

Agenda

- About BP
- Equity Compensation Structure and Plans
- Case Study: Implementing Performance Share Plan
- Experiences Working Across Borders
 - Legal Issues
 - Administrative
- Administrator Considerations
- Q & A

1

Overview of BP

- Corporation headquartered in the UK with significant assets in the US
- Integrated petroleum company including exploration and production; refining and marketing; gas, power and renewables
- History of large acquisitions and mergers (Sohio, Amoco, ARCO and Castrol)
- Employee population is 97,000 (33,000 in the US)
 - Many expats and in-pats

2

BP Equity Compensation Structure

- Program grants offered to top executives and managers
 - 10,400 employees world wide, 4,500 US based
- Shift from option grants to grants of restricted share units
 - Size of grant based on individual performance
 - Certain plan awards hinge on BP performance
- BP UK responsible for equity plan design, documentation and administration outside US
- BP US responsible for US administration
- Third party consultants used to develop new plans
- BP UK and BP US work together to address US issues for plans

BP Executive Equity Compensation Plans

- Top Management Equity Plans:
 - Medium Term Performance Plan
 - Deferred Annual Bonus Plan
 - Restricted Share Unit Plan
- Mid-level Management Equity Plans:
 - Performance Share Plan
 - Restricted Share Unit Plan

Introduction to Performance Share Plan

- Grant restricted share units representing BP American Depositary Shares
- Mid-level executives eligible
- RSUs granted based on individual performance from prior year
- Notional dividends on BP ADS's reinvested in additional RSUs over the restriction period
- Three-year performance period
- Potential for uplift based on BP performance over performance period

5

Cross Border Issues: Design and Operation

- Group Reward in the UK establishes overall plan design
- US-specific challenges:
 - Challenges with terminology
 - Governance issues
 - UK/US conflicts:
 - beneficiary designations not valid
 - communicating in final form vs. draft
 - Tax

6

Cross Border Issues: IRC Section 409A

- Broad application around non-qualified plans
 - Performance Share Plan: rely on short term deferral exemption?
- If 409A applies, approach to compliance:
 - Fixed distribution trigger: no acceleration or further deferral
 - “good leaver” provisions
 - UK career break rules inapplicable
 - Documentation/US Schedule
 - Applies to US participants
- Funding issues
 - Prohibition against use of offshore trust funding
 - Potential legislation?
- Administration:
 - Plan rules set appropriately in the record keeping system

7

Cross Border Issues: “Early FICA” Taxation

- FICA triggered where no “substantial risk of forfeiture”
 - Issue re base grant in first or second year of restriction period for certain actives and terminated employees based on good leaver rules
- Administration:
 - Fidelity and BP establish process to handle unique client need including FICA loans

8

Cross Border Issues: US Securities Law

- SEC (US Securities and Exchange Commission) issues:
 - Threshold issues: Is there a security? Is there a sale?
 - S-8 registration vs. private placement
 - Rule 701, other registration statements
- BP plc ordinary shares vs. BP American Depositary Shares
- Little impact on administrator

9

Cross Border Issues: Form S-8 Registration

- Incorporate periodic filing (Form 20-F, certain 6-K's)
- BP plc board must approve and sign S-8
- Legal opinions; filing of plan text
- Delivery of annual report to participants
- Counting of shares
- Filing new vs. filing an amendment

10

Cross Border Issues: Form S-8 Prospectus

- Clear requirements as to contents
- Not filed with SEC; employee distribution only
- Time frames and method of delivery
- “Global” communication issues vs. SEC requirements
- Updates and amendment challenges



11

Global plan administration

- Global approach to plan administration reassessed in 2006 following changes in equity compensation programs
- Determination that employee requirements would be best met through regionalized approach to administration
 - US administrator for US and Canada employees
 - UK administrator for “rest of world”
- Result is visibility into benefits programs for North American employees



12

Questions?

Thank you for your participation

Jonathan Harris
Jonathan.W.Harris@bp.com

Jane Klewin
Jane.Klewin@bp.com

Jeremy Boraks
Jeremy.Boraks@fmr.com

