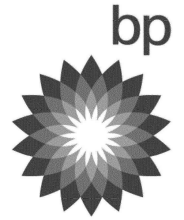


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# BP America Risks Update

follow-up from 16 September 2016

BPA\_HCOR\_00304583



## Action Items from 16 September Review

- 1) **Update “Reputation” risk:** Discussed reputation enhancement and impact on our ability to advocate issues; need to drive our public reputation up (cost/benefit). Also discussed risk that smaller incident could be magnified without reputation work (**Shanan Guinn**)
- 2) **Drop separate BPA “Tax Policy” risk, incorporate as part of overall government policies risk (Shanan Guinn);** [leave separate Tax Policy risk only on Tax risk register]
- 3) **Confirm EPA compliance risk and risk rating (Mike Robertson),** include check-in with Upstream/Bert Molina
- 4) **Internal Audit** check-in on any overarching risks in the US based on their work we should be aware of (e.g. audit findings) (**Mike**)
- 5) **Replace HR risk with broader D&I risk** (Helena Fyda)
- 6) **Add/update E&C risk** around effective transition or wind-down from Ombudsman (**Abdinasir Ali / Randy Latta**)

*Please return all updates by 7 October*



# Contents

- Process timeline
- BP America group-level risks
- Other significant BP America business risks
- Risk matrix

Appendix – risk details, controls, contingencies and monitoring

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## 2016 Timeline - Risk Management Updates

May/June	Light touch risk refresh, major changes from prior year only (no BPA changes submitted)
September / October	Business/Function full annual risk update <b>BPA LT Risk Review – 16 September</b> <b>- <i>Return Final Updates – 7 October</i></b> <b>Group Risk submission – 14 October</b>
November	Executive Team review of Group Risks in Group Plan
December	Board review of Group Plan and highest priority Group Risks



## 2016 BP America Group-Level Risks

**1) Damage to BP's Reputation** – BP America's license to operate is at risk should we fail to anticipate and effectively address threats to the company's reputation among the media, key legislators, relevant regulators and other opinion leaders in Washington, D.C., and near our assets.

Threats to BP's reputation and, thus, its license to operate include operational/safety incidents, ethical lapses and compliance issues. Although DWH is increasingly less of a drag on reputation, other litigation issues present risk to our public standing. Overall negative sentiment about the oil and gas industry also threatens to drag down BP's reputation but the policy and politics of climate change is dealt with in the separate risk statement regarding climate, environmental and safety policies.

*Update #1  
risk  
description*

These risks have the potential to undermine not just our public standing and credibility but also investor confidence in the company. **SPA: Geoff Morrell. Net Risk: D4.** Worst Credible Impact: C

~~**2) Harmful New Tax Policy** – Failure to anticipate, prevent or mitigate changes to federal or state tax laws or regulations that could harm the company's financial performance or competitive position. **SPA: Geoff Morrell. Net Risk: C6.** Worst Credible Impact: C~~

*Combine with  
#3, update*

**3) Harmful New US Climate, Tax, Environmental & Safety Policies** – BP's ability to operate and grow its US businesses could be threatened by failure to effectively address the potential negative impacts of new federal, state and local policies driven by climate, environmental and safety concerns. Major policy threats range from costly, duplicative and even infeasible federal and state environmental and safety regulations; poorly-designed carbon tax or cap & trade legislation; mandates or subsidies that disadvantage BP's products; and other policy initiatives that promote an anti-fossil fuel or "keep it in the ground" agenda, such as oil & gas lease restrictions or moratoria, fracking bans, setback requirements, or efforts to delay, obstruct or deny permits for development or operations. **SPA: John Mingé. Net Risk: C6D7.** Worst Credible Impact: C

**4) Compliance with the EPA Agreement** – An event occurs that causes the suspension and debarment officer to find that BP has failed to comply with the terms of the Agreement or the ethics monitor determines that BP is out of compliance. This could lead to a re-suspension of BP's US businesses from contracting with the US government. **SPA: John Mingé. Net Risk: D2.** Worst Credible Impact: **CB**

See Appendix for details related to controls, contingencies and monitoring.

## Other significant business risks

*Add E&C risk around Ombudsman*

**5) Failure to manage bribery and corruption risks** – The nature of the activity set for BP America staff, particularly Office of the Chairman and C&EA involves significant interaction with Government Officials. Failure to effectively manage the actual or perceived bribery and corruption risks could lead to regulatory enforcement, significant financial penalties and damage to BP's reputation. **SPA: Abdinasir Ali, Net Risk E3**

**6) Risk of loss or unavailability of DWH data** – The potential loss or unavailability of GCRO and third-party data and/or data management infrastructure could significantly affect the ability to support legal and financial needs. **SPA: Mike Mullenix, Net Risk E3**

*Replace with broader D&I risk*

**7) Risk of “adverse impact”** – The major area of risk in BPA relates to the use of “non-valid” screening, testing, and assessment tools that have an “adverse impact” on certain candidates who belong to a gender, racial or ethnic group. **SPA: HR Function – Soul Cherradi, Net Risk E5**

*Propose to take off BPA risk register  
(risks owned by Upstream / businesses)*

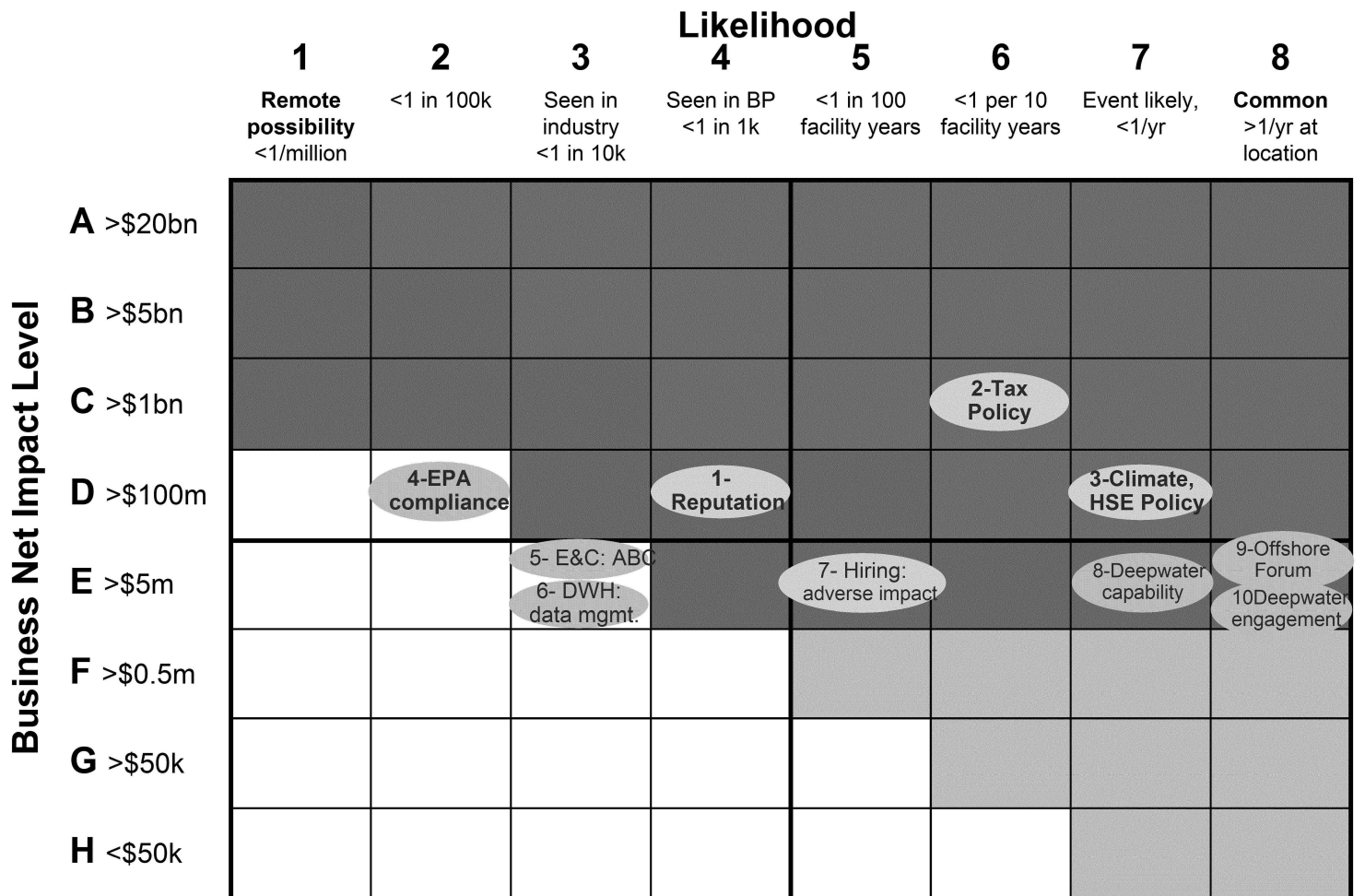
~~**8) Advancing Deepwater Capabilities** – Failure to consistently address BP's application of best practices for deepwater response capabilities around the five key capability areas. **SPA: Cindy Yeilding, Net Risk E7**~~

~~**9) Offshore Forum and Trade Association Coordination** – Failure to identify and address increasing regulatory requirements and reputational issues consistently across BP's Upstream regions and functions, with resulting harm to government/ stakeholder relationships and/or license to operate. **SPA: Cindy Yeilding, Net Risk E8**~~

~~**10) External Engagement and Support (Deepwater)** – Failure to maintain and enhance BP's reputation with complex array of external stakeholders in the offshore community, with resulting harm to government/ stakeholder relationships and/or license to operate. **SPA: Cindy Yeilding, Net Risk E8**~~

See Appendix for details related to controls, contingencies and monitoring.

# BPA 2016 Risks Matrix



Plotting all risks on a single Risk Matrix provides a visual representation of the assessment of risk. It should not be interpreted as prioritising the allocation of resources for the management of one risk over another, as each risk is different, has specific consequences and requires the appropriate consideration of required Risk Management Activities and

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## Appendix



- Risk details (including controls, contingencies, and monitoring)

# **Redacted - First Amendment**

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## 6) Risk of loss or unavailability of DWH data

Nature of the risk	<p>The potential loss or unavailability of GCRO and third-party data and/or data management infrastructure could significantly affect the ability to support legal, financial and scientific needs. GCRO data and applications are hosted in the BP Houston mega-datacentre.</p> <p><b>SPA: Mike Mullenix</b></p>
Assessment	<p><b>Net Risk: E3</b> Worst Credible risk impact: E</p>
Controls Contingencies Monitoring	<p><b>In place to reduce the likelihood:</b> GCRO data and applications are hosted on the GCRO Application Platform (GAP) in the Houston Mega-datacenter (AMDC2).</p> <p><b>In place to reduce the impact:</b>  <ol style="list-style-type: none"> <li>1. Restore data from Legal preservation data sets.</li> <li>2. Request data backups from 3rd party providers and consultants.</li> </ol> </p> <p><b>Following actions ongoing:</b>  <ol style="list-style-type: none"> <li>1. Verify application recovery capability exists (source code available) as required</li> <li>2. Conduct DR test within GAP environment annually</li> </ol> </p>

## 7) Risk of adverse impact in hiring

Nature of the risk	<p>The major area of risk in BPA relates to the use of “non-valid” screening, testing, and assessment tools that have an “adverse impact” on certain candidates who belong to a gender, racial or ethnic group.</p> <p><b>SPA(s): HR Function – Soul Cherradi, HR Compliance Manager</b></p> <p>Adverse impact is a substantially different rate of selection in hiring which works to the disadvantage of members of a race, gender, or ethnic group. A non-valid selection practice, procedure, or test (PPT) is one that does not appropriately measure what the job requires or does not appropriately predict success on the job.</p>
Assessment	<p><b>Net Risk: E5</b></p> <p>Worst Credible risk impact: D</p>
Controls Contingencies Monitoring	<p><b>In place to reduce the likelihood:</b></p> <ol style="list-style-type: none"> <li>1. Resourcing should use selection practices, procedures, or tests (PPT) that were properly validated in accordance with the Uniform Guidelines on Employee Selection Procedures (the legal requirement in the US)</li> <li>2. Resourcing and compliance should work with external vendors to validate high risk PPT that are administered on a large number of applicants</li> </ol> <p><b>In place to reduce the impact:</b></p> <ol style="list-style-type: none"> <li>1. Compliance/legal provide training to Resourcing, Hiring Managers and HR on PPT validity, record keeping and legal/compliance changes in this area; e.g. After spending time, resources and money validating a PPT, HR/Resourcing change the cut-off scores of the PPT to accommodate the hiring manager request. These ad hoc changes destroy the validation of the PPT.</li> </ol> <p><b>Following actions ongoing:</b></p> <ol style="list-style-type: none"> <li>1. Establish and manage an HR Compliance team and internal checks and balances.</li> <li>2. Compliance annually monitors the impact of PPT on the different groups including conducting HR self-audits; Compliance reports findings and make recommendations for corrections</li> </ol>

## 8) Advancing Deepwater Capabilities (2015)

Nature of the risk	<p>Failure to consistently address BP's application of best practices for deepwater response capabilities around the five key capability areas.</p> <p><b>SPA(s): Cindy Yeilding</b></p>
Assessment	<b>Net Risk: E7 (2015)</b>
Controls Contingencies Monitoring	<p><b>In place to reduce the likelihood:</b></p> <ul style="list-style-type: none"> <li>- Maintain and deliver lessons learned around the DWH incident to key internal and external stakeholders as requested</li> <li>- Coordinate the continued cross-functional and cross-regional development of offshore response capabilities</li> <li>- Organize internal readiness workshops on offshore response capabilities as required by regions</li> <li>- Provide clear and simple positions that support a well-articulated value proposition through the Upstream Offshore Forum to the Upstream regions and functions</li> </ul> <p><b>In place to reduce the impact:</b></p> <ul style="list-style-type: none"> <li>- Maintain a broad network of SMEs and other stakeholders to rapidly respond to events as necessary</li> </ul> <p><b>Following actions ongoing:</b></p> <ul style="list-style-type: none"> <li>- Monthly Upstream Offshore Forum working team meetings</li> </ul>

# **Redacted - First Amendment**

# **Redacted - First Amendment**