

BP investors poised to oppose pay proposal

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Some shareholders in BP are threatening to vote against the oil company's executive pay proposals in protest at the size of Lord Browne's remuneration package when he leaves in July.

The Local Authority Pension Fund Forum (LAPFF), whose members own about 1.2 per cent of BP and have £70bn in total under management, has said its members would oppose BP's remuneration report at the forthcoming annual meeting because of an "insufficient linkage between executive pay and health-and-safety performance".

Pirc, which advises investors on governance issues, is urging other BP shareholders to follow suit although the Association of British Insurers and Rrev, which advises National Association of Pension Fund members, have passed the oil company's report without critical comment.

The LAPFF's decision follows a series of safety failures at BP, notably the Texas City refinery blast, which killed 15 people in 2005, and the Prudhoe Bay spill in 2006. The company has been the subject of a series of highly critical reports, most recently this week from the Chemical Safety Board in the US. Last month, a panel led by James Baker, former US secretary of state, concluded that the BP management was to blame for the Texas City refinery explosion.

Pirc has raised questions over the BP board plans, outlined this month, to award Lord Browne shares of up to 7.5 times salary, based on long-term leadership measures and the group's share-price performance between 2007 and 2009, even though he will have left BP by July. The eventual award will be decided in 2009.

Pirc is also concerned about an additional payment of 12 months' pay, a £1.98m bonus and £90,000 of fringe benefits to which Lord Browne is entitled when he leaves in July.

One top-10 shareholder said: "It won't matter what the company has to say about contractual entitlements this is going to go down like a lead balloon in some quarters, notably the US."

The payment is on top of Lord Browne's total £4.5m pay packet in 2006, which was sharply down from the £6.3m he received in 2005. He was also awarded a potential 1.76m in shares in a long-term incentive plan maturing in 2008 and his pension pot is worth £21m.

In answer to previously expressed shareholder concerns, BP has promised that it will make the link between safety and bonuses clearer. Some shareholders have also pointed out that during Lord Browne's long tenure of more than 30 years at BP the share price has risen markedly. Rrev said it welcomed moves to postpone long-term incentive awards until the impact of an executive's actions become apparent even if that is long after the executive leaves.