

From: Grote, Byron

Subject: MESSAGE FROM BYRON GROTE to the Leadership of the Financial Functions and IST

Importance: Normal

You will have already seen yesterday's announcement from Tony Hayward. You should view these changes in the context of the Back-to-Business agenda that we've been discussing over the last several months. Simply put, our competitive performance is weak and our organisation is too complex and both urgently need to be addressed.

We need to channel our efforts differently in a number of areas, but at the same time, it is important to emphasise what is not changing. Functional excellence is essential for the Group and I want to reaffirm the critical roles all of your teams have going forward in the areas of Control, Finance, Tax, M&A, Remediation Management, Internal Audit, DCT, and Integrated Supply & Trading. All functions will have a **simplified and similar structure**. They will be **managed centrally** on behalf of the Group and deploy capability and activities into the businesses **at the appropriate level**.

To highlight and expand further on the key changes affecting the CFO functions:

- **FC&A, and certain Planning and Performance Analysis activities will be integrated.** This function, re-named "**Finance**", will be led by **Iain Macdonald** as Deputy CFO for the Group. Each Segment and SPU will have a Chief Financial Officer. This integration will simplify the organisation allowing the financial processes of the Group to be managed within a single functional entity. It will provide access to a spectrum of cost efficiencies including consolidation of Centres of Expertise (COE's) and service centres. To drive consistency of implementation and delivery of the benefits anticipated in the creation of the new integrated function, **David Nagel** is appointed Vice President and Global Head of Finance Transformation.

• **IST** will continue in its role of commercially optimising BP's oil and gas value chains as well as managing BP's interface to the traded markets. IST will continue to be led by Brian Gilvary, Chief Executive IST. In addition:

• We will implement **separate IST Oil and Gas SPUs**. This is a logical evolution of IST's organisation that will simplify Group interfaces and drive efficiency in the Oil and Gas optimisation value chains, whilst continuing to develop our global trading webs and improving controls around our interface to traded markets. These IST Oil and Gas SPUs will be led by **Tim Bullock** and **Paul Reed**, respectively.

1 Together with R&M, we will move towards a **more integrated value chain model** to fully optimise the asset base we have in defined geographies. Many of you are familiar with the integrated IST/R&M webs that have been developed over the last several years. We expect to further **operationalise these webs** over the course of 2008.

- **DCT** – the common transactional **Backbone will be managed centrally** to drive standardisation, increase capability and prioritise spending. I will hold the delegated authority for this "backbone" investment. This simplification in decision-making and business processes is an essential aspect of reducing system investment, driving legacy rationalisation, and improving efficiencies of delivery. The details of how we will organise and implement this activity will be

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finalised over the next several months, once **Dana Deasy**, the new Group CIO, has had the opportunity to assess the best delivery route.

- **Finance** - to avoid confusion with the new integrated FC&A, Planning and Performance Analysis organisation, Finance will be named "**Treasury**". The accountabilities and leadership of this function remain unchanged.
- **Procurement**-- As previously announced, Procurement is being fully deployed into each Segment. We will, however, drive **standardisation** of the end-to-end purchase-to-pay processes and supporting systems via the centrally managed Backbone.
- **Security**-- John Sullivan's **Security and Crisis Management** organisation will report to John Mogford as part of the new Safety and Operations function. The close linkages with Digital Security and a single integrated strategy will be maintained.
- **Internal Audit, M&A, Remediation Management and Tax**— the accountabilities and leadership of these Functions remain unchanged.

The established consultation processes will be followed where appropriate in the impacted areas.

I am confident that we have set the right course to once again beat the competition. Our prioritised focus on **Safety, People and Performance** will deliver the changes required to win.

I look forward to direct dialogue with each team in the weeks ahead as we begin to implement the Forward Agenda for BP.

Byron Grote
12th October 2007