



Management of Risk in the Supply Chain

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Use of Contractors within BP

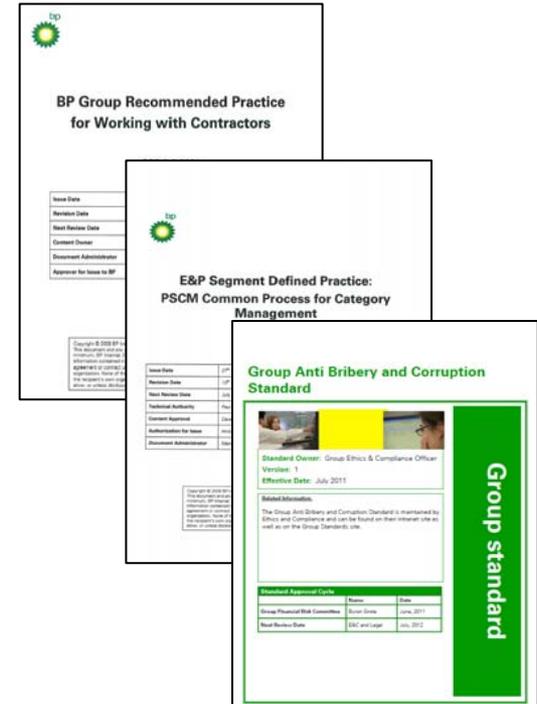


- **113,000** contractors
- Over **60%** of the hours worked
- **80%** of spend
- Contactor injury rate **60% higher** compared to employees.
- Will continue to review

Managing contractors in BP – systems & processes



- **Code of Conduct**
- Group **Anti Bribery and Corruption Standard**
- Group-wide **Operating Management System**
- BP **Group Recommended Practice**
- Exploration & Production **Segment Defined Practice**
- Common tools and processes for use across **Refining and Marketing**



Contractor management review - scope



- **2010 Sustainability Review;**

“.....review of the way we work with contractors for all onshore and offshore rig activities with a particular emphasis on managing safety and operational risk.

.....What we learn from this review will inform our overall approach to contractor management throughout the group.”

- Phase I of the **contractor management project** is complete

- Understand how organisations manage contractors involved in high impact activities

- Learnings from within BP and 21 major organisations across 6 sectors:

1. Airlines
2. Mining
3. Construction
4. Pharmaceuticals & Chemicals
5. Nuclear
6. Space (NASA)

Contractor management review - recommendations



- Leading organisations
 - value **fewer, deeper, and longer** relationships with contractors
 - implement a structure that **drives predictable outcomes**
 - focus on the **operational activities** needed to make the relationship work

- BP leadership has identified **six key themes**:
 1. Consistent **standards and priorities**
 2. **Fewer contractors** to enable **deeper, longer-term relationships**
 3. Detailed and **systematic selection** of contractors
 4. **Clear and specific contracts**
 5. Intensive **oversight** and **verification**
 6. Assurance that **contractor personnel** are **competent**

- We have been, and are in action on each of these 6 themes

Recommendation 1

Consistent standards and priorities



- Consistent **standards & priorities** delivered through Divisional structure
- Our **priorities** are clear
- **Executive Team members** review of potential high consequence risks
- Continuing to improve our **Standards**



For example:

Dynamically positioned rigs contracted by BP must now have no fewer than two blind shear rams and a casing shear ram

Recommendation 2

Fewer, deeper, longer-term relationships



- **Fewer** contractors
- **Long-term** integrated relationships
- Focus on **potential high consequence activity**
- **Strategic contractors** identified based on risk and spend
- **Executive sponsorship** and regular performance reviews

For example:

Approximately 50% of overall global project spend over the next three years will be with 11 strategic contractors.



Recommendation 3

Detailed and systematic selection of contractors



- **Contracts governance boards** established in our Developments and Production Divisions
- **Due diligence**
- **Approved Vendor Lists**
- **Audit**



For example:

31 audits of potential contractors for our global projects have taken place to date – evaluating their HSSE, anti-bribery and corruption & quality processes, together with their financial health.

Recommendation 4

Clear and specific contracts



- **Potential high consequence activity** contracts:

- Safety enhancements
- Standard contract terms and conditions
- Schedules of responsibilities
- Contract briefs



Recommendation 5 Oversight and verification



- New **metrics**
- **Safety and Operational Risk Committees** established
- **Rig audit**
- Operational **inspections** of Wells activities
- Targeted **interventions**
- Operations **shutdown, paused or delayed**



For example:

Third-party certification of subsea BOPs has been undertaken by DNV and West Engineering

Recommendation 6 Capability

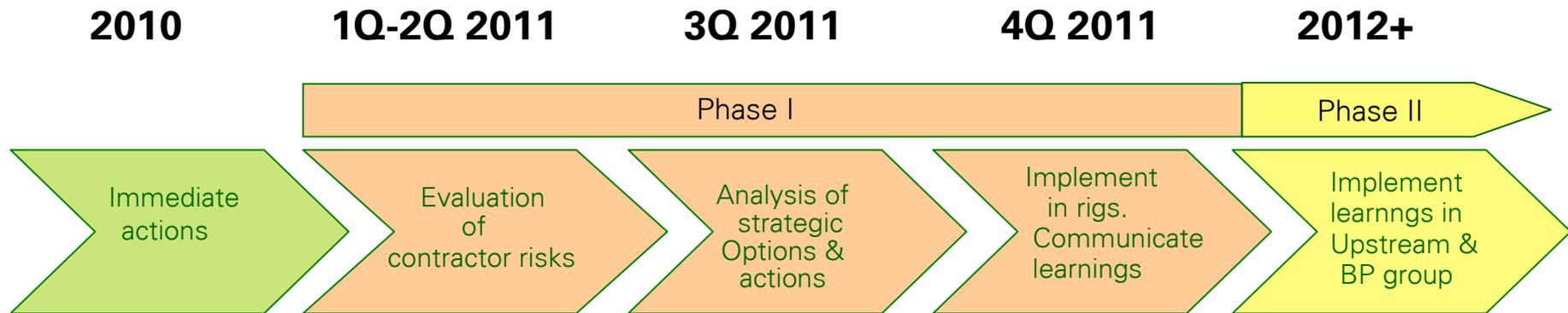


- BP Capability
 - PSCM **standard structure** in place
 - A **recruitment programme** is underway
- Contractor Capability
 - **Critical positions**
 - Capability **assessments**

For example:

14 capability assessments of cementing contractors have been completed.

Contractor management review - timeline



- In action – more to do:

- Implement **Phase I**, starting with drilling rigs.
- Commence **Phase II**, across the BP Group

- Phase II:

- **Updates** to our systems and processes
- **Linking** our systems and processes together
- **Education**

Progress on Bly report implementation



BP's drilling operating practices and management systems

- 1 Update and clarify cementing guidelines
- 2 Update requirements for BOP configuration
- 3 Update requirements for negative pressure tests and lock-down rings
- 4 Update practice on pressure, including contingency and testing procedures
- 5 Strengthen incident reporting standards for well control and well integrity
- 6 Propose recommended practice for foam cement testing to API
- 7 Assess risk management and MOC processes for life cycle of D&C activities
- 8 Strengthen the technical authority's role in cementing and zonal isolation
- 9 Enhance D&C competency programs for key operational and leadership positions
- 10 Develop advanced deepwater well control training
- 11 Establish BP in-house expertise for subsea BOP and BOP control systems
- 12 Request IADC to develop subsea engineering certification
- 13 Strengthen BP's rig audit process to improve closure and verification
- 14 Establish KPIs for well integrity, well control and rig safety-critical equipment
- 15 Require drilling contractors to implement auditable integrity monitoring system



We continue to make progress against the **26 recommendations**

- ◆ Recommendation complete
- ◆ Recommendation completion estimate
- ◆ Technical work for subsea rigs completion estimate
- Activity delivery
- Sustain in OMS

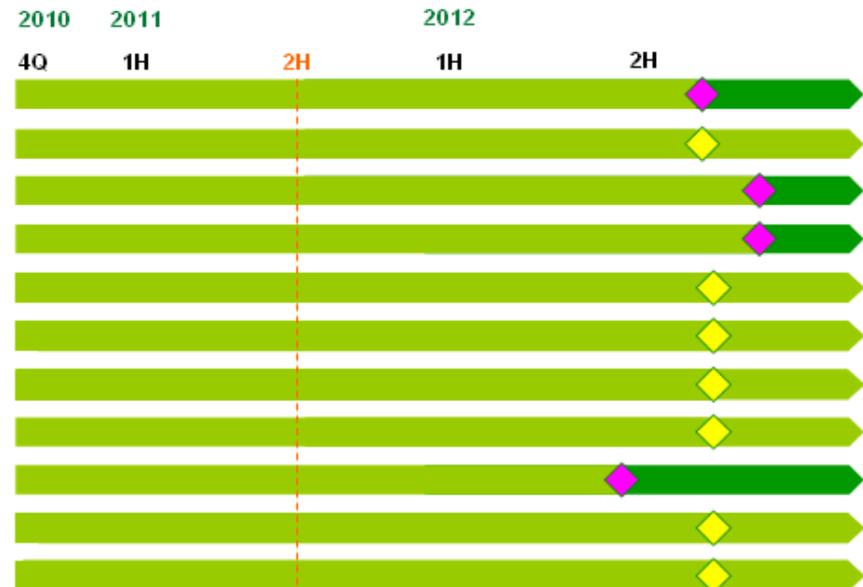
The process for implementing the Bly Recommendations is firmly in place. The timelines are estimates based on existing facts, circumstances and planning status. While these estimates reflect the team's best judgment, they can change depending on circumstantial factors such as complexity, resource availability and evolving regulatory requirements.

Progress on Bly report implementation (2)



Contractor and service provider oversight and assurance

- 16 Assess cementing service provider capabilities
- 17 Confirm well control and monitoring practices are defined and applied
- 18 Require hazard and operability reviews for surface gas/drilling fluid
- 19 Include study of all surface system hydrocarbon vents in all HAZOPs
- 20 Establish minimum levels of redundancy and reliability for BOP systems
- 21 Strengthen BP's requirements for BOP testing by drilling contractors
- 22 Strengthen BP's requirements for BOP maintenance by drilling contractors
- 23 Set minimum requirements for drilling contractors' MOC for subsea BOPs
- 24 Develop a clear plan for ROV intervention for each of BP's operating regions
- 25 Require drilling contractors to verify BSR shearing performance capability
- 26 Include testing and verification of revised BOP standards in rig audit



Recommendations 17, 20, 21, 22, 23 and 25 will be worked on and rolled out together as they require contractual changes.

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