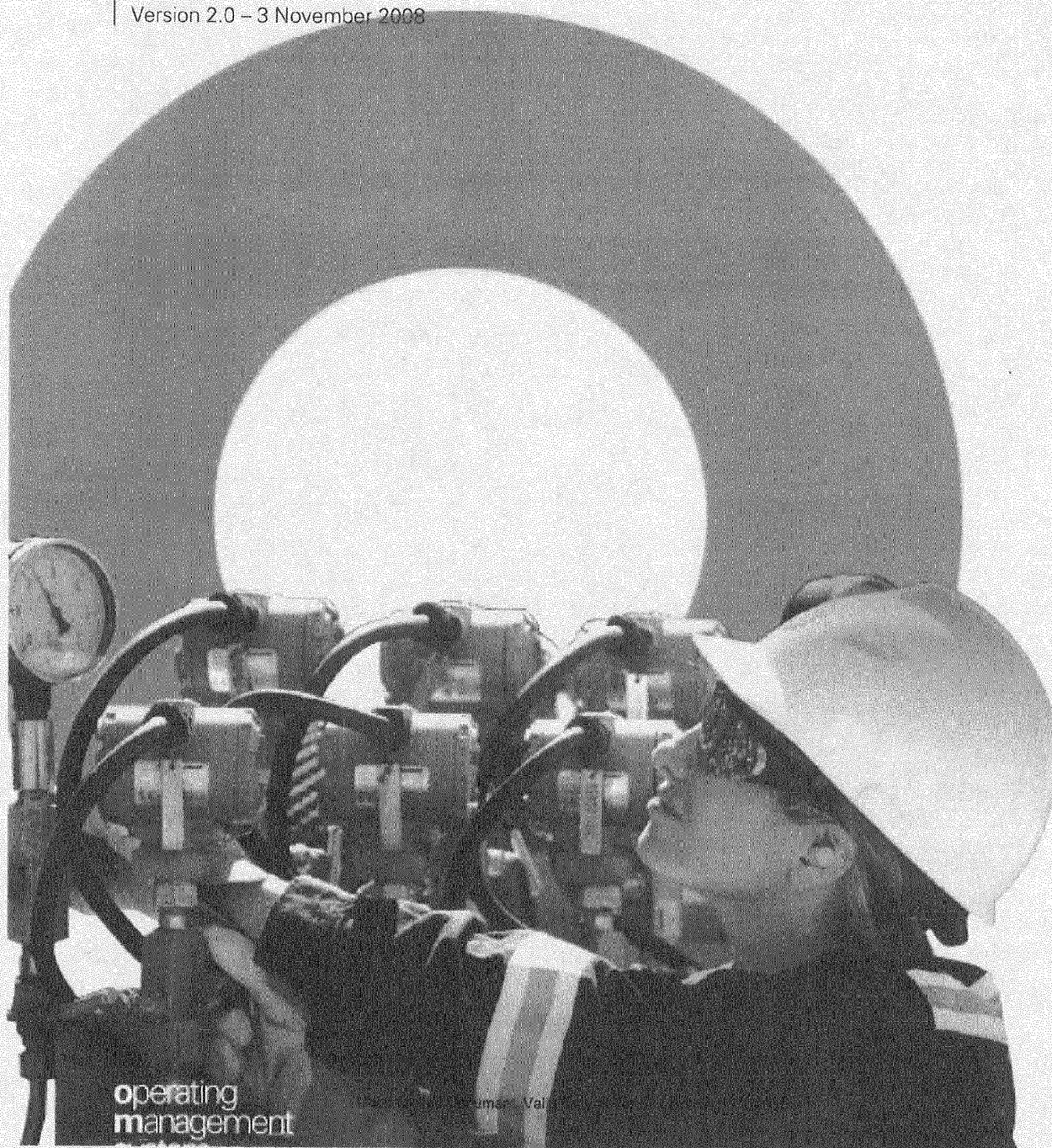


The BP Operating Management System Framework

Part 3 – OMS Performance Improvement Cycle

GFD 0.0-0003

Version 2.0 – 3 November 2008



operating
management

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Please note: This revised version (2.0) of OMS Part 3 has been produced for application at entities which are transitioning or have transitioned from gHSEr to OMS as its management system.

This version (2.0) of OMS Part 3 has been revised following learning from OMS implementation and to align with revisions in other OMS Framework documentation.

OMS Part 3 is one of the four parts comprising the OMS Framework documentation. All four parts have been revised to create Version 2.0 of the OMS documentation and are issued as a suite of four documents. This has enabled simplification of the documentation through the removal of common contextual detail that was needed when each document stood alone.

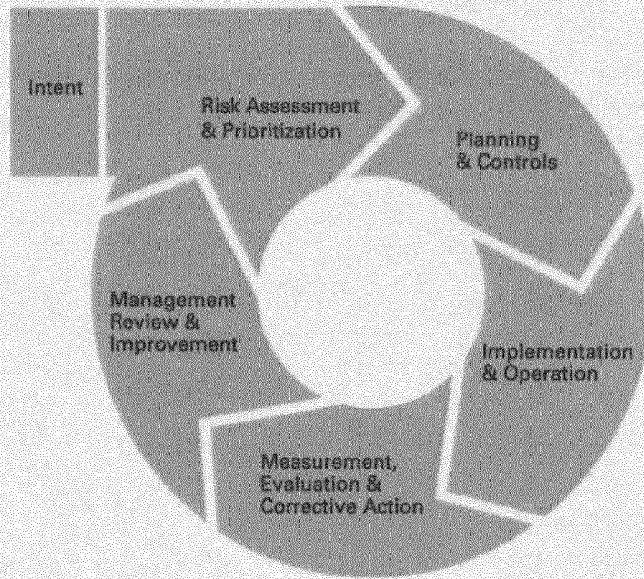
These detailed requirements of the OMS PIC are also included in the revised version of OMS Part 2 referenced against the relevant sub-element of operating.

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Part 3 – OMS Performance Improvement Cycle



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1. What is this document?

OMS Part 3 is one of four documents comprising the Operating Management System (OMS) Framework suite of documentation. It describes and brings together the requirements of the Performance Improvement Cycle, which is of fundamental importance to OMS and its effective application is key to bringing OMS to life.

It is necessary to read this OMS Part 3 document in conjunction with the other parts of the OMS documentation to fully understand what is required to successfully implement and maintain OMS at an entity.

Given the vital importance of continuous risk reduction, a limited number of supporting Group Defined Practices with which every entity shall comply are detailed in Part 2 of OMS. In particular this Part 3 document should be read in conjunction with the Group Defined Practice GDP 3.1-0001 "Assessment, prioritization and management of risk"¹.

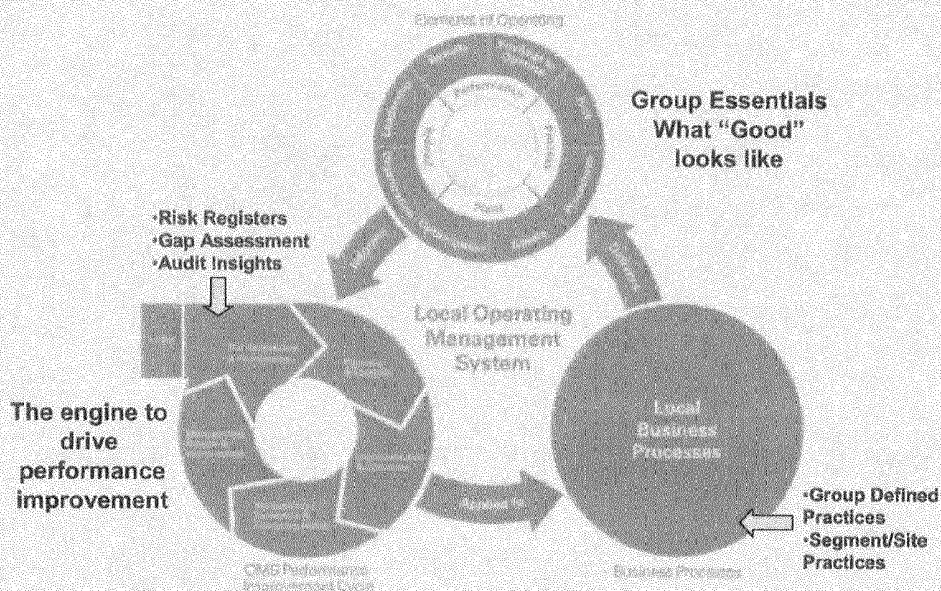
¹ Issued as Implementation draft Group Defined Practice January 2008.

2. What is the Performance Improvement Cycle?

Successful delivery of our performance goals and targets requires the rigorous application of a systematic improvement process within each entity. The Performance Improvement Cycle (PIC) helps identify, prioritize, plan, implement and embed improvement opportunities, and provides a common approach for our entities to drive and embed improvements through its annual application and link to the annual planning process.

Continuous Improvement (CI) is a key aspect of delivering performance improvement, and is defined by the Centre for Chemical Process Safety as “doing better as a result of regular, consistent efforts rather than episodic or step-wise changes, producing tangible positive improvements either in performance, efficiency or both”. Whilst this Part 3 document focuses on the application of the PIC and how to apply it at least annually as part of each entity’s local OMS, the principles and methodologies of CI should be regularly applied to all operating activities at all levels. It is important to make a clear distinction between performance improvement as delivered through annual application of the PIC, and CI which focuses on regular and incremental improvements in all operating activities as described in the CI Sub-element of Operating (6.8).

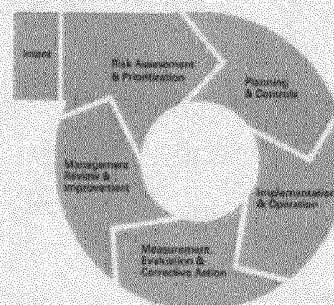
At the most basic level, the OMS framework operates by applying the PIC to local business processes. This helps to deliver the Group Essentials – outcomes required by the Group and defined in OMS Part 2. The framework is illustrated below:



The vehicle for delivering these outcomes is the local OMS. It is developed, implemented and sustained locally, translating legal and regulatory requirements applicable to operating, BP requirements and business requirements, into practical plans for reducing risk and delivering strong sustainable performance.

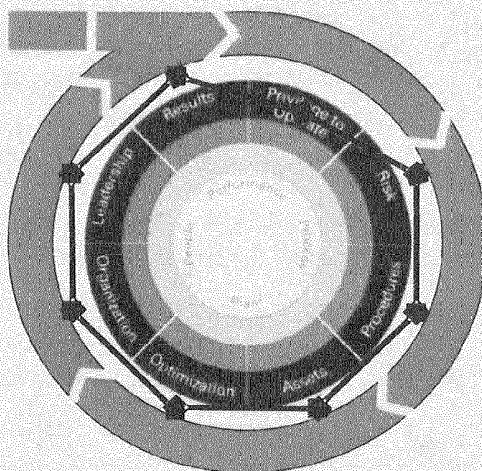
The PIC is modelled on the International Standards Organization Plan-Perform-Measure-Improve cycle and has been adjusted with the addition of two steps at the start of the cycle: (1) Intent and (2) Risk Assessment and Prioritization to ensure their importance as part of the planning process is recognized. The PIC is detailed and illustrated here:

1. Intent
2. Risk Assessment and Prioritization
3. Planning and Controls
4. Implementation and Operation
5. Measurement, Evaluation and Corrective Action
6. Management Review and Improvement



Each local OMS is described and summarized in a Local OMS (LOMS) Handbook, which is maintained electronically or in paper form. The LOMS Handbook includes a summary of how the PIC is applied to local business processes to help deliver the Elements of Operating and associated requirements identified in Part 2.

The annual PIC starts with risk assessment and prioritization based on a full or updated gap assessment against the Group Essentials². This gap assessment identifies performance gaps against the Group Essentials as shown in the diagram below, and helps to prioritize areas for improvement.



² Part 4 provides details of the gap assessment process and defines requirements for full gap assessment using the Group Essentials Gap Assessment Tool.

3. What requirements are defined in the Performance Improvement Cycle?

This section provides a summary of each step of the PIC and details the requirements for its application. These requirements are included in Part 2 of OMS as Group Essentials' (GE) statements, but are reiterated in Part 3 to demonstrate the fundamental importance of the PIC, and to show how the requirements are brought together into an annually applied cycle.

3.1. Intent

Principle: Leaders provide the vision and set the expectations for operating performance through a local operating policy and consistent actions.

Each BP entity shall:

- Define and then annually review and communicate to the **workforce** an **entity** vision that includes details of how the application of OMS will enable continuous **risk** reduction and performance improvement and **safe, responsible and reliable operating**. (GE 1.1.1)
- Maintain and communicate to the **workforce** a local **operating** policy consistent with the **entity** vision and OMS, and that includes the **BP Commitment to Health, Safety, Security and Environmental Performance**. (GE 1.2.2)
- Develop and annually review a statement of intent aligned to the **entity** vision and operating policy, explaining the objectives and scope of the local OMS. (GE 1.2.3)

3.2. Risk assessment and prioritization

Principle: Risks and performance gaps are identified and opportunities for improvement are prioritized with applicable legal and regulatory requirements met.

Each BP entity shall:

- Develop and then update at least annually an **entity level risk register** which considers hazards and **risks** relating to operating performance. The **risk register** shall include the assessed impact and probability for each identified **entity level risk** and identify plant, process, people and performance **risk reduction measures** that are in place to manage those **risks**. (GE 3.1.1)
- At least annually update a gap assessment of the **entity's** operating activities against the Group Essentials, GDPs and segment, SPU and **entity** requirements. The gap assessment against the Group Essentials requires a full assessment with a facilitator who is external to the **entity** when first transitioning to OMS and thereafter every three years. (GE 3.1.3)

- Benchmark good operating practices from across the BP Group and/or external sources to identify opportunities for **risk** reduction and **operating** performance improvement. (GE 2.4.2)
- Identify and document **risks** and opportunities to be addressed in a prioritized way through the local OMS and include them in the annual planning process. (GE 1.3.1)

3.3. Planning and controls

Principle: Plans establish clarity about intended activity and controls confirm objectives are sustainably achieved.

Each BP entity shall:

- Incorporate objectives, targets, actions and accountabilities into the **annual plan** to manage **operating risk**, to deliver the requirements of OMS, and to close gaps against the Group Essentials. (GE 1.3.2)
- Identify the resources needed to **implement** the **annual plan**. If resource constraints are identified modify the **annual plan** consistent with the need to maintain **safe, responsible and reliable operating**. (GE 1.4.2)
- Establish control mechanisms to address **risks** to the delivery of the **annual plan** and assess performance against the plan. (GE 1.3.3)

3.4. Implementation and operation

Principle: Activities are carried out consistent with the plan to meet commitments as well as legal requirements.

Each BP entity shall:

- Communicate the relevant parts of the **annual plan** and targets to the **workforce** and other identified stakeholders, and translate and include them in annual team and personal objectives. (GE 1.4.1)
- **Implement** the **annual plan** mobilizing identified resources. (GE 1.4.3)

3.5. Measurement, evaluation and corrective action

Principle: Monitoring and measurement are carried out to determine if applicable requirements and plan targets are being met and controls are effective.

BP entities shall:

- Apply control mechanisms to identify shortfalls against the **annual plan**, and put in place corrective actions. (GE 1.4.4)

- Verify completion of the identified compliance tasks to meet applicable **legal and regulatory HSSE requirements**, report and investigate instances of non-compliance and take action to prevent recurrence. (GE 7.1.6)

3.6. Management review and improvement

Principle: Management verify the statement of intent is being met, and review the local OMS implementing any identified changes.

Each BP entity shall:

- Conduct formal documented **Management Reviews** at least annually of the local OMS to determine its overall effectiveness in delivering continuous **risk** reduction and performance improvement across the Elements of Operating. (GE 8.3.1)
- **Implement** and maintain a process to revise the local OMS with learnings identified at **Management Reviews** and in response to updates to Group, Segment and SPU requirements. (GE 8.3.2)
- Track to completion improvement action items resulting from **Management Reviews**, reporting overdue action items to entity management at defined intervals. (GE 8.3.3)

S&O Audit will maintain a list of those entities assessed to carry the highest potential risk profiles, and conduct an audit of these entities once every three years.

4. How is performance improvement embedded and sustained?

The PIC is applied at each entity on at least an annual basis to systematically drive continuous risk reduction and performance improvement, linked to the annual planning process for the allocation of resources and budgets. It requires a commitment from all levels of the entity to regularly review performance to identify opportunities for improvement. This starts at the highest level of each entity by the management team completing the final part of the annual PIC – Management review and improvement. Application of this step in the PIC identifies and sustains improvements by embedding learnings in the local OMS and LOMS Handbook.

Each LOMS Handbook should describe how the PIC is linked to the annual business planning cycle, and how after each annual cycle the LOMS should be updated to reflect improved processes and operating performance. Multi-year application of the PIC, based on gap assessment, drives performance improvement and delivers the Group Essentials. It also creates a platform for sustainable improvement, allowing us to capture additional value through efficiency. Once the essentials level of performance has been achieved and sustained, efficient and excellence levels of performance should be targeted in those sub-elements of operating consistent with the entity operating policy.