



“Designing and Developing a Compliance Program”

Michael Berry
Workshop on Regulatory Compliance
July 8, 2008

Contents



- Context
- Designing a compliance framework
- Developing a compliance program
- Independence of the Compliance Department
- Compliance Department structure
- Training and development

Designing a compliance framework



- Management support and resourcing
- Clear written standards and controls
- Effective training and communication
- Consistent monitoring and reporting
- Consistent enforcement
- Due care in delegating authority
- Continuous improvement

Developing a compliance program



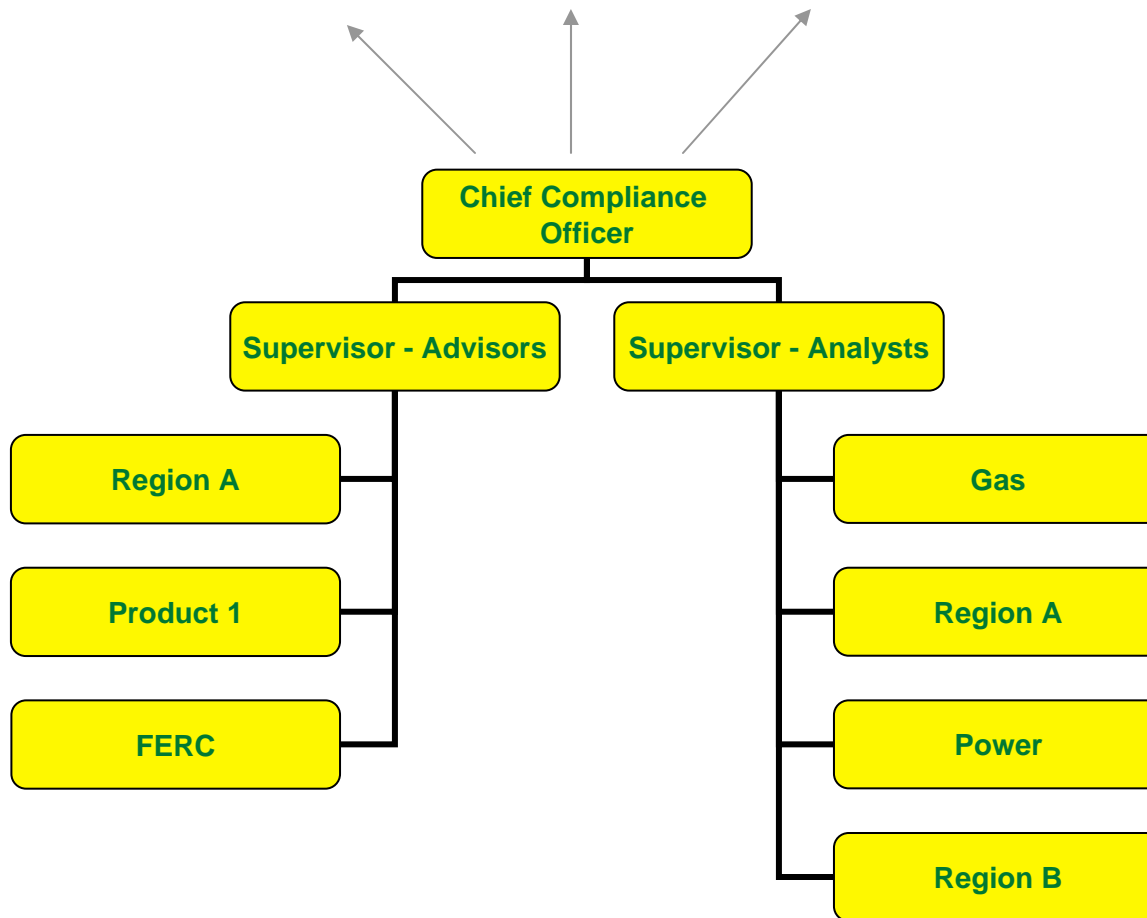
- Determine the reporting relationship
 - Independence is key
- Determine the department structure
- Define accountabilities
- Coordinate activities across various functions, e.g. Legal, Regulatory Affairs, Trade Control and Risk
- Staffing
 - Easy to say, harder to do. Finding people that know regulatory structure, trading and marketing, as well as specific regulatory requirements can be challenging.

A key factor in the development of the Compliance Program is the scale and scope of the organization.

Possible reporting and department structure



Several alternative reporting relationship possibilities.



Accountabilities



- Policy and Procedures
 - Development, training and implementation
- Training
 - Rules, regulations, policies
- Surveillance
 - Transactions
 - Communications
 - Business process
- Advice
 - Responding to day to day inquiries
 - Input into decision making regarding strategies and activities
- Quality Assurance
 - Quality control and assurance reports to senior executives

Training is key!



- Clear and effective standards – Emphasis on BP Code of Conduct
- Further required training – BP Passport to Work
 - Anti-Market Manipulation
 - Asset Management Regulatory Awareness
 - Anti-Bribery, Anti-Money Laundering
 - Business Communications (incl. mobile phones, e-mails, IMs)
 - Performance Management of Compliance
 - Power Trading Compliance
 - Deal Entry & Price Reporting

IST's lines of defense



IST follows a model that allocates specific roles in the management of risk across the organization. This model is based on the concept of 'three lines of defense'.

First Line of Defense

The first line of defense lies with the IST front office, their line management (Trading SPAs), and continues throughout the organization through to the GVPs and Chief Executive of IST. The primary accountability for performance management and risk control over transactions lies with the IST GVPs. Their formal accountabilities include the requirement that the business within their remit is conducted in a compliant manner.

Second Line of Defense

Oversight and monitoring of regional activity is applied by the functions reporting to the GVP, Head of Financial Resources, Finance and independently by IST Compliance. This includes the development of global Operating Standards and Control Processes.

Third Line of Defense

Independent and objective assurance on the effectiveness of control systems is provided by Group Internal Audit. In addition, GC&E carries out further assurance procedures, including the Annual Certification process and monitoring of OpenTalk.

All staff have responsibilities with respect to behaving in a compliant manner and raising issues where necessary.

Leadership fosters a compliance culture



- Genuine support and positive **“tone from the top”**
- Compliance emphasis continues:
 - Embedded in governance structure
 - Leadership **“Townhalls”**
 - Smaller team meetings
 - Regular and routine employee communications
 - Compliance **“Moments”** & **“Stand-downs”**
 - Making Compliance a part of our **“DNA”**

A continuing journey: Developing sustainability



“Compliance is about individual and organizational behavior and is the shared responsibility of everyone who works for BP or at a BP facility. It begins with your personal commitment to doing the right thing.”

“Our goal is to provide the training, resources and know-how you need to work within the rules. We want a workplace in which everyone is comfortable voicing their concerns and in which everyone knows that what they say matters.”

“Compliance is essential to “quiet running” and to building a company that deserves the trust of customers, investors, employees, regulators, and the communities in which we operate.”

-- BP America Chairman and President Bob Malone
Latest Employee-wide Compliance Message
June 3, 2008