Directors' remuneration report

"2022 was a year of strong strategic progress, operational and financial performance for bp, against a challenging backdrop."

Paula Rosput Reynolds
Chair of the remuneration committee

Role of the remuneration committee

The role of the committee is to determine and recommend to the board the remuneration policy and to set chair, executive director and leadership team remuneration. The committee reviews workforce remuneration and monitors related policies, satisfying itself that incentives and rewards are aligned with bp's culture. In determining the policy, the committee takes into account various factors, including wider workforce remuneration, and structures the policy to align reward to performance, thus promoting the long-term success of the company.

Key responsibilities

- Recommend to the board the remuneration principles and policies for the executive directors and leadership team while considering remuneration and related policies for the employees below the board.
- Set and approve the terms of engagement, remuneration, benefits and termination of employment for the executive directors, leadership team, chief internal auditor and the company secretary in accordance with the policy.
- Prepare the annual remuneration report to shareholders to outline policy implementation.
- Approve the principles of any equity plan that requires shareholder approval.
- Ensure termination terms and payments to executive directors and the leadership team are appropriate.
- Receive and consider regular updates on workforce views and engagement initiatives related to remuneration, insights and data from pay ratios and potential pay gaps as appropriate.
- Maintain appropriate dialogue with shareholders on remuneration matters.

Membership

Paula Rosput Reynolds
Member since September 2017 and chair since May 2018

Amanda Blanc
Member (since January 2023)

Pamela Daley
Member

Melody Meyer
Member

Tushar Morzaria
Member

Meetings and attendance

The chair and the CEO attend meetings of the committee except for matters relating to their own remuneration. The CEO is consulted on the remuneration of the CFO, the leadership team and more broadly on remuneration across the wider workforce. Both the CEO and CFO are consulted on matters relating to the group's performance.

bp's EVP, people & culture, SVP, reward, external advisors and other executives may attend where necessary. The committee consults other board committees on the group's performance and on issues relating to the exercise of judgement or discretion as necessary.

The committee met eight times during the year. All directors attended each meeting that they were eligible to attend.

Remuneration committee consideration of climate-related issues T

Examples from the year ended 31 December 2022

Monitoring, implementation and performance

Discussed and agreed the climate measures in annual performance scorecards. For example after consulting with the safety and sustainability committee, the remuneration committee set the weighting for sustainable emissions reductions★ measures for annual bonus awards, as well as the long-term incentive plan ESG measures designed to align with bp's strategy.

Key areas of focus in 2022

Remuneration policy – undertook a thorough and robust engagement process with investors and other stakeholders to gather insights and feedback relevant to the policy-setting process.

Workforce engagement – engaged with the wider workforce on reward and wellbeing, for example met with front-line representatives from the bp retail business, and reviewed management's responses to cost-of-living pressures for bp employees globally.

Remuneration outcomes – monitored in-flight progress of equity and bonus awards, and evaluated salary and benefits against peer group comparators, considering adjustments where appropriate.

Reporting – reviewed the directors' remuneration report and the UK gender and ethnicity pay gap report.

Contents

Summary of 2022 pay outcomes for executive directors

	CEO: Bernard Looney	CFO: Murray Auchincloss
Base salary	£1,371,876	£782,000
2022 annual bonus	£2,365,542 (75.5% of max)	£1,404,000 (78% of max)
Downward discretion applied to 2022 annual bonus, see page 120	3.2% or -£78,329	0%
2020-22 performance share plan *Additional three-year post-vesting holding period applied*	£6,007,512 (54% of max)	£2,890,536 (54% of max)
Downward discretion applied to 2020-22 performance share plan, see page 122	10% or -£667,497	10% or -£321,172
Single figure outcome for 2022	£10,025,782	£5,282,049
Total downward discretion applied	-£745,826	-£321,172

Chair's introduction

Dear fellow shareholder,

2022 was a year of strong strategic progress, operational and underlying financial performance for bp, against a challenging backdrop. Inflation was increasingly embedded in the global economy, and was exacerbated by geopolitical events, notably the war in Ukraine and the prolonged impact of COVID-19 lockdowns in China. We have considered remuneration in this context for our executive directors and wider workforce.

In line with government regulation, the directors' remuneration report (DRR) is required to report on executive reward. However, the reader will note throughout how we have included discussion about bp's aim to be an employer of choice for bp's 60,000+ people around the world. Clearly this aim is about pay, but it's also about benefits, working environment, purpose, and programmes to assure the wellbeing of bp employees. Indeed, the welfare of bp people is critical to the company's success for shareholders. The committee spent considerable time in 2022 understanding engagement levels of the entire bp workforce.

The committee has conferred with a great number of shareholders and proxy advisory firms, seeking their input prior to reaching our decisions. The one piece of feedback we received from virtually every party was to lay out in detail how the committee came to its decisions. Thus, you will see contained within the DRR a deeper level of granularity than in prior years.

In both the treatment of the period 2020-2022 and the proposals for the refreshed policy, the committee has sought to find the balance between rewarding performance and doing so with moderation of outcomes.

Meeting bp's challenges

bp's employees have risen to the challenge again and again over the past three years. In 2020, shareholders endured an underlying replacement cost loss of $5.7 billion as the pandemic devastated worldwide demand for energy. But bp employees kept operations running safely despite the complexity of pandemic protocols; at the same time, they also undertook actions to reset the company's ambition towards net zero. In 2021, our people delivered a seamless return to full operations and an underlying replacement cost profit★ of $12.8 billion. In 2022 the war in Ukraine led to the board's decision to exit bp's businesses in Russia; we took an unprecedented write-down of $24 billion. Nevertheless, robust operational results across the globe allowed the company to achieve an underlying replacement cost profit of $27.7 billion in the year just ended.

bp aims to provide the world with secure, reliable, and increasingly cleaner energy. During 2022, bp maintained high production at levels necessary to meet the challenges of a bifurcated energy market and responded to the supply emergency in Europe by bringing additional supplies of LNG to European shores. In the UK we pledged to bolster resource development in the North Sea, supporting the UK's supply security. At the same time, bp is enabling retail customers' choice to switch to EVs through our fast-charging network, and advancing our plans for offshore wind, hydrogen and carbon capture.

As we responded to the changing energy landscape, the committee stress-tested whether we are rewarding our employees appropriately for the responsibilities that they have undertaken and the superior performance they have delivered. Board members engaged with front-line employees who work in the North Sea as well as those who are employed in bp's retail forecourts across the UK. It is important to note that all UK employees, including forecourt employees, are paid at, or above, the real living wage. We listened to their concerns – they didn't hold back – and relayed such concerns to management to ensure that pay and benefits programmes, development, and work systems continue to evolve and remain fit for purpose.

Alignment with stakeholders

In reaching our recommendations for the 2022 remuneration of our executive directors, we also undertook an extended dialogue with shareholders and other stakeholders.

In pursuing this dialogue, we have tried to make clear that we are a committee that keeps its commitments to all of bp's employees, including executives, and that any discretion we use or judgement we apply is thoughtfully undertaken and proportionate to the issues we seek to address (see page 116).

Over the past six years, the committee has carefully sought to moderate outcomes for our executives, even as the roles they play have become more challenging. We hope you will agree that our judgements reflect a sensible approach to rewarding difficult jobs well-done in this several-year period. A summary of executive director pay outcomes is shown on page 113 and the details are provided in the following pages.

★ See glossary on page 389

Bernard and Murray's leadership

Bernard has been the CEO since 2020. He led the reset of bp's purpose and strategy, and the creation – and work towards – bp's net zero ambition and aims. He has led the reinvention of bp, through a pandemic and global energy supply crisis. Throughout, he has shown commendable resilience which contributed to bp's strong underlying 2022 results, while growing investment, growing value and growing distributions to shareholders.

Murray has been the CFO since 2020. He has been instrumental in designing and rolling out our disciplined financial frame. Under his prudent leadership, bp has gained greater investor and credit agency confidence, while reducing our net debt to $21.4 billion, the lowest for almost a decade, and returning funds to shareholders through a revised distribution policy. He has shown similar resilience and has matured convincingly into the role of CFO.

Overview of 2022 performance and remuneration outcomes

The 2022 annual bonus plan applies to more than half of bp's workforce, including its two executive directors. The plan seeks to reward performance against six key measures in three categories of bp's bonus scorecard: safety and sustainability, operational and financial.

Safety and sustainability

bp exceeded our annual sustainability targets for emissions reductions, delivering 1.5mte reductions in 2022, and 7.1mte cumulative reductions since 2017. Process safety events – combined tier 1 and 2★ – were at a record low, which continues a downward trajectory over the past few years and reflects our continuous focus on safety improvement.

However, tragically, during 2022 four people died while working for bp. The committee takes the view – shared by bp's leadership – that at bp safety comes first and thus avoiding workplace safety incidents must be the top priority. We provide more information about the impact of safety on remuneration on page 121.

As such, we have applied additional downward discretion on the outcome for Bernard and relevant members of management which results in a score of 1.51 out of 2.00.

Operational

Operationally, the reliability and availability of our plants and refineries were just below target. This was driven by lower-than-expected refinery availability offset by record high upstream plant reliability★. Margin share from convenience and electrification was impacted this year by the market environment (see page 6). The committee decided to exercise its discretion under this measure to reflect underlying performance by making two adjustments: 1) to adjust for the actual foreign exchange rate environment, which resulted in a minimal uplift to all participants, including the executive directors; and 2) recognizing actual underlying business unit decisions to maintain margin (see page 121), which provides a more material uplift. We believe this latter adjustment was appropriate for the wider workforce. The uplift was not included in the calculation of executive director bonuses.

Financial

Financial performance, as measured by adjusted free cash flow★ and cumulative cash cost reductions in the annual bonus scorecard, has been very strong. Adjusted free cash flow performance of $25.8 billion was above our stretch target even after targets had been adjusted upwards to reflect the actual price environment, ensuring that the executives do not benefit from higher prices.

Similarly, cumulative cash cost reductions, by the end of 2022 compared to the 2019 baseline, of $3.2 billion were above the scorecard target, delivering our cost reduction target a year ahead of plan.

Taking performance against these measures into account, the outcome for the bonus plan was a score of 1.56 out of 2.0 for the CFO, or 78% of maximum, and 1.51 out of 2.0 for the CEO, or 75.5% of maximum.

Long-term performance

Under the remuneration policy that shareholders approved in 2020, a material portion of Bernard and Murray's remuneration is tied to longer-term performance under a performance share plan designed to drive strong alignment to the execution of bp's strategy.

The 2020-22 performance share awards were measured against a three-part scorecard:

- Relative total shareholder return (rTSR) against seven industry peers.
- Return on average capital employed (ROACE)★.
- Strategic progress.

While absolute TSR growth was a great improvement over the prior year, bp delivered disappointing rTSR performance over the 2020-22 period, placing sixth out of eight industry peers. This resulted in nil vesting for this element of the scorecard. This outcome should be read in the context of a newly-launched strategy. At the point of making the 2020-22 grants to the executive directors just months after the strategy launch, it was evident that investor confidence in that strategy, as demonstrated in our rTSR performance, would take time to build and be dependent on progressive execution and delivery over many years. While a disappointing rTSR performance, this expectation has proved to be correct. Conversely, ROACE performance of 13.4% over the period was above our stretch target, reflective of strong progress over the three years culminating in a 30.5% return in 2022, which was a very strong result regardless of the price environment. The committee's view of strategic progress, as measured against three distinct aspects of our strategy – resilient hydrocarbons, convenience and mobility and low carbon energy – was very strong and resulted in maximum vesting. This element of the scorecard is a mixture of quantitative assessment and qualitative judgement, which we expand on in more detail on page 123 of the report.

Taking performance against these measures into account, the formulaic outcome under the performance share plan was 60% of maximum. However, as we said we would do when making these awards in 2020, the committee also paid great attention to review the basis on which these awards were granted, at a time when the share price was materially lower than historical norms. Ultimately, the committee decided that despite this strong improvement over three years, an adjustment should be made to the vesting outcome of the 2020-22 awards.

After much discussion and consultation, we arrived at an adjustment which, when coupled with a disappointing formulaic vesting outcome, leads to what we consider to be an appropriately modest level of vesting. We took the decision to exercise our discretion and to revise downwards the level of vesting to 54% of maximum.

We provide additional detail on this adjustment and the rationale behind it on page 124.

Decisions in the context of the wider workforce

Decisions regarding the executive directors' base salary increases and incentive outcomes were made paying careful attention to the level of awards for the wider bp workforce.

In practice, in 2022 the committee used its discretion to reduce outcomes for the CEO under the annual bonus and the CEO and CFO under the performance share plan, while mostly maintaining formulaic outcomes for the wider workforce.

Employees in the wider workforce participating in the annual cash bonus plan received a score of 1.62 compared with 1.51 and 1.56 for Bernard and Murray respectively. Other senior leaders who participated in the 2020-22 performance share plan received the full formulaic outcome of 60%.

Our approach to the annual pay review for the wider workforce was also modified this year, responding to the unprecedented pressure on our employees due to the rising cost of living. Firstly, bp made a cash payment to most of bp's retail forecourt employees globally, equivalent to 8%, or one month's salary locally. The payment is being made in equal parts across the winter period. Secondly, all salaried employees (excluding retail forecourt employees) below the senior leadership team worldwide received a one-off payment in December, differentiated by geography and ranging from 4% to 8% of salary – a move which was welcomed by our people. Finally, all salaried employees will be eligible for a base pay adjustment effective 1 April 2023. We have set salary budgets this year that are reflective of the market environment in each country. In many cases these are higher than last year, reflecting the impact inflation is having on wages. For more information on remuneration and support for the wider workforce, see page 117.

In this context, the committee determined that Bernard would receive a base salary increase of 4% in 2023, lower than the wider UK workforce average, despite the outsized impact he has had on bp and his exemplary leadership during a very tough period. Murray will receive an increase of 5.5% in 2023 in line with the wider UK workforce average. In the view of the committee, Murray's contribution and impact as a CFO internally and externally, has grown rapidly since his appointment and we will continue to review his base salary in line with market expectations, his performance and his responsibilities in the role, but mindful of the wider workforce pay.

Refreshing our executive remuneration policy for 2023

The committee believes that the current policy, approved by 96.6% of shareholders in 2020, has operated as intended and can generally be retained and serve as the basis for the 2023 policy. As part of the policy review, the committee completed an extensive programme of shareholder engagement to ensure their views were reflected in the new policy.

I would like to thank shareholders for their highly valued time, energy and feedback during this period. I outline a summary of the key changes here, and the full policy is on page 132.

Performance measures for incentive plans

We are proposing to fine-tune the performance measures that apply for the upcoming year and three-year performance periods to better align with bp's strategy; these changes do not represent a deviation from the current policy, as the existing policy already allows the committee to choose specific measures and relative weightings.

For the purposes of the annual bonus we propose to introduce a profit measure (adjusted EBITDA★) under the financials category, in place of cumulative cash cost reductions to reflect our strategic progress on costs and forward-looking focus on earnings.

For our performance share plan (2023-25), we propose the introduction of one new emissions measure, to incentivize progress towards our aim 1 net zero operations. We will retain rTSR, ROACE, adjusted EBIDA per share CAGR★ and strategic progress. Having complementary emissions reduction measures in both the short and long-term plans ensures that annual delivery supports longer-term plans, as set out in our net zero ambitions under aim 1. For a summary of proposed measures and targets under both plans, see page 130.

Annual bonus deferral

Under our 2020 policy, the annual bonus has been paid 50% in cash, with 50% deferred into restricted share units that are subject to a three-year restricted period. This deferral has been an important way of increasing the executives' personal shareholdings and satisfying the already high bar we have set through our minimum shareholding requirement (MSR).

In our deliberations for 2023 we have recognized that the shareholdings of our executive directors can build quickly and, given that neither the committee nor the executives themselves expect them to sell shares while in office, the result is a high portfolio concentration exposure. Since our control mechanism for ensuring alignment with shareholders' interests is the MSR itself, we have concluded that once the MSR is met, the deferral rate should reduce. Thus, the 2023 policy has been updated to require a deferral rate of 33% once an executive has met bp's high minimum shareholding requirement threshold (5x salary for the CEO and 4.5x salary for the CFO). As on 17 February 2023 both the CEO and CFO have met the MSR requirement therefore, subject to shareholder approval, the 2023 policy will apply to 2022 bonus outcomes.

Operationally robust and effective malus and clawback provisions remain in place and the committee is comfortable that sufficient shareholdings will be built under the new policy to apply these provisions to their fullest extent if necessary. For more detail see the policy report on page 131.

Retirement benefits

In 2021, as part of a holistic review and modernization of the UK reward package for the wider workforce, the UK defined benefits pension plan was closed and all remaining participants were entitled to a single contributory plan. This aligns to legacy defined benefit plan participants that received a cash allowance, which is being stepped down in value from 35% (in July 2021) to 20% (in April 2023). Except for the executive directors, all other participants had their cash allowance increased from 15% to 20%. Thus, the majority of the UK workforce (~62%) now receives a 20% cash allowance.

The 2020 policy sets the executive director benefit to be in line with the wider workforce, and therefore the current level for the executives is 15% of salary, which was in line with the wider UK workforce level at their appointment. We are proposing to amend our 2023 policy and adjust the cash allowance to 20% of salary, to match the arrangements now in place for the majority of the wider UK workforce.

Recognizing the impact the increased pension allowance could have in absolute terms, and considering the overall remuneration package, the committee has decided to retain Bernard's pension allowance at 15% for 2023. The committee will bring the allowance into line with that of the wider workforce in 2024.

As you read this DRR, we hope you will appreciate the expanded focus on our underlying rationale, and how our stewardship is directed at both the executive directors and the wider workforce. We need all bp employees to feel fairly rewarded and we continue to do our utmost to show our appreciation to them within the context of the policies shareholders have previously approved.

On behalf of the committee, I hope you will agree that our judgements are a sensible approach to rewarding difficult jobs well-done in this several year period.

Paula Rosput Reynolds
Chair of the remuneration committee
10 March 2023

In this directors' remuneration report, underlying replacement cost profit, net debt, margin share from convenience and electrification, adjusted free cash flow, cumulative cash cost reductions, ROACE, adjusted EBITDA, adjusted EBIDA per share CAGR and organic capital expenditure are non-GAAP measures.

These measures are defined in the glossary on page **389**.

★ **See glossary on page 389**

Remuneration at a glance

Key financial and strategic highlights in 2022

30.5%

ROACE
Up 129% from 2021

$25.8bn

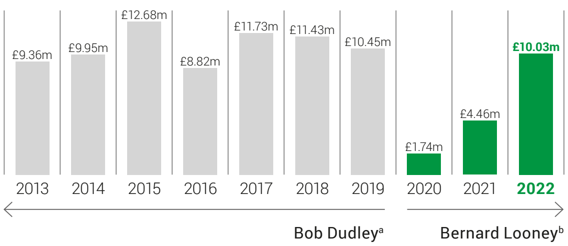
Adjusted free cash flow★
Up 57% from 2021

$21.4bn

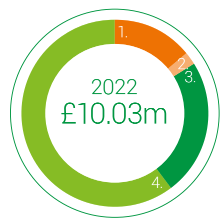
Net debt
Lowest since 3Q 2013

- Record bp-operated upstream plant reliability at 96%.
- 65% increase in the number of EV charge points installed.
- 30mboe/d increase in biogas supply.

CEO – 10-year trend of remuneration



a Previous CEO single figure converted from USD to GBP at the relevant year average exchange rate.
b 2022 is the first full year of remuneration outcomes as an executive director.



Target: £8.78m
Maximum: £15.91m

16%

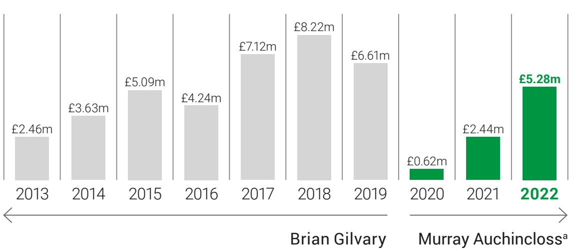
Total fixed remuneration

84%

Total variable remuneration

Key
1. Salary and benefits
2. Retirement benefits
3. Annual bonus
4. Performance shares

CFO – 10-year trend of remuneration



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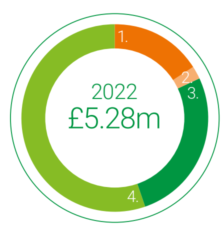


Target: £4.56m
Maximum: £8.14m

19%

Total fixed remuneration

81%

Total variable remuneration

Key
1. Salary and benefits
2. Retirement benefits
3. Annual bonus
4. Performance shares

Annual bonus

See page **120**

75.5% of maximum
has been awarded to the CEO

78.0% of maximum
has been awarded to the CFO

Performance shares

See page **122**

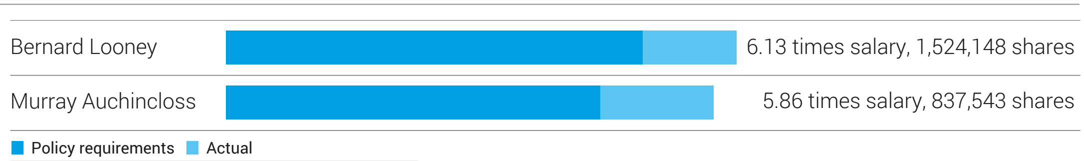
54% of maximum
awarded to CEO and CFO

Application of discretion

These outcomes are post-application of committee discretion and represent final outcomes for the executive directors. For more detail on the discretion applied, see pages 124-125 respectively.

Share ownership

Share ownership is a key means by which the interests of executive directors are aligned with those of shareholders.



Engaging with our wider workforce

A strong committee, in our view, spends the majority of its time ensuring that we have fair pay, that we recognize our employees personally and financially, and that the people and culture programmes we have in place create alignment with our strategy and demonstrate our commitment to wellbeing.

We believe the real story of bp lies with our people, the culture frame we are building, our net zero ambition, our determination to be successful and yet to remain a company where we care for and about one another.

The extraordinary economic environment we are operating in has further accentuated focus on how we recognize, reward and care for employees. We are pleased to see the solutions implemented by bp have driven high employee engagement and are making a real impact, especially on more junior employees and those on the front line at a time when care is paramount. We outline here key highlights of this focus in action.

Supporting the wider workforce in 2022 – key highlights

Fair pay

- First major energy, mobility and convenience employer to be accredited as a Living Wage Employer in the UK.
- bp's global fair wage commitments are being met in each country in which it operates aligned to 2025 fair wage commitments to be published in the sustainability report this year.
- Focus on front-line retail employees during a period of economic hardship:
  - Hourly wage increases in the UK and US aligned to the Living Wage. UK rates increased earlier than recommended by the Living Wage Foundation.
  - One-off payments made to the global retail population (c.20,000 employees) equivalent to one month's salary – paid over the winter period starting in November 2022.
- All employees, excluding the most senior managers, received a one-off payment in December 2022 as part of the 2022-23 pay review, followed by the normal annual review of base pay to be conducted in early 2023.
- Second year of voluntary ethnicity pay gap reporting in the UK alongside enhanced gender pay gap reporting (to be published separately in March 2023)

Recognition

- 1.3 million recognition moments since the launch of 'energize!', bp's internal peer-to-peer recognition programme.
- Introduction of cash spot bonus awards for outstanding team and individual contributions.
- Service awards, with more than 9,000 service anniversaries in 2022.
- Share awards to employees under the 2021 reinvent bp share plan – reaching more than 63,000 colleagues in over 60 countries, making all employees owners in bp.
- Share ownership is a key part of remuneration and bp's share programmes are widely recognized by industry bodies. bp won the 2021 ProShare award for Best International Share Plan and Best Overall Performance in Fostering Employee Share Ownership. The company received the 2022 ProShare award for Most Effective Use of Technology, which celebrated bp's systems, benefiting both the employee experience and administration of plans.
- bp's annual cash bonus plan evolved in 2022 to include a higher focus on individual performance – recognizing the value and impact of individual contributions.

Wellbeing

- Employee engagement scores increased year on year, underpinned by improvements in all four pillars of wellbeing: mental, physical, financial and social.
- Thrive@bp – bp's global wellbeing platform – extended to new countries and businesses. More than 500,000 'healthy habits' have been adopted via the platform.
- Employee assistance programme enhanced with technology, providing access to instant mental health support via a live chat function.
- Financial wellbeing support rolled out across the UK and US, with financial coaching made available to all employees.
- Wellbeing allowance – a fund which allows individuals to select how they wish to spend their money within pre-defined wellbeing categories – introduced in several countries as part of modernizing the reward package.

Workforce engagement

During 2022 the remuneration committee continued its direct engagement sessions with the wider workforce, building on its work in 2021. See page 94 for the board's workforce engagement agenda.

Specifically on remuneration, a session was held with a diverse group of UK front-line retail employees. The majority came from retail backgrounds and without exception commented that bp is one of the best employers they have experienced. They also shared concerns about how some of our technology could be improved to support productivity, the challenges of accommodating new services such as fast charging in the forecourts, and how we could be more flexible in the design of shifts. We noted their pride in bp, bp's commitment to paying a real living wage and the opportunities to advance. The company-wide reinvent bp share plan was a particular highlight. The committee was struck that in this engagement – as in many others – our employees are quick to speak up, honest and constructive.

★ See glossary on page 389

Wider workforce in 2022

Element	Policy features for the wider workforce	Comparison with executive director remuneration
Salary	Salary is the basis for a competitive total reward package for all employees, and we conduct an annual salary review for all non-unionized employees. In setting pay budgets each year, we assess how employee pay is currently positioned relative to market rates, wage inflation forecasts, and business context related to such things as growth plans, workforce turnover and affordability. For 2023 for the majority of salaried employees, the pay review comprises both a cash lump sum (paid in December 2022) and base salary increase (effective 1 April 2023) – this was in response to exceptional economic conditions being experienced by colleagues across the world. The average pay increase in the UK, effective 1 April 2023, has been set at 5.5%.	The salaries of our executive directors form the basis of their total remuneration, and we review these salaries annually along the same timelines as the wider workforce. We intend to keep increases within the salary review budgets set for our wider workforce, except in specific circumstances. In 2023, the proposed increase for our CEO is 4%, below that of the wider UK workforce, and for our CFO is 5.5%, which is equal to the average increase received by employees in the UK. These are effective after the 2023 annual general meeting (AGM). Senior leaders, including the executive directors, were not eligible for the December 2022 cash lump sum payment that the wider workforce benefited from.
Pensions and benefits	We operate different pension plans by location and for those parts of our business where market practice is markedly different, e.g. our retail business. For our population of non-retail employees in the UK, covering 62% of the UK workforce, we provide a flexible cash benefits allowance of 20% of salary. In the UK, our hourly retail employees, the majority of whom are part-time, are eligible to participate in the National Employment Savings Trust (NEST) where we make contributions and all proceeds are portable with the employee.	Following a review of reward for the UK workforce in 2021, the flexible benefits allowance was increased to 20% of salary (in parallel with the removal of future accruals for members of the UK defined benefit pension plan). Following our principle to align the executive directors' benefits with those provided to the wider workforce, our 2023 policy therefore includes the same benefits allowance of 20% of salary. For 2023, the committee has determined to retain the CEO's pension allowance at 15% of salary. The committee will bring the CEO's allowance into line with that of the wider UK workforce in 2024. For the CFO, this allowance will be adjusted to 20% of salary in 2023 subject to shareholder approval of this policy. Other than the provisions of security and tax preparation related benefits, our executive director benefit packages are broadly aligned with those of other employees in the UK.
Annual bonus	More than half of our global workforce participate in an annual cash bonus plan that multiplies a grade-based target bonus amount by a bp performance factor in the range 0 to 2. In 2022 the bonus plan was enhanced to include a stronger link to individual performance. Select participants may be nominated to receive an uplift to their bonus outcome, reflecting their contribution and impact. We operate different bonus plans for those distinct parts of our business where market practice is markedly different, such as our trading business.	The annual bonus for executive directors is directly linked to the same bp performance measures and bp performance factor as those for the wider workforce. The executive directors are not entitled to a bonus uplift linked to individual performance.
Performance shares	We operate share plans with three-year vesting for all our senior leaders. Opportunity varies across two broad tiers: group leaders (approximately 300) and senior-level leaders (approximately 4,000). Vesting is subject to bp performance outcomes for the group leader population only – aligned to the executive directors. All employees are eligible to receive share awards on an ad hoc basis in exceptional circumstances. bp also operates an award-winning global sharematch programme which is available to over 16,000 employees in 50 countries.	Performance shares for our executive directors have been assessed using the same bp performance scorecard as is used for the group leader performance shares. Executive directors share awards are subject to an additional three-year holding period post vesting. Executive directors are also expected to build a minimum level of shareholding equal to 5x salary for the CEO and 4.5x salary for the CFO. This holding cannot be sold until two years post-retirement.
Recognition	Energize!, our global recognition platform is open to all employees for peer-to-peer recognition. Recognition may be in the form of a 'thank you' or points that can be spent on a catalogue of products. We also operate a spot bonus programme where individuals or teams can be nominated to receive a one-off cash award to recognize their achievements. Senior leaders and our two executive directors fully participate in the programmes (typically by giving recognition). They may receive non-financial recognition only through energize!.	
Wellbeing	All employees have access to mental health support via our employee assistance programme. In addition, Thrive@bp – our global wellbeing platform – is open to all employees and provides access to mental, physical and financial wellbeing support. In a number of countries, employees have access to a personal wellbeing fund – a sum of money that can be spent on wellbeing initiatives. In 2022 this was equal to £1,500 per employee in the UK.	

Executive directors' pay for 2022

Single figure table – executive directors (audited)

	Bernard Looney CEO thousand 2022	Murray Auchincloss CFO thousand 2022	Bernard Looney CEO thousand 2021	Murray Auchincloss CFO thousand 2021
Salary	**£1,372**	**£782**	£1,323	£730
Benefits	**£75**	**£88**	£23	£14
Cash in lieu of retirement benefits	**£206**	**£117**	£198	£110
Annual bonus[a]	**£2,366**	**£1,404**	£2,420	£1,360
Performance shares[b]	**£6,008**	**£2,891**	£493	£225
Total remuneration	**£10,026**	**£5,282**	£4,457	£2,438
Total fixed remuneration	**£1,653**	**£988**	£1,544	£854
Total variable remuneration	**£8,373**	**£4,295**	£2,913	£1,584

a Annual bonus is subject to deferral into shares for three years at a rate of 33%, subject to the 2023 policy being approved by shareholders. In the event the policy is not approved, deferral would remain at 50%.

b Share price has been based on the average share price over the fourth quarter of 2022 of £4.73 and includes notional dividends arising prior to 10 March 2023.

Overview of single figure outcomes

Salary and benefits

Bernard Looney's salary increased by 4.25% from £1,335,750 to £1,392,519 from the 2022 annual general meeting. Murray Auchincloss's salary increased by 6.6% from £750,000 to £800,000 from the 2022 annual general meeting. Both the executive directors receive car-related benefits, coverage of tax return preparation, security assistance, health and life insurance and medical benefits. Changes in the healthcare benefits provided to the executive directors, as approved by the committee, and in the case of Bernard Looney professional advice provided to him in the course of his duties, are the primary drivers for the increase in the value of taxable benefits compared with 2021.

Cash in lieu of retirement benefits

From their appointments as executive directors in 2020, Bernard and Murray ceased to receive any retirement benefits for their service and were aligned to the 15% cash allowance in lieu of benefit rate which applied to the majority of the wider UK workforce at that time. This is the rate that applied during 2022.

★ See glossary on page 389

2022 annual bonus scorecard and outcome

For 2022, the committee established a bonus scorecard of six measures across three categories: safety and sustainability, operational performance and financial performance. These measures align with our strategy and investor proposition (see pages 125 and 126) and were set out under the terms of our 2020 policy.

Safety and sustainability **0.51** + Operational performance **0.12** + Financial performance **0.92** = Formulaic score 1.55 out of 2.0

Measures		Weighting	Threshold (0)	Target (1)	Maximum (2)	Outcome
Safety and sustainability (30% weight)	Process safety tier 1 and tier 2 events★	15%	>68 events 0	61 events 0.15	49 events 0.3	50 events 0.29
	Sustainable emissions reductions★ (million tonnes)	15%	<6.67 0	6.87 0.15	7.27 0.3	7.065 million tonnes 0.22
Operational performance (20% weight)	bp-operated reliability and availability	10%	94.1% 0	95.2% 0.1	96.3% 0.2	95.1% 0.09
	Margin share from convenience and electrification	10%	27.4% 0	30.6% 0.1	33.0% 0.2	28.5% 0.03
Financial performance (50% weight)	Adjusted free cash flow★	25%	$23.7bn 0	$24.7bn 0.25	$25.7bn 0.5	$25.8bn 0.50
	Cumulative cash cost reductions 2022 vs 2019	25%	$2.7bn 0	$3.0bn 0.25	$3.3bn 0.5	$3.2bn 0.42
Formulaic score						1.55 out of 2.0

Formulaic scorecard outcome
1.55 out of 2.0

Committee discretion for FX rate environment
+1 point

1.56 out of 2.0
for CEO, CFO

Committee judgement for fatalities for CEO
-5 points

1.51 out of 2.0
for CEO

1.56 out of 2.0
for CFO

1.56 out of 2.0
for wider workforce

Committee discretion for fuel sales margin volatility
+6 points

1.62 out of 2.0
for wider workforce

Safety performance, as measured by tier 1 and 2 process safety events, was strong with the mechanical outcome near maximum. The committee's review of safety performance is detailed on page 121 and in the safety and sustainability committee (S&SC) report on page 110.

Sustainable emissions reductions (SER) of 7.065mte cumulative (2022 vs. 2017) was more than target for the third year running and reflective of strong progress against our aim 1 milestones. At the start of the year bp identified opportunities for emission reductions, based on planned activity totalling only 635kt in 2022. However, an SER target of 1.3Mt was set, based on previous year delivery (1.2Mt) presenting a significant stretch for bp. We have continued to embed a net zero mindset and ownership of emissions performance across the operating entities. This approach allowed our sites to review existing activity sets and identify projects with SER potential that were not in existing plans, e.g. Tangguh steam heat recovery project (86kt). Other key contributions across bp's portfolio, included the Gelsenkirchen refinery and chemicals and Rotterdam and Cherry Point refineries switching to low carbon power (662kt) and bpx energy projects including electrification, vapour recovery in Eagle Ford and centralized processing at Grand Slam (351kt).

Reliability and availability is a measure of bp-operated upstream plant reliability and bp-operated refining availability. bp-operated upstream plant reliability strengthened year-on-year to 96.0% (94% in 2021), a historical record. bp-operated refining availability was below the target outcome at 94.5%. It was impacted by an increase in maintenance activity.

Margin share from convenience and electrification was below target with performance heavily influenced by adverse foreign exchange impacts and the volatility of bp's fuel sales margin, driven by the macro-economic environment.

Financial performance, as measured by **adjusted free cash flow** and **cumulative cash cost reductions**, was very strong. bp generated adjusted free cash flow of $25.8 billion, which resulted in the maximum outcome. Our targets are environment-adjusted at year end and the revised target was £24.7 billion. This result also excludes any cash flow from our stake in Rosneft. Cumulative cash cost reductions of $3.2 billion reflected continued discipline in cost management within our financial frame against a target of $3.0 billion.

The formulaic score for the 2022 annual bonus was 1.55 out of 2.00 (77.5% of maximum).

We took input from the audit committee and S&SC to ensure our conclusions were robust and reflected underlying and sustained performance. This included a detailed review of safety performance and how we are trending over time. We also noted the upwards adjustments made to the adjusted free cash flow targets to remove the impact of the external price environment, focusing on underlying performance (avoiding unintended gains or losses).

As part of the committee's holistic review of performance, it was identified that the formulaic outcome for the margin share from convenience and electrification measure was not reflective of underlying performance. Performance was negatively impacted by foreign exchange rate volatility (strengthening of the US dollar) which was not in the executives' control. The committee has therefore adjusted the target to reflect the actual (not plan) foreign exchange rate environment. This resulted in the formulaic score increasing by one point, from 1.55 to 1.56 for all participants. Performance under this measure was also impacted by the volatility of margins from fuel sales in 2022 compared with historical norms over the past five years. The committee determined that, for the wider workforce only, a further discretionary adjustment should be made to reflect the historic norms as intended by the committee at the point targets were set. The result of this adjustment is an increase in the formulaic score by six points, to 1.62 out of 2.00 (81% of maximum) for the wider workforce. The adjustment will not apply to the CEO and CFO.

The formulaic score for safety in the bonus scorecard is an outcome of process safety tier 1 and tier 2 events. In determining the overall bonus score the committee can apply judgement based on other factors such as fatalities and safety culture.

So, while underlying safety performance was strong, as measured by process safety tier 1 and tier 2 events, we tragically lost four colleagues during the year. The committee, alongside the S&SC, considered these events (see 'A focus on safety' below) and resolved to apply a downward adjustment to the annual bonus for the CEO and cascade this through the relevant members of the bp leadership team. The resulting score for the CEO has therefore been reduced from 1.56 to 1.51 (75.5% of maximum).

A focus on safety

We are deeply saddened by the loss of four colleagues in 2022. These losses are devastating for the families and our thoughts are with them. They have a profound impact on our organization and the communities in which we operate. For more detail on these incidents, our response and our safety performance, see page 65.

The remuneration committee seeks input from the S&SC on safety performance each year, both relative to the annual bonus scorecard, and underlying performance beyond the formal measures we link to remuneration.

Alongside the S&SC, we have considered these tragic events and our underlying safety performance to agree the extent to which a discretionary adjustment should be applied to incentive outcomes. To be clear, there is no value that we would associate with a loss of human life and therefore we do not operate a formulaic policy in such situations.

The committee takes the view – shared by bp's leadership – that at bp safety comes first and thus avoiding workplace safety incidents must be the top priority. As such, the committee has applied downward discretion on the outcome for the CEO and relevant members of management for the associated business units. The resulting score for the CEO has therefore been reduced from 1.56 to 1.51.

The committee also reviews underlying safety performance as part of its holistic review of incentive outcomes. Safety performance in 2022 was strong, relative to the metrics we set at the start of the year – tier 1 and 2 process safety events. We recorded 50 events this year, a record low (2021 62). However, within this metric tier 1 events – the most serious – increased from 16 in 2021 to 17 in 2022. Two of the four fatalities impacted the number of tier 1 events. The committee determined that a further reduction for the same incidents was not appropriate beyond that already described above.

To improve the focus on process safety tier 1 events, the committee, with input from the S&SC, has decided to modify how we measure safety for the 2023 annual bonus scorecard so that both tier 1 and tier 2 events are measured independently, rather than as a combined metric. The greater focus on tier 1 delivery aligns with our goal to eliminate tier 1 events.

2020-22 performance share plan scorecard and outcome

2020-22 performance share awards were the first granted to the CEO and CFO under the executive director incentive plan (EDIP). The EDIP runs on a three-year cycle, and therefore this is the first EDIP vesting since their appointment as executive directors.

The scorecard for the 2020-22 cycle – the first under the 2020 policy – consists of relative total shareholder return (rTSR) (40% weighting), return on average capital employed (ROACE)★ (30% weighting) and strategic progress (30% weighting).

2020-22 performance share plan scorecard (audited)

These measures were set under the terms of our 2020 policy.

Relative total shareholder return		Return on average capital employed		Strategic progress		Formulaic vesting
0.0%	+	30.0%	+	30.0%	=	60.0%

Measures		Weighting at maximum	Threshold performance	Maximum performance	Outcome
Financial (70% weighting)	Relative total shareholder return	40.0%	Fourth	First	Sixth 0.0%
	Return on average capital employed (2020-22 average)	30.0%	10.0%	13.0%	13.4% 30.0%
				Outcome	**30%**
Strategic progress (30% weighting)	Deliver value through resilient hydrocarbon business	10.0%	Qualitative and quantitative assessment by the committee, see page 123.		10.0%
	Accelerate growth in convenience and mobility	10.0%			10.0%
	Demonstrate track record, scale and value in low carbon energy	10.0%			10.0%
				Outcome	**30.0%**
Formulaic vesting					**60.0%**

Formulaic vesting
60.0%
(applied to wider workforce)

Committee judgement: discretionary adjustment to account for low share price at grant (see page 124 – 'windfall gains')

Final vesting after committee judgement for the CEO and CFO
54.0%

Financial

Performance for rTSR was disappointing (sixth place out of eight peers), yielding nil vesting. Performance for ROACE, at 13.4% over the period, was strong and resulted in maximum vesting of this measure. The ROACE outcome aligns to our 2025 strategic objectives and reflects a recovery and subsequent sustained year-on-year growth in returns across the three-year performance period (2020 -3.8%, 2021 13.3%, 2022 30.5%).

Strategic progress

Strategic progress is determined using a balance of quantitative assessment and qualitative judgement against bp's three strategic pillars; to deliver value through a resilient hydrocarbon business; to demonstrate track record, scale and value in low carbon energy, and; to accelerate growth in convenience and mobility. Following our review of achievements and progress towards bp's 2025 targets, the committee determined that bp's strategic progress over the 2020-22 period was fully on track. We therefore determined that maximum vesting under this measure of the 2020-22 scorecard is justified. The paragraphs below describe the qualitative and quantitative factors that led us to our determination.

Deliver value through a resilient hydrocarbon business

Measure	2020	2021	2022	2025 targets
Upstream unit production costs ($/boe)	6.39	6.82	6.07	~6
bp-operated upstream plant reliability (%)	94.0	94.0	96.0	96
bp-operated refining availability★ (%)	96.0	94.8	94.5	~96

Upstream production costs per barrel have now fallen from $6.8/boe (2019) to $6.1/boe over this cycle, placing bp well-ahead of the $6/boe target by 2025. Also, upstream plant reliability reached 96% in 2022 – a record outcome that already meets the 2025 target. While ahead on these two indicators, refining availability is lower in the period, with the 2022 result of 94.5% reflecting an increase in maintenance activity. Business improvement plans remain in place to meet the target of around 96% by 2025.

bp continues to high-grade its portfolio, converting and consolidating the existing asset base. Great progress was made in 2022 with the Azule Energy JV in Angola, Iraq IJV, Sunrise divestment, Algeria and Toledo divestments announced. There are opportunities for refinery conversion or consolidation with five major projects announced, including the conversion of Kwinana to an Energy Hub. bp signed 30-year production-sharing contracts with the Indonesian government, paving the way for exploration activities in the Agung I and II offshore gas blocks and the Gulf of Mexico Herschel expansion project started up ahead of schedule and with no safety incidents. Overall, we find bp's hydrocarbon business has delivered significant value over the cycle, particularly in 2022, and is well-positioned to meet the targets set for 2025.

Demonstrate track record, scale and value in low carbon energy

Measure	2020	2021	2022	2025 targets
Developed renewables to final investment decision (GW)★	3.3	4.4	5.8	20
Biofuels production (kb/d)	30	26	27	50
LNG portfolio (Mtpa)	20	18	19	25

bp has made strong progress over the first three years in the strategic pillar of low carbon energy focusing on hydrogen and renewables & power transition growth engines. In renewables and power bp has more than doubled since the end of 2019 renewables to FID and delivered a pipeline of renewable projects of 37GW bp net by the end of 2022. bp's share in LSbp has grown from 8GW in 2020 to 14GW in 2022 with LSbp expanding its presence to 19 countries. bp has established presence in UK and US offshore wind with 5GW pipeline, added 10GW renewable projects pipeline in support of hydrogen export hubs and acquired 7GW US solar projects pipeline. In hydrogen bp is in action building regional hubs in the UK, US and Europe and global export hubs in advantaged geographies like MENA and Asia Pacific. bp pipeline of hydrogen projects in concept development reached 1.8Mtpa bp net by end 2022.

Bioenergy, one of five strategic transition growth engines that bp intends to grow rapidly through this decade, is progressing well, especially with the recent acquisition of Archaea Energy, which is a leading US provider of renewable natural gas (RNG), building out our existing biogas business and helping us expand into the fast-growing US biogas market. Two new bioenergy measures were introduced in 2021; biofuels production and biogas supply. Against 2025 targets bp is on track with strong progress in 2022.

In LNG, bp began lifting cargoes from Mozambique under a long-term agreement to purchase 100% of output from the Coral Sul facility which has capacity to produce 3.4 million tonnes of LNG per year. bp's LNG portfolio★ is strong, with significant commitments in place for future projects, lending confidence that the company is on track to deliver 25Mtpa by 2025.

Accelerate growth in convenience and mobility

Measure	2020	2021	2022	2025 targets
Electric vehicle charge points	10,100	13,100	~22,000	>40,000
Strategic convenience sites★	1,900	2,150	2,400	~3,000
Margin share from convenience and electrification (%)	27.6	29.1	28.5	~35

In convenience and mobility bp continues to make strong strategic progress. A new global convenience partnership was signed with Uber and bp are aiming to make around 3,000 retail locations available on Uber Eats by 2025. A new supply contract and brand partnership was signed with Julius Stiglechner GmbH, in Austria, establishing the bp brand in nearly 160 stores. In Air bp a strategic collaboration agreement was signed with DHL Express to supply sustainable aviation fuel (SAF) until 2026, and a SAF supply contract with Rolls-Royce in the UK and Germany.

In March 2022, bp announced plans to invest up to £1 billion over the next 10 years to support the roll-out of fast, convenient charging infrastructure across the UK and to nearly triple our number of UK public charge points. Further progress has been evidenced by a new exclusive agreement in the UK with M&S to install fast charge points in around 70 of their stores; expansion of the strategic partnership with REWE in Germany to include the installation of fast[a] charge points at up to 180 of their sites; and building momentum in fleet business with plans to establish a bp pulse Gigahub network – a series of large, EV fast charging hubs designed to serve ride-hail and taxi fleets, near US airports and high-demand locations and we're collaborating with Hertz in the US, with plans to install and manage a national network of EV charging solutions, powered by bp pulse. Amply Power, acquired in 2021 (now rebranded as bp pulse), is working towards installing charging infrastructure at 25 Hertz rental locations in several states across the US.

The 2022 result on margin share from convenience and electrification has been impacted by fuels sales margin volatility and foreign exchange impacts, even though underlying progress in convenience and electrification has been strong. Looking forward, bp will simplify this measure to track growth in convenience and electrification gross margin.

a 'Fast' charging comprises rapid charging ≥50kW and ultra-fast charging ≥150kW.

★ See glossary on page 389

Other vesting considerations

Along with the results from the scorecard measures, the committee considers an 'underpin' to the formulaic outcome in order to determine the final vesting percentage. The underpin broadens our performance assessment, allowing us to consider vesting outcomes with overall alignment to absolute shareholder returns, environmental and safety factors and progress in low carbon and climate change matters. Where relevant, we take input from the safety and sustainability committee and the audit committee to deepen and enhance our perspective.

Beyond the discretion applied to account for the low grant price in 2020, the committee concluded that there was no reason to apply a further discretionary adjustment and therefore the plan should vest at 54% of maximum. This yields the outcomes shown in the table below.

2020-22 performance share plan outcome (audited)

	Shares awarded	Unvested shares following application of performance factor	Value of unvested shares following application of performance factor	Impact of share price change[a]
Bernard Looney	2,076,677	1,270,087	£6,007,512	£2,032,139
Murray Auchincloss	999,201	611,107	£2,890,536	£977,771

a These values reflect the impact of the increase in share price since grant related to the number of shares which are no longer subject to performance conditions, including dividend equivalents. The value of unvested shares not subject to performance conditions reflects the share price changes all shareholders have experienced over the three-year period. For this 2020-22 award cycle, the original grant was calculated based on ordinary share price of £3.13, while the average share price in 4Q 2022 was £4.73. Consequently, the share price gain has increased the initial face value of these awards by approximately 51%.

Application of committee discretion on 2020-22 performance share outcomes

Context of decisions made in 2020

The 2020-22 performance share award was granted at a share price of £3.13 in August 2020. This grant price represented a material reduction (-41%) from the prior year's grant price of £5.33. Consequently, the CEO received a grant of ~2,000,000 shares in August 2020 (grant price of £3.13) compared with a grant of ~1,200,000 shares he would have received in 2019 at a grant price of £5.33 – both awards equated to the same relative value at grant (5x salary), as defined by the 2020 policy. The committee's decision at the point of grant was to defer consideration of this impact until the point of vesting.

The context of this decision is important – firstly, in February 2020, Bernard announced a significant change in strategic direction of the company followed by a major restructuring including a material reduction in our workforce. Secondly, as these changes were being absorbed, the world was confronted with the onset of the COVID-19 pandemic and the resulting impact on stock markets. Finally, in line with our 2020 policy, we were to price and award our 2020 grant based on the 90-day average share price prior to the date of the AGM in May – a policy change driven by shareholder guidance that our earlier methodology of adopting the average Q4 share price of the year prior and awarding shares in March, required a change. In May 2020, given continuing volatility of stock markets the committee determined to delay the grant by a further three months to August to allow for the share price to stabilize. In August 2020 the committee noted that while prices were at historic lows, there was no line of sight to return to the pre-2020 pricing levels. As evidence of the volatile conditions, the share price dipped even further to its lowest level of the period to £1.92 in October 2020.

For the two executive directors, the 2020 EDIP grant was the first grant they would receive as newly appointed executive directors. At this point they were facing the unprecedented challenge of running the company with a new purpose and strategy while managing great economic uncertainty driven by a pandemic with no end in sight. We conferred with shareholders at the time and the majority were sympathetic to our dilemma and reluctance to reduce the grant size. However, in the circumstance, we agreed that we would determine a fair and appropriate outcome three years hence and potentially use discretion as to how many shares would ultimately vest.

Assessment of the 'gain' by executives

The 2020 grant used a price of £3.13 as the basis for determining the number of shares awarded. This could be compared with a range of prices to determine the theoretical 'gain' between the award price and the share price at vesting. bp's share price over the previous five years ranged from £3.10 to £5.98 resulting in quite different conclusions on the amount of any 'gain'. In the event, the committee determined to select the 2019-21 EDIP grant price of £5.33, this being the highest price over the period since the 2019 award was made from which to assess the extent of any 'gain'.

Applying this price, the 'gain' received by the CEO between the two awards was calculated as ~800,000 shares (~2,000,000 awarded in 2020 at a price of £3.13 vs. ~1,200,000 that would have been awarded under the 2019 grant price of £5.33). This formed the basis of the committee's determination for a discretionary downwards adjustment.

The committee's perspective

In considering a fair and appropriate adjustment the committee debated a number of factors including: our overarching policy and principles, the history of bp's share price movement before and after 2020, our relative share price performance vs our peers and other reward outcomes of 2020, as outlined below.

Consistent application of policy and principles

Our consistent approach over many years has been to accept volatility as a natural aspect of share awards – we have neither adjusted up, or down, vesting outcomes based on share price volatility.

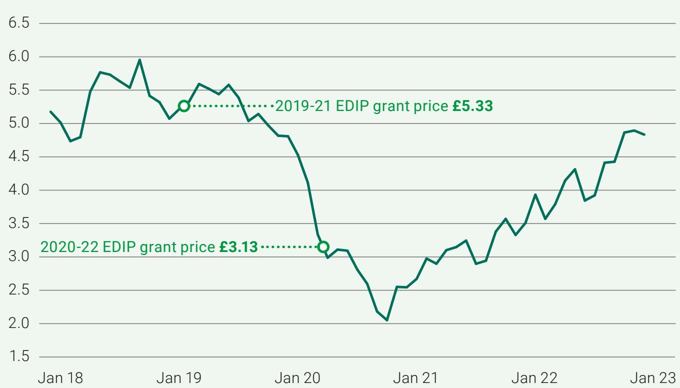
Share price history

The fall, and subsequent recovery of the share price was not immediate and was driven by many converging factors; demand recovery, excellent pandemic and post-pandemic leadership, and a greater belief of the market in bp's strategy.

In particular, the share price remained at or below £3.13 (the price used to determine the grant) until September 2021 and was within 10% of the grant price until the end of December 2021, demonstrating that the price used to determine the grant was not a short term low point.

Additionally, the average share price over the three financial years 2020-22 was £3.48.

Share price ORD £[a]



a Grant prices are calculated as a share price average over a defined period. Positioning on the chart is illustrative.

Relative performance

The committee is mindful that bp experienced a slower recovery than many of our peers. This is measured in the performance share plan scorecard using relative total shareholder return (rTSR). Under the 2020-22 cycle this returned a nil vesting outcome. The committee is comfortable therefore that the poor relative performance has been tested and reflected appropriately in the outcome.

Other reward outcomes for CEO and workforce in 2020

- No bonus was paid for 2020 –worth ~£1.5 million at target.
- Performance shares granted in 2018 and vesting in 2020 experienced a 'windfall loss' of -46%.
- All employees received shares/options in 2021 under the bp reinvent plan – the CEO and CFO were excluded.

Finally, we are strongly of the view that executives should be aligned to the shareholder experience and that fluctuations in the share price are a function of share plan mechanics. The release of the 2020 award, and therefore the true value delivered to executives, will not occur until six years post-grant (a three-year performance period plus a three-year holding period) i.e. Q1 2026 at the earliest. This is further extended by the committee's expectation that executives will not sell shares until two years post-retirement (the point at which our minimum shareholding requirement policy ends).

The committee's decision

Ultimately, application of discretion in this type of scenario is complex. The committee has sought feedback during our engagement with shareholders and representatives of the primary proxy voting agencies. Our conclusion is that an adjustment to the vesting outcome is appropriate but must be fair, taking into account all of the above factors.

The formulaic performance-based vesting for the 2020-22 award is 60%. The 40% lost on account of performance is due to the rTSR measure. Given all of the considerations listed above, we propose a 25% reduction of the 'gain' of ~800,000 shares received by the CEO in 2020. This translates to 200,000 shares, which is 10% of the initial grant of 2,000,000 shares.

Applying this 10% adjustment to the vesting outcome of 60% for the 2020-22 award results in a final vesting of 54% of maximum or a reduction of -£667,497 for the CEO.

We view this adjustment as discretionary in the extreme. While we believe the above factors are relevant, we do not intend that this reduction calculation should become embedded in policy. We will continue to use our discretion as we address the unique circumstances that surround share price variations that have been pervasive since March 2020.

The committee has also determined that no deduction will be applied to shares granted to the wider workforce.

Alignment with our strategy and investor proposition

bp's strategy has been, and remains, the primary driver of our remuneration policy. Each year the committee aims to set a remuneration structure for the executive directors that supports and incentivizes progress against our strategy. In a policy review year this becomes ever more important as it allows the committee a reflection point to assess whether the remuneration structures we have in place are fit-for-purpose, provide the flexibility needed for a transitioning company, and create the right alignment with the strategy and shareholder experience.

As discussed in detail throughout the strategic report (see page 4), we are leaning further into our strategy, investing in our transition and to accelerate the energy transition. bp is also investing more into today's oil and gas system. In light of this evolution, the committee believes the fundamental structure of remuneration for our senior leaders is appropriate – we are not proposing material changes to the 2020 policy because it provides the platform to meet our needs across three areas:

- Creates alignment of strategy, performance and shareholder experience with reward outcomes.
- Allows flexibility for the committee to apply judgement and discretion through the energy transition and in volatile economic conditions.
- Provides a robust framework with which to track and measure performance and strategic progress.

The implementation of our policy is where the committee's focus has been, to ensure alignment of strategy, performance and the shareholder experience. Aligning pay outcomes with results delivered for shareholders is among the most important tasks that the committee undertakes. Our commitment remains to oversee this alignment with care, and to explain the basis for the judgements we make.

Alignment of strategy and remuneration

Each year the committee will agree the performance framework for senior leadership, as set out in the performance scorecards under the annual bonus and performance share plan (see page 130 for 2023 scorecards). This involves a combination of performance measures, a frame for judgement to be applied through formal underpins, and the flexibility to make discretionary adjustments where the need arises.

The committee has adopted a combination of performance lenses to ensure alignment to our strategy:

- **Safety and sustainability** – to support our fundamental goal of no harm to our people and driving our net zero ambition. Safety and sustainability is a key thread that runs through all of our incentive arrangements either by formal measure or underpin.
- **Operational** – a focus on operational delivery and returns that underpins sustainable financial success, which is critically important as we progress through the transition to an integrated energy company.
- **Financial** – a headline performance indicator and a key measure of success by our shareholders. Commercial delivery within our financial frame will remain of primary importance.
- **Strategic** – perhaps the most important aspect for strategic alignment, we have built into our remuneration structure a performance lens which focuses on ongoing multi-year progress against the three pillars of our strategy, beyond the headline measures of financial and operational performance.

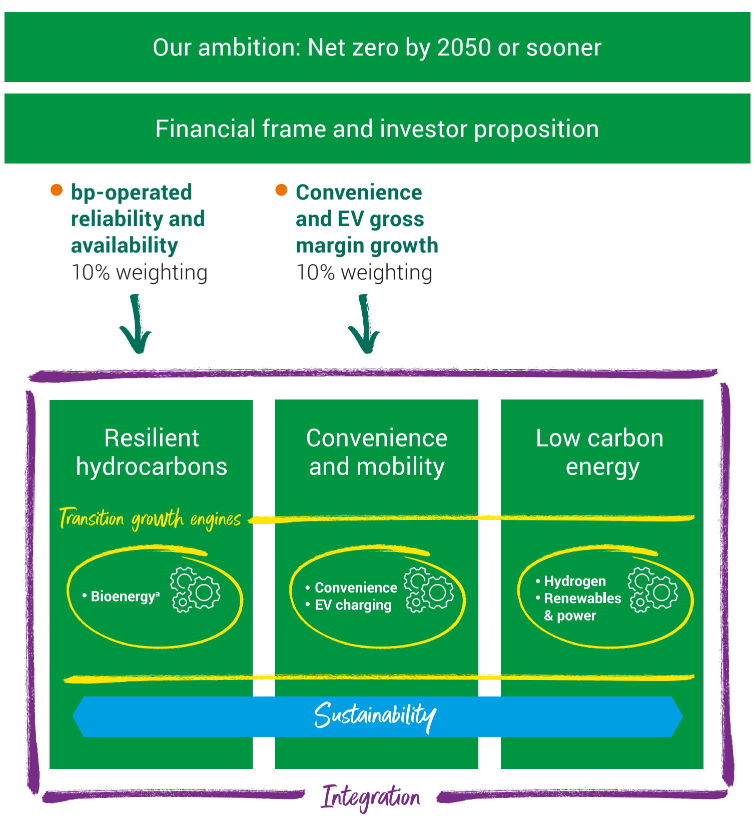
For our senior leaders, remuneration measures under each of the categories balance delivery against our financial frame, investor proposition, and with our core value of safety. Our measures and weightings across annual bonus and performance share plans have evolved over time to balance a clear direction across performance cycles with the evolving nature of the transition.

Alignment of 2023 variable remuneration with strategy

- **Adjusted free cash flow**★ 25% weighting
- **Earnings (adjusted EBITDA)** 25% weighting

- **Aim 1:** Net zero cross our entire operations by 2050 15% weighting
- **ROACE** 20% weighting
- **EBIDA per share CAGR**★ **(adjusted)** 20% weighting
- **Relative total shareholder return (rTSR)** 20% weighting

- **bp-operated reliability and availability** 10% weighting
- **Convenience and EV gross margin growth** 10% weighting



- **Tier 1 & 2 process safety events**★ 15% weighting
- **Sustainable emissions reductions**★ 15% weighting

a Bioenergy includes customer-facing and midstream biofuels activities that form part of convenience and mobility.

Deliver value through a **resilient hydrocarbon** business

Accelerate growth in **convenience and mobility**

Demonstrate track record, scale and value in **low carbon electricity and energy**

- **Strategic progress** 25% weighting

Key

- **Annual cash bonus performance measure** Applies to the entire workforce that participates in the annual cash bonus plan
- **Performance share plan performance measure** Applies to executive directors and senior leaders only

History of chief executive officer remuneration

Year	Chief executive officer	Total remuneration thousand[a]	Annual bonus % of maximum	Performance shares % of maximum
2013	Bob Dudley	$15,086	88.0	45.5
2014	Bob Dudley	$16,390	73.3	63.8
2015	Bob Dudley	$19,376	100.0	74.3
2016	Bob Dudley	$11,904	61.0	40.0
2017	Bob Dudley	$15,108	71.5	70.0
2018	Bob Dudley	$15,253	40.5	80.0
2019	Bob Dudley	$13,234	67.5	71.2
2020[a]	Bob Dudley	$188	0	32.5
	Bernard Looney	£1,735	0	32.5
2021	Bernard Looney	£4,457	80.5	30
2022[b]	Bernard Looney	£10,026	75.5	54

a 2020 figures show remuneration for the periods of qualifying service as CEO during 2020.
b Share price has been based on the average share price over Q4 of the 2022 FY of £4.73.

Chief executive officer to employee pay ratio

Year	Method	25th percentile: **pay ratio**, total pay and benefits, (salary)	50th percentile: **pay ratio**, total pay and benefits, (salary)	75th percentile: **pay ratio**, total pay and benefits, (salary)
2019[a]	Option A	**543:1** £19,108 (£18,845)	**188:1** £55,071 (£38,800)	**82:1** £126,085 (£74,200)
2020[a]	Option A	**99:1** £18,984 (£18,984)	**40:1** £46,933 (£29,040)	**19:1** £98,546 (£80,475)
2021	Option A	**208:1** £21,450 (£21,450)	**87:1** £50,959 (£35,000)	**35:1** £126,334 (£77,475)
2022[b]	**Option A**	**421:1** **£23,810** **(£23,787)**	**172:1** **£58,440** **(£50,712)**	**69:1** **£146,357** **(£78,775)**

a Bob Dudley's pay has been converted from US dollars as per the ratios reported in the 2019 and 2020 annual reports.
b Share price for the CEO share plan vesting has been based on the average share price over the fourth quarter of 2022 of £4.73.

This is our fourth year reporting the CEO pay ratio following the requirements introduced in 2018. As per the past three years, we have selected Option A as our reporting basis, being the most accurate approach available, and we confirm that no broadly applicable components of pay have been omitted. Where necessary, full-time equivalent pay has been calculated by simple engrossment of part-year values. Employee values relate to pay and benefits for the year ended 31 December 2022.

Changes in pay ratio over time reflect the fact that CEO remuneration is more heavily weighted to variable pay, resulting in larger year-on-year swings than wider workforce pay. This is evidenced by the variability of the CEO pay ratio over the past four years. This volatility in the pay ratio reporting from year to year is expected, and illustrates one of the challenges in commenting on whether pay differentials are appropriate. In 2022 the 50th percentile pay ratio increased from 87:1 to 172:1. This was driven by higher variable pay outcomes for the CEO. Notably this was the first year in which the executive director incentive plan (EDIP) vested for the CEO, being three years since the first grant was made in 2020. It is the view of the committee that the remuneration frameworks we have in place for the executive directors and the wider workforce are fit-for-purpose and deliver pay outcomes appropriate to the circumstance of the year, with differentials that reflect the relative contributions made at different levels in our organization.

The committee is satisfied that the median pay ratio reported this year is consistent with bp's pay policies for employees and does not constitute a reason to modify our pay programmes.

★ See glossary on page 389

Directors' remuneration report continued

Percentage change comparisons: Directors' remuneration versus employees

In the table below, values in column 'a' represent the percentage change in salary and fees; values in column 'b' represent the percentage change in taxable benefits; and values in column 'c' represent the percentage change in bonus outcomes for performance periods in respect of each financial year.

For the purposes of comparison, the employee percentages shown below represent the relative change between the median full-time equivalent pay for every employee employed at bp plc at any point during the relevant financial year, and the equivalent median value for the preceding financial year.

	2022 v 2021			2021 v 2020			2020 v 2019		
Percentage change for:	a	b	c	a	b	c	a	b	c
Employees	2%	1%	45%	7%	-9%	100%[a]	0%	0%	-100%
Bernard Looney	4%	233%	-2%	2%	-29%	100%	–	–	–
Murray Auchincloss	7%	530%	3%	5%	5%	100%	–	–	–
Amanda Blanc	–	–	n/a	–	–	n/a	–	–	n/a
Pamela Daley	7%	43%	n/a	4%	1385%	n/a	-15%	-92%	n/a
Helge Lund (chair)	0%	97%	n/a	0%	-24%	n/a	0%	-74%	n/a
Melody Meyer	13%	139%	n/a	-4%	283%	n/a	9%	-77%	n/a
Tushar Morzaria	25%	0%	n/a	5%	0%	n/a	–	–	n/a
Paula Rosput Reynolds	16%	145%	n/a	6%	228%	n/a	2%	-92%	n/a
Karen Richardson	30%	96%	n/a	–	–	n/a	–	–	–
Sir John Sawers	17%	1%	n/a	0%	1588%	n/a	0%	-83%	n/a
Johannes Teyssen	21%	65%	n/a	–	–	n/a	–	–	–

a The resumption of bonus for 2021 is, mathematically, an infinite increase relative to the nil bonus for 2020; we have shown the increase as 100% for illustration.

Tushar Morzaria, Bernard Looney and Murray Auchincloss were appointed to the board part-way through 2020 and therefore, other than for one-time items, their 2020 pay has been annualized for comparison. Taxable benefit changes for non-executive directors in 2021 compared to 2020 principally arise as a result of the cessation of and resumption of travel.

Karen Richardson and Johannes Teyssen were appointed to the board in 2021 and therefore no comparison to 2020 or 2019 is available.

Amanda Blanc was appointed to the board in 2022 and therefore no comparison to 2021, 2020 or 2019 is available.

Policy implementation for 2023

The table below shows how the proposed remuneration policy, to be approved by shareholders at the 2023 annual general meeting, will be implemented in 2023, alongside a summary of key features.

Element	Policy feature	2023 implementation
Salary	To provide fixed remuneration to reflect the scale and complexity of both the business and the role, and to be competitive with the external market. When setting salaries, the committee considers practice in other oil and gas majors as well as European and US companies of a similar size, geographic spread and business dynamic to bp. Percentage increases for executive directors will not exceed that for the wider workforce, other than in specific circumstances identified by the committee (e.g. in response to a substantial change in responsibilities).	• Bernard Looney's salary will increase by 4% to £1,448,220 following the 2023 AGM. • Murray Auchincloss's salary will increase by 5.5% to £844,000 following the 2023 AGM. This increase reflects the value and impact of Murray's contributions during the year and his development in the CFO role. • This compares to an average increase of 5.5% to our UK salaried staff effective from 1 April, our annual salary review date.
Pensions and benefits	Executive directors normally participate in the company retirement plans that operate in their home country. New appointees from within the bp group retain previously accrued benefits related to service prior to appointment as executive director. For their service as a director, retirement benefits will be up to 20% of base salary. For future appointments, the committee will carefully review any retirement benefits to be granted to a new director, taking account of retirement policies across the wider group and any arrangements currently in place.	• Bernard and Murray are deferred members of final salary pension plans related to their service prior to appointment as executive directors, but now receive a cash allowance in lieu of retirement benefits. • The committee has determined to retain Bernard's pension allowance at 15% salary for 2023. He accrues no further value under his deferred pension. • Murray's cash allowance will be changed to 20% subject to shareholder approval of the 2023 remuneration policy and he accrues no further value under his US deferred pension. • Benefits will remain unchanged for 2023 and include car-related provisions, security assistance, insurance and medical cover.

Element	Policy feature	2023 implementation
Annual bonus	Bonus is measured against an annual scorecard. The committee holds discretion to choose the specific measures and the relative weightings adopted in the annual scorecard, to reflect the annual plan as agreed with the board. Numeric scales are set for each measure, to score outcomes relative to targets. A scorecard outcome of 1.0 reflects the target outcome, and half of the maximum outcome. Target bonus is 112.5% of salary, and maximum bonus is 225% of salary. Half the bonus is paid in cash, and half is deferred into bp shares for three years up until 'minimum shareholding requirement' is met. At this point, 67% is paid in cash and 33% is paid in bp shares. Dividends (or equivalents, including the value of any reinvestment) may accrue in respect of any deferred shares. Awards are subject to operationally robust and effective malus and clawback provisions as described below.	• For our 2023 bonus, our scorecard categories will remain unchanged from 2022 with safety and sustainability (30%), operations (20%), and financials (50%). • We propose to make two changes to performance measures in 2023: – Introduce a profit measure (adjusted EBITDA) under the financials category, in place of cumulative cash cost reductions to reflect our strategic progress on costs and forward-looking focus on earnings. – Modify the process safety measure to track tier 1 and tier 2 process safety events★ separately in order to increase focus on the most serious tier 1 events. • See measures for 2023 annual bonus on page 130 for more detail. • The 2023 policy, if approved by shareholders, will apply to 2022 bonus outcomes.
Performance shares	Performance shares are granted with a three-year performance period, measured against a scorecard. The committee holds discretion to choose the specific measures and the relative weightings adopted in the scorecard, to ensure they are focused on the near-term priorities for delivering the bp strategy in the interests of shareholders. Annual grants are 500% of salary for the CEO, and 450% of salary for any other executive director. Awards will vest in proportion to the outcomes measured through the performance scorecard, subject to any adjustment by the committee.	• For our 2023-25 cycle, we propose the introduction of one new measure, to incentivize progress towards our aim 1 net zero ambition with a weight of 15%. Consequently, we have reduced the weighting of strategic progress from 40% to 25%. We will retain rTSR (20%), ROACE (20%), and adjusted EBIDA per share CAGR★ (20%). See measures for 2023-25 performance shares (EDIP) on page 130 for more detail. • The 2023-25 awards will be granted based on the average closing share price of each trading day in the 90-day period ending on the date of bp's 2023 annual general meeting. • Awards are subject to operationally robust and effective malus and clawback provisions as described below.
Shareholding requirement	CEO to build a shareholding of at least five times salary, and other executive directors four and a half times salary, within five years of appointment. Executive directors are required to maintain that level for at least two years post employment.	• Bernard's shareholding has reached 6.13 times salary, above his minimum shareholding requirement. • Murray's shareholding has reached 5.86 times salary, above his minimum shareholding requirement.
Malus and clawback	Operationally robust and effective malus provisions may apply where there is: a material safety or environmental failure; an incorrect award outcome due to miscalculation or incorrect information; a restatement due to financial reporting failure or misstatement of audited results; material misconduct; or other exceptional circumstances that the committee considers similar in nature. Operationally robust and effective clawback provisions may apply where there is: an incorrect outcome due to miscalculation or incorrect information; a restatement due to financial reporting failure or misstatement of audited results; or material misconduct.	
Committee flexibility	The committee has discretion to adjust performance measures and weightings, and to revise the peer group for the rTSR measure. This discretion allows appropriate re-alignment, throughout the policy term, for changes in the annual plan and for the anticipated evolution of the low carbon business environment. The committee also holds discretion in determining the outcomes for annual bonus and performance shares, allowing them to take broad views on alignment with shareholder experience, environmental, societal and other relevant considerations e.g. portfolio changes.	

★ See glossary on page 389

Measures for 2023 annual bonus

Below is a summary of the measures we have chosen for the 2023 annual bonus plan scorecard. We are introducing a new profit measure (EBITDA) under financials in place of cumulative cash cost reduction. This reflects strategic progress already achieved on costs and sets a forward looking focus on the group's earnings. The targets for the 2023 annual bonus are commercially sensitive and will be disclosed in the 2023 report.

Safety and sustainability

30%

Measures include	Weighting
Tier 1 and tier 2 process safety events★ (measured separately)	15%
Sustainable emissions reductions★ (million tonnes)	15%

Operational

20%

Measures include	Weighting
bp-operated reliability and availability	10%
Convenience & EV gross margin % growth (v. 2022)	10%

Financial

50%

Measures include	Weighting
Adjusted free cash flow★ ($bn)	25%
Earnings (adjusted EBITDA)	25%

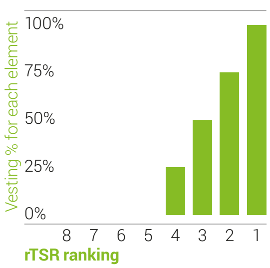
Measures for 2023-25 performance shares (EDIP)

Below is a summary of the measures we have chosen for the 2023–25 performance share plan. We are introducing a new emissions target by way of a net zero measure. Weighted at 15%, it forms a significant and meaningful percentage of the EDIP. Targets are objective and quantified. It is also in alignment with our already disclosed long-term strategic ambitions around net zero – as set out in aim 1.

Relative total shareholder return (rTSR) vs eight peers[a]

20%

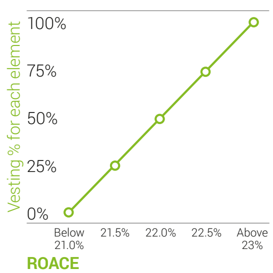
Peer group of eight companies: Chevron, Eni, Equinor, ExxonMobil, Repsol, Shell, TotalEnergies (and bp)



Financials

20%

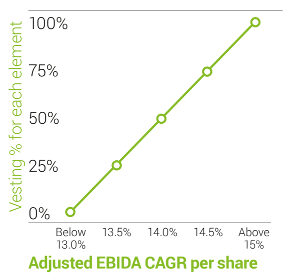
ROACE (average 2023-25)[b]



Growth

20%

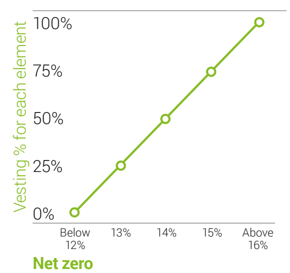
Adjusted EBIDA per share CAGR★[c]



Environmental, social and governance

15%

Net zero across entire bp operations by 2050 (scope 1 + 2)



Strategic progress

25%

Weighting of measures subject to remuneration committee judgement

- Deliver value through a resilient hydrocarbon business (8.3%).
- Demonstrate track record, scale and value in low carbon energy (8.3%).
- Accelerate growth in convenience and mobility (8.3%).

See page 20 for key performance indicators related to the strategic progress measures.

- Underpin will take into account safety outcomes prior to determining final vesting percentage.
- Remuneration committee discretion will reflect shareholder experience, environment, societal and other inputs.
- Robust malus and clawback may apply in certain circumstances.

a Nil vesting for fifth place or lower.
b Based on the average over 2023, 2024 and 2025. Score to be based on straight-line interpolation between threshold and maximum. Adjustments may be required in certain circumstances. The external environment to be a considered judgement in the final outcome.
c Targets will be adjusted for mergers, acquisitions and disposals outside of plan. The committee may consider share buyback activity before making a final judgement.

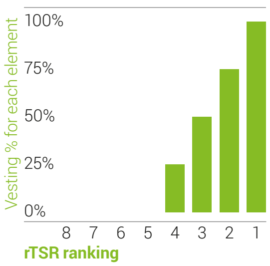
Last year, having reflected on the counsel received from shareholders, our disclosure for the long-term incentive targets were improved for our in-flight awards. In the interest of completeness, we have again included the disclosure for our in-flight awards, made under the 2020 policy.

Measures for 2021-23 performance shares

Relative total shareholder return (rTSR) vs eight peers

20%

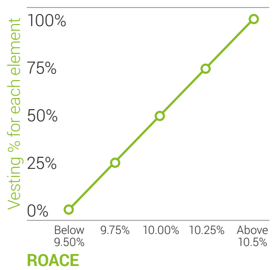
Peer group of eight companies: Chevron, Eni, Equinor, ExxonMobil, Repsol, Shell, TotalEnergies (and bp)



Financials

20%

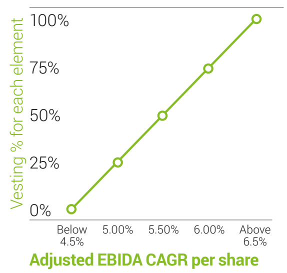
ROACE (average 2021-23)



Growth

20%

Adjusted EBIDA per share CAGR



Strategic progress

40%

Weighting of measures subject to remuneration committee judgement:

- Deliver value through a resilient hydrocarbon business (13.3%).
- Demonstrate track record, scale and value in low carbon energy (13.3%).
- Accelerate growth in convenience and mobility (13.3%).

See page 20 for key performance indicators related to the strategic progress measures.

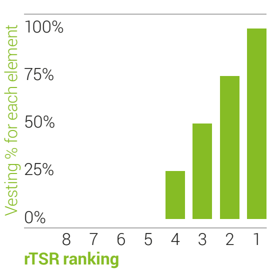
- Underpin will take into account safety outcomes prior to determining final vesting percentage.
- Remuneration committee discretion will reflect shareholder experience, environment, societal and other inputs (including bringing into account potential impacts arising from bp's announced intention to exit its shareholding in Rosneft).
- Robust malus and clawback may apply in certain circumstances.

Measures for 2022-24 performance shares

Relative total shareholder return (rTSR) vs eight peers

20%

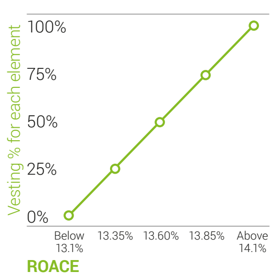
Peer group of eight companies: Chevron, Eni, Equinor, ExxonMobil, Repsol, Shell, TotalEnergies (and bp)



Financials

20%

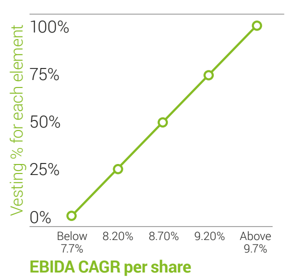
ROACE (average 2022-24)



Growth

20%

Adjusted EBIDA per share CAGR



Strategic progress

40%

Weighting of measures subject to remuneration committee judgement:

- Deliver value through a resilient hydrocarbon business (13.3%).
- Demonstrate track record, scale and value in low carbon energy (13.3%).
- Accelerate growth in convenience and mobility (13.3%).

See page 20 for key performance indicators related to the strategic progress measures.

- Underpin will take into account safety outcomes prior to determining final vesting percentage.
- Remuneration committee discretion will reflect shareholder experience, environment, societal and other inputs (including bringing into account potential impacts arising from bp's announced intention to exit its shareholding in Rosneft).
- Robust malus and clawback may apply in certain circumstances.

Directors' remuneration report – the 2023 remuneration policy

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

Remuneration principles

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

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

Shaping our 2023 remuneration policy

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

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

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

Changes to the 2023 remuneration policy

Annual bonus deferral

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

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

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

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

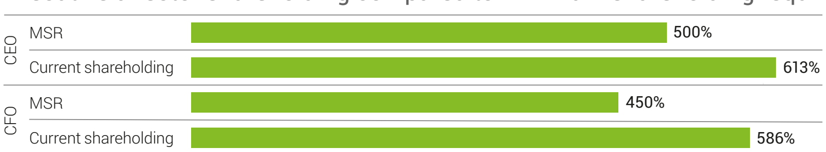
The reduced bonus deferral rate means that at any given time the CEO will hold, at target payout, around 110% of salary in the form of vested shares, rather than 169% of base salary at target at the current deferral rate. However, in the event that the committee were to seek to apply a larger penalty,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

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

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

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

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



Executive director cash in lieu of retirement benefits

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

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

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

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

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

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

★ See glossary on page 389

Policy table – executive directors

Salary and benefits

Purpose	To provide fixed remuneration to reflect the scale and complexity of both the business and the role, and to be competitive with the external market.	
Operation and opportunity	**Salary** Salary levels will relate to the nature of the role, performance of the business and the individual, market positioning and pay conditions in the wider bp group. There is no maximum salary under the policy. When setting salaries, the committee considers practice in other energy majors as well as European and US companies of a similar size, geographic spread and business dynamic to bp. The committee will also consider salary increases for the most senior management and the wider workforce. In particular, percentage increases for executive directors will not exceed increases for the broader employee population, other than in specific circumstances identified by the committee (e.g. in response to a substantial change in responsibilities). Salaries are normally set in the home currency of the executive director and are reviewed annually. They may be reviewed at other times where appropriate, for example following a major role change.	**Benefits** Executive directors are entitled to receive those benefits available to a majority of the wider workforce. These include participation in all-employee share plans, sickness pay, relocation assistance and parental leave. Benefits are not pensionable. Executive directors may receive other benefits that are judged to be cost-effective and appropriate in terms of the individual's role, time and/or security. These include car-related benefits and/or cash in lieu, security, assistance with tax return preparation, insurance and medical benefits. The company may meet any tax charges arising on business-related benefits provided to directors, for example security. The taxable value of benefits provided may fluctuate during the period of this policy, depending on the cost of provision and a director's personal circumstances. In general, the committee expects to maintain benefits at the current level.

Retirement benefits

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

Annual bonus

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

Annual bonus

Performance framework	The committee determines a scorecard of specific measures, weightings and targets each year to reflect the priorities in the annual plan and thus deliver the group's strategy. The committee holds discretion to choose the specific measures and weightings to be adopted within each of the three categories to better reflect the annual plan as agreed with the board.	The scorecard will typically include a balance of measures in three categories: safety and sustainability, financial and operational measures. Details of the measures and weighting will be reported in advance each year in the annual report on remuneration, while targets, where commercially sensitive, will be disclosed retrospectively.

Performance shares

Purpose	To link the largest part of remuneration opportunity with the long-term performance of the business.	
Operation and opportunity	The maximum annual award level for the chief executive officer will be 500% of salary and 450% of salary for the chief financial officer. Annual awards of shares will vest based on performance relative to measures and targets that reflect the delivery of bp's strategy over a performance period of typically three years. The scorecard will typically measure performance against relative total shareholder return (rTSR), financials, environment, social and governance (ESG) and strategic progress measures. For each measure, the threshold level at which vesting is first triggered is not expected to yield vesting above 25% of the maximum.	The final performance shares outcome, following the formulaic assessment of performance relative to targets, is specifically reserved as a matter for the committee's judgement. Accordingly, the committee may exercise its discretion to adjust the formulaic outcome either upwards or downwards. The shares that vest are subject to a three year post vesting holding period. Dividends (or equivalents, including the value of reinvestment) may accrue in respect of share awards to the extent that they vest. Awards are subject to robust malus and clawback provisions as described on page 137.
Performance framework	Performance shares vest relative to performance achieved against a combination of financial, ESG and strategic progress measures. At the outset of each performance cycle the committee holds the discretion to review the measures that are to govern the award, along with weightings and targets, to ensure they remain focused on delivering the strategy and are in the interests of shareholders.	The committee will assess in year safety outcomes and long-term trends in safety outcomes over the performance cycle as an underpin in determining the final vesting percentage.

Shareholding requirements

Purpose	To provide alignment between the interests of executive directors and our other shareholders.	
Operation and opportunity	The chief executive officer is required to build and maintain a minimum shareholding of five times base salary within five years of appointment, and to maintain that minimum shareholding for at least two years post-retirement.	Other executive directors are required to build and maintain a minimum shareholding of four and a half times base salary within five years of appointment, and to maintain that minimum shareholding for at least two years post-retirement.
Performance framework	Not applicable.	

★ See glossary on page 389

Notes to the policy table

1. New components and key changes from the 2020 policy

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

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

2. How is variable pay linked to performance?

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

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

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

3. How are performance measures linked to strategy?

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

4. Our use of flexibility, judgement and discretion

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

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

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

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

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

5. How will we safeguard against payments for failure?

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

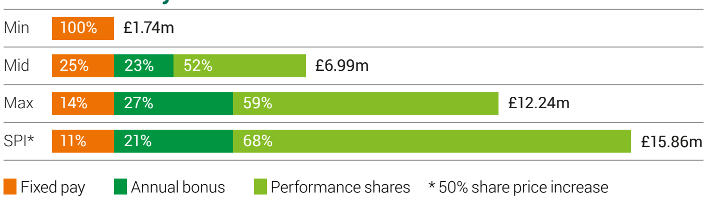
6. Differences from remuneration policy in the wider group

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

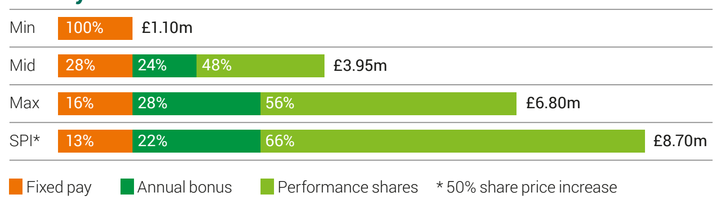
Illustrations of application of remuneration policy

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

Bernard Looney



Murray Auchincloss



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

Fixed components

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

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

Variable components

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

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

Recruitment policy

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

Accordingly, the committee will ensure that:

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

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

Service contract

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

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

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

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

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

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

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

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

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

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

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

★ See glossary on page 389

Termination payments

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

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

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

Remuneration in the wider group

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

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

Policy table – non-executive directors

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

Non-executive chair	
Fees	
Approach	Remuneration is in the form of fees, payable monthly in cash. The level and structure of the chair's fee will primarily be compared against UK best practice.
Operation and opportunity	The quantum and structure of the non-executive chair's fee is reviewed annually by the remuneration committee, which makes a recommendation to the board.
Benefits and expenses	
Approach	The chair is provided with support and reasonable travelling expenses.
Operation and opportunity	The chair is provided with an office and full-time secretarial and administrative support in London and a contribution to an office and secretarial support in his home country as appropriate. A car and the use of a driver is provided in London, together with security assistance. All reasonable travelling and other expenses (including any relevant tax) incurred in carrying out his duties are reimbursed.

Non-executive directors	
Fees	
Approach	Remuneration is in the form of fees, payable monthly in cash. Remuneration practice is consistent with recognized best practice standards for non-executive directors and, as a UK-listed company, the level and structure of non-executive directors' remuneration will primarily be compared against UK best practice. Additional fees may be payable to reflect additional board responsibilities, for example, committee chairship and membership and for the role of senior independent director.
Operation and opportunity	The level and structure of non-executive directors' remuneration is reviewed by the chair, the CEO and the company secretary, who make a recommendation to the board. Non-executive directors do not vote on their own remuneration. Fee levels for non-executive directors are reviewed annually.
Benefits and expenses	
Approach	Non-executive directors are provided with administrative support and reasonable travelling expenses. Professional fees are reimbursed in the form of cash, payable following the provision of advice and assistance.
Operation and opportunity	Non-executive directors are reimbursed for all reasonable travelling and subsistence expenses (including any relevant tax) incurred in carrying out their duties. Professional fees incurred by non-executive directors based outside the UK in connection with advice and assistance on UK tax compliance matters are reimbursed.
Shareholding guidelines	
Approach	Chair and non-executive directors are encouraged to establish a holding in bp shares of the equivalent value of one year's base fee.

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

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

★ See glossary on page 389

Stewardship and executive director interests

We believe that our executive directors should build and maintain a material interest in the company. Our policy therefore requires the CEO and CFO to build a personal shareholding of five times and four and a half times, respectively, their salary within five years of their appointment. They are expected to maintain this level of personal shareholdings for two years post employment.

Directors' shareholdings and aggregated interests (audited)

The table below details the personal shareholdings of each executive director. These figures include all beneficial and non-beneficial ownership of shares of bp (or calculated equivalents) that have been disclosed to the company. Both the executive directors have met the minimum shareholding requirement under the policy. The committee has reviewed and confirmed this position and will continue to monitor compliance with this policy.

	Directors' shareholdings at 17 Feb 2023	Aggregated interests at 17 Feb 2023, all plans						
		Unvested awards not subject to performance conditions		Unvested awards subject to performance conditions				
Director	Ordinary shares or equivalents	Shares[d]	Options	Shares	Options	Current shareholding for MSR[c]	Value of current shareholding[a], £	Multiple of salary achieved
Bernard Looney	774,565	2,369,579	11,976	4,032,028	–	1,524,148	8,535,229	6.13
Murray Auchincloss[b]	433,562	1,221,861	157,185	2,059,509	–	837,543	4,690,242	5.86

a Based on ordinary share price at 17 February 2023 of £5.60.
b Includes interests of a person closely associated with Murray Auchincloss.
c Includes ordinary shares or equivalents and unvested awards not subject to performance conditions on a net-of-tax basis, excluding dividends.
d Includes deferred and restricted shares, and performance shares prior to application of the performance factor.

The executive directors have additional interests in performance, restricted and deferred bonus shares. These interests are shown in aggregate in the table above, and by plan in the tables below. For performance shares, the figures reflect maximum possible vesting levels (excluding the addition of reinvested dividends) even though the actual number of shares that vest will depend on the extent to which performance conditions are satisfied.

Performance shares (audited)

			Share element interests			Interests to vest in 2023		
			Potential maximum performance shares[a]					
	Performance period	Date of award of performance shares	At 1 Jan 2022	Awarded 2022	At 31 Dec 2022	Number of ordinary shares due to vest	Vesting date	Face value of award[c], £
Bernard Looney	2020-22[b]	11 Aug 2020	2,076,677	–	2,076,677	1,270,087	14 Aug 2023	–
	2021-23[d]	1 Jun 2021	2,218,853	–	2,218,853	–	–	6,989,387
	2022-24[d]	26 May 2022	–	1,813,175	1,813,175	–	–	7,887,311
Murray Auchincloss	2020-22[b]	11 Aug 2020	999,201	–	999,201	611,107	14 Aug 2023	–
	2021-23[d]	1 Jun 2021	1,122,009	–	1,122,009	–	–	3,534,328
	2022-24[d]	26 May 2022	–	937,500	937,500	–	–	4,078,125

a For awards under the 2020-2022 plans performance conditions were measured 40% on TSR relative to Chevron, ExxonMobil, Shell, Total, ENI, Equinor and Repsol ('comparator companies') over three years, 30% ROACE averaged over the full performance period, and 30% on strategic progress assessed over the performance period.
For awards under the 2021-2023 plans performance conditions are measured 20% on TSR relative to the comparator companies over three years, 20% ROACE averaged over the performance period, 20% EBIDA CAGR per share measured versus year ending June 2020 and 40% on strategic progress assessed over the performance period.
For awards under the 2022-2024 plans performance conditions are measured 20% on TSR relative to the comparator companies over three years, 20% ROACE averaged over the performance period, 20% EBIDA CAGR per share measured versus year ending June 2020 and 40% on strategic progress assessed over the performance period.
Each performance period ends on 31 December of the third year.
b Represents unvested shares, which will vest during 2023 but are not subject to further performance conditions, achieved under rules of the plan and includes notional dividends accrued until 17 February 2023. Bernard's and Murray's awards are due to vest on 14 August 2023, three years after the date of award. The average share price during 4Q 2022 was £4.73 for each share. The amounts reported as 2022 income on the single figure table are therefore £6.008m for Bernard and £2.891m for Murray.
c Face values have been calculated using market prices of ordinary shares at closing on the dates of the award, as follows; £3.15 on 1 June 2021; and £4.35 on 26 May 2022.
d Minimum vesting under these awards (below threshold performance) is 0%. At threshold performance of each measure, vesting would be 5% of maximum for 2021-23 and 2022-24.

Restricted shares (audited)

	Restricted period	Date of award of restricted shares	Share element interests: Number of restricted shares — At 1 Jan 2022	Awarded 2022	At 31 Dec 2022	Face value of award[b], £
Murray Auchincloss	2018-22[ad]	20 Mar 2018	43,170	–	43,170	200,309
	2020-22[cd]	28 Aug 2020	4,840	–	4,840	12,778
	2021-23[c]	25 Mar 2021	21,277	–	21,277	62,554
	2021-23[c]	16 Jun 2021	10,485	–	10,485	34,496
	2022-24[c]	22 Mar 2022	–	10,066	10,066	37,345
	2022-24[c]	17 Jun 2022	–	11,565	11,565	43,831

a Award made under the Restricted Share Plan II prior to appointment as a director.
b Face values have been calculated using market prices of ordinary shares at closing on the dates of award, as follows: £4.64 on 20 March 2018; £2.64 on 28 August 2020; £2.94 on 25 March 2021; £3.29 on 16 June 2021; £3.71 on 22 March 2022; and £3.79 on 17 June 2022.
c Interests of person closely associated with Murray Auchincloss.
d Awards vested and were released on 15 February 2023.

Deferred shares[a] (audited)

	Bonus year	Performance period	Date of award of deferred shares	Deferred share element interests: Potential maximum deferred shares — Number of ordinary shares at 31 Dec 2022	Face value of award[b], £
Bernard Looney	2021	2022-2024[a]	16 February 2022	292,902	1,183,324
Murray Auchincloss	2021	2022-2024[a]	16 February 2022	164,569	664,859
	2021	2022-2024[c]	22 March 2022	7,046	26,141

a Since 2010, vesting of the deferred shares under EDIP has been subject to a safety and environmental sustainability hurdle. 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 obtains advice from the S&SC. There is no identified minimum vesting threshold level. The 2022 bonus year deferred shares award is expected to be made following the conclusion of the 2023 annual general meeting.
b Face values have been calculated using the market price of ordinary shares on the date of award, as follows; £4.04 on 16 February 2022; and £3.71 on 22 March 2022.
c Interests of person closely associated with Murray Auchincloss. Award made under the IST Deferred Annual Bonus Plan.

Share interests in share option plans (audited)

In common with many of our UK employees, Bernard Looney holds options under the bp group Save As You Earn (SAYE) scheme as shown below. These options are not subject to performance conditions.

Director	Option type	At 1 Jan 2022	Granted	Exercised	At 31 Dec 2022[a]	Option price	Market price at date of exercise	Date from which first exercisable	Expiry date
Bernard Looney	SAYE	6,024	–	–	6,024	£2.49	–	01 Sep 2025	28 Feb 2026
Bernard Looney	SAYE	5,952	–	–	5,952	£2.52	–	01 Sep 2026	28 Feb 2027
Murray Auchincloss	SAYE[b]	3,614	–	–	3,614	£2.49	–	01 Sep 2023	28 Feb 2024
Murray Auchincloss	SAYE[b]	3,571	–	–	3,571	£2.52	–	01 Sep 2024	28 Feb 2025
Murray Auchincloss	Reinvent bp[b]	150,000	–	–	150,000	£3.15	–	11 Mar 2025	10 Mar 2031

a The closing market price of an ordinary share on 31 December 2022 was £4.75. During 2022 the highest market price was £5.04, and the lowest market price was £3.30.
b Interest of person closely associated with Murray Auchincloss.

Bernard and Murray have no interests in bp preference shares, debentures or option plans (other than as listed above), and neither do they have interests in shares or loan stock of any subsidiary company.

Directors and leadership team

No directors or other leadership team members own more than 1% of the shares in issue. At 17 February 2023, our directors and leadership team members collectively held interests of 6,138,193 ordinary shares or their calculated equivalents, 7,055,918 restricted share units (with or without conditions) or their calculated equivalents, 9,624,886 performance shares or their calculated equivalents and 5,959,427 options over ordinary shares or their calculated equivalents, under bp group share option schemes.

Chair and non-executive director outcomes and interests

Fee structure

The table below shows the fee structure for the chair and NEDs. The chair is not eligible for committee chairship and membership fees.

At the time the board last approved changes to fee levels, it was decided to align the fee review cycle with the wider workforce salary review process. In practice and as provided for under the 2020 policy, fee levels are therefore reviewed annually alongside the wider workforce salaries and any changes that are agreed are put into effect from 1 April each year. Taking all factors into consideration, the board agreed to implement a 4% increase to the base fee for its NEDs and for the senior independent director, marginally lower than for the wider UK workforce (5.5%). Oversight and determination of the fees payable to the chair falls to the remuneration committee, which agreed to align the percentage increase of the chair's fee with the other non-executive board members.

Following board and remuneration committee approval, the remuneration arrangements for the chair and NEDs will be adjusted with effect from 1 April 2023 as per the below table.

	2023/24 fees £ thousand per annum[c]	2022 fees £ thousand per annum
Chair	**817**	785
Senior independent director[a]	**167**	160
Board member	**120**	115
Audit, remuneration and safety and sustainability committees chairship fees[b]	**35**	35
Committee membership fee	**20**	20

a The senior independent director is eligible for committee chairship and membership fees, but has waived her entitlement to the fee for membership of the people and governance committee. Fee includes board member fee.
b Committee chairs do not receive an additional membership fee for the committee they chair.
c From 2023, any changes to chair and NED fees will be made with effect from 1 April, in line with the wider workforce.

2022 remuneration (audited)

The table below shows the fees paid and applicable benefits for the year ended 31 December 2022. Benefits include travel and other expenses relating to the attendance at board and other meetings both inside and outside bp's headquarters in the UK. Under the terms of his engagement with the company, Helge Lund has the use of a fully maintained office for company business, a car and driver, and security advice in London. Benefits values have been grossed up using a tax rate of 45%, where relevant, as an estimation of tax due.

	Fees		Benefits		Total[a]	
£ thousand	**2022**	2021	**2022**	2021	**2022**	2021
Amanda Blanc[b]	**38**	—	**—**	—	**38**	—
Pamela Daley	**155**	145	**65**	46	**220**	191
Helge Lund (Chair)	**785**	785	**37**	19	**822**	804
Melody Meyer[e]	**180**	160	**34**	14	**214**	174
Tushar Morzaria[f]	**170**	136	**6**	—	**176**	136
Paula Rosput Reynolds	**215**	185	**23**	9	**238**	194
Karen Richardson[c]	**160**	123	**23**	12	**183**	135
Sir John Sawers[d]	**170**	145	**4**	3	**174**	148
Johannes Teyssen[e]	**145**	120	**14**	8	**159**	128

a Due to rounding, the totals may not agree exactly with the sum of the component parts.
b Amanda Blanc was appointed on 1 September 2022.
c Fee includes £25,000 p.a. for chairing the bp innovation advisory council.
d Fee includes £15,000 p.a. for chairing the bp geopolitical advisory council.
e Fee includes £10,000 p.a. for being a member of the bp geopolitical advisory council.
f Due to an administrative error Tushar Morzaria received an overpayment of £6,000 during 2022, which has been recovered in 2023. This overpayment has therefore not been included in this year's disclosure.

Chair and non-executive directors' interests (audited)

The figures below include all the beneficial and non-beneficial interests of the chair and each non-executive director of the company in shares of bp (or calculated equivalents) that have been disclosed according to the disclosure guidance and transparency rules in the Financial Conduct Authority handbook ('the DTRs') as at the applicable dates. Our 2020 policy encourages non-executive directors to establish a holding in bp shares of the equivalent value of one year's base fee during their tenure, which remains unchanged for the 2023 policy.

	Ordinary shares of equivalents at 1 Jan 2022	Ordinary shares or equivalents at 31 Dec 2022	Changes from 31 Dec 2022 to 17 Feb 2023	Ordinary shares of equivalents at 17 Feb 2023	Value of current shareholding[a]	% of guideline achieved
Amanda Blanc[b]	—	23,500	—	23,500	£131,600	114%
Pamela Daley	40,332	40,332	—	40,332	$269,014	190%
Helge Lund (Chair)	600,000	600,000	—	600,000	£3,360,000	428%
Melody Meyer	20,646	20,646	—	20,646	$137,709	97%
Tushar Morzaria	51,972	71,972	—	71,972	£403,043	350%
Paula Rosput Reynolds	73,200	78,378	—	78,378	$522,781	369%
Karen Richardson	10,746	29,316	—	29,316	$195,538	138%
Sir John Sawers	24,242	24,242	—	24,242	£135,755	118%
Johannes Teyssen	35,000	35,000	—	35,000	£196,000	170%

a Based on ordinary share and ADS prices at 17 February 2023 of £5.60 and $40.02. Where a US$ value is provided these shares are held as ADSs.
b Amanda Blanc was appointed on 1 September 2022.

Past directors

Payments for loss of office (audited)

No payments were made during the financial year for loss of office.

Payments to past directors (audited)

Since leaving employment, Bob Dudley and Brian Gilvary have received shares upon vesting of awards as detailed in the tables below. These relate to the deferred share element of prior year annual bonuses, as detailed below.

Deferred shares from prior year bonuses

	Bonus year	Type	Performance period	Date of award of deferred shares	Shares originally granted	Vesting date	Value of shares vested (including dividends)[b]
Bob Dudley[a]	2019	Compulsory	2020-22	18 Feb 2020	228,486	15 Feb 2023	$1,027,028
Brian Gilvary	2019	Compulsory	2020-22	18 Feb 2020	126,110	15 Feb 2023	£447,619

a This award was received in the form of ADSs. The above numbers reflect calculated equivalents in ordinary shares. One ADS is equivalent to six ordinary shares.
b Based on ordinary share and ADS prices at 15 February 2023 of £5.60 and $40.88 respectively.

Post-employment benefits

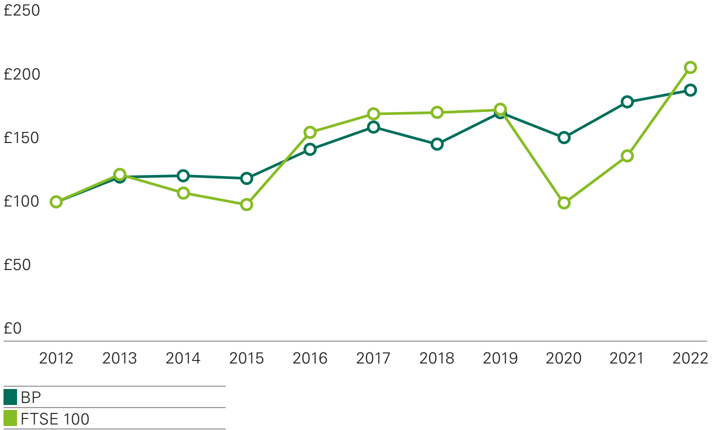
Bob Dudley and Brian Gilvary were provided with tax return preparation support amounting to £10,786 and £10,364 respectively.

We made no other payments within the scope of the disclosure requirements to any past director of bp during 2022 (we have no de minimis threshold for such disclosures).

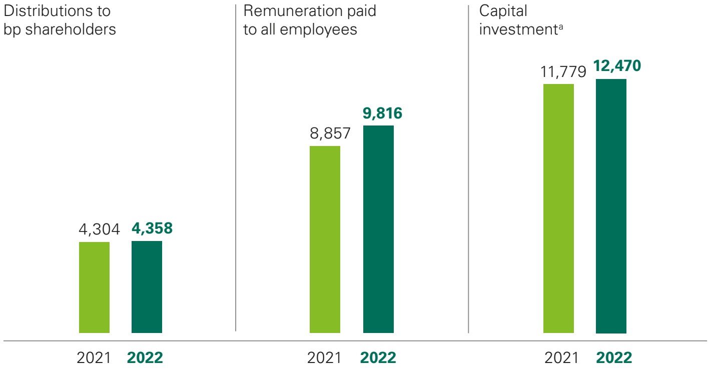
★ See glossary on page 389

Other disclosures

Historical TSR performance



Relative importance of spend on pay ($ million)



a Organic capital expenditure.

The graph above shows the growth in value of hypothetical £100 investments in BP p.l.c. ordinary shares, and in the FTSE 100 index (of which bp is a constituent), over 10 years from 31 December 2012 to 31 December 2022.

Independence and advice

The board considers all committee members to be independent with no personal financial interest, other than as shareholders, in the committee's decisions. Further detail on the activities of the committee in 2022 is set out in the remuneration committee report on page 112.

During 2022 Ben Mathews, who was employed by the company and reported to the chair of the board, acted as secretary to the remuneration committee.

The committee also received advice on various matters relating the remuneration of executive directors and senior management from Kerry Dryburgh, EVP people and culture and Ashok Pillai, SVP reward and wellbeing.

PricewaterhouseCoopers LLP (PwC) continued to provide independent advice to the committee in 2022. PwC advice included, for example, support with remuneration benchmarking and updates on market practice. PwC is a member of the Remuneration Consulting Group and, as such, operates under the code of conduct in relation to executive remuneration in the UK. The committee is satisfied that the advice received is objective and independent. The committee is comfortable that the PwC engagement partner and team who provides remuneration advice to the committee do not have connections with the company or its directors that may impair their independence.

Total fees or other charges (based on an hourly rate) for the provision of remuneration advice to the committee in 2022 (save in respect of legal advice) were £122,013 to PwC. Freshfields Bruckhaus Deringer LLP (Freshfields) provided legal advice on specific compliance matters to the Committee. PwC and Freshfields provide other advice in their respective areas to the group.

Considerations related to the Corporate Governance Code

When setting the 2023 policy, the committee concluded that a scorecard-based approach to setting targets and measuring outcomes helps it to engage transparently with shareholders and the wider workforce on remuneration. Thus, bp continues to operate a simple, clear structure of market-aligned salary with annual and three-year performance-based incentives. Risks are managed through careful setting of performance measures and targets and the committee retains the exercise of its discretion in assessing outcomes. These are complemented with robust malus and clawback measures. Remuneration outcomes are predictable, as shown in the scenario charts of the 2023 policy, and proportional by virtue of the challenging performance levels required to achieve target pay outcomes. Through material weighting in measures related to safety, sustainability and strategy, as shown on page 126, remuneration aligns closely with bp's culture, as expressed through our purpose and ambition.

Shareholder engagement

Throughout 2022, the committee engaged frequently on remuneration policy and approach with bp's largest shareholders, as well as their representative bodies. This dialogue will continue throughout 2023.

The table below shows the votes on the directors' remuneration report, and policy, for the last three years.

Year	% vote 'for'	% vote 'against'	Votes withheld
Directors' remuneration report			
2022	94.36%	5.64%	203,221,922
2021	95.20%	4.80%	220,577,221
2020	96.05%	3.95%	67,623,825
Directors' remuneration policy			
2020	96.58%	3.42%	65,652,222

Service contracts and letters of appointment

The service contracts of executive directors do not have a fixed term. Service agreements for each executive director are available for inspection at the company's registered office. Each executive director's service contract contains a 12-month notice period. Consistent with the best interests of the group, the committee will seek to minimize termination payments.

	Date of contract	Effective date
Bernard Looney	4 October 2019	5 February 2020
Murray Auchincloss	20 January 2020	1 July 2020

The non-executive directors (NEDs) have letters of appointment, which are available to view at the company's registered office. All directors are subject to annual re-election by shareholders at the annual general meeting. Normally, NEDs will be encouraged to serve for up to nine years from their appointment in line with the provisions of the 2018 Code, subject to annual re-election.

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 retain any fee from their external appointments. Such external appointments are subject to agreement by the chair and reported to the board. Any external appointment must not conflict with a director's duties and commitments to bp. Details of appointments as non-executive directors of publicly listed companies during 2022 are shown below.

	Appointee company	Additional position held at appointee company	Total fees
Bernard Looney	Rosneft[a]	Director	0
Murray Auchincloss	Aker BP ASA[b]	Director	0

a As of 27 February 2022, Bernard stepped down from his role as non-executive director of Rosneft.
b Held as a result of the company's shareholding in Aker BP ASA.

This directors' remuneration report was approved by the board and signed on its behalf by Ben J.S. Mathews, company secretary on 10 March 2023.

★ See glossary on page 389