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Local authority funds place BP on watch over safety failures

1. BP must make improvements to remuneration policy, due diligence processes and internal monitoring in order to avoid further damaging safety failures, a major investor body has told the company.
2. As part of a process of engagement with BP over safety issues at the oil major, the Local Authority Pension Fund Forum (LAPFF) has written to the company with proposals for changes both in remuneration policy and due diligence in relation to future acquisitions in order to entrench the importance of safety within the organisation. In addition it has suggested that the board should seek independent assessment when allegations of health and safety mismanagement arise.
3. The Forum has welcomed BP's openness to dialogue over recent safety failures including the Texas City Refinery blast in March 2005 and the Prudhoe Bay spill in July 2006.. However in a letter to BP it has made clear that it expects reforms to be made and that its members will use their shareholder voting rights strategically if there is insufficient progress.
4. Specifically the Forum has recommended in its letter to BP that:
 - Executive and senior management remuneration incentives should contain a stronger link to health and safety performance
 - Due diligence should be strengthened in future acquisitions.
 - The board should seek independent third party assurances when allegations of health and safety mismanagement arise.
5. The Forum, which comprises 39 local authority pension funds with £70bn of assets under management, will look for reforms in executive remuneration arrangements in the company's forthcoming report and accounts. This will affect voting recommendations of the Forum to its members on the remuneration report at BP's AGM in April. In addition the

- company's approach to due diligence may affect the Forum's stance on future acquisitions.
6. The Forum believes the investor case for reform has been strengthened by the recent Baker report. The report vindicates the Forum's own analysis of failings within the company in relation to health and safety.
 7. Cllr Darrell Pulk, chair of the Forum, said: "The Baker report has vindicated our concerns about procedures within the company, but this is not the end of the story. It is vital for shareholders that BP makes clear that change is underway. We welcome the company's openness to investor engagement. Now we are watching carefully for signs that the company has learnt the lessons of the past and is implementing reforms that will provide greater protection for all stakeholders in the future."
 8. BP's AGM is provisionally scheduled for 12th April.

About LAPFF:

The Local Authority Pension Fund Forum (LAPFF), which was set up in 1991, is a voluntary association of 39 public sector pension funds based in the UK. It exists 'to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest.' The Forum's members currently have combined assets of over £70 billion.

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