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Responsible investor

Briefing

Monday 21st March 2011

We received several requests for information from the investor community, keen to understand our response to the Bly report recommendations. Below is an update on the project of implementation of the 26 recommendations.

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Methodology for implementing the Bly report recommendations

We have prioritised the Bly Report recommendations and the associated actions to deliver those recommendations in two phases. In conducting this prioritisation we have carefully taken into account both the pace of delivery and the over-riding need for quality implementation of each action, and consequential risk mitigation. We intend to do the same throughout the implementation process.

We are also mindful that external factors such as work by industry bodies (e.g. API and OGP) and the output from the ongoing investigations may impact the content, and therefore potentially the anticipated time scale of our work to implement the relevant Bly Report recommendations. Some actions depend on others (e.g. contractors and industry trade associations) resulting in a range of potential delivery dates.

We have also put in place a broader framework to further manage and reduce risk, based on reducing both the frequency and consequences of well control incidents.

1. The *frequency* element of reducing risk is being managed by focussing on the prevention of an incident. In this area we have a **7 point strategic agenda** which covers Standards, Compliance, Risk Management, Capability, Contractor Management, Redefining Performance and Technology.

2. The *consequence* element of reducing risk is designed to enable us to isolate a well should a well control incident occur; clean up the oil; drill a relief well, and coordinate the overall response.

To implement this framework, we are working to update existing standards and/or create new standards where applicable.

We are making progress in implementing the Bly Report recommendations and are doing so at the correct pace to maintain quality and enable rigorous implementation down to the front line. To this end, we have established a project based approach:

1. We have established a new centralised Global Wells Organisation. The Vice President of Global Wells has overall accountability for action closure.
2. A Project Manager was appointed last November to lead the implementation of the Bly Report recommendations, and a project team was in place shortly thereafter. The Project Manager reports directly to the Vice President of Global Wells.
3. A Project Execution Plan has been established, involving Terms of Reference for each recommendation.
4. We have in place a Project Management Steering Team and an Executive Steering Team to oversee delivery
5. The Global Wells Organisation will carry out a programme of ongoing oversight and verification of action closure.

Audit verification and tracking process

S&OR Audit is establishing a process to independently verify action closure.

- S&OR Audit has tested the proposed Deliverables associated with each Terms of Reference to confirm that the Deliverables can be verified.
- When the Global Wells Organisation is satisfied that a Deliverable has been completed, S&OR Audit will undertake additional verification of action closure.
- S&OR Audit verification will be undertaken using the S&OR Audit verification team; they have well-established processes for verifying closure of S&OR audit actions.

Lastly, Internal Audit will also audit the implementation process.