

# BP America risk management

## 2019 AOP Snapshot

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SB: Update the comments (remove ANWR)



A1. Group-Level Risks*					
Risk Level	Risk Description	Net Risk / Worst Credible Impact	Owner	Status	Comments
Group Level Risk: Strategic & Commercial	Damage to BP's reputation	D4 / C3	M. Streett	<input type="radio"/>	No changes to risk profile, all controls still in place and operating effectively; Live discussions: ANWR, Trade Associations
Group Level Risk: Strategic & Commercial	Harmful new US regulatory and tax policies	C6 / B5	M. Streett	<input type="radio"/>	Federal tax/reg risk factors lower but State/Local still significant (e.g. Washington State). Reviewing resource allocation at state
Group Level Risk: Strategic & Commercial	Failure to comply with the EPA agreement	D2 / B3	C. Yeilding	<input type="radio"/>	EPA agreement completed in March 2019.
Group Level Risk: Strategic & Commercial	BP America Geopolitical	C2 / B4	M. Streett	<input type="radio"/>	Global risks continue to grow, all controls still in place and operating effectively
A2. Additional Significant Business Risks (not submitted to Group)					
Risk Level	Risk Description	Severity	ELT Owner	Status	Comments
Significant Business Risk	Failure to improve diversity and inclusion	E4	R. Dempsey	<input type="radio"/>	Risk profile shifting with increased litigation risks, controls in place and operating.
Significant Business Risk	Failure to sustain Ethics & Compliance and Business Integrity improvements beyond the term of the Monitor.	E5	S. Dio	<input type="radio"/>	Ethics & Compliance Committee established and prioritize BP Values through comms.

- Group-Level Risk for Failure to comply with the EPA agreement has been removed as the agreement has expired.

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1

2019 Changes: Removed the EPA Net and Worst Credible Risks



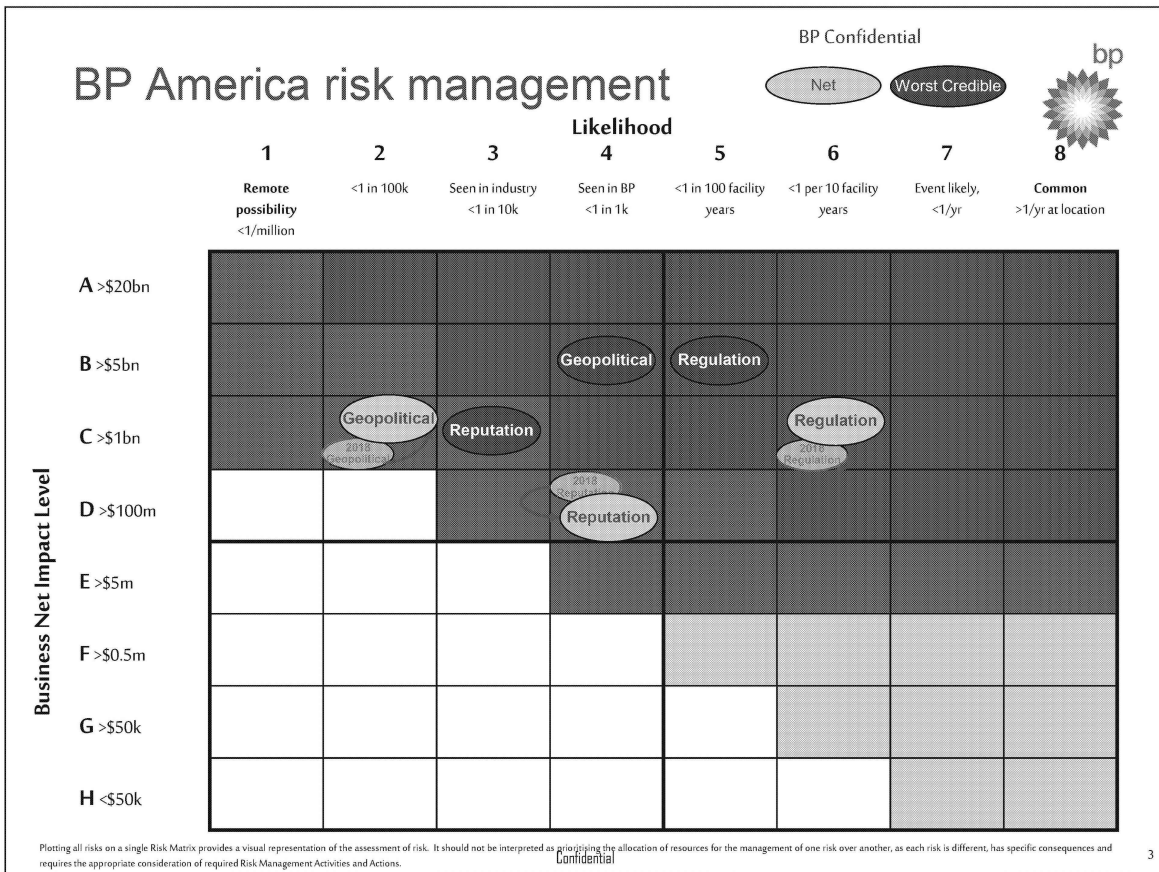
## BP America- Group Risks

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.



2019 Changes: Removed the EPA Net and Worst Credible Risks



## 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>With climate change debate and activism on the rise, BP's ability to balance being part of the solution, protecting shareholder value, and ability to attract and retain top talent are existential challenges. Political polarization resulting in oil industry being targeted could impact our license to operate.</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 policy initiatives targeting our industry.</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 post 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> <div data-bbox="386 604 1351 682" style="border: 1px solid black; padding: 5px; text-align: center;"> <h1>Redacted - First Amendment</h1> </div> <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><b>Net Risk: D4    Worst Credible risk impact: C3</b></p>



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

Owner: Mary Streett

Assessment	Net Risk: D4 Worst Credible risk impact: C3
Controls	<b>In place to reduce the likelihood:</b> <ol style="list-style-type: none"> <li>1) Integrated U.S.-wide messaging to underscore commitment to safety</li> <li>2) New organizational structure set up to address the reputational risks more effectively</li> <li>3) <b>Redacted - First Amendment</b></li> <li>4) Establish C&amp;EA integration plan for BHP assets acquisition</li> </ol>
Contingencies	<b>In place to reduce the impact:</b> <ol style="list-style-type: none"> <li>1) <b>Redacted - First Amendment</b></li> <li>2) Robust crisis communications training for C&amp;EA staff to effectively engage external stakeholders during operational incidents, as well as media training for incident commanders</li> <li>3) Full integration across U.S. C&amp;EA and Group C&amp;EA to ensure stronger connectivity and alignment</li> </ol>
Monitoring	<b>Following actions ongoing:</b> <ol style="list-style-type: none"> <li>1) Continuous tracking of social and traditional media coverage and polling of key audiences</li> <li>2) Using objective and milestone tracking (Betterworks) and stakeholder management tools (Quorum) across the org</li> <li>3) Value at Stake work to identify non-technical risks and opportunities and understand business impact of issues to inform prioritization and resource allocation</li> <li>4) Monitoring developments at a local level in various states that may impact our businesses</li> <li>5) Working with Group-led Transition Advocacy Group (TAG) on messaging for BP's reputation</li> <li>6) Developing a global corporate narrative</li> <li>7) Group-wide paid advertising campaign</li> </ol>



**Risk 2:** Harmful new US regulatory and tax policies  
**Owner:** Mary Streett

**Redacted - First Amendment**



### Risk 3: Geopolitical Risk

Owner: Mary Streett

Risk description	<p>Exposure to a range of political developments and consequent changes to the operating and regulatory environment could cause business disruption.</p> <p>This risk manifests itself in the US as sanctions against countries or entities that BP has business relationships with and as unpredictable trade policies with countries or global/regional trade organizations.</p> <p>Impact on business could be putting investments already made at risk, boosting costs, delaying projects, creating uncertainty about the prospects, increasing financial exposure.</p> <p>In the worst case scenario this risk could have the following impacts:</p> <p>A) Sanctions (Likelihood - Medium):</p> <ol style="list-style-type: none"> <li>1. Russia:             <ol style="list-style-type: none"> <li>a. Stranded investments in Rosneft (BP is 19.75% shareholder) and unable to tap into dividends;</li> <li>b. JVs in Russia shut down;</li> <li>c. Unable to operate internationally (e.g. Shah Deniz, Zohr)</li> <li>d. Unable to renew exemption for Shah Deniz</li> </ol> </li> <li>2. Iran:             <ol style="list-style-type: none"> <li>a. Unable to operate Shah Deniz/Southern Gas Corridor</li> </ol> </li> </ol> <p>B) Trade policies (Likelihood – Medium to High):</p> <ol style="list-style-type: none"> <li>1. Steel Tariffs:             <ol style="list-style-type: none"> <li>a. 25% steel import tariffs with ~\$100m/year impact on BP projects/operations in the US.</li> <li>b. Rejection/delay/reapplication for product-specific exemptions</li> <li>c. Lack of country-specific exemption for Japan (though the US-Japan have agreed principles for trade agreement but details are still sparse)</li> </ol> </li> <li>2. Continued escalation of trade dispute between US and China</li> <li>3. NAFTA/USMCA agreement (Low-Medium)             <ol style="list-style-type: none"> <li>a. Congress may not consider the new USMCA agreement</li> <li>b. US may unilaterally withdraw from NAFTA as negotiating tactic</li> </ol> </li> </ol>
Assessment	<p><b>Net Risk: C2</b>   <b>Worst Credible risk impact: B4</b></p>



### Risk 3: Geopolitical Risk (Continued)

Owner: Mary Streett

Assessment	<b>Net Risk: C2</b> <b>Worst Credible risk impact: B4</b>
Controls	<p><b>In place to reduce the likelihood:</b></p> <ul style="list-style-type: none"> <li>- Dedicated team in DC linked with legal and political professionals in BP to monitor and assess existing and emerging issues;</li> <li>- Engagement with Department of State, White House, Commerce Department, Office of the US Trade Representative, Congress;</li> <li>- Access to consultants with expertise and experience/relationships on specific issues;</li> <li>- Engagement/influence at trade associations to bolster BP's positions;</li> <li>- Range of supporting think tanks with influence in policy-making</li> </ul> <p><b>In place to reduce the impact:</b></p> <ul style="list-style-type: none"> <li>- Portfolio assessment and choices;</li> <li>- C&amp;EA support in exclusion application process</li> </ul> <p><b>Following actions ongoing:</b></p> <ul style="list-style-type: none"> <li>- Bi-monthly call with LT members in Russia and Azerbaijan;</li> <li>- Regular calls with the Regional Presidents;</li> <li>- Regular dialogue with the diplomatic corps</li> <li>- Regular dialogue with trade associations on trade policy developments and joined-up advocacy</li> </ul>
Contingencies	
Monitoring	