



2018 BP America and Westlake Property Management functional risks

8th October 2018 - Update

The board presentations are generally scheduled to last 45 minutes to 1 hour.

- * A preliminary copy of the presentation is due approximately 14 days prior to meeting date.
- * Final pre-read is due 8 days before the meeting.

From time to time the board will ask the presenter to take away items to be reported on during a “follow up” at the next board meeting. The follow up sessions run between 15-30 minutes.

Remember to update the slide footer with preparer’s name and date slides were updated.



Process timeline

2018 risk management updates

June 15 Mid year review – light touch; no changes to risk profile

Sept – Oct Business / Function full annual risk update

BPA LT Risk Review – 19 September

Group Risk submission to London due – 15 October

November Executive Team review of Group Risks in Group Plan

December Board review of Group Plan and highest priority Group Risks



BP America

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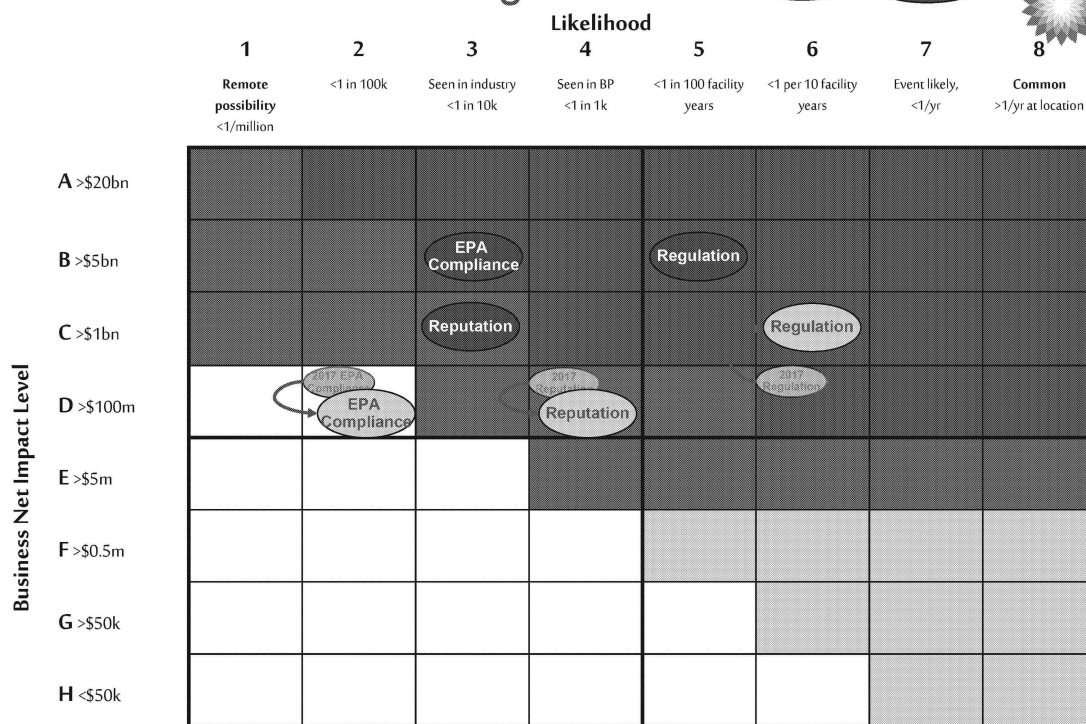
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BP America risk management

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Net Worst Credible



Plotting all risks on a single Risk Matrix provides a visual representation of the assessment of risk. It should not be interpreted as prioritizing 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 Actions.

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Risk 1: Damage to BP's reputation

Owner: Mary Streett

Risk description	<p>BP America's license to operate and its ability to advocate on issues are at risk should we fail to continue strengthening BP's reputation while also anticipating and addressing new threats to it. Key stakeholders include the media, key legislators, relevant regulators and other opinion leaders in Washington, D.C., and near our assets.</p> <p>Such threats to BP's reputation 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. The policy and politics of climate change is dealt with in the separate risk regarding US Regulatory policies.</p> <p>Specific issues that could cause damage to BP's reputation in the US, unless they are properly managed, are BP's integration of BHP assets in L48 and BP campaigns against various ballot initiatives in the November 2018 elections.</p> <p>BP's \$10.5bn acquisition of BHP's unconventional assets in the US increases our risk profile in terms of reputation and financial liability during acquisition completion stage and on an ongoing basis. The reputational risk arises from not fully integrating communications and external affairs for new businesses/acquisitions.</p> <p>Ballot initiatives in the November 2018 elections at state and local level, in particular in Washington, Colorado, Alaska, are poorly designed and specifically target our industry. These initiatives range from restrictions to infrastructure development, permitting to badly designed carbon pricing. BP's and industry's response to these campaigns may damage our reputation because of our position.</p> <p>If BP decides to enter ANWR, strong environmental NGO pushback may hurt our ability to work with them on other policies around the country (e.g. crafting carbon price for WA state) and negatively impact our ability to influence and protect our business in other areas in the US.</p> <p>These risks have the potential to undermine not just our public standing and credibility but also investor confidence in the company. And without a solid reputation, BP also risks any number of initially small issues or incidents ballooning into significant problems that affect the bottom line.</p>
Assessment	<p>Net Risk: D4 (2017: D4) Worst Credible risk impact: C3</p>



Risk 1: Damage to BP's reputation (Continued)

Owner: Mary Streett

Assessment	Net Risk: D4 (2017: D4) Worst Credible risk impact: C3
Controls	In place to reduce the likelihood: <ol style="list-style-type: none"> 1) Integrated U.S.-wide messaging to underscore commitment to safety 2) Strong relationships with federal, state and local govts, national and local media, relevant NGOs, trade associations and visible community involvement 3) Establish C&EA integration plan for BHP assets acquisition
Contingencies	In place to reduce the impact: <ol style="list-style-type: none"> 1) Higher level relationships and partnership with state and local govts / external stakeholders to build increased credibility and trust 2) Robust crisis communications training for C&EA staff to effectively engage external stakeholders during operational incidents, as well as media training for incident commanders 3) Full integration across U.S. C&EA and Group C&EA to ensure stronger connectivity and alignment
Monitoring	Following actions ongoing: <ol style="list-style-type: none"> 1) Continuous tracking of social and traditional media coverage and polling of key audiences 2) Creating new Group-level working group to focus on better managing BP's reputation 3) Developing a global corporate narrative 4) Exploring the development of a Group-wide paid advertising campaign

Redacted - First Amendment



Risk 3: Failure to comply with the EPA agreement

Owner: Cindy Yeilding

Risk description	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.
Assessment	Net Risk: D2 (2017: D2) Worst Credible risk impact: B3
Controls	<p>In place to reduce the likelihood:</p> <p>Compliance Oversight Team will manage compliance with the agreement including:</p> <ol style="list-style-type: none"> 1) Compliance plans (34) in place for all businesses and requirements with clear roles & accountabilities for delivery assigned to gatekeepers and SPAs 2) Tracking of internal and external milestones, Gate Keepers and SPA's appointed and trained 3) All stakeholders have been assigned BP individuals accountable for communicating compliance progress and providing early warning of any compliance risks 4) Business leaders set expectations and remind employees of obligations 5) Key US businesses E&C plans incorporate required activities into ongoing business deliverables 6) There is a process for MOC of accountabilities
Contingencies	<p>In place to reduce the impact:</p> <ol style="list-style-type: none"> 1) Ambassadors identified for key external stakeholders and other businesses affected in case relationship owner is failing to meet expectations 2) Delivering a high quality annual report demonstrates a commitment to and track record of achieving compliance and can reduce the likelihood of less material compliance gaps resulting in re-suspension 3) An Independent Auditor reviews and reports on BP's compliance with the EPA Administrative Agreement on an annual basis. This independent audit provides the government and the public assurance that BP is complying with the terms of the EPA Administrative Agreement <p>Following actions ongoing:</p>
Monitoring	<ol style="list-style-type: none"> 1) Quarterly progress reports to BPA Boards 2) Annual Report published and presented to the appropriate Boards or Committees 3) Progress on the Ethics Monitor recommendations reported quarterly to the appropriate Boards or Committees



Westlake Property Management

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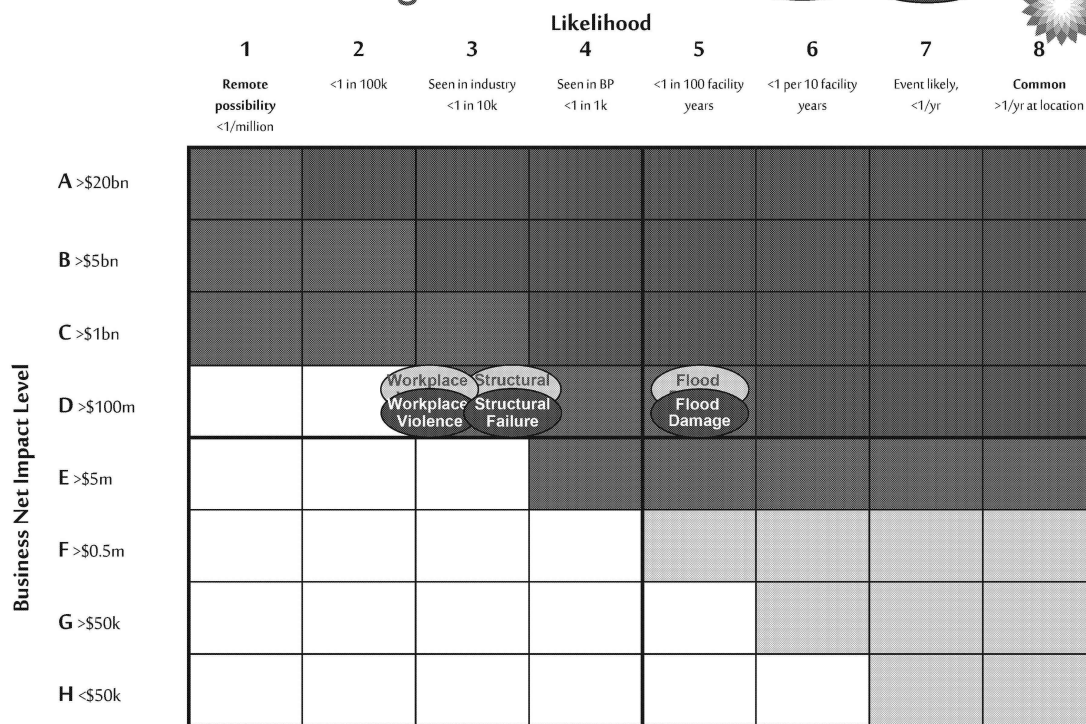
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WLPM risk management

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Net

Worst Credible



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Risk 1: Catastrophic Building and/or Structural Failure

Owner: Tom Halaska

Risk description	Catastrophic Building and/or Structure Failure - Lack of integrity management results in building and/or structure failure exposing staff to injury or illness (e.g., floor collapse, garage level collapse, partial construction collapse)
Assessment	Net Risk: D3 Worst Credible risk impact: D3
Controls	In place to reduce the likelihood: <ol style="list-style-type: none"> 1) Integrity Management Plan 2) Preventative Maintenance Program 3) Dedicated Quality Assurance resources to capital construction projects 4) Dedicated Engineer on staff for WLP
Contingencies	In place to reduce the impact: <ol style="list-style-type: none"> 1) Incident Management Team and Plans 2) Tactical Response Team and Plans 3) Close working relationship with HFD and specifically HFD 78
Monitoring	Following actions ongoing: <ol style="list-style-type: none"> 1) IMT and TRT Drills



Risk 2: Injury/Fatality Due to Workplace Violence

Owner: Tom Halaska

Risk description	Injury/Fatality Due to Workplace Violence - A worker could come to the worksite and randomly shoot at staff or children in a given work area
Assessment	Net Risk: D3 Worst Credible risk impact: D3
Controls	In place to reduce the likelihood: <ol style="list-style-type: none"> 1) Annual review of WLC WPV 2) Response procedures by Group Security 3) Implementation of WPV Tab in Emergency Guide 4) Formalized WLC WPV Response
Contingencies	In place to reduce the impact: <ol style="list-style-type: none"> 1) WPV Response Procedures 2) BP Campus Emergency Alert System in place 3) Informational sessions held for tenants to attend on how to react and respond during an event
Monitoring	Following actions ongoing: <ol style="list-style-type: none"> 1) Annual Risk Assessments 2) WPV Response Drills (including communications effectiveness)



Risk 3: Catastrophic Flood Damage to the Westlake Campus

Owner: Tom Halaska

Risk description	Catastrophic Flood Damage to the Westlake Campus - Temporary loss of campus/building(s) due to catastrophic damage from flood waters. (1000 yr rain event from tropical storm or hurricane)
Assessment	Net Risk: D5 Worst Credible risk impact: D5
Controls	<p>In place to reduce the likelihood:</p> <ol style="list-style-type: none"> Westlake 1 dock flood gate, CHPC elevation and above grade foundation, Helios Plaza physical elevation Response procedures by Group Security <p>In place to reduce the impact:</p> <ol style="list-style-type: none"> Incident Management Team and Plans Tactical Response Team and Plans <p>Following actions ongoing:</p> <ol style="list-style-type: none"> IMT, TRT, OSCT, BST drills and exercises
Contingencies	
Monitoring	



Appendix

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Financial and Non-Financial Impacts – Severity Level

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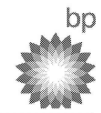


Level	Financial (cash/ write down)	Non-Financial			
		Accounting and control	Media/Public reaction	Government, legal or regulatory enforcement	Key stakeholder reaction
A	>\$20 billion	External Auditors issue an adverse opinion on the accounts.	Public or investor outrage on a global scale.	Action by a government resulting in a total loss of license to operate in the US, UK, EU, Angola, Azerbaijan or Russia.	Substantial long-term damage to relationships with key stakeholders of benefit to the Group.
B	\$5 billion - \$20 billion	External Auditors qualify accounts.	Public or investor outrage in major western markets – US, EU.	Action by a government resulting in loss of license to operate a major business, Major Operating Site or Major Project in the US, UK, EU, Angola, Azerbaijan or Russia.	Long-term damage to relationships with key stakeholders of benefit to the Group.
C	\$1 billion - \$5 billion	Material error in published financial statements and restatement required. Material Weakness (actual or potential error) externally reported.	Public or investor outrage in other material market where we have presence or aspiration.	Action by a government resulting in loss of license to operate any major business, Major Operating Site or Major Project. Severe legal/regulatory enforcement action against a major business, Major Operating Site or Major Project in the US, UK, EU, Angola, Azerbaijan or Russia.	Damage to relationships with key stakeholders of benefit to the Group.
D	\$100m - \$1 billion	Error in published accounts, and restatement not required. Tier 1 Significant Deficiency (actual or potential error) reported to the MBAC.	Public or investor outrage in a non-major market, or localized or limited "interest-group" outrage in a major market. Prolonged adverse national or international media attention. Widespread adverse social impact.	Substantial legal/regulatory enforcement action by regulators.	Damage to relationships with key stakeholders of benefit to the Segment, Alternative Energy or Group Function.
E	\$5m - \$100m	Tier 2 Deficiency (actual or potential error) reported internally.	Limited "interest-group" outrage in non-major market. Short-term adverse national or international media coverage.	Moderate legal/regulatory enforcement action by regulators.	Damage to relationships with key stakeholders of benefit to a key business or functional area of the Segment, Alternative Energy or Group Function.
F	\$500k - \$5m	Tier 3 Deficiency (actual or potential error) reported internally.	Prolonged local media coverage. Local adverse social impact.	Limited legal/regulatory enforcement action by regulators.	Damage to relationships with local stakeholders of benefit to a business or functional area of the Segment, Alternative Energy or Group Function.

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Likelihood

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Likelihood of Risk Event							
1	2	3	4	5	6	7	8
Qualitative criteria							
A similar event has not yet occurred in our industry and would only be a remote possibility	A similar event has not yet occurred in our industry	A similar event has occurred somewhere in our industry outside of BP	A similar event has occurred somewhere within BP	A similar event has occurred or is likely to occur within 30 years of 10 similar facilities, businesses or Functions	Event likely to occur once or twice within 30 years of the facility, business or Function	Event likely to occur several times within 30 years of the facility, business or Function	Common occurrence (at least annually) at the facility, business or Function
Quantitative criteria (per year)							
$\leq 10^{-6}$	$>10^{-6}$ to 10^{-5}	$>10^{-5}$ to 10^{-4}	$>10^{-4}$ to 10^{-3}	$>10^{-3}$ to 10^{-2}	$>10^{-2}$ to 10^{-1}	$>10^{-1}$ to <1	≥ 1
Alternatively expressed as:							
1 in a million or less	Greater than 1 in a million	Greater than 1 in 100,000	Greater than 1 in 10,000	Greater than 1 in 1,000	Greater than 1 in 100	Greater than 1 in 10	1
Less than 0.01% chance over 100 years	Greater than 0.01% chance over 100 years	Greater than 0.1% chance over 100 years	Greater than 0.1% chance over 10 years	Greater than 1% chance over 10 years	Greater than 10% chance over 10 years	Greater than 10% chance in one year	Almost certainly

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