

Directors' remuneration report

This is the board's report to shareholders on directors' remuneration. It covers both executive directors and non-executive directors. The first and third parts were prepared by the remuneration committee. The second part was prepared by the company secretary on behalf of the board. The report has been approved by the board and signed on its behalf by the company secretary. The report is subject to the approval of shareholders at the annual general meeting (AGM).

Contents

Part 1 Executive directors' remuneration	68
Letter to shareholders	
2006 remuneration	
Remuneration policy	
Salary	
Annual bonus	
Long-term incentives	
Pensions	
Service contracts	
Part 2 Non-executive directors	72
Part 3 Additional statutory and other disclosures	73
Historical TSR performance graph	
Pensions table	
Share element of EDIP and LTPPs table	
Share options table	

Part 1 – Executive directors' remuneration

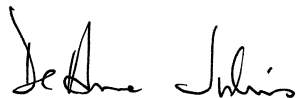
Dear Shareholder

Executive directors' remuneration for 2006 reflects a clear set of principles, set out in the pages that follow. At their heart is the importance of matching reward to performance, in a way that both reflects shareholders' interests and provides fair and competitive compensation to the executives.

As described elsewhere, 2006 was a year of strong financial performance for the group. A number of strategic and operational milestones were attained. However, the year also brought serious challenges and in key operational and safety areas company performance fell short of expectations.

The remuneration committee has carefully evaluated performance against the quantitative measures set at the beginning of the year. We also made a qualitative assessment of the effect on the company and its reputation of adverse events and developments in the year. The executive team responded to these challenges with determination and a sincere commitment to implement the lessons learned. However, taking a balanced judgement on the year, the remuneration committee halved the bonuses that would have resulted directly from their quantitative assessment. This, and all other remuneration received, is shown on the following page.

We have made some changes to the style and format of the remuneration report this year in order to make it easier to read and understand. Our aim has been to set out clearly the principles and policy on which we base executive directors' remuneration, as well as the figures for 2006. In addition, full details of arrangements agreed for Lord Browne's retirement later in 2007 and information on recent changes in remuneration for Dr Hayward and Mr Inglis are included in the relevant sections.



Dr D S Julius

Chairman, Remuneration Committee

23 February 2007

2006 remuneration

All remuneration paid to executive directors in 2006 is summarized in the table below. The annual bonuses are shown in the year they were earned.

The remuneration committee reviewed base salaries in 2006 and awarded increases between 5% and 10% of base salary from 1 July for each director. These increases are reflected in the numbers below and their current base salary is shown on page 71.

All executive directors are part of a final salary pension scheme, the details of which are set out later in this report. Accrued annual pension earned as of 31 December 2006 is £1,050,000 for Lord Browne, £228,000 for Dr Allen, £170,000 for Mr Conn, \$675,000 for Dr Grote, £239,000 for Dr Hayward and £188,000 for Mr Manzoni. Service and transfer value detail is shown on page 74.

Summary of remuneration of executive directors in 2006 ^a													
Annual remuneration								Long-term remuneration					
								Share element of EDIP/LTPPs ^b					
								2003-2005 plan		2004-2006 plan		2006-2008 plan	
								(vested in Feb 2006)		(vested in Feb 2007)		(awarded in Feb 2006)	
	Salary (thousand)		Annual performance bonus (thousand)		Non-cash benefits and other emoluments (thousand)		Total (thousand)						
	2005	2006	2005	2006	2005	2006	2005	2006	Actual shares vested	Value ^c (thousand)	Actual shares vested ^d	Value ^e (thousand)	Potential maximum performance shares ^f
Lord Browne	£1,451	£1,531	£1,750	£900	£90	£95	£3,291	£2,526	474,384	£3,067	380,668	£2,044	1,761,249
Dr A B Hayward	£431	£463	£460	£250	£14	£20	£905	£733	147,783	£955	112,941	£606	383,200
Dr D C Allen	£431	£463	£480	£250	£12	£13	£923	£726	147,783	£955	112,941	£606	383,200
I C Conn	£421	£463	£450	£250	£43	£42	£914	£755	68,250	£441	54,600	£293	383,200
Dr B E Grote	\$923	\$973	\$1,100	\$525	\$0	\$1	\$2,023	\$1,499	175,229	\$1,979	127,601	\$1,338	470,432
J A Manzoni	£431	£463	£440	£250	£47	£45	£918	£758	147,783	£955	112,941	£606	383,200

Amounts shown are in the currency received by executive directors. Annual bonuses are shown in the year they were earned.

^a This information has been subject to audit.

^b Long Term Performance Plans.

^c Based on market price on vesting date (£6.465 per share/\$67.76 per ADS).

^d Gross award of shares based on a performance assessment by the remuneration committee and on the other terms of the plan. Sufficient shares are sold to pay for tax applicable. Remaining shares are held in trust for current directors until 2010, when they are released to the individual.

^e Based on market price on vesting date (£5.37 per share/\$62.91 per ADS).

^f Maximum potential shares that could vest at the end of the three-year period depending on performance.

Annual bonus result

The 2006 annual bonus was based on performance relative to measures and targets set at the beginning of the year, as well as other factors the remuneration committee determined were relevant. Financial and operational metrics from the annual plan carried a 50% weighting and focused on earnings before interest, taxes, depreciation and amortization (EBITDA), return on average capital employed (ROACE) and safety, environment and production targets. Strategic milestones, including those relating to technology, operations and business development, accounted for 30%. Individual performance, including both leadership objectives and living the values of the group, accounted for 20%.

On the financial side, underlying EBITDA was marginally below target. There were negative effects from US operating issues and positive effects from improvements in operating performance. ROACE was marginally above target. Cash costs and capital expenditure came in around target levels. Planned divestments of non-strategic assets achieved premium prices. Targets were met for personal safety, greenhouse gas emissions, oil and gas discovered volumes and proved reserves. Average production rate was below target.

With respect to milestones, seven of nine major projects were completed as planned. However, the Thunder Horse development was delayed. Good progress was achieved to define and sanction a further 18 major projects. The alternative energy business exceeded its objectives. Good progress was made in developing and implementing a major six-point plan for improving safety and operational integrity.

In terms of individual performance, in a period of significant challenges, the executive directors demonstrated commitment, determination and unity to address issues and improve performance.

While the quantitative assessment generated a near-target score, the remuneration committee also considered broader qualitative factors. These included the findings of internal and external reports on operational and safety issues in the US business. On balance, the committee judged that bonus levels should be reduced by 50% from the level they would otherwise have been. The resulting annual bonuses are set out in the table above.

2004-2006 share element result

For the 2004-2006 share element of the Executive Directors' Incentive Plan (EDIP), BP's performance was assessed in terms of shareholder return against the market (SHRAM), ROACE and earnings per share (EPS) growth. BP's three-year SHRAM was measured against the companies in the FTSE All World Oil & Gas Index. Companies within the index are weighted according to their market capitalization at the beginning of the three-year period in order to give greatest emphasis to oil majors. BP's ROACE and EPS growth were measured against ExxonMobil, Shell, Total and Chevron. Based on a performance assessment of 60 points out of 200 (0 for SHRAM, 50 for ROACE and 10 for EPS growth), the committee made awards of shares to executive directors as shown in the 2004-2006 columns in the table above.

Remuneration policy

Our remuneration policy for executive directors aims to ensure there is a clear link between the company's purpose, the business plans and executive reward, with pay varying with performance. In order to achieve this, the policy is based on these key principles:

- The remuneration structure will support BP's aim to maximize long-term shareholder value.
- The structure will reflect a fair system of reward for all the participants.
- The remuneration committee will determine the overall amount of each component of remuneration, taking into account the success of BP and the competitive environment.
- The majority of executive remuneration will be linked to the achievement of demanding performance targets, independently set to support the creation of long-term shareholder value.
- There will be a quantitative and qualitative assessment of performance, with the remuneration committee making an informed judgement within a framework approved by shareholders.
- Pay and employment conditions elsewhere in the group will be taken into account, especially in setting annual salary increases.
- Executives will develop a significant personal shareholding in order to align their interests with those of shareholders.
- The remuneration policy for executive directors will be reviewed regularly, independently of executive management, and will set the tone for the remuneration of other senior executives.
- The remuneration committee will actively seek to understand shareholder preferences.
- Remuneration policy and practice will be as transparent as possible.

Executive directors' total remuneration consists of salary, annual bonus, long-term incentives, pensions and other benefits. The remuneration committee reviews this structure regularly to ensure it is achieving its aims. In 2006, well over three-quarters of executive directors' total potential remuneration was performance-related, in line with the target. The same will be true for potential remuneration in 2007.

Salary

The remuneration committee reviews salaries annually, taking into account other large Europe-based global companies and companies in the US oil and gas sector. These groups are each defined and analysed by the committee's independent remuneration advisers. The committee makes a judgement on salary levels based on its assessment of market conditions and the external advice.

Annual bonus

All executive directors are eligible to take part in an annual performance-based bonus scheme. The remuneration committee sets bonus targets and levels of eligibility each year.

The target level for 2007 is 120% of base salary. In normal circumstances, the maximum payment for substantially exceeding performance targets will continue to be 150% of base salary.

Annual bonus awards for 2007 will be based on a mix of demanding financial targets, based on the annual plan and the leadership objectives set at the beginning of the year. The weightings on annual bonus targets are:

- 50% Financial metrics from the annual plan, principally EBITDA, cash costs and capital expenditure.
- 30% Non-financial measures focusing on health, safety and the environment; growth; and reputation.
- 20% Individual performance against leadership objectives and against living the values of the group (incorporating BP's code of conduct).

The remuneration committee will also review carefully the underlying performance of the group in the light of the five-year business plan and will look at competitors' results, analysts' reports and the views of the chairmen of other BP board committees when assessing results.

In exceptional circumstances, the remuneration committee can decide to award bonuses moderately above the maximum level. The committee can also decide to reduce bonuses where this is warranted, and in exceptional circumstances bonuses could be reduced to zero. We have a duty to shareholders to use our discretion in a reasonable and informed manner, acting in the best interests of the company,

and also to be accountable and transparent in our decisions. Any significant exercise of discretion will be explained in the subsequent directors' remuneration report.

Group chief executive

As for previous years, the target level for 2007 for Lord Browne is 130% of base salary, with a maximum payment for substantially exceeding performance targets of 165% of base salary. Lord Browne will retire on 31 July 2007. His annual bonus award for 2007 will be pro-rated to reflect his service during the financial year up to his retirement in July.

Long-term incentives

Each executive director participates in the EDIP. It has three elements: shares, share options and cash. The remuneration committee did not use either share option or cash elements in 2006 and would only do so in 2007 in exceptional circumstances. This section describes the share element. We intend that executive directors will continue to receive performance shares under the EDIP, barring unforeseen circumstances, until it expires or is renewed in 2010.

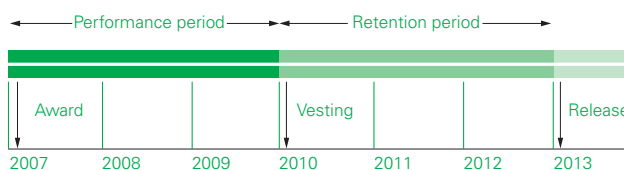
Policy

The remuneration committee can award shares to executive directors that will only vest to the extent that demanding performance conditions are satisfied at the end of a three-year period. The maximum number of these performance shares that can be awarded to an executive director in any year is at the discretion of the remuneration committee, but will not normally exceed 5.5 times base salary (7.5 times base salary in the case of the group chief executive).

In exceptional circumstances, the committee also has an overriding discretion to reduce the number of shares that vest or to decide that no shares vest.

The compulsory retention period will also be decided by the committee and will not normally be less than three years. Together with the performance period, this gives executive directors a six-year incentive structure, as shown in the timeline below, which is designed to ensure their interests are aligned with those of shareholders.

TIMELINE FOR 2007-2009 EDIP SHARE ELEMENT



Where shares vest under awards made in 2007 and future years, the executive director will receive additional shares representing the value of the reinvested dividends.

The committee's policy continues to be that each executive director should hold shares equivalent in value to five times his or her base salary within five years of appointment as an executive director. This policy is reflected in the terms of the EDIP, as shares awarded will only be released at the end of the three-year retention period, described below, if these minimum shareholding guidelines are met.

Performance conditions

For performance share awards in 2007, the performance conditions will continue to relate to BP's total shareholder return (TSR) compared with other oil majors – ExxonMobil, Shell, Total and Chevron – over a three-year period. We have the discretion to alter this comparison group if circumstances change, for example, if there are significant consolidations in the industry.

We consider this relative TSR to be the most appropriate measure of performance for the purpose of long-term incentives for executive directors. It best reflects the creation of shareholder value while minimizing the impact of sector-specific effects such as the oil price.

TSR is calculated as share price performance over the relevant period, assuming dividends are reinvested. All share prices are averaged over the

three months before the beginning and end of the performance period. They are measured in US dollars. At the end of the performance period, the companies' TSRs will be ranked. Executive directors' performance shares will vest at 100%, 70% and 35% if BP is ranked first, second or third respectively; none will vest if BP is in fourth or fifth place.

As the comparator group is small and as the oil majors' underlying businesses are broadly similar, a simple ranking could sometimes distort BP's underlying business performance relative to the comparators.

The committee is therefore able to exercise discretion in a reasonable and informed manner to adjust the vesting level upwards or downwards to reflect better the underlying health of BP's business. This would be judged by reference to a range of measures including ROACE, growth in EPS, reserves replacement and cash flow. The need to exercise discretion is most likely to arise when the TSR of some companies is clustered, so that a relatively small difference in TSR performance would produce a major difference in vesting levels.

The remuneration committee will explain any adjustments in the next directors' remuneration report following the vesting, in line with its commitment to transparency.

Group chief executive

As noted above, as group chief executive, Lord Browne is eligible for performance share awards of up to 7.5 times his base salary. While the largest part of this is related to TSR, the committee has decided that up to two times base salary should be based on long-term leadership measures. These focus on sustaining BP's financial, strategic and organizational health. They include, among other measures, maintenance of BP's performance culture and the continued development of BP's business strategy, executive talent and internal organization. As with the TSR element, this element will be assessed over a three-year performance period.

The remuneration committee has agreed that Lord Browne will be granted a share award under the 2007-2009 plan on the above basis. The performance targets for this award (and those granted to him on the same basis in 2005 and 2006) will be assessed by the remuneration committee at the end of the three-year performance period that applies to each award. The actual number of shares received will depend on the extent to which relevant performance conditions are satisfied.

Pensions

Executive directors are eligible to participate in the appropriate pension schemes applying in their home countries. Additional details are given on page 74.

UK directors

UK directors are members of the regular BP Pension Scheme. The core benefits under this scheme are non-contributory. They include a pension accrual of 1/60th 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.

The rules of the BP Pension Scheme have recently been amended such that the normal retirement age is 65. Scheme members can retire on or after age 60 without reduction. Special early retirement terms apply to pre-1 December 2006 service for members with long service as at 1 December 2006.

In April 2006, the UK government made important changes to the operation and taxation of pensions. The remuneration committee decided to deliver pension benefits in excess of the new lifetime allowance of £1.5 million set by the legislation via an unapproved, unfunded pension arrangement paid by the company direct.

US directors

Dr Grote participates in the US BP Retirement Accumulation Plan (US plan), which features a cash balance formula. The US plan took its current form on 1 July 2000. Pension benefits are provided through a combination of tax-qualified and non-qualified benefit restoration plans, consistent with US tax regulations as applicable.

The Supplemental Executive Retirement Benefit (supplemental plan) is a non-qualified top-up arrangement that became effective on 1 January 2002 for US employees above a specified salary level. The benefit formula is 1.3% of final average earnings, which comprise base salary and bonus in accordance with standard US practice (and as specified under the qualified arrangement), multiplied by years of service. There is an offset for benefits payable under all other BP qualified and non-qualified pension arrangements. This benefit is unfunded and therefore paid from corporate assets.

Dr Grote is eligible to participate under the supplemental plan. His pension accrual for 2006, shown in the table on page 74, includes the total amount that could become payable under all plans.

Other benefits

Executive directors are eligible to participate in regular employee benefit plans and in all-employee share saving schemes and savings plans applying in their home countries. Benefits in kind are not pensionable. Expatriates may receive a resettlement allowance for a limited period.

Service contracts

Director ^a	Contract date	Salary as at 31 Dec 2006
Lord Browne	11 Nov 1993	£1,575,000
Dr A B Hayward	29 Jan 2003	£485,000
Dr D C Allen	29 Jan 2003	£485,000
I C Conn	22 Jul 2004	£485,000
Dr B E Grote	7 Aug 2000	\$1,000,000
J A Manzoni	29 Jan 2003	£485,000

^a Subsequent to 31 December 2006, Dr Hayward's salary was increased to £750,000 and Mr Inglis' salary, on appointment to the board, to £425,000.

When Lord Browne retires on 31 July 2007, he will become entitled to a payment equal to the aggregate of 12 months' base salary at that date, his target annual bonus level (130% of base salary) and £90,000 in respect of fringe benefits. In accordance with the committee's policy, the payment will be made in four quarterly instalments (the first payable in November 2007) and each instalment will be reduced by an amount equal to any of Lord Browne's replacement earnings for the quarter in question, to the extent that such earnings exceed one-third of the relevant quarterly instalment.

Service contracts are expressed to expire at a normal retirement age of 60 (subject to age discrimination). The contracts have a notice period of one year.

The service contracts of Dr Allen, Mr Conn, Dr Hayward and Mr Manzoni may be terminated by the company at any time with immediate effect, on payment in lieu of notice equivalent to one year's salary, or the amount of salary that would have been paid if the contract had terminated on the expiry of the remainder of the notice period.

Dr Grote's contract is with BP Exploration (Alaska) Inc. He is seconded to BP p.l.c. under a secondment agreement of 7 August 2000, which had an unexpired term of one year on 31 December 2006. The secondment can be terminated by one month's notice by either party and terminates automatically on the termination of Dr Grote's service contract.

There are no other provisions for compensation payable on early termination of the above contracts. In the event of the early termination of any of the contracts by the company, other than for cause (or under a specific termination payment provision), the relevant director's then-current salary and benefits would be taken into account in calculating any liability of the company.

Since January 2003, new service contracts have included a provision to allow for severance payments to be phased, when appropriate. The committee will also consider mitigation to reduce compensation to a departing director, when appropriate to do so.

Part 2 – Non-executive directors' remuneration

Policy

The board sets the level of remuneration for all non-executive directors within the limit approved from time to time by shareholders. The remuneration of the chairman is set by the board rather than the remuneration committee, in line with BP's governance policies, as we believe the performance of the chairman is a matter for the board as a whole rather than any one committee. The board's policy is that non-executive remuneration should be consistent with recognized best-practice standards. Non-executive directors are encouraged to establish a holding in BP shares broadly related to one year's base fee.

Annual fee structure

Non-executive directors' remuneration consists of the following elements:

- Cash fees, paid monthly, with increments for positions of additional responsibility, reflecting workload and potential liability.
- A fixed allowance, currently £5,000, for transatlantic or equivalent inter-continental travel to attend a board or board committee meeting (excluding the chairman).
- Reasonable travel and related business expenses.

No share or share option awards are made to any non-executive director in respect of service on the board.

The fees were reviewed in 2005 by an ad hoc board committee and were increased with effect from 1 January 2005 to reflect the change in workload and global market rates for independent or non-executive directors since the previous review in 2002. There was no increase in 2006.

Current fee structure

	£ thousand
Chairman ^a	500
Deputy chairman ^b	100
Board member	75
Committee chairmanship fee	20
Transatlantic attendance allowance ^c	5

^a The chairman is not eligible for committee chairmanship fees or transatlantic attendance allowance but has the use of a fully maintained office for company business, a chauffeured car and security advice.

^b The deputy chairman receives a £25,000 increment on top of the standard board fee. In addition, he is eligible for committee chairmanship fees and the transatlantic attendance allowance. The deputy chairman is currently chairman of the audit committee.

^c This allowance is payable to non-executive directors undertaking transatlantic or equivalent intercontinental travel for the purpose of attending a board meeting or board committee meeting.

Superannuation gratuities

In accordance with the company's long-standing practice, non-executive directors who retired from the board after at least six years' service are, at the time of their retirement, eligible for consideration for a superannuation gratuity. The board is authorized to make such payments under the company's Articles of Association. The amount of the payment is determined at the board's discretion (having regard to the director's period of service as a director and other relevant factors).

In 2002, the board revised its policy with respect to superannuation gratuities so that: (i) non-executive directors appointed to the board after 1 July 2002 would not be eligible for consideration for such a payment; and (ii) while non-executive directors in service at 1 July 2002 would remain eligible for consideration for a payment, service after that date would not be taken into account by the board in considering the amount of any such payment.

The board made superannuation gratuity payments during the year to the following former directors: Mr Miles £46,000 (who retired in April 2006) and Mr Wilson £21,000 (who resigned from the board in February 2006). These payments were in line with the policy arrangements agreed in 2002 (outlined above).

Remuneration of non-executive directors in 2006^a

	£ thousand	
	2006	2005
Current directors		
J H Bryan	110	110
A Burgmans	85	90
Sir William Castell ^b	38.5	n/a
E B Davis, Jr	100	110
D J Flint	100	90
Dr D S Julius	105	107
Sir Tom McKillop	85	90
Dr W E Massey	130	130
Sir Ian Prosser	130	135
P D Sutherland	500	500
Directors leaving the board in 2006		
H M P Miles ^{c d}	30	90
M H Wilson ^e	22.5	105

^a This information has been subject to audit.

^b Appointed on 20 July 2006.

^c Also received a superannuation gratuity of £46,000.

^d Also received £37,500 for serving as a director and non-executive chairman of BP Pension Trustees Limited.

^e Also received a superannuation gratuity of £21,000.

Based on the current fee structure, the table above shows the 2006 remuneration of each non-executive director.

Non-executive directors 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.

Non-executive directors of Amoco Corporation

Non-executive directors who were formerly non-executive directors of Amoco Corporation have residual entitlements under the Amoco Non-Employee Directors' Restricted Stock Plan. Directors were allocated restricted stock in remuneration for their service on the board of Amoco Corporation prior to its merger with BP in 1998. On merger, interests in Amoco shares in the plan were converted into interests in BP ADSs. The restricted stock will vest on the retirement of the non-executive director at the age of 70 (or earlier at the discretion of the board). Since the merger, no further entitlements have accrued to any director under the plan. The residual interests, as interests in a long-term incentive scheme, are set out in the table below, in accordance with the Directors' Remuneration Report Regulations 2002.

	Interest in BP ADSs at 1 Jan 2006 and 31 Dec 2006 ^a	Date on which director reaches age 70 ^b
J H Bryan	5,546	5 Oct 2006
E B Davis, Jr	4,490	5 Aug 2014
Dr W E Massey	3,346	5 Apr 2008
Director leaving the board in 2006		
M H Wilson ^c	3,170	4 Nov 2007

^a No awards were granted and no awards lapsed during the year. The awards were granted over Amoco stock prior to the merger but their notional weighted average market value at the date of grant (applying the subsequent merger ratio of 0.66167 of a BP ADS for every Amoco share) was \$27.87 per BP ADS.

^b For the purposes of the regulations, the date on which the director retires from the board at or after the age of 70 is the end of the qualifying period. If the director retires prior to this date, the board may waive the restrictions.

^c Mr Wilson resigned from the board on 28 February 2006. Mr Wilson had received awards of Amoco shares under the plan between 1 November 1993 and 28 April 1998 prior to the merger. These interests had been converted into BP ADSs at the time of the merger. In accordance with the terms of the plan, the board exercised its discretion over this award on 11 May 2006 and the shares vested on that date (when the BP ADS market price was \$76.07) without payment by him.

Part 3 – Additional statutory and other disclosures

Remuneration committee

All the members of the committee are independent non-executive directors. Throughout this year, Dr Julius (chairman), Mr Bryan, Mr Davis, Sir Tom McKillop and Sir Ian Prosser were members. Lord Browne was consulted on matters relating to the other executive directors who report to him and on matters relating to the performance of the company; he was not present when matters affecting his own remuneration were discussed.

Tasks

The remuneration committee's tasks are:

- 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 the 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 scheme of which the executive directors are members.
- To nominate, on behalf of the board, any trustees (or directors of corporate trustees) of the scheme.
- To monitor the policies being applied by the group chief executive in remunerating senior executives who are not executive directors.

Constitution and operation

Each member of the remuneration committee (*named on page 80*) is subject to annual re-election as a director of the company. The board considers all committee members to be independent (*see page 77*). They have no personal financial interest, other than as shareholders, in the committee's decisions.

The committee met five times in the period under review. There was a full attendance record except for Mr Davis, who was unable to attend one meeting. Mr Sutherland, as chairman of the board, attended all the committee meetings.

The committee is accountable to shareholders through its annual report on executive directors' remuneration. It will consider the outcome of the vote at the AGM on the directors' remuneration report and take into account the views of shareholders in its future decisions. The committee values its dialogue with major shareholders on remuneration matters.

Advice

Advice is provided to the committee by the company secretary's office, which is independent of executive management and reports to the chairman of the board. Mr Aronson, an independent consultant, is the committee's secretary and special adviser. Advice was also received from Mr Jackson, the company secretary.

The committee also appoints external advisers to provide specialist advice and services on particular remuneration matters. The independence of the advice is subject to annual review.

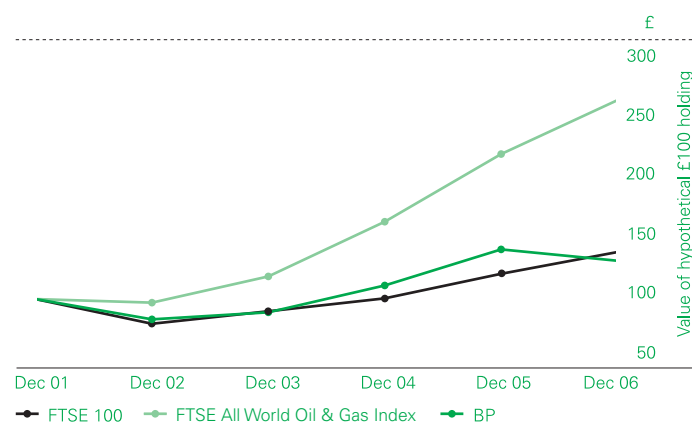
In 2006, the committee continued to engage Towers Perrin as its principal external adviser. Towers Perrin also provided limited ad hoc remuneration and benefits advice to parts of the group, principally changes in employee share plans and some market information on pay structures. The committee continued to engage Kepler Associates to advise on performance measurement. Kepler Associates also provided performance data and limited ad hoc advice on performance measurement to the group.

Freshfields Bruckhaus Derringer provided legal advice on specific matters to the committee, as well as providing some legal advice to the group.

Ernst & Young reviewed the calculations on the financial-based targets that form the basis of the performance-related pay for executive directors, that is, the annual bonus and share element awards described on page 69, to ensure they met an independent, objective standard. They also provided audit, audit-related and taxation services for the group.

Historical TSR performance^a

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 and to the FTSE All World Oil & Gas Index. BP is a constituent of both indices, which are the most relevant broad equity market indices for this purpose.



^a This information has been subject to audit.

Past directors

Until 30 September 2006, Mr Olver acted as a consultant to BP in relation to its activities in Russia and served as a BP-nominated director of TNK-BP Limited, a joint venture company owned 50% by BP. Under the consultancy agreement, he received £225,000 in fees in 2006 as well as reimbursement of costs and support for his role. He was also entitled to retain fees paid to him by TNK-BP up to a maximum of \$120,000 a year for his role as a director, deputy chairman and chairman of the audit committee of TNK-BP Limited.

Mr Miles (non-executive director of BP until April 2006) was appointed as a director and non-executive chairman of BP Pension Trustees Limited in October 2006. This position is for a term of three years and he receives £150,000 per annum.

	Service at 31 Dec 2006	Accrued pension entitlement at 31 Dec 2006	Additional pension earned during the year ended 31 Dec 2006 ^b	Transfer value of accrued benefit ^c at 31 Dec 2005 (A)	Transfer value of accrued benefit ^c at 31 Dec 2006 (B)	Amount of B-A less contributions made by the director in 2006
Lord Browne (UK)	40 years	£1,050	£59	£19,979	£21,700	£1,721
Dr A B Hayward (UK)	25 years	£239	£31	£3,408	£4,017	£609
Dr D C Allen (UK)	28 years	£228	£28	£3,433	£4,006	£573
I C Conn (UK)	21 years	£170	£23	£2,124	£2,510	£386
Dr B E Grote (US)	27 years	\$675	\$105	\$6,681	\$7,591	\$910
J A Manzoni (UK)	23 years	£188	£24	£2,518	£2,961	£443

^a This information has been subject to audit.

^b Additional pension earned during the year includes an inflation increase of 2.2% for UK directors and 3.3% for US directors.

^c Transfer values have been calculated in accordance with version 8.1 of guidance note GN11 issued by the actuarial profession.

Group chief executive

As stated in previous years' reports, Lord Browne is eligible for consideration for an ex-gratia lump sum superannuation payment equivalent to one year's base salary. This is in line with the company's past practice for directors retiring on or after age 55 having accrued at least 30 years' service. The remuneration committee has approved the payment of this sum to Lord Browne immediately following his retirement. This payment will be in addition to his pension entitlements under the scheme described above. No other executive director is eligible for consideration for an ex-gratia payment on retirement because in 1996 the remuneration committee decided that appointees to the board after that time should cease to be eligible.

Share element of EDIP and LTPPs^a

	Performance period	Date of award of performance shares	Market price of each share at date of award of performance shares £	Share element/LTPP interests			Interests vested in 2006		
				Potential maximum performance shares ^b			Number of ordinary shares vested ^c	Vesting date	Market price of each share at vesting date £
				At 1 Jan 2006	Awarded 2006	At 31 Dec 2006			
Lord Browne	2003-2005	17 Feb 2003	3.96	1,265,024	—	—	474,384	13 Feb 2006	6.47
	2004-2006	25 Feb 2004	4.25	1,268,894	—	1,268,894	380,668	15 Feb 2007	5.37
	2005-2007	28 April 2005	5.33	2,006,767	—	2,006,767	—	—	—
	2006-2008	16 Feb 2006	6.54	—	1,761,249	1,761,249	—	—	—
Dr A B Hayward	2003-2005	17 Feb 2003	3.96	394,088	—	—	147,783	13 Feb 2006	6.47
	2004-2006	25 Feb 2004	4.25	376,470	—	376,470	112,941	15 Feb 2007	5.37
	2005-2007	28 Apr 2005	5.33	436,623	—	436,623	—	—	—
	2006-2008	16 Feb 2006	6.54	—	383,200	383,200	—	—	—
Dr D C Allen	2003-2005	17 Feb 2003	3.96	394,088	—	—	147,783	13 Feb 2006	6.47
	2004-2006	25 Feb 2004	4.25	376,470	—	376,470	112,941	15 Feb 2007	5.37
	2005-2007	28 Apr 2005	5.33	436,623	—	436,623	—	—	—
	2006-2008	16 Feb 2006	6.54	—	383,200	383,200	—	—	—
I C Conn	2003-2005	17 Feb 2003	3.96	182,000	—	—	68,250	13 Feb 2006	6.47
	2004-2006	25 Feb 2004	4.25	182,000	—	182,000	54,600	15 Feb 2007	5.37
	2005-2007	28 Apr 2005	5.33	415,832	—	415,832	—	—	—
	2006-2008	16 Feb 2006	6.54	—	383,200	383,200	—	—	—
Dr B E Grote	2003-2005	17 Feb 2003	3.96	467,276	—	—	175,229	13 Feb 2006	6.47
	2004-2006	25 Feb 2004	4.25	425,338	—	425,338	127,601	15 Feb 2007	5.37
	2005-2007	28 Apr 2005	5.33	501,782	—	501,782	—	—	—
	2006-2008	16 Feb 2006	6.54	—	470,432	470,432	—	—	—
J A Manzoni	2003-2005	17 Feb 2003	3.96	394,088	—	—	147,783	13 Feb 2006	6.47
	2004-2006	25 Feb 2004	4.25	376,470	—	376,470	112,941	15 Feb 2007	5.37
	2005-2007	28 Apr 2005	5.33	436,623	—	436,623	—	—	—
	2006-2008	16 Feb 2006	6.54	—	383,200	383,200	—	—	—

^a This information has been subject to audit.

^b BP's performance is measured against the oil sector. For the periods 2003-2005 and 2004-2006, the performance measure is SHRAM, which is measured against the FTSE All World Oil & Gas Index, and ROACE and EPS growth, which are measured against ExxonMobil, Shell, Total and Chevron. For periods 2005-2007 onward, the performance condition is TSR measured against ExxonMobil, Shell, Total and Chevron. Each performance period ends on 31 December of the third year.

^c Represents awards of shares made at the end of the relevant performance period based on performance achieved under rules of the plan.

Share options^a

	Option type	At 1 Jan 2006	Granted	Exercised	At 31 Dec 2006	Option price	Market price at date of exercise	Date from which first exercisable	Expiry date
Lord Browne	SAYE	4,550	–	–	4,550	£3.50		1 Sep 2008	28 Feb 2009
	EDIP	408,522	–	–	408,522	£5.99		15 May 2001	15 May 2007
	EDIP	1,269,843	–	1,269,843	–	£5.67	£6.67	19 Feb 2002	19 Feb 2008
	EDIP	1,348,032	–	–	1,348,032	£5.72		18 Feb 2003	18 Feb 2009
	EDIP	1,348,032	–	1,348,032	–	£3.88	£6.67	17 Feb 2004	17 Feb 2010
	EDIP	1,500,000	–	–	1,500,000	£4.22		25 Feb 2005	25 Feb 2011
Dr A B Hayward	SAYE	3,302	–	–	3,302	£5.11		1 Sep 2006	28 Feb 2007
	SAYE	–	3,220	–	3,220	£5.00		1 Sep 2011	29 Feb 2012
	EXEC	34,000	–	–	34,000	£5.99		15 May 2003	15 May 2010
	EXEC	77,400	–	–	77,400	£5.67		23 Feb 2004	23 Feb 2011
	EXEC	160,000	–	–	160,000	£5.72		18 Feb 2005	18 Feb 2012
	EDIP	220,000	–	–	220,000	£3.88		17 Feb 2004	17 Feb 2010
	EDIP	275,000	–	–	275,000	£4.22		25 Feb 2005	25 Feb 2011
Dr D C Allen	EXEC	37,000	–	–	37,000	£5.99		15 May 2003	15 May 2010
	EXEC	87,950	–	–	87,950	£5.67		23 Feb 2004	23 Feb 2011
	EXEC	175,000	–	–	175,000	£5.72		18 Feb 2005	18 Feb 2012
	EDIP	220,000	–	–	220,000	£3.88		17 Feb 2004	17 Feb 2010
	EDIP	275,000	–	–	275,000	£4.22		25 Feb 2005	25 Feb 2011
I C Conn	SAYE	1,456	–	–	1,456	£3.50		1 Sep 2008	28 Feb 2009
	SAYE	1,186	–	–	1,186	£3.86		1 Sep 2009	28 Feb 2010
	SAYE	1,498	–	–	1,498	£4.41		1 Sep 2010	28 Feb 2011
	EXEC	72,250	–	–	72,250	£5.67		23 Feb 2004	23 Feb 2011
	EXEC	130,000	–	–	130,000	£5.72		18 Feb 2005	18 Feb 2012
	EXEC	160,000	–	160,000	–	£3.88	£6.55	17 Feb 2006	17 Feb 2013
	EXEC	126,000	–	–	126,000	£4.22		25 Feb 2007	25 Feb 2014
Dr B E Grote ^b	SAR	35,200	–	35,200	–	\$25.27	\$66.96	6 Mar 1999	6 Mar 2006
	SAR	40,000	–	–	40,000	\$33.34		28 Feb 2000	28 Feb 2007
	BPA	10,404	–	–	10,404	\$53.90		15 Mar 2000	14 Mar 2009
	BPA	12,600	–	–	12,600	\$48.94		28 Mar 2001	27 Mar 2010
	EDIP	40,182	–	–	40,182	\$49.65		19 Feb 2002	19 Feb 2008
	EDIP	58,173	–	–	58,173	\$48.82		18 Feb 2003	18 Feb 2009
	EDIP	58,173	–	–	58,173	\$37.76		17 Feb 2004	17 Feb 2010
	EDIP	58,333	–	–	58,333	\$48.53		25 Feb 2005	25 Feb 2011
J A Manzoni	SAYE	878	–	–	878	£4.52		1 Sep 2007	28 Feb 2008
	SAYE	2,548	–	–	2,548	£3.50		1 Sep 2008	28 Feb 2009
	SAYE	847	–	–	847	£3.86		1 Sep 2009	28 Feb 2010
	EXEC	34,000	–	–	34,000	£5.99		15 May 2003	15 May 2010
	EXEC	72,250	–	–	72,250	£5.67		23 Feb 2004	23 Feb 2011
	EXEC	175,000	–	–	175,000	£5.72		18 Feb 2005	18 Feb 2012
	EDIP	220,000	–	–	220,000	£3.88		17 Feb 2004	17 Feb 2010
	EDIP	275,000	–	–	275,000	£4.22		25 Feb 2005	25 Feb 2011

The closing market prices of an ordinary share and of an ADS on 31 December 2006 were £5.68 and \$67.10 respectively. During 2006, the highest market prices were £7.12 and \$76.47 respectively and the lowest market prices were £5.64 and \$63.72 respectively.

EDIP = Executive Directors' Incentive Plan adopted by shareholders in April 2005 as described on page 70.

BPA = BP Amoco share option plan, which applied to US executive directors prior to the adoption of the EDIP.

SAR = Stock Appreciation Rights under BP America Inc. Share Appreciation Plan.

SAYE = Save As You Earn employee share scheme.

EXEC = Executive Share Option Scheme. These options were granted to the relevant individuals prior to their appointments as directors and are not subject to performance conditions.

^a This information has been subject to audit.

^b Numbers shown are ADSs under option. One ADS is equivalent to six ordinary shares.

This directors' remuneration report was approved by the board and signed on its behalf by David J Jackson, company secretary, on 23 February 2007.