance shares

These measures continue to be aligned with BP's strategic priorities of safe, reliable and compliant operations, major project delivery, disciplined financial choices and growing our exploration position.

TSR and RRR will be assessed on a relative basis compared with the other oil majors Chevron, ExxonMobil, Shell and Total with the following vesting schedule.

The committee has agreed targets and ranges for measures that will be used to assess performance at the end of the three-year performance period and will be disclosed retrospectively.

Relative performance ranking	
BP's ranking place versus oil majors	Vesting percentage for each relative performance measure
First	100%
Second	80%
Third	25%
Fourth or fifth	Nil

Pension

Recognizes competitive practice in home country.

Policy summary

Operation and opportunity

- 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.

Performance framework

- Pension in the UK is not directly linked to performance.
- Pension in the US includes bonus in determining benefit level.

Framework

Executive directors are eligible to participate in group pension schemes that apply in their home countries which follow national norms in terms of structure and levels.

US pension

Bob Dudley participates in the US plans. 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 formulas 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 (1) 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 (2) 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 pension

Iain Conn and Dr Brian Gilvary participate in a UK final salary pension scheme in respect of service prior to 1 April 2011. This scheme provides a pension relating to length of pensionable service and final pensionable salary. 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 2014 received cash supplements of 35% of salary in lieu of future service accrual.

In the event of retirement before age 60, the following early retirement terms would apply:

- On retirement between 55 and 60, in circumstances approved by the committee, an immediate unreduced pension in respect of the proportion of their benefit for service up to 30 November 2006, and subject to such reduction as the scheme actuary certifies in respect of the period of service after 1 December 2006. The scheme actuary has, to date, applied a reduction of 3% per annum for each year retirement precedes 60 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.
- On leaving before age 55, in circumstances approved by the committee, a deferred pension payable from 55 or later, with early retirement terms if it is paid before 60 as set out above.

Irrespective of this, on leaving in circumstances of total incapacity, an immediate unreduced pension is payable from their leaving date.

On leaving BP, Iain Conn is entitled to a deferred pension payable from age 55 or later. The early retirement terms applying to this pension are as set out above.

2014 outcomes

In 2014, Mr Dudley's accrued pension increased, net of inflation, by $130,000; Dr Gilvary's by £1,100 and Mr Conn's by £900. These increases have been reflected in the single figure table on page 75 by multiplying them by twenty in accordance with the requirements of the UK regulations. Dr Gilvary and Mr Conn participate in the UK pension arrangements described above. Both individuals have exceeded the annual or lifetime allowance under UK pensions legislation and, in accordance with the policy, receive a cash supplement of 35% of salary. These cash supplements have been separately identified in the single figure table on page 75.

Mr Dudley participates in the transitional arrangements in the US plans described above. These are aimed at an accrual rate of 1.3% of final earnings (which include salary and bonus), for each year of service.

The committee continues to keep under review the increase in the value of pension benefits for individual directors. There are significant differences in calculation of pensions between the UK and the US. US pension benefits are not subject to cost of living adjustments after retirement as they are in the UK. Equally, transfer values are frequently influenced by changes in interest rates and discount factors.

The committee will continue to make the required disclosures in accordance with the UK regulations; however, given the issues and differences set out above, the committee would note that 12 to 14 would be a typical annuity factor in the US compared with the factor of 20 upon which the UK regulations are based.

Shareholder engagement

The committee values its dialogue with major shareholders on remuneration matters. During the year, the committee's chairman, the committee's independent adviser and the company secretary held individual meetings with shareholders to ascertain their views and discuss important aspects of the committee's policy and its implementation. They also met key proxy advisers. These meetings supplemented a group meeting of major shareholders with all committee chairs and the chairman which took place in March 2014, as well as an investor relations programme including a regular ongoing dialogue between the chairman and shareholders. Throughout the year this engagement provided the committee with an important and direct perspective of shareholder views and, together with the voting results on remuneration matters at the AGM, was considered when making decisions.

Shareholders who voted against the report or withheld their vote did so for several reasons. These related principally to insufficient detailed information to explain vesting outcomes and no firm commitment to retrospective disclosure of targets currently deemed to be commercially sensitive. For some, quantum was also an issue.

In his engagement, the chairman of the committee has sought to address these issues. While the absolute quantum of remuneration is a product of the implementation of the approved policy and of the performance of the group, additional disclosure is now part of this report. Specifically, the committee now discloses targets retrospectively for both annual bonus and long-term performance shares unless there are specific confidentiality issues.

The board's annual report on remuneration was approved by shareholders at the 2014 AGM. The votes on the report are shown below.

2014 AGM directors' remuneration report vote results

Year	% vote 'for'	% vote 'against'	Votes withheld
2014	83.9%	16.1%	2,218,417,773

The committee's remuneration policy was approved by shareholders at the 2014 AGM. The votes on the policy are shown below.

2014 AGM directors' remuneration policy vote results

Year	% vote 'for'	% vote 'against'	Votes withheld
2014	96.4%	3.6%	125,217,443

The shareholder approved policy now governs the remuneration of the directors for a period of three years expiring in 2017. It is the board's intention that the policy be renewed at the AGM in 2017.
See *bp.com/remuneration* for a copy of the approved policy.

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 2014 are shown below.

Director	Appointee company	Additional position held at appointee company	Total fees
Bob Dudley	Rosneft[a]	Director	0
Iain Conn	BT Group plc[b]	Non-executive director	£54,000
	Rolls-Royce plc[c]	Senior independent director and chairman of the ethics committee	£29,300

[a] Bob Dudley holds this appointment as a result of the company's shareholding in Rosneft.
[b] Appointed 1 June 2014.
[c] Resigned 23 May 2014.

Executive director leaving the board

Iain Conn resigned as a director of the company and left BP's employment on 31 December 2014. This decision was announced on 24 July 2014, and he served BP on his existing contractual terms until 31 December 2014 while working five months of the 12 months' notice period specified in his service contract. His settlement agreement dated 24 July 2014 is in accordance with the policy and details are set out in the summary below.

Certain aspects of the arrangements described involved the exercise of discretion by the committee in his favour. The committee was satisfied that this was appropriate in view of his long and successful career with BP.

Iain Conn was potentially entitled to a termination payment of up to £453,677, calculated as approximately seven months of his base salary of £797,000 per annum. This was to be paid in seven monthly instalments from January 2015, but would cease to be payable in the event that he commenced another employment prior to 24 July 2015. Iain Conn commenced employment with Centrica plc on 1 January 2015 and, accordingly, no termination payment was made to him.

Iain Conn worked for the full 2014 financial year, and so was eligible for an annual bonus payment paid in cash. The amount of this bonus is stated on page 77.

Iain Conn is entitled to an early retirement pension from age 55. In respect of service from 1 December 2006 to his leaving date, he will be subject to a 3% per annum reduction in his pension from age 55.

The share awards held by Iain Conn under the EDIP have been preserved in accordance with the good leaver provisions and will vest at the normal date, to the extent that performance targets are met:

- Performance share awards granted in 2012, 2013 and 2014 (all of which will be pro-rated to reflect Iain Conn's period of service within the performance cycle); and
- Compulsory deferred bonus awards granted in 2012, 2013 and 2014, voluntary deferred bonus awards granted in 2012 and 2013 and matching share awards granted in 2012, 2013 and 2014. The vesting of the matching share awards (but not the compulsory deferred bonus or the voluntary deferred bonus) will be subject to time pro-rating.

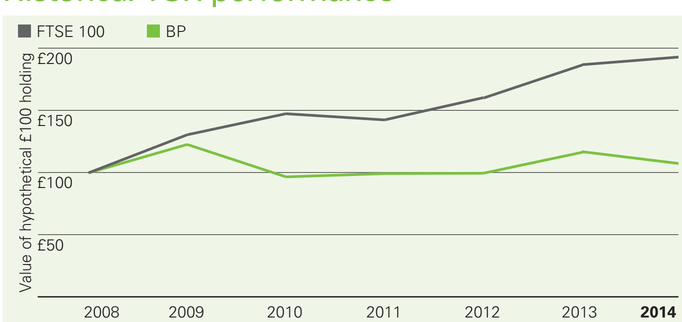
Information on these preserved share awards (including the vesting of share awards in the period up to 23 February 2015 and details of additional shares awarded representing re-invested dividends on such vested awards) is shown (pro-rated as appropriate) on pages 84 and 85.
The information relating to the vesting of share awards will be updated in the 2015 and 2016 remuneration reports.

To the extent that matching share awards granted in 2014 and any performance share awards vest, the post-tax number of shares will be subject to a twelve-month retention period. Vested performance share awards that are currently within their three-year post-vesting retention period must be retained until 31 December 2015.

Iain Conn will continue to be covered by the company's D&O insurance and his indemnity in respect of third-party liabilities will continue in force according to its terms. The company made a contribution towards his legal fees in connection with these arrangements.

Historical data and statistics

Historical TSR performance



This graph shows the growth in value of a hypothetical £100 holding in BP p.l.c. ordinary shares over six years, relative to a hypothetical £100 holding in the FTSE 100 Index of which the company is a constituent. The values of the hypothetical £100 holdings at the end of the six-year period were £107.45 and £194.77 respectively.

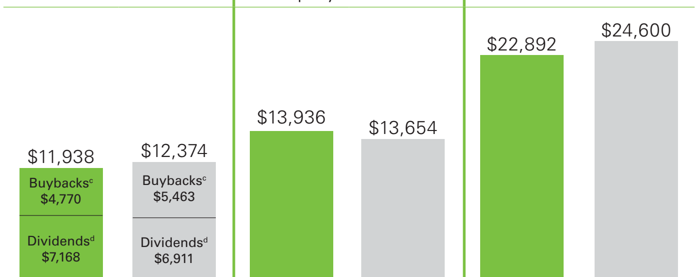
History of CEO remuneration

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	$14,620[d]	88	45.5
2014	Dudley	$15,334	73	60.5

[a] Total remuneration figures include pension and are shown as reported each year in the respective Directors' remuneration report with the exception of 2012 and 2013 which are restated in line with the figures reported in the single figure tables in this report and in 2013.
[b] 2009 annual bonus did not have an absolute maximum and so is shown as a percentage of the maximum established in 2010.
[c] 2010 figures show full year total remuneration for both Tony Hayward and Bob Dudley, although Bob Dudley did not become CEO until October 2010.
[d] This number is detailed in the single figure table on page 75 and includes the actual outcomes of the 2011-2013 performance share vesting.

Relative importance of spend on pay (million)

Distributions to shareholders	Remuneration paid to all employees[a]	Capital investment[b]



2014	2013	2014	2013	2014	2013
Total 3.5% decrease		2.1% increase		6.9% decrease	
Dividends 3.7% increase					
Buybacks 12.7% decrease					

[a] Total remuneration reflects overall employee costs. See Financial statements – Note 33 for further information.
[b] Capital investment reflects organic capital expenditure★. See footnote a on page 208 for further information.
[c] See Financial statements – Note 29 for further information.
[d] Dividends includes both scrip dividends as well as those paid in cash. See Financial statements – Note 8 for further information.

Percentage change in CEO remuneration

Comparing 2014 to 2013	Salary	Benefits	Bonus
% change in CEO remuneration	2.9%	26.7%	-14.2%
% change in comparator group remuneration	3.4%[a]	0.0%[b]	-7.7%

[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. This is the average across the comparator group.
[b] There was no change in employee benefits structure. Those benefits that are linked to salary have changed in line with base salary increases.

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 23 February 2015 from the directors' interests shown below plus the assumed vesting of the 2012-2014 performance shares and is consistent with the figures reported in the single figure table on page 75.

	Appointment date	Value of current shareholding	% of policy achieved
Bob Dudley	October 2010	$10,147,581	109
Dr Brian Gilvary	January 2012	£3,618,299	99

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 have sold shares that vested from the EDIP.

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

Current directors	Ordinary shares or equivalents at 1 Jan 2014	Ordinary shares or equivalents at 31 Dec 2014	Change from 31 Dec 2014 to 23 Feb 2015	Ordinary shares or equivalents total at 23 Feb 2015
Bob Dudley[a]	355,707	738,858	267,582	1,006,440
Dr Brian Gilvary	412,973	545,217	44,928	590,145
Former executive director				
Iain Conn[b]	600,272	826,602	–	–

[a] Held as ADSs.
[b] Includes 48,024 ordinary shares held as ADSs.

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.

Current directors	Performance shares at 1 Jan 2014	Performance shares at 31 Dec 2014	Change from 31 Dec 2014 to 23 Feb 2015	Performance shares total at 23 Feb 2015
Bob Dudley[a]	4,953,654	5,227,500	1,653,162	6,880,662
Dr Brian Gilvary	1,599,607	2,375,957	1,038,398	3,414,355
Former executive director				
Iain Conn	2,666,314	2,069,321	–	–

[a] Held as ADSs.

At 23 February 2015, 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 85.

Current director	Options	Restricted shares
Dr Brian Gilvary	504,191	–
Former executive director		
Iain Conn	–	–

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

There are no directors or other members of senior management who own more than 1% of the ordinary shares in issue. At 23 February 2015, all directors and other members of senior management as a group held interests of 12,980,342 ordinary shares or their calculated equivalent, 10,295,017 performance shares or their calculated equivalent and 6,051,908 options over ordinary shares or their calculated equivalent under the BP group share option schemes. Senior management comprises members of the executive team. See pages 56-57 for further information.

★ Defined on page 252.

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 2014	Awarded 2014	At 31 Dec 2014	Awarded 2015	Interests vested in 2014 and 2015: Number of ordinary shares vested	Vesting date	£ Face value of the award
Bob Dudley[b]	2011	Comp	2012-2014	08 Mar 2012	109,206	–	109,206	–	126,444[c]	11 Feb 2015	–
		Vol	2012-2014	08 Mar 2012	109,206	–	109,206	–	126,444[c]	11 Feb 2015	–
		Mat	2012-2014	08 Mar 2012	218,412	–	218,412	–	252,894[c]	11 Feb 2015	–
	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[e]	Comp	2014-2016	12 Feb 2014	–	149,628	149,628	–	–	–	728,688
		Mat	2014-2016	12 Feb 2014	–	149,628	149,628	–	–	–	728,688
	2014[e]	Comp	2015-2017	11 Feb 2015	–	–	–	147,054	–	–	655,861
		Vol	2015-2017	11 Feb 2015	–	–	–	147,054	–	–	655,861
		Mat	2015-2017	11 Feb 2015	–	–	–	294,108	–	–	1,311,722
Dr Brian Gilvary	2010	DAB[f]	2011-2013	14 Mar 2011	44,971	–	–	–	51,118[c]	9 Jan 2014	–
	2011	DAB[f]	2012-2014	15 Mar 2012	73,624	–	73,624	–	84,491[c]	15 Jan 2015	–
	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[e]	Comp	2014-2016	12 Feb 2014	–	96,653	96,653	–	–	–	470,700
		Mat	2014-2016	12 Feb 2014	–	96,653	96,653	–	–	–	470,700
	2014[e]	Comp	2015-2017	11 Feb 2015	–	–	–	88,288	–	–	393,764
		Vol	2015-2017	11 Feb 2015	–	–	–	88,288	–	–	393,764
		Mat	2015-2017	11 Feb 2015	–	–	–	176,576	–	–	787,529
Former executive directors											
Iain Conn	2010	Comp	2011-2013	09 Mar 2011	21,384	–	–	–	24,670[c]	12 Feb 2014	–
		Mat	2011-2013	09 Mar 2011	21,384	–	–	–	24,670[c]	12 Feb 2014	–
	2011	Comp	2012-2014	08 Mar 2012	80,652	–	80,652	–	95,196[c]	11 Feb 2015	–
		Vol	2012-2014	08 Mar 2012	80,652	–	80,652	–	95,196[c]	11 Feb 2015	–
		Mat	2012-2014	08 Mar 2012	161,304	–	161,304	–	190,393[c]	11 Feb 2015	–
	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	–	107,531[g]	–	–	–	489,266
	2013[e]	Comp	2014-2016	12 Feb 2014	–	100,563	100,563	–	–	–	489,742
		Mat	2014-2016	12 Feb 2014	–	100,563	33,521[g]	–	–	–	163,247
Dr Byron Grote[b]	2010	Comp	2011-2013	09 Mar 2011	26,604	–	–	–	30,174[c]	12 Feb 2014	–
		Vol	2011-2013	09 Mar 2011	26,604	–	–	–	30,174[c]	12 Feb 2014	–
		Mat	2011-2013	09 Mar 2011	44,340[g]	–	–	–	50,292[c]	12 Feb 2014	–
	2011	Comp	2012-2014	08 Mar 2012	91,638	–	91,638	–	106,104[c]	11 Feb 2015	–
		Vol	2012-2014	08 Mar 2012	91,638	–	91,638	–	106,104[c]	11 Feb 2015	–
		Mat	2012-2014	08 Mar 2012	91,638[g]	–	91,638[g]	–	106,104[c]	11 Feb 2015	–
	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	32,424[g]	–	32,424[g]	–	–	–	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] Represents vestings of shares made at the end of the relevant performance period based on performance achieved under rules of the plan and includes reinvested dividends on the shares vested. The market price of each share used to determine the total value at vesting on the vesting dates of 9 January 2014, 12 February 2014, 15 January 2015 and 11 February 2015 were £4.97, £4.87, £3.93 and £4.46 respectively and for ADSs on 12 February 2014 and 11 February 2015 were $48.38 and $40.35 respectively.
[d] The face value has been calculated using the market price of ordinary shares on 11 February 2013 of £4.55.
[e] The market price at closing of ordinary shares on 12 February 2014 was £4.87 and for ADSs was $48.38 and on 11 February 2015 was £4.46 and for ADSs was $40.35. The sterling value has been used to calculate the face value.
[f] 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.
[g] All matching shares have been pro-rated to reflect actual service during the performance period and these figures have been used to calculate the face value.

Performance shares (audited)

			Share element interests				Interests vested in 2014 and 2015		
			Potential maximum performance shares[a]						
	Performance period	Date of award of performance shares	At 1 Jan 2014	Awarded 2014	At 31 Dec 2014	Awarded 2015	Number of ordinary shares vested	Vesting date	£ Face value of the award
Bob Dudley[b]	2011-2013	09 Mar 2011	1,330,332	–	–	–	702,582[c]	15 May 2014[d]	–
	2012-2014	08 Mar 2012	1,343,712	–	1,343,712	–	941,286[c]	March 2015	–
	2013-2015[e]	11 Feb 2013	1,384,026	–	1,384,026	–	–	–	6,297,318
	2014-2016[e]	12 Feb 2014	–	1,304,922	1,304,922	–	–	–	6,354,970
	2015-2017[e]	11 Feb 2015	–	–	–	1,501,770	–	–	6,697,894
Dr Brian Gilvary	2011-2013[f]	14 Mar 2011	67,500	–	–	–	76,726[c]	9 Jan 2014	–
	2011-2013[g]	14 Mar 2011	22,500	–	–	–	25,824[c]	6 Feb 2014	–
	2012-2014	08 Mar 2012	624,434	–	624,434	–	445,912[c]	March 2015	–
	2013-2015[e]	11 Feb 2013	637,413	–	637,413	–	–	–	2,900,229
	2014-2016[e]	12 Feb 2014	–	605,544	605,544	–	–	–	2,948,999
	2015-2017[e]	11 Feb 2015	–	–	–	685,246	–	–	3,056,197
Former executive directors									
Iain Conn	2011-2013	09 Mar 2011	623,025	–	–	–	335,452[c]	15 May 2014[d]	–
	2012-2014	08 Mar 2012	660,633	–	660,633	–	471,761[c]	March 2015	–
	2013-2015[e]	11 Feb 2013	694,688	–	463,126[h]	–	–	–	2,107,223
	2014-2016[e]	12 Feb 2014	–	660,128	220,043[h]	–	–	–	1,071,609
Dr Byron Grote[b]	2011-2013	09 Mar 2011	654,498	–	–	–	345,654[c]	15 May 2014[d]	–
	2012-2014	08 Mar 2012	414,468	–	414,468[h]	–	290,346[c]	March 2015	–
	2013-2015[e]	11 Feb 2013	142,278	–	142,278[h]	–	–	–	647,365

[a] 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 9 January 2014 was £4.97, at 6 February 2014 was £4.77 and 15 May 2014 was £5.03 and for ADSs was $50.90. For the assumed vestings dated March 2015 a price of £4.27 per ordinary share and $40.74 per ADS has been used. These are the average prices from the fourth quarter of 2014.

[d] The 2011-2013 award vested on 15 May 2014 with an additional vesting of accrued notional dividends on 24 June 2014 on which the market price of each share was £5.24 and for ADSs was $52.84. For Byron Grote this resulted in an increase in value at vesting of $708,913 and for Bob Dudley and Iain Conn details can be found in the single figure table on page 75.

[e] The market price at closing of ordinary shares on 11 February 2013 was £4.55 and for ADSs was $43.01, on 12 February 2014 was £4.87 and for ADSs was $48.38, and on 11 February 2015 was £4.46 and for ADSs was $40.35.

[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 has been pro-rated to reflect actual service during the performance period and these figures have been used to calculate the face value.

Share interests in share option plans (audited)

	Option type	At 1 Jan 2014	Granted	Exercised	At 31 Dec 2014	Option price	Market price at date of exercise	Date from which first exercisable	Expiry date
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
Former executive directors									
Iain Conn	SAYE	797	–	–	–[a]	£3.16	–	–	31 Dec 2014
	SAYE	3,017	–	–	2,005[b]	£3.68	–	01 Jan 2015	30 Jun 2015

The closing market prices of an ordinary share and of an ADS on 31 December 2014 were £4.11 and $38.12 respectively.
During 2014 the highest market prices were £5.27 and $53.48 respectively and the lowest market prices were £3.64 and $34.88 respectively.
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] The option lapsed on Iain Conn's departure from the board in accordance with the rules.

[b] Potential maximum shares have been pro-rated with a shorter exercise period in accordance with the rules.

Non-executive directors

This section of the directors' remuneration report completes the directors' annual report on remuneration with details for the chairman and non-executive directors (NEDs). The board's remuneration policy for the NEDs was approved at the 2014 AGM. This policy was implemented during 2014. There has been no variance of the fees or allowances for the chairman and the NEDs during 2014.

Chairman

Basic fee

- 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.

Operation and opportunity

- 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.

Operation and opportunity

- The chairman is provided with an office and full time secretarial and administrative support in London and a contribution to an office and secretarial support in 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.

Fee structure

The table below shows the fee structure for the chairman in place since 1 May 2013. He is not eligible for committee chairmanship and membership fees or intercontinental travel allowance. He has the use of a fully maintained office for company business, a chauffeured car and security advice in London. He receives secretarial support as appropriate to his needs in Sweden.

	Fee level £ thousand
Chairman	785

The table below shows the fees paid for the chairman for the year ending 31 December 2014.

2014 remuneration (audited)

£ thousand		Fees		Benefits[a]		Total
	2014	2013	2014	2013	2014	2013
Carl-Henric Svanberg	785	773	37	49	822	822

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

Chairman's interests

The figures below include all the beneficial and non-beneficial interests of the chairman in shares of BP (or calculated equivalents) that have been disclosed under the DTRs as at the applicable dates. The chairman's holdings represented as a percentage against policy achieved are 610%.

Chairman	Ordinary shares or equivalents at 1 Jan 2014	Ordinary shares or equivalents at 31 Dec 2014	Change from 31 Dec 2014 to 23 Feb 2015	Ordinary shares or equivalents total at 23 Feb 2015
Carl-Henric Svanberg	1,039,276	1,076,695	–	1,076,695

Non-executive directors

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.

Operation

- 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.

Operation

- 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.

Operation

- 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.

Operation

- 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.

Operation

- 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.

Operation

- 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.

Fee structure

The table below shows the fee structure for non-executive directors from 1 May 2014:

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

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

2014 remuneration (audited)

£ thousand	Fees		Benefits[a]	Total	
	2014	2013	2014	2014	2013
Paul Anderson	175	175	48	223	175
Alan Boeckmann[b]	70	–	17	87	–
Admiral Frank Bowman	165	165	17	182	165
Antony Burgmans	150	145	9	159	145
Cynthia Carroll	125	120	66	191	120
George David[c]	185	185	18	203	185
Ian Davis	150	150	5	155	150
Professor Dame Ann Dowling[d]	140	140	11	151	140
Brendan Nelson	125	130	16	141	130
Phuthuma Nhleko	150	150	9	159	150
Andrew Shilston	150	150	8	158	150

[a] Benefits include travel and other expenses relating to the attendance at board and other meetings. Amounts disclosed are estimated and have been grossed up using a tax rate of 45%, where relevant, as an estimation of tax due. These are disclosed for 2014 following approval of the policy.
[b] Appointed on 24 July 2014.
[c] In addition, George David received £12,500 for chairing the BP technology advisory council until 1 July 2013.
[d] In addition, Professor Dame Ann 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 2014	Ordinary shares or equivalents at 31 Dec 2014	Change from 31 Dec 2014 to 23 Feb 2015	Ordinary shares or equivalents total at 23 Feb 2015	Value of current shareholding	% of policy achieved
Paul Anderson	30,000[a]	30,000[a]	–	30,000[a]	$206,100	139
Alan Boeckmann[b]	–	43,890[a]	–	43,890[a]	$301,524	203
Admiral Frank Bowman	16,320[a]	16,320[a]	–	16,320[a]	$112,118	76
Antony Burgmans	10,156	10,156	–	10,156	£45,194	50
Cynthia Carroll	10,500[a]	10,500[a]	–	10,500[a]	$72,135	49
George David	579,000[a]	579,000[a]	–	579,000[a]	$3,977,730	2,684
Ian Davis	11,449	22,420	–	22,420	£99,769	111
Professor Dame Ann Dowling	22,320	22,320	–	22,320	£99,324	110
Brendan Nelson	11,040	11,040	–	11,040	£49,128	55
Phuthuma Nhleko	–	–	–	–	–	0
Andrew Shilston	15,000	15,000	–	15,000	£66,750	56

[a] Held as ADSs.
[b] Appointed on 24 July 2014.

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 2014, he received £100,000 for this role.

This directors' remuneration report was approved by the board and signed on its behalf by David J Jackson, company secretary on 3 March 2015.

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