

Pension funds want BP to link pay to safety

By **Russell Hotten, Industry Editor**

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A group of pension funds is to vote against the remuneration report at BP's annual meeting next month because they say the company will not link executive pay to improving its safety record.

The Local Authority Pension Fund Forum (LAPFF), whose members own about 1.2pc of BP, says safety has become a key issue for the company and so should become part of the board's long-term incentive scheme.

Last week the company was severely criticised in a US Chemical Safety Board report into a fatal explosion at BP's Texas City refinery, which killed 15 workers and injured hundreds more.

An investigation into the disaster revealed that executives at the oil giant repeatedly ignored safety warnings and ordered budget cuts at the refinery. BP strongly disagreed with some of the conclusions.

In January BP's safety record was criticised in the independent Baker Report.

Darrell Pulk, chairman of the £70bn LAPFF, which comprises 39 public sector pension funds, said there were other institutional investors in the UK and overseas which share its concerns.

"It is plainly right that BP should not pay directors full bonuses in the wake of the highly critical Baker and CSB reports," he said.

"But we do not see any linkage between long-term incentives and BP's stated desire to be a leader in process safety management.

"It is important the investors give the company a clear message - if safety culture is to be at the heart of the business going forward, then it must also be inherent in the board's remuneration policy," he said.

Meanwhile, PIRC, the corporate governance consultancy whose clients include pension funds and fund managers, today recommends that investors vote against BP's remuneration report because of the rewards being given to Lord Browne, the chief executive who retires at the end of July.

Lord Browne will continue to be part of the 2007-2009 executive incentive plan despite leaving the company this year.

PIRC said it had "significant concerns" that Lord Browne would continue to benefit from the plan.