



Leadership Forum - 20th Oct 2010

Highlights

Ex 12639

Worldwide
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Today' s reality - our leadership task



- First Leadership Forum since Deepwater Horizon tragedy
- Traumatic and sobering experience - BP has been to the brink
- Our task is to begin the long walk back to trust
- Leadership are stewards of BP and its long-term future
- Thank you those who helped with response and those who kept things running - deeply impressed by commitment
- Don' t be tempted to get defensive - exception to improving safety record, other parties involved etc.
- It was an unprecedented tragedy, claiming 11 lives and causing the largest ever accidental marine spill. We were responsible for the operation

Foundations for the future



- Global business delivering generally good performance
- Progress on access e.g. recent agreements in Azerbaijan, Egypt, China, Indonesia
- 2Q underlying earnings \$5bn compared to \$2.9bn in 2Q 2009
- R&M showing increased earnings - underlying 2Q performance best since 2006
- Governments still talking to us - impressed by scale of response
- Financially - have acted to meet commitments; suspended dividend; cut capex; secured credit; initiated divestment program of up to \$30bn
- Want to restore dividend - Board committed to consider in run-up to full-year results
- Commitment to US - largest oil and gas producer in US; 23,000 employees; inconceivable BP would turn its back on US

The journey ahead



Learning:

1. Understand and implement *specific* learnings for deepwater
2. Understand *wider* lessons for the way we work

Taking action:

- Many approaches out there to learn from
- Response has begun already - creation of S&OR function; reorganization of upstream; action to align reward with safety

Continuing Deepwater Horizon response



Largest corporate response in history:

- 48,000 people; 7,000 vessels; 120 aircraft, 15m feet of boom
- New subsea and surface technologies; 6 rigs, multiple vessels, complex sim-ops
- 37 claims centers, 3,000 town halls, town meeting, government meetings

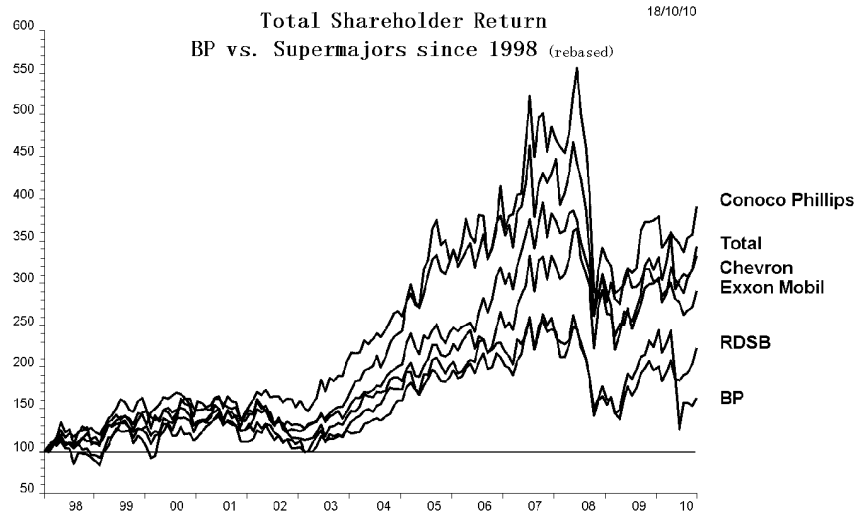
Unprecedented scrutiny:

- 10,000 media stories per day at peak; 24/7 live feed; live TV
- US government - over 65 hearings
- Political stakes high - outer continental shelf a major issue; economic challenges stretching state budgets; mid-term elections approaching

Continuing response:

- Strategy - meet commitments; rebuild reputation through accomplishments; resolve investigative and legal issues
- Structures - \$20bn escrow fund collateralized via GoM assets; GCCF (Feinberg) claims facility; rig workers fund
- GCRO - part of BP America; taking over from unified command in 4Q; covering clean-up, economic damages; long-term research
- GoM subcommittee of BP Board formed

Issues and priorities for shareholders



Key questions on investors' minds



1 How big is the liability?

- Will BP be proven grossly negligent? When will we know for sure?
- What will the ultimate liabilities be? Are you comfortable that a provision of around \$30bn is enough?
- Will you recover partners' shares of costs? What is the position of contractors' liability?

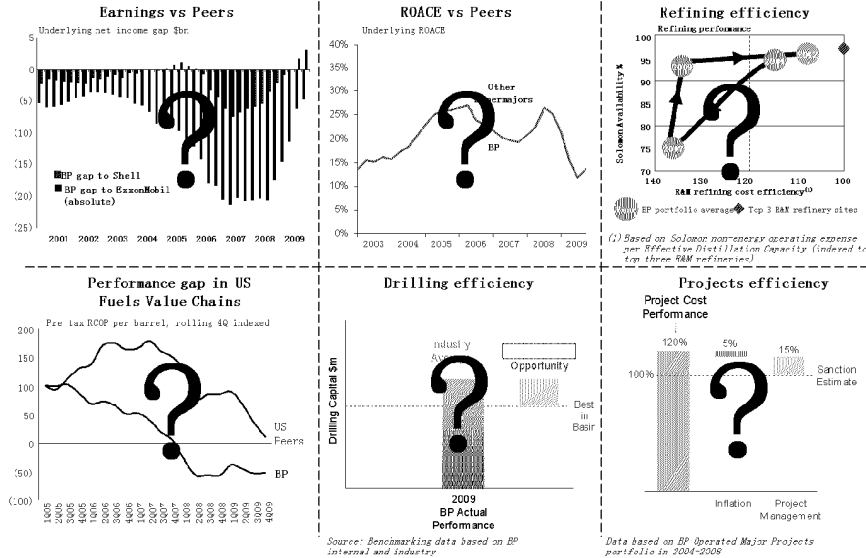
2 What's wrong with BP? Restoring trust

- Why does BP seem to have more incidents than other companies and often in the US? Does BP have a systemic problem with safety? [One more accident could destroy all value...]
- How do you re-establish trust with contractors and suppliers?
- How will you restore trust and confidence in the US?
- Will you become disproportionately risk-averse?

3 What is BP's strategy post Macondo?

- Do you believe in the integrated model?
- Could you become a pure E&P company?
- Do you operate too much?
- Is your US business worth more to others than to BP?
- Would you give up the BP brand in the US?
- Could value be increased by higher reinvestment e.g. in exploration?
- Does a 'British' company have superior potential for partnerships with NOCs? Cross ownership

The message from March 2010 The opportunity *** now in question



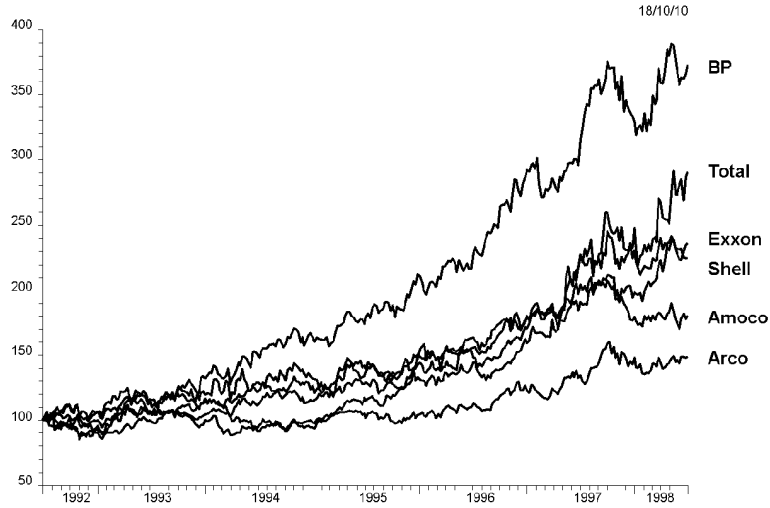
Don't forget momentum built in last
few years – Strategic progress in 2009



- E&P
 - New access: Iraq, Indonesia, Jordan, new acreage in US Gulf of Mexico and Egypt
 - Exploration and appraisal success: Tiber, Mad Dog South, Angola Block 31
 - Major projects: 7 start-ups and 2 sanctioned developments
 - Resource replacement: over 250%
 - Reserves replacement: 129%
 - Production growth: 4%
- R&M
 - Revenues restored: US refining portfolio fully operational
 - Simplification: US convenience retail, reduced marketing footprint
 - Cost efficiency: cash costs down by more than 15% on 2008
- Alternative Energy
 - Focused and disciplined: \$4bn invested since 2006
- Corporate Simplification
 - Headcount: reduced by ~ 7500 to date
 - Cash costs: down by more than \$4bn in 2009

Reserve replacement as reported on a combined basis of subsidiaries and equity accounting entities,
excluding acquisitions and divestments

Seize the moment...the darkest hour can be before dawn : BP vs Peers 1992-1998



Source: Thomson Reuters Datastream

Legal perspective



REDACTED

Dimensions of ultimate resolution



REDACTED

Renewing BP



- Creating more powerful safety and operational risk function
- Restructuring upstream segment into three divisions: exploration; development; and production
- Review of incentives and reward:
 - Immediate action for 4Q to align reward with safety and risk management
 - Longer terms review designed to achieve objectives in safety, compliance and risk management in conjunction with operational, financial and functional objectives
- Review of how we manage contractors - how we ensure same rigor applied by third parties as we apply ourselves

What stays the same?



- OMS remains central framework for systematic operations
- Accountability for safety and risk management remains in the line
- Compliance with regulation and conformance with BP' s mandatory requirements remains a bedrock of BP
- Building competence remains major element in safety and risk management
- GORC and SEEAC remain
- Professional skill sets remain the same

What changes?



S&OR: Embedded S&OR staff have more teeth - more authority to audit, monitor and if necessary intervene; independent and separate from P&L accountability

- Key is partnership between divisions and function - S&OR specialists exist to support as well as police
- In Deepwater Horizon the risk mitigations failed - so *monitoring* of mitigations is vital
- Need to think the unthinkable and be open to learning from others
- Standards not imposed from above but owned by us all - we must honor the system rather than tolerate the system
- Compliance needs to be literal - not a single violation

Upstream: exploration, development and production involve different skill-sets - now held in separate divisions

- More upstream representation on executive team - with separate discussions on each discipline eg for capex

Safety & operational risk



8 Barriers breached

- Engineering, operations, human judgment, team interfaces

26 Recommendations

- OMS/Technical Standards
- Risk assessment / MoC
- Capability and competency
- Contractor oversight and assurance

Focused on D&C

- But themes apply to all

The height of the bar is reset, and the world is watching

- Need to rebuild trust especially in the US
- Continued transparency on our safety performance
- Compliance with regulations and conformance with BP standards



Building blocks remain; focus on implementation



- Strengthen and embed OMS across *all* operating activity
- Accelerate improvement in process safety and risk management
 - Active focus on key risks, compliance and BP' s mandatory requirements
- Continue to build S,O,E competencies and clarity on expectations
 - “What good looks like” ; Independent authoritative input
- Maintain independent audit, consider additional scope
- Exec and Board processes including GORC and SEEAC remain and intensify – Risk transparency

Systematic and disciplined operations remain the norm:

- Systematically manage operational risk
- Drive competencies and behaviours for strong process safety and risk management
- Demand independent checks and balances
- Embed disciplined use of standards
- Foster professional pride and energise S,O,E people

Main components of improvement strategy are sound;

- OMS is at the core and remains central to improvements

Need to accelerate full conformance with standards and ethos of operational rigor;

- Need to further deepen process safety competency for operations leaders
- Make sure BP minimum requirements are adhered to
- Ensure that the highest priority OMS gaps are being addressed with the right priority

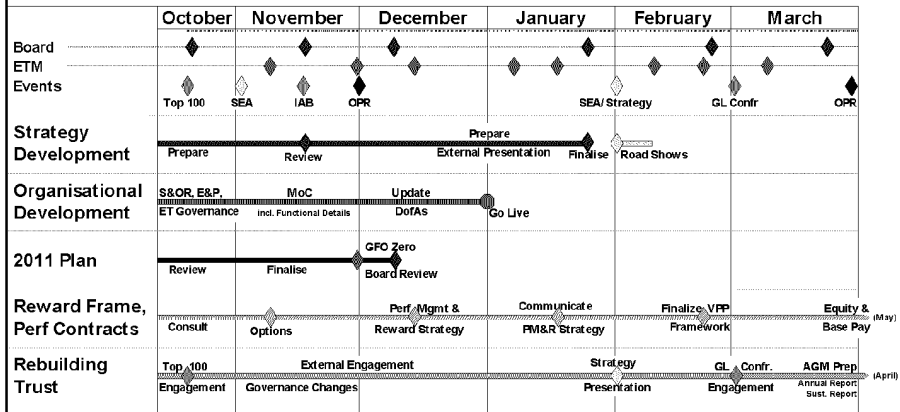
Audit scope broadens to cover projects & drilling activities

S&OR “re-design” focus areas



1. Strengthen independent checks and balances
 - Hardwire embedded S,O,E teams to S&OR function
 - Strong S&OR input on people, portfolio, investments
2. Strengthen systematic management of S&OR competency, capability building, safety leadership development
3. Accelerate conformance with OMS across all operating sites
 - Quality of technical standards, clear minimum requirements
 - All deviations escalated
4. Relentless focus on S,O,E risk mitigation
 - Central risk assessment capability
 - Bottoms-up transparency
 - Risk assessment and OMS P.I.C integrated into planning process
5. Investigation quality and learning from incidents
 - Quality control, follow-up rigor

Road-map to March 2011



What we need from leaders



What we deliver

- No more accidents - meet obligations - do the right thing
- Thinking long-term - leadership a small group out of 80,000 - long term stewards of company with a history of more than a century
- Make partnership between S&OR and businesses work
- Make upstream reshaping work - proactive in shaping the future
- Review compliance to check it is 100%
- Review risk mitigation and monitoring
- Inspire our people - they need reasons to believe in BP
- Speak up - raising your hand to acknowledge a problem is acceptable

How we behave

- Humility: BP has been highly successful - but we need to learn
- Commitment: Our response shows the commitment exists - needs to be translated into discipline and rigour
- Teamwork: Must be 'One BP' - no 'us-and-them' attitudes - diversity and inclusion vital
- Transparency: Being open and honest internally and externally

Conclusion - reasons to believe



- Great assets
- Financial strength
- Continuing support from governments
- Continuing support from shareholders
- Continuing custom from customers
- Committed people - the commitment we have seen in the last 6 months is the quality that means BP has a future
- 80,000 people want to make this company work
- They depend on the 100 in this room to lead them