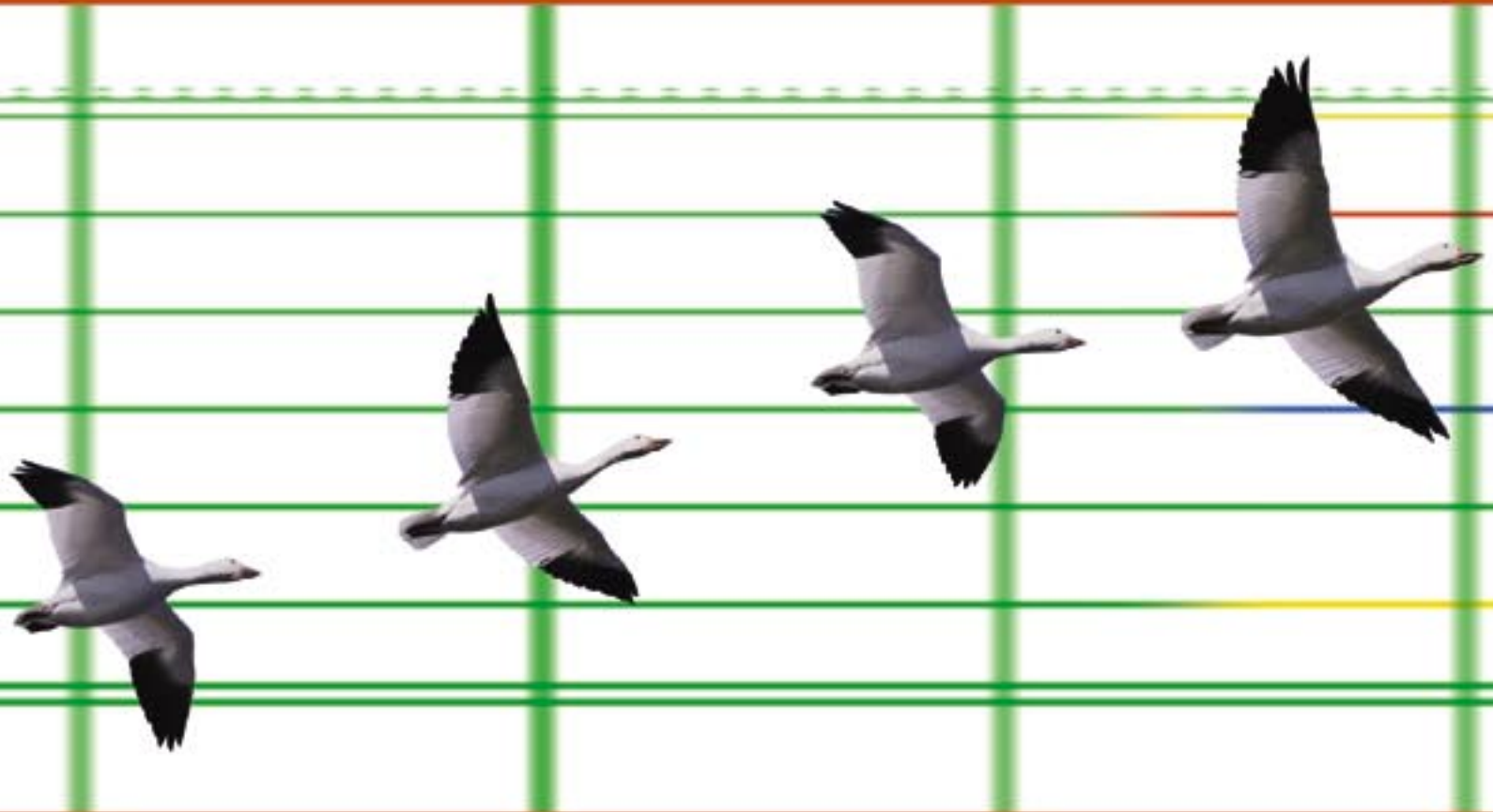


BP Amoco



ENVIRONMENTAL AND SOCIAL REPORT

1998

why IT REALLY MATTERS

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why IT REALLY MATTERS

On 31 December 1998, BP and Amoco merged and BP Amoco p.l.c. came into being.

The goals for the newly merged group, which have been defined and published, are set out here:

- The world's need for energy is growing steadily day by day. Energy and materials, used safely and efficiently, are essential to the prosperity and growth of every country and every region in the world. Sustaining and enhancing our quality of life depends on them.
- BP Amoco's goal is to play a leading role in meeting these needs from oil, gas, solar power and petrochemicals without damaging the environment.
- Ours is a positive, progressive involvement. Innovation will be the hallmark of the way we work with people, technology, assets and relationships. We will always be constructive, using our know-how to produce constructive and creative solutions to every challenge.
- Our success depends on our making, and being seen to make, a distinctive contribution to every activity in which we are involved.

BP Amoco is committed to reporting not only its financial results but also its environmental and social performance. For a full picture of our performance during the year, this report should be read in conjunction with the BP Amoco Annual Report and Accounts 1998 and the BP Amoco Financial and Operating Information 1998.

Copies can be obtained from the address on the inside back cover.

BP Amoco p.l.c. is the holding company of one of the world's largest petroleum and petrochemicals groups. Our main activities are exploration and production of crude oil and natural gas; refining, marketing, supply and transportation; and manufacturing and marketing of petrochemicals. We have a growing activity in solar power generation.

BP Amoco has well-established operations in Europe, North and South America, Australasia and parts of Africa.

what WE MEAN BY PERFORMANCE

The primary purpose of BP Amoco is to deliver a strong competitive return to the people who have trusted us with their capital. That is the driving force behind our commitment to play a progressive and constructive role in the world in which we operate.

To achieve commercial success we need to ensure that the products and services we supply match the needs of our customers, and that the way we behave matches the standards which the world rightly expects from one of the world's largest companies.

That begins with the establishment of basic standards of care: to ensure that our operations are safe, and that all our relationships, within the company and beyond, are based on a respect for the law and for the rights and dignity of each and every individual. All that is essential but it is only the starting point. We have to do more, and to demonstrate that we can make a positive contribution to the development of the society of which we are part.

The key area where action is necessary is the environment. Although the science is still provisional, the legitimate concerns about the risks of a fundamental change in the earth's climate are too serious to be ignored. Precautionary action is justified and necessary. At the same time pollution, particularly in terms of air quality, is an immediate problem in many cities around the world. Those concerns are increased by the growing demand for oil and natural gas, driven by population growth and economic development.

I believe it is possible to demonstrate that oil and natural gas can be found, produced, refined and used without causing harm to the environment.

To that end we have announced detailed targets during the last year for the reduction of carbon dioxide emissions from our operations, backed



up by an internal emissions trading system which will help us to ensure that our target is reached at the lowest possible cost. We have also introduced a new offer of clean fuels, including very low sulphur diesel, which will give consumers a new and distinctive choice in a range of cities around the world over the next two years.

The environment is the primary challenge facing the industry, but it is not our only responsibility. We must also demonstrate that we can make a real contribution to the development of the communities in which we operate – encouraging the development and acquisition of skills and setting standards which help to drive out the evil of corruption.

This report describes what we do and how we work in a number of areas around the world. It should be read as simply a summary of work in progress. In many, many areas we recognize that we have a great deal to learn – from experience, from NGOs and other organizations, from local communities and from our own staff. The importance we attach to this activity is demonstrated by the link to the board provided by Chris Gibson-Smith who is the responsible executive director.

We are determined as we move forward to apply to our performance in these areas the same rigour we apply to the delivery and reporting of our financial performance – measuring, setting targets as part of an overall performance contract and reporting openly on how we have done, using independent, external auditing and verification processes wherever possible.

For BP Amoco there is no trade-off between our commercial and financial performance and our standards of care. We believe that success in both areas is not only essential but also mutually reinforcing. In helping to create a better world, we can build a better company.

Sir John Browne
Group Chief Executive
April 1999

what's

IMPORTANT TO US

ISSUES THIS SECTION REVIEWS
OUR PROGRESS TOWARDS
SOME OF THE GOALS WE HAVE
SET OURSELVES. IT COVERS:

- 5 Health, safety and environmental performance in 1998 – an overview
- 5 Environmental issues – our actions: climate change and global warming air quality and clean fuels solar investment and development
- 7 Social performance – an overview
- 8 This report – developments since the first BP Social Report

OUR HEALTH, SAFETY AND ENVIRONMENTAL PERFORMANCE

Overall, our HSE performance continued to improve in 1998. Safety performance, as measured by the injury frequency, was 30% better than in 1997.

Environmental data was collected differently in BP and Amoco, so our year-on-year comparisons are with previous BP performance. On this basis we made further solid progress in 1998. Our total emissions per unit of throughput declined by 7.5%, total emissions to air were down 12%, hydrocarbon emissions to air declined 11% and discharges to water declined 10%. In addition, we now have 30 sites that have been certified to the ISO 14001 environmental management standard.

We continued to review and improve our oil spill reporting procedures. Partly as a result of better reporting, we recorded 20% more oil spills in 1998. More than 70% of the oil spilled was recovered. This performance was not good enough and we are targeting real improvements in 1999.

Seven employees and 26 contractors died while working for BP Amoco during 1998, mostly in road accidents or incidents involving criminal violence. This level is wholly unacceptable to us but is influenced by the variety of locations and circumstances in which we operate worldwide.

ENVIRONMENTAL ISSUES – OUR ACTIONS

Climate change

In 1998 we kept our promise to take action in response to widespread public concern about climate change.

Highlights of the year included:

- Our target to reduce group-wide greenhouse gas emissions by 10% from a 1990 baseline over the period to 2010. The reductions will be measured and verified by external observers.
- Our pilot internal system for emissions trading allows individual business units to find the lowest-cost way of meeting the group's overall target. At this stage 12 business units are involved. Over the next 18 months we will expand that system to include all the activities of BP Amoco. Our trading system was developed in partnership with the Environmental Defense Fund (EDF), a US-based environmental non-governmental organization.
- Continuation of our constructive role in developing policy and research on climate change through our support of a range of programmes including the Massachusetts Institute of Technology Joint Programme on the Science and Policy of Global Change and the IEA Greenhouse Gas programme.
- Collaboration with other business organizations and the World Resources Institute to publish a report entitled Safe Climate, Sound Business, developing a cross-sectoral approach to climate change.

IF CLIMATE CHANGE IS THE LONG-TERM CHALLENGE FOR OUR INDUSTRY, AIR QUALITY IN OUR CITIES IS A MORE IMMEDIATE CONCERN.

Air quality and clean fuels

Governments the world over are imposing new and tighter standards on fuel quality, vehicle emissions and measurements of air quality, and public opinion supports these moves.

Rather than delay and resist these pressures we believe we should respond to the challenge they represent positively and creatively.

BP Amoco is committed to introducing progressively the fuels – unleaded, low benzene, low or no-sulphur – required for optimum emissions performance of vehicles. The conversion of refineries to produce clean fuels requires both time and investment. However, many modern refineries can relatively quickly gain the capacity to produce limited quantities of fuels meeting even the highest specifications, and we intend to build on this potential to make clean fuels available to our customers in a range of cities around the world. Cities are where air quality problems are most acute. Our target is to take this programme into more than 40 cities worldwide over the next two years.

We hope to demonstrate over time that the products we supply contribute to a progressive improvement in air quality without denying people the freedom of mobility and choice they enjoy today.

Solar investment and development

In 1998 BP Solar's turnover was \$95 million and annual production rose 18% to reach 13.2 megawatts (MW). Our target is to grow turnover to \$1 billion by 2007.

We have cell and module manufacturing plants in Spain, Australia, the USA and India and module manufacturing plants in Thailand and Saudi Arabia. Our Spanish plant doubled its capacity from four to ten MW in 1998 and we inaugurated our

plant in California in January 1998.

Photovoltaics – the direct conversion of sunlight into electricity – is the renewable technology best suited to urban environments. Projects integrating our solar modules into building design have won widespread praise – most notably the G8 Solar Showcase, built

for the May 1998 G8 heads of government summit in the UK (pictured), which will be re-erected at the Baglan Bay Energy Park in South Wales.

Photovoltaic energy can also bring clean and efficient energy to the two billion people in the world who do not have access to national transmission systems. A project in the Philippines will bring electricity to 400 remote villages on two islands; in Algeria we have a project to install solar power at villages in the Sahara; while in Ethiopia solar energy is providing a reliable power source for medical refrigerators and lighting kits in remote areas as part of a development programme.

Solarex is a 50/50 joint venture established between Amoco and Enron. It has grown to become a leading global manufacturer of polycrystalline cells and modules with a turnover of \$58 million in 1998. Solarex employs over 500 staff worldwide and has manufacturing sites in Maryland, Virginia and Australia, and sales and marketing offices in seven countries.

The demonstration showcase, powered by solar panels, built for the 1998 G8 heads of government summit meeting in the UK.



SOCIAL PERFORMANCE

Our policies express our values and aspirations. They are universal. They apply to everyone who works for BP Amoco, to everything we do and to every part of the world in which we operate. They are the standards by which we judge ourselves and by which others will judge us.

The new business policies for BP Amoco were approved at the beginning of January 1999. They build on the best practices and traditions of both previous organizations. The commitments to ethical conduct, employees, relationships, and health, safety and environmental performance appear at the beginning of the relevant sections of this report.

1998 was a momentous year for the oil industry and for our organization. Lower oil prices have had



The tranquil beauty of the Llanos, in Colombia, where a complex range of factors makes successful social performance management particularly challenging.

a major impact on the economics of every aspect of our business operations. The negotiation and completion of the merger between BP and Amoco

involved a great many people across the organizations.

Despite these preoccupations we remained committed to the goal of developing our management of social performance to a level comparable to our management of health, safety and environmental performance. We have made significant progress. We do not pretend to have all the answers, still less a comprehensive blueprint for the way our social

performance management will develop in the future.

Ours is an evolving, rather than predetermined or overly bureaucratic, approach. We know that for high standards of ethical and social behaviour to thrive as part of our culture they must be felt and understood by our people. It is more important for it to be in the bloodstream than in a set of manuals.

The test is not whether we have written manuals but whether our actions are consistent with what we say we stand for.

In addition we will continue to try to understand and confront the major underlying social issues for our company and our industry, as we have sought to confront the major environmental issues. Examples might include, in addition to human rights, issues such as the distribution of the benefits arising from our activities, the problems of conflict and corruption and how to seek and support responsible development.

None of these is solely or even mainly the responsibility of business but nevertheless they are inseparable from business activity. Understanding the extent of our responsibilities and influence is all part of the challenge. We will continue to build the partnerships with governments, international agencies and a wide range of representatives of civil society which will help us in this task.

A one-page summary of BP Amoco's business policies to help communicate our policies to employees.



how WE HAVE RESPONDED TO FEEDBACK

THIS REPORT

The first BP Social Report, published in April 1998, was generally well received.

The main reactions were:

- the decision to produce a social report as well as an environmental report was welcomed and seen as a demonstration of leadership
- our separate social and environmental reports could be combined to provide a more coherent and comprehensive view of our performance
- the social dimension needed more definition, including clear plans, targets and quantitative performance measures
- there should be scope for independent views in the report
- the report should be independently verified.

We decided to produce a single Environmental and Social Report on 1998.

It includes an overview of HSE performance and of progress in the development of our approach to social performance. It includes case studies describing environmental and social performance in four specific business operations. The main report is supported by more detailed HSE and community investment information in separate annexes. We also continued to use the preparatory work for the report as a means of promoting the importance of environmental and social performance inside the organization. For example, the case studies were chosen not only to reflect the diversity of our operations but also to promote understanding and the sharing of best practice across the company.

In addition this report includes:

- third-party commentary independently collected and reported on the business operations featured
- factual reports on our progress in assuring the implementation of our policy commitments
- auditors' reports on social as well as HSE management processes.

Independent comment

We wanted this year's report to include more than just the 'official' views of the company. We commissioned ERM Social Strategies to find out how a range of people felt about the environmental and social performance of each of the business operations featured as case studies.

ERM interviewed people from government and regulatory authorities, industry groups, employees, non-governmental organizations and representatives of local communities. They used structured interviews to find out how well the company was perceived as living up to the BP Amoco business policies and to seek views about the company's impact on the local community.

As part of the contract we undertook to publish ERM's commentaries in full and without alteration. More detailed reports will also be prepared for internal use.

ERM is an international consultancy providing advice to clients in the public and private sectors on environmental, resource management and social issues. The ERM group turnover exceeds \$250 million a year. At no time in the past five years has revenue from BP (now BP Amoco) exceeded 1% of this turnover.

where WE ARE

case STUDIES WE TAKE
A HOLISTIC APPROACH TO
REPORTING OUR SOCIAL
PERFORMANCE. WE AIM TO ASSESS
OUR BEHAVIOUR, IMPACT AND
SOCIAL CONTRIBUTION IN THEIR
ENTIRETY. THESE CASE STUDIES
ILLUSTRATE THE DIVERSITY OF
BP AMOCO BUSINESS.

Each case study includes independent commentary by ERM Social Strategies, who were commissioned to interview a range of stakeholders about:

- the performance of BP Amoco in general
- how far BP Amoco is living up to its policies on ethics, employees, relationships and HSE performance
- the impacts of the business on the environment and the community.

ERM took part in the selection of interviewees. BP Amoco committed itself to publishing the ERM reports in full, whatever the findings.

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We either operate or have a substantial equity interest in 14 of the North Slope's producing oil fields, several of which are among the top 12 producing fields in the USA.

The North Slope quickly turns green during the 24-hour daylight of the three-month Arctic summer.



HOW WE DO BUSINESS IN Alaska

Exploring for and producing oil and gas in Alaska present unique challenges. Alaska is a vast state

that depends on resource development to drive its economy. In fact, oil provides most of the state government's operating funds. At the same time, protection of Alaska's immense stretches of wilderness, its abundant wildlife and the subsistence lifestyle of native Alaskans is a critical part of both state and federal policies.

Business operations

We are involved in exploration, development and production of oil and gas from several major fields on Alaska's northern coast, including Prudhoe Bay, North America's largest oil field. From our headquarters in Anchorage, we also have interests in the 800-mile trans-Alaska pipeline, which carries about 1.2 million barrels of oil daily to Valdez, on Alaska's southern coast.

Prudhoe was discovered in 1968. The first oil flowed in 1977, and the field already has yielded more than 10 billion barrels. Advancing technology should enable production of at least three billion more barrels.

In 1998, we produced an average 450,000 net barrels of oil per day from the North Slope – about 20% of BP Amoco's worldwide production. With production declining by 10% to 15% a year, we are seeking to improve recovery and develop new fields. In 1998 we invested \$750 million in drilling and development programmes and spent a similar amount on operations. Spending will be lower in 1999 in view

of the oil price environment but the strategic intent remains the same.

Economic, social and environmental context

Alaskans have high expectations in corporate citizenship, environmental stewardship, jobs and business opportunities for Alaskans. Public opinion surveys have consistently shown that most Alaskans believe we are performing responsibly.

As Alaska's largest oil producer, we are also the state's largest taxpayer. Between 70% and 85% of the state's unrestricted General Fund revenues come from the oil industry in the form of taxes and royalties. The industry's economic impact is felt across Alaska. The state's large savings account, the Alaska Permanent Fund, derived from oil revenues, contains more than \$25 billion. Every Alaskan receives an annual dividend from its earnings.

The top public concern reflected in regular polls is jobs and business opportunities for Alaskans.

Alaska's Shared Services Drilling Department demonstrated strong HSE performance in 1998, continuing a trend started in 1995.

Launching an oil response work vessel in Seward during an oil spill exercise held in September 1998.



Our efforts to hire and train locally, and to purchase supplies in-state are helping to address these concerns.

While recognizing the importance of the oil industry, the public fears potential oil spills and impacts on wildlife. The Exxon Valdez spill in Prince William Sound in 1989 profoundly affected public attitudes about the industry's ability to prevent and respond to marine accidents. Since then, the industry has worked closely with local, state and federal governments and others to create what it believes to be the safest tanker system in the world.

North Slope oil fields are part of the Arctic coastal plain, a stretch of tundra inhabited by Inupiat Eskimos, who have a subsistence lifestyle. We are working with the North Slope government and individual villages to ensure native concerns are addressed. For example, in planning for the offshore Northstar field (*see panel opposite*), our engineers travelled to villages to seek input on design features to ensure the project would not harm Inupiat whaling.

The Arctic National Wildlife Refuge (ANWR), east of the oil fields, is considered the most likely area for a major oil discovery in the USA. But anti-development groups express concerns about the cumulative impacts of further North Slope development. Many concerns pertain to wildlife and habitat. Numerous independent scientific studies indicate little impact on caribou, other mammals, bird life and fish from 20 years of development.

Development is prohibited in more than 92% of ANWR. The remaining 8% (1.5 million acres) – the coastal plain – would be largely unaffected, with development occupying less than 0.5% of the surface area. Surveys indicate most Alaskans, from every geographic region including rural areas, support opening the coastal plain to development.

The Northstar project

If federal approval is granted, Northstar will be the first oil field in the Alaskan Arctic to be developed from an island with no causeway connecting it to shore. Production facilities will be located on a five-acre gravel island – built for exploratory drilling in the 1980s – about six miles offshore.

Anti-development groups such as Greenpeace oppose the Northstar development, citing risks of a major spill from the pipeline. The US Army Corps of Engineers, the lead federal regulatory agency for the project, was expected to finalize its decision on Northstar permits by early April. Pipeline routing concerns of other federal, state and local regulatory agencies are being addressed.

We have incorporated many special safeguards into the Northstar design – elements such as burying the pipelines more than three times the depth of the deepest predicted ice scour in the area of the project, designing the pipelines to withstand subsidence and three times the maximum stresses to which they will be exposed and incorporating two independent leak-detection systems.

Northstar holds an estimated 145 billion barrels of oil, and it is expected to produce a peak of 65,000 barrels of oil a day. It plays an important role in the long-term strategy to offset declining production from the Prudhoe Bay field and other mature oil fields on Alaska's North Slope through the application of new technologies in existing fields and development of new, smaller fields such as Northstar.



A growing number of North Slope residents work in the oil fields, and BP Amoco-led training programmes are preparing many others for a variety of oil industry jobs.

Ethical conduct

The company's reputation with business partners and the public depends on its ethical conduct. The state's small population creates a close-knit community, which makes us, our contractors and other associates highly visible and accountable for our respective actions. We strive to ensure that everyone involved in our business performs to the highest ethical standards. We do not tolerate unethical business behaviour.

Our long-standing Policy on Business Conduct was formalized in 1998 as the Policy Commitment on Ethical Conduct. This revised policy was introduced to employees through line management. Since contractors often represent us to the public, they were engaged in this as well and were asked to share their own policies on business conduct.

Our internal audit department provides training on the ethics policy, receiving positive feedback from participants.

Employees

We make a wide range of efforts to support and develop employees:

- As part of our people management assurance system, we emphasize performance and development discussions between exempt employees and supervisors. Similar processes for hourly employees

have been tested at Endicott, although more work is needed before the process is continued.

- Unionized employees may participate in personal development plan conversations; however, their contract does not allow for performance discussions.
- The spring and fall Learning Festivals offered 100 courses on business, personal, technical and leadership skills to 1,400 employees and contractors.
- The Stepping Up To Leadership Program for supervisors and middle management was successful and is to be adopted by the company worldwide.
- We instituted an Alaska Hire Policy that applies to all new employees, and requires employees to maintain a permanent Alaskan residence.
- For the second year in a row, *Working Mothers Magazine* recognized us as one of the top 100 companies to work for in the USA. In 1998, we committed to build a new on-site child care facility in Anchorage.

Looking ahead, we will manage changes resulting from downsizing and continue to develop individual and organizational capabilities. Departing staff receive extensive support to help them prepare for their futures.

Relationships

The company develops relationships with citizens through dialogue and outreach in communities around the state. We value our relationships with government and business leaders, partners and contractors.

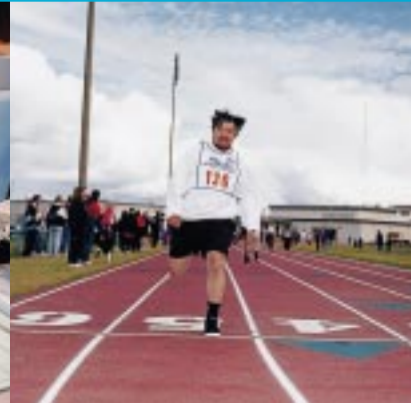
We have built a strong relationship with the North Slope Borough, which has tax and regulatory jurisdiction over the area. North Slope residents – largely Inupiat Eskimos – were once opposed to oil and gas development but, during the past 30 years, have generally become supporters of the industry. Community input is sought for any new project, including workshops and tours of the oil fields. Every effort is made to offer natives work opportunities in the oil fields with appropriate training programmes.

'BECAUSE OF ALASKA'S RELATIVELY SMALL POPULATION, WE ARE HIGHLY VISIBLE. IN THE PURSUIT OF BUILDING STRONG RELATIONSHIPS, OUR CORPORATE MESSAGES MUST BE CANDID AND SINCERE.'

Richard Campbell, regional president

We joined industry partners, community leaders and state and federal officials for a major oil spill response exercise in Prince William Sound. Involving more than 600 individuals from 65 organizations, it was the largest oil spill response drill ever conducted in the USA.

A competitor stretching for his personal best at Alaska's Special Olympics, sponsored by BP Amoco for the past eight years.



We are sponsoring an initiative called *Itqanaiyagvik*, meaning a place to get ready. This is a set of training programmes that lets native adults and youth see what kinds of jobs are available, obtain necessary training and take up new jobs in the oil fields.

Health, safety and environment (HSE)

Evolving oil field technology has enabled us to improve our environmental performance consistently. Habitat loss from development has been reduced by 70% through improved waste disposal, closer well spacing, directional drilling, compact production facilities and use of ice roads and pads. Materials recycling, waste minimization and energy conservation are continuously improving.

Several years ago we adopted a safety management system that has helped the company to maintain accident rates below the average for all US industries. BP employees and contractors had 11 days away from work cases (DAFWC) during 1998, compared to 22 DAFWC in 1997.

Regrettably two contractor employees were killed in separate accidents while working on our projects on the North Slope during September. As a result of these tragedies, in late September we initiated quarterly safety 'time-outs' involving all BP employees and contractors

on the North Slope and in Anchorage. These team discussions focus on how to heighten safety awareness and improve performance to prevent such tragic incidents in the future.

In April 1998, Doyon Drilling Inc. pleaded guilty to violations of the federal Clean Water Act while under contract to us at the Endicott field in relation to discharges of small quantities of oil and hazardous substances into the outer annuli of oil-producing wells between 1992 and 1995. Doyon paid fines, and three of its employees were convicted. The government's investigation is ongoing. Upon learning of the alleged violations in late 1995, we immediately conducted our own investigation and notified the authorities appropriately. A company audit of drilling operations confirmed the Endicott incidents were isolated. We also instituted stricter record-keeping and work supervision, and provided additional training for employees and contractors.

In October, a gas leak in a manifold building at Prudhoe Bay resulted in an explosion and fire that severely damaged the facility. Although there were no injuries this incident could have involved serious injuries or fatalities. An extensive investigation was conducted and preventative efforts at other fields are being implemented based on the findings.

MILESTONES AND RESULTS IN 1998

- We were certified as meeting the rigorous international ISO 14001 standard for environmental management systems.
- The State of Alaska recommended that Prudhoe Central Power Station receive the first State Voluntary Protection Program (VPP) award, acknowledging its commitment to safety (10 years without a lost-time accident). Endicott previously had been accepted into the Federal VPP.
- Drilling operations recorded 1.8 million hours worked without a day away from work case and a frequency of 0.14 per 200,000 hours worked, a 70% improvement from 1997 and well below the BP group worldwide rate of 0.51 for drilling operations. Five drilling rigs exceeded three years without a DAFWC and one reached five years.
- The number and volume of spills increased compared to 1997, with water comprising two-thirds of the 15,855 gallons spilled. The volume of oil and associated chemicals spilled decreased 7% from 1997.

what others say

INDEPENDENT COMMENT — ASSESSED AND REPORTED BY ERM SOCIAL STRATEGIES

As it is a dominant player in the state economy, stakeholders expect the company to reach the highest standards of economic, environmental, safety and equal opportunities performance. While most are satisfied with the company's performance, some key voices are critical and expect more.

Ethics and relationships

The widespread view is that the company lives up to its commitments, works well within legislative and regulatory processes and engages in open and honest communications. 'In this regard BP is above reproach' (trade representative). Business partners and civic leaders alike note that BP has always lived up to its commitments, 'never promising more than it can deliver'. Similarly community beneficiaries noted that company contributions were made 'with no strings attached', which conveyed a sense of 'integrity, mutual respect and trust on the part of BP'.

A number of more critical stakeholders questioned the validity of the business policies and wondered if they weren't merely 'feel good' policies used to 'curry favour with the public' and win public support of its business plans.

Relationships and native communities

Nearly all stakeholders, including its business partners and community representatives, recognized BP for working in ways that 'bring mutual advantage'. Anchorage-based civic leaders expressed a sense of shared commitment. Trade representatives and contractors who work in 'lock-step' with BP similarly noted that they have enjoyed very good business relationships but they want greater recognition of the value of contractors to BP's business and a stronger partnership attitude.

In the North Slope, where 'there is enormous ground for conflict given that BP looks for oil in the same grounds where whales migrate', BP is well regarded and is valued for the economic benefits it

provides, its community projects and its efforts to inform and engage the community on key projects. Northstar was widely cited as a positive example of how they work with community members to address their concerns in ways that bring 'workable solutions' and mutual benefit. 'Our world is controlled by moving ice and all that it brings with it. Northstar is compatible with that. It looks offshore but behaves as near shore.' More critical community members thought that 'indigenous knowledge' could be more fully recognized and better incorporated into environmental impact statements.

HSE

In terms of the BP Amoco policy commitments on environment, health and safety, BP Alaska is seen as 'setting high standards for itself, raising the standards in the industry and doing a lot to engage stakeholders'. In areas such as global climate change, ISO 14000 certification and technological innovations, to reduce the footprint and risks of their operations, BP was noted as an industry leader (state government and regulators). BP was also noted for its technological innovations and collaborative approach in working with external stakeholders to improve environmental performance (environmental regulators, trade and community representatives) and for its financial contributions supporting land conservancy (NGO). Given the high regard for their performance some said they would like BP to 'weigh-in more proactively and publicly on legislative issues'.



There was a clear concern expressed, however, by governmental, regulatory and industry representatives that BP's commitment to 'no accidents, no harm to people' may be compromised as a result of downsizing. People referred to the two fatal injuries and one explosion which occurred this year on the North Slope. Contractors and trade representatives consider health and safety as 'far and away the most important aspect of their relationship with BP' and suggested more of a hands-on approach and less emphasis on reporting and paperwork.

Cumulative impacts and oil spill contingency plans, as they address the broken ice environment of the North Slope, were noted as areas of concern where questions remain and also a 'potential sword for those seeking to challenge BP or stop further exploration and development'. Two of the environmental advocacy groups were very critical on these points and argued that 'if BP was serious about its commitments it would get serious about developing renewable resources... and commit to not developing inside the Arctic National Wildlife Refuge because the environmental risks are far too great.'

Employees

BP employees consider that they are competitively rewarded and that opportunities for skill development are excellent: 'some of the best in the Alaska job market'. Employees felt that expectations were clearly defined although at times too much is demanded of them. Employees also agreed that there is a well defined process for 'open conversations about performance'.

Employees noted BP as 'a company whose policies well reflect its employment practices' but also, with reference primarily to contractors, a company 'that values some of its workforce but not all'. Employees working in field operations noted that there could be 'greater emphasis on people versus policy' and are concerned about frequent changes in management.

Meetings were held with representatives of government, business partners, employees, environmental regulatory agencies, NGOs and community (including Inupiat) representatives.

how
TO FIND
OUT
MORE
visit our website <http://www.bpamoco.com>





BP Amoco has operated in China for more than 25 years. Our chemicals business has signed 21 chemical licence agreements since 1973 and is now making equity investments. As well as developing a portfolio in the chemicals business, we are focusing on China's future gas market needs, retail, aviation fuel, exploration, import and the marketing of liquid petroleum gas.



HOW WE DO BUSINESS IN China

Yaraco manufactures acetic acid. It is the first BP Amoco chemicals joint venture in China, and the largest-ever foreign investment in inland China. We aspire to see the same levels of commitment to the BP Amoco policies from our joint venture partners as we see within our own business units. We must be alive to the different cultures and approaches taken by our partners, while aiming to maintain the standards we expect to see wherever we operate.

The Chinese government has evolved a system combining central planning with the development of a market economy. The current five-year plan prioritizes the reform of China's largest state-owned enterprises. This is designed to transform them into profitable businesses through a range of measures, including mergers, acquisitions and joint ventures.

Given uneven rates of national development and the current slowdown of the Asian economies, implementation of such reform presents a considerable challenge. The authorities are particularly keen to identify investment opportunities in inland areas with a traditional concentration of heavy industry.

In the light of these priorities, we were invited to invest in a chemicals joint venture in the Chongqing Municipality. This led to the setting up of the Yangtze River Acetyl Company (Yaraco) in Chuanwei, a company town about three hours' drive from

Chongqing. With a population of around 44,000, Chuanwei developed around the Sichuan Vinylon Works (SVW), which employs around a quarter of the population and acts as a de facto local administration.

Chongqing, like Beijing, Tianjin and Shanghai, is a municipality directly controlled by central government. Chongqing faces some very demanding challenges:

- the resettlement of 1.1 million displaced people from the building of the Three Gorges Dam
- the poverty relief of over two million people in the countryside
- overcoming a backward infrastructure
- tackling environmental protection.

Within the joint venture, production staff, led by a seconded general manager from SVW, are based at Chuanwei. Marketing and distribution staff, under a seconded deputy general manager from BP Amoco, are based in Chongqing.

Zhang Chun Hua (right), assistant in the marketing and distribution division, has a relatively large portfolio of customers. Unlike in the UK or the USA, there are no large users. Zhang Jianzhan (left) is manager of the Shijia Zhuang Light Industry company.



Ethical conduct

Given the rapid evolution of business practice in China, as well as the difference in approaches to business ethics between China and the West, the joint venture established its own guidelines. The Yaraco Policy on Business Ethics and Conduct, developed from our guidelines on ethics, has been agreed by the joint venture partners as well as local senior management and issued to all employees.

Business practices derived from the Policy include:

- an open bids system with a contracts committee, established to develop a system of competitive tendering
- recruitment procedures drawing on both those used by a Chinese work unit and a UK-based multinational
- firm guidelines on using only licensed computer software.

We hope to pilot an ethics workshop over the next year to promote discussion and understanding of business

ethics among employees at Yaraco. This will include discussion of the Chinese-language version of 'What We Stand For...', which is available to employees, partners and government agencies in China.

The Chinese government's record on human rights has been criticized by the western press, governments and NGOs. Multinationals working in China have to consider the issues raised and establish their own positions. As a result, we have encouraged a dialogue with NGOs, academics and government experts from both China and the West.

We believe the most constructive approach we can take is positive engagement, trying to understand the issues as seen by different organizations and individuals while focusing on areas where we have direct influence. In the case of Yaraco, these include conditions of employment, equal opportunity recruitment, training and development, local capacity building (both with our own employees and in the community), technology and skills transfer, and high standards of health, safety and environmental protection.

YARACO FACTS

- A joint venture (JV) between BP Amoco (51%), Sinopec SVW (44%) and Chongqing Municipality (5%), using BP Amoco chemicals high-technology process.
- Joint venture formed in December 1995.
- Construction started in September 1996. Completed on schedule and under budget.
- Production started at the end of November 1998.
- A capacity of 150,000 tonnes of acetic acid a year (the highest production capacity for a plant in China). Feedstock is Sichuan natural gas.
- Majority of product transported by barge and rail to the domestic Chinese market.



The plant is contributing to the future viability and efficiency of adjoining factories (which employ 10,500 people) through strengthening the quality of the asset base and sharing costs and services.

BP Amoco respects the International Labour Organization's tripartite declaration. In consequence, BP Amoco has clear policies prohibiting the use of forced labour directly by the company or by contractors. Our partners have assured us that none of the contractors for the plant has used forced labour. We have no evidence to suggest otherwise.

Employees

Yaraco has brought about 200 new long-term jobs to Chongqing and the production site. Direct employees of the joint venture all have a standard labour contract which includes clear duties and responsibilities on the part of both employee and employer, as well as standard working hours, holiday stipulations, overtime arrangements and acceptable grounds for dismissal. Yaraco pays SVW a service fee so that joint venture employees can benefit from welfare provision available to SVW employees.

The contract of employment evolved from consideration of best Western and Chinese human resources practices and complies with Chinese



labour law. The remuneration package is above local rates, but does not offer the cradle-to-grave security and social provision (the 'iron rice bowl') that China's state-owned enterprises used to offer. Performance-related pay takes the local form of a quarterly 'qualification for bonus' system. Over the long term, management hopes to encourage individual initiative and responsibility further.

We are proud of the formal and informal sharing of good practice and learning that occurred during the construction of the Yaraco plant. A combined project management team of around 46 Chinese staff and seven expatriate staff oversaw the construction, during which time more than 800 jobs were generated. This period saw an informal transfer of information and skills in welding techniques, language skills and management of risk to the local workforce.

There has also been considerable investment in formal training. Where possible, the joint venture has sought to use Chinese training provision. Around 30 members from the production and engineering group were also sent to BP Amoco's acetyls plant at Hull in the UK and to European equipment providers' headquarters for further training.

We plan to review training needs at the beginning of 1999 and put in place a new training schedule identifying skills gaps and further developing competencies such as team work, information sharing and bias for action.

Relationships

We have sought to understand the needs of the various stakeholders in the activities of the plant, including

Mutually agreed HSE guidelines have been achieved by combining Chinese and UK procedures, rather than wholesale import of Western handbooks. Yaraco is beginning to develop a distinctive HSE culture of its own.

national government, local government and administration, our partner organizations, customers, providers of services and the local community. Contact has mainly taken the form of formal and informal meetings with official representatives.

Marketing and distribution staff have been encouraged to take a systematic approach to initiating and maintaining contacts at different levels of the businesses they deal with. Certain areas have been prioritized, such as providing support and guidance on safe and environmentally sound handling of the product and treating individuals with respect whatever their social status, for example ensuring bargees have provision for rest and refreshments. All customer complaints are investigated and responded to. A formal recording system will be put into place over the next year.

We have also worked to support the community beyond the immediate reach of our business activities. For instance, in partnership with the local offices of the Ministry of Foreign Trade and Economic Co-operation, 25 managers from the Chongqing area were sent to the Manchester Business School, in the UK, for training in 1998. We held meetings with the Chongqing government to discuss strategies to attract further investment, particularly foreign investment to the area. In March 1998, we were a major sponsor of The Economist Conference, 'Investing Inland: Opportunities in Chongqing, Sichuan and Hubei', held in Chongqing.

Closer to the site itself, we have taken an active interest in local provision of basic education. Building on the success of a secondary school exchange between the local school and a BP Link School in Hull, we have supported the Chuanwei Number One primary school in serving as a pilot school for the Environmental Educators' Initiative being run from the Southwest Normal University. This national programme is a partnership between BP Amoco, WWF and the Ministry of Education. Expatriate staff have also joined pupils for English classes and run English groups to give students a chance to practise their language skills informally.

Health, safety and the environment

China has extensive regulations in the areas of health, safety and the environment. Standards are often quite



High HSE standards have also spread out from the plant. For instance, the contract with transport companies (barge and rail) includes stipulations on safe procedures.

stringent but may have a different focus from those in the West. The joint venture has been clear that it wants not only to comply with local regulations, but go further. Where local regulations do not cover a particular issue, we seek to apply similar HSE standards to those we would apply elsewhere.

The Yaraco management team has worked hard to build on the best of both Chinese and Western practices. For instance, the Yaraco emergency shutdown system is designed so that deliberate by-passing of the system is even more difficult than on a standard Western design, while the use of protective clothing is at a higher level than is standard in China.

Concerns remain around the cultural and regulatory differences in risk assessment and open reporting of safety incidents. For instance, deference to older and more senior members of staff has occasionally inhibited open challenging of unsafe practice. Currently major incidents and accidents are reported at the time of occurrence. A monthly reporting system with formal procedures for investigating accidents will be introduced in March 1999.

While most UK staff will not remain in the long term following commissioning, we are providing three operations integrity advisers from Hull, who will remain for a longer period to support plant operation and maintenance staff. As part of the plant's projected five-year plan, operations integrity staff are developing targets in the area of HSE on issues such as:

- controlling plant changes
- shutdown and maintenance preparation
- the encouragement of problem-based learning as opposed to rote learning
- post-incident analysis and review.



what others say

INDEPENDENT COMMENT –
ASSESSED AND REPORTED
BY ERM SOCIAL STRATEGIES

We found that all stakeholders are proud of the plant and respect the BP style of working; local priorities are economic development and respect for Chinese institutions.

Relationships and ethics

There was a universal view that BP/Yaraco behaves well; efforts are made to understand others' interests and objectives and to work towards mutual gain. 'There has been a lot of communications and efforts to understand our needs. Staff are very committed. We are treated with respect' (a customer). BP/Yaraco is regarded positively for having an open style of communications: 'Nothing has been found from the BP project that has gone against what we want them to do. On the contrary, in the case of problems they have come across, they will actually come to our office to reflect on the problems and ways of dealing with them' (a government official). 'The government expects that investors abide by legal and international standards of business ethics...BP has behaved very well in the co-operative project with SVW... the shareholders in Chongqing are very satisfied with BP's behaviour' (senior Chongqing political figure). BP staff are judged to be 'very dedicated to their work' and to 'co-operate closely with their Chinese counterparts' (joint venture company official).

Community projects

The three-week management training in Manchester, UK, for local officials was highly valued by those who participated, particularly the facility visits – 'seeing is believing' – and the teaching on financial management and EU political issues, given the emphasis being placed by the municipality on attracting foreign investment. Teachers in the SVW middle school in Changshou, pilot-testing the environmental education initiative, are enthusiastic about its content and the new teaching methods it introduces. But they had to work hard to persuade the education authorities and parents that this would not be a diversion for pupils away from studying for examinations.

Impacts on the community

Of greatest importance to all those we talked to is the business success of Yaraco, and the expectation that it will serve as a catalyst for development of a technically advanced petrochemicals industry; that it will set an example and help build a trained workforce for the state-owned enterprises undergoing reform; and will generate tax revenue to support the development of infrastructure and services. Yaraco is seen as meeting these criteria, although there are suggestions that more could be done in training and a comment, from a very

high-ranking government official, that while there are employment benefits from the plant itself and the gas field supplying its raw materials, major employment gains will only emerge with growth of downstream industries using the Yaraco product.

Employees and HSE

The broad picture is one of high standards being set by BP Amoco but there is some disagreement locally about what appropriate standards are.

Employees: Most Yaraco employees worked previously for SVW. Pay and conditions at Yaraco are said to be better: 'Yaraco is trying its best to apply the BP policy to create a mutual respect and mutual trust environment' (an ex-SVW middle manager). For some employees we talked to, slow progress in getting the trade union to work effectively at Yaraco is a concern: 'Without a trade union the workers are all individuals and it is hard to find a point where collective interests and individual interests join together... it is difficult for individuals to have a sense of community.'

HSE: There is frustration among BP-seconded managers and advisers at the production site (where there are no BP line managers) at the reluctance they see in the workforce, managers and regulators

to believe that high environmental standards can be achieved, or that the safety equipment provided should be routinely used. One commented that this gap between BP Amoco policy and Yaraco practice made them 'feel pretty exposed'. The issue appears to be one of timing. For example, 'We appreciate the goals set up... but somehow in China there is a lot of work to be done to reach this'; 'We will expand our HSE or social policies at a later date, when we are profitable' (senior SVW manager); 'We agree that it is possible to set very high goals for the environment, but now to accomplish basic standards is good; with development of the economy we will try to reach higher goals' (senior political official). Nonetheless the Changshou Environment Protection Bureau felt that Yaraco had 'made the environment a priority'.

Chinese and UK-based consultants met representatives of government, business partners, beneficiaries of community projects and a range of employees in Chongqing and at the Yaraco site.



how
TO FIND
OUT
MORE

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In 1963 Amoco obtained concessions to explore in Egypt's Western Desert and offshore in the Gulf of Suez. Within two years the giant El Morgan field in the Gulf was discovered, with recoverable reserves in excess of 1.5 billion barrels, of which about 1.3 billion have been produced to date. Other major discoveries followed, and in 1965 Amoco and the Egyptian General Petroleum Corporation (EGPC) established a 50/50 joint venture, the Gulf of Suez Petroleum Company (GUPCO), to develop the fields.



HOW WE DO BUSINESS IN Egypt

Since the 1960s, we have grown to be Egypt's largest private investor, with cumulative spending of about \$8 billion and cumulative production of more than four billion barrels of oil by the joint venture enterprise. We and our partners now look forward to a new era where natural gas, rather than oil, underpins the prospects for future growth in Egypt's hydrocarbons industry.

In 1993 the Egyptian government changed the valuation formula for natural gas, stimulating a wave of successful exploration and development in the offshore Nile Delta and leading to the development of a significant new natural gas industry in Egypt. We have a large acreage position in the Nile Delta and, with our partners, have made a string of important natural gas discoveries. The rate of discoveries and the estimated reserve size indicate the potential both for domestic gas-fuelled economic development and for the creation of an export market across the eastern Mediterranean.

Ethical conduct

GUPCO is a joint venture and so has developed a set of policy assurance procedures derived from both EGPC and the BP Amoco policies. These procedures include conducting internal audits, in addition to annual EGPC and BP Amoco audits which address financial, contractual and procedural matters as well as overall compliance with policy.

One dimension to our ethical record in Egypt has been our sensitivity to the cultural, religious and legal context in which we operate. Measures we have taken in this respect have included:

- Respect for and compliance with Egyptian law. A legal staff familiar with those laws is available to provide counsel to management and employees.
- Respect for Egyptian traditions and customs on the part of expatriate employees, such as sensitivity to religious practice. In keeping with the ethos of Ramadan, for the past three years we have cancelled the Ramadan industrial *iftar* (a popular early evening business function previously hosted by the company during Ramadan) and diverted the money towards feeding the poor.
- Newly arrived expatriates are encouraged to attend a cultural orientation programme. We also have a unique host family programme to assist cultural and ethical adaptation for expatriate families.

Technology transfer:
The Gulf of Suez is a mature oil province where the big fields have been discovered, substantial infrastructure is in place and enhanced recovery techniques are in use. Advanced technology, multidisciplinary techniques and selective investment are at the heart of efforts to maximize productivity. Sharing advances in technology is a feature of the long-standing co-operation between Amoco and EGPC, and the joint venture company GUPCO. In 1998 a team from GUPCO was selected to receive Amoco's Technology Excellence award, a significant achievement in the face of competition from Amoco teams around the world.



Employees

By far the largest number of employees within our operations are those working for GUPCO – about 3,900 Egyptian nationals and 66 expatriate staff. Local GUPCO employees are not directly employed by BP Amoco and are subject to the labour laws, employment policies, and promotion and remuneration practices of EGPC.

A significant part of the responsibility of expatriate staff is the training of their Egyptian counterparts in all areas of technical expertise as well as management practices. This is resulting in the gradual replacement of expatriate staff with locally employed staff. The GUPCO renewal programme is a framework for the development of appropriate management practices. The entire organization has been involved in its various components such as business plan development, employee empowerment, work process improvement, reward and recognition, and enhanced training and development.

GUPCO has developed its own performance appraisal system, partly modelled on the previous Amoco performance management approach. Each employee works with their supervisor to set objectives tied to the business plan and agrees a set of performance dimensions. The system also encourages employees to develop their capabilities in order to shape their future career. Appraisals are held at the beginning of the year, documented and supplemented with interim reviews. A closing review is held at the end of the year between the supervisor and the employee.

Support for development of Egyptian employees has also been a key priority in our operations in Cairo. It has seen the promotion of Egyptian nationals to managerial positions as well as the recruitment of Egyptian nationals to overseas locations. Diversity in internal teams (now the norm) is highly valued as it has been seen to result in more creative solutions. A Diversity Council has been set up to address ongoing issues relating to cultural differences.

Relationships

Through the years, in both peace and war, we have forged a strong relationship with the country through our association with EGPC. We have demonstrated together how this relationship has created significant success for both parties and has stood the test of time as one of the international petroleum industry's most effective company-country partnerships.

Over our 35 years in Egypt, we have become a major contributor to projects in education, community support, health and cultural affairs. We have provided funding totalling about \$23 million for such projects, with the largest share going to education, including management training, environmental engineering, strategic planning and cross-cultural exchanges. As an example, early in 1998 we donated 100 new state-of-the-art computers to the petroleum departments of Egyptian universities. The computers will be used to train new generations of petroleum engineers and other specialists to work in Egypt's oil and natural gas industry and in the wider international petroleum business.

Our community programme in Egypt includes support for charities such as Friends of Children with Cancer.



Our support for the Sinai Centre for Integrated Environmental Education, being completed near Sharm El Sheikh, is designed to provide education on environmental and health protection and wildlife conservation techniques for more than 1,000 students and teachers annually. The centre enhances an already successful environmental programme begun by the Cairo American College and will help bring this field-based, interdisciplinary programme to a wider audience of students and teachers, allowing them to study the impact of economic activity on the natural fabric of Sinai's coastal reefs, deserts and mountains.

In the cultural support area, we have been a major contributor to the American University of Cairo's ongoing Theban mapping project to map the topography and the contents of the whole area of the Royal Theban necropolis, the Valleys of the Kings and Queens, and the Tombs of the Nobles.

Health, safety and the environment

We are responsible for many firsts in environmental protection in Egypt.

- GUPCO was among the first oil companies to stop oily waste discharges to the sea.
- We were among the first companies to install a double-lined underground tank with leak detection for hydrocarbons storage.
- We were the first company to prove oil and natural gas reserves existed in exploration wells without the need to flow test the well, so minimizing the impact on the environment.

- The Natural Gas Vehicle Company (NGVC), which we jointly own with Egypt Gas, and Engineering for the Petroleum and Process Industries, built the first public natural gas fuelling station anywhere in Egypt, Africa, and the Middle East.

In an effort to commercialize vehicular natural gas, NGVC was launched in December 1994. Today about 14,000 vehicles have been converted and are supported by an infrastructure of 12 NGVC public compressed natural gas (CNG) fuelling stations, one private station and eight vehicle conversion centres. By the end of 1999, Egypt will have more than 20,000 bi-fuel (CNG or gasoline) vehicles and 36 public CNG fuelling stations, and will have replaced more than 34 million gallons of gasoline with natural gas. This new industry is making productive use of Egypt's vast natural gas resources, contributing to cleaner air and creating jobs – a clear demonstration that environmental protection and economic development can be combined successfully.

In 1996 we participated in a major oil spill simulation exercise which brought together government and private sector, took six months to plan, and involved 200 people on three continents. Relationships developed during the exercise allowed closer industry/government co-operation which we led through our chairmanship of the Petroleum Industry Environmental Protection Committee (PIEPC). PIEPC has participated with agencies to draft industry guidelines for marine discharges and dispersant application for spill response, and assisted



Abundant supplies of natural gas in Egypt are fuelling a major government initiative to convert the country's vehicles to compressed natural gas (CNG). BP Amoco, with a 40% stake in the first natural gas vehicles company, has helped to pioneer this effort. Converting to CNG reduces vehicle exhaust emissions of carbon monoxide and non-methane hydrocarbons by about 85%.

We support the Association for the Protection of the Environment and their recycling programmes, converting used materials to rugs, paper and other products.



with the development of a National Oil Spill Response Plan. Future work will concentrate on environmental impact assessments, air emissions and waste management.

GUPCO enhanced its waste management in 1998 to ensure that even treated sewage was not discharged to the sea and that other water discharges were well within international practices. Design work for the new Ha'py development in the Mediterranean was designed to minimize emissions and wastes. The offshore platform will be unmanned and operated by solar power. The environmental impact assessment for the project, performed jointly by respected Egyptian and international experts, we believe to be a model in the industry.

With more than 20 million hours worked a year, the size and complexity of GUPCO's operations create special needs for safety.

In the 1992-95 period GUPCO employees and contract personnel suffered a high number of accidents, resulting in unacceptable safety performance. To tackle the problem, GUPCO management initially focused on two key areas: safety basics for the entire organization and a series of 10 one-day seminars, led by the joint managing directors of GUPCO and the senior management team, targeted at four groups: top management; supervisors and employees; international contractors; and national contractors.

The focus on safety basics included driving safety, the use of personal protective equipment, compliance with permit to work programmes, near-miss identifications and reporting, and accident reporting

and investigation. Safety communication to employees and contractors was stepped up and the importance attached to improved safety performance demonstrated through the actions of the leadership. A second series of seminars followed throughout 1997 and 1998 while GUPCO focused on four key aspects of its safety management system: leadership and commitment; behavioural safety; contractor management; and policies, standards and procedures.

During 1997 and 1998 safety performance at GUPCO showed an improvement, with the days away from work cases for both employees and contractors being reduced to an incident rate of 0.18 per 200,000 hours worked.

During 1998 we have been saddened by two fatalities in our operations. An employee and a contractor were killed in separate incidents on offshore installations.

what others say

INDEPENDENT COMMENT –
ASSESSED AND REPORTED
BY ERM SOCIAL STRATEGIES

Ethical conduct and relationships

There was consensus that Amoco Egypt conducts itself in an ethical way. Employees mentioned the unambiguous corporate position on ethical conduct: 'I am sure we suffer on occasions... but in the long term BP Amoco Egypt will gain because the government and our business partners know they can trust us.' A supplier stated: 'Amoco Egypt conducts its business impeccably, and always adheres to copyright restrictions on the use of our products.' Representatives of the Ministry of Petroleum and EGPC expressed satisfaction with the way Amoco Egypt conducts its business ('they have never been implicated in any improper transactions'). A multinational joint venture partner did acknowledge: 'Initially there were some difficulties between us; we did not always feel that they trusted us and that made it difficult at times,' but emphasized that relationships between the two companies are now generally good.

Managers within both EGPC and GUPCO expressed the view that Amoco Egypt has over the years contributed enormously to the development of skills and resources within the Egyptian hydrocarbons sector. 'Amoco is widely regarded as the major foreign player in our industry,' although an EGPC official commented: 'Currently certain other multinationals may be playing a more visible role in offering environmental, health and safety training to EGPC personnel.'

Community contributions

Amoco Egypt, largely via the Amoco Foundation, supports a range of community initiatives, many related to education. Officers of community programmes receiving support were positive about their relationships: 'Amoco's support has been crucial because of the significant leverage we are able to obtain from using their name to encourage other multinationals to support our programmes' (programme director). Another programme director was appreciative of the volunteer role that spouses of Amoco employees had played, such as teaching English to members of the *zebbaleen*, garbage collectors, of the Moqattam community of Cairo. While all appreciate Amoco Egypt's past and current support, there is consensus that community organizations could benefit enormously from companies (such as BP Amoco) providing wider non-financial assistance, such as lectures to university students, coaching community programme staff in the use of computers and financial management.



Employees and contract personnel

Staff and contract personnel expressed satisfaction with our performance with respect to career development opportunities, despite recent implementation of a staff reduction programme. 'Because of the nature of the redundancy packages on offer, and the way that the staff cuts were implemented, there were no widespread ill feelings expressed on the part of either those that left or those that remain in employment,' said an employee. But a security guard who has worked at Amoco's premises for more than two years expressed concern that, because he is not directly hired, 'I do not always feel that I have the authority to enforce company procedures, particularly when dealing with senior management.'

An employee who had joined the company as a secretary, and after several promotions is now working as a crude oil scheduler, is pleased with her career progression, although she felt she could have made the transition sooner. Technical staff felt that opportunities for training were good. 'My peers working for other multinationals in Egypt cannot believe the [excellent] training and travel opportunities I have had since I've been here' (a graduate employee).

Staff of GUPCO also expressed satisfaction with their working conditions. 'We may not have quite the same level of salary and benefits that Amoco have, but compared to the national and other joint venture companies in Egypt we have very good conditions and opportunities for career advancement.'



Health, safety and the environment

Officials within the Ministry of Petroleum, the Egyptian Environmental Affairs Agency (EEAA) and an NGO representative stated their satisfaction with Amoco Egypt's health, safety and environmental performance, despite Amoco's management having expressed the view that safety performance within GUPCO required 'substantial attention a few years ago, although we believe that our performance currently reflects international standards'. Regulators commended the spirit of co-operation which exists between the international petroleum companies and the EEAA, particularly in oil spill contingency planning and the development of new environmental regulations. 'Amoco has the horsepower (which no other company can match in Egypt) to play a prominent role in government-industry dialogue with respect to environmental protection, and this it does to good effect' (an international oil company president).

Meetings were held in Cairo with representatives of government, NGOs, joint venture partners, suppliers, employees and community project beneficiaries.

how

TO FIND
OUT
MORE

visit our website <http://www.bpamoco.com>



Mutually beneficial relationships with our partners and suppliers are essential to business success. In South Africa oil companies are not permitted to operate their own service stations. The service our retail division provides to its customers can only be achieved through positive relationships with franchisees and dealers.



HOW WE DO BUSINESS IN South Africa



BP has a long history in South Africa reaching back to the early 1920s. Today our head office is in Cape Town and we are the third largest of seven oil companies operating in South Africa. We are a downstream company with manufacturing and supply, commercial and retail business units. There are 800 branded service stations, 12 dedicated depots and other distribution sites, including three coastal installations.

The company processes its crude oil through, and has a 50% stake in, South Africa Petroleum Refineries (SAPREF) at Reunion, 16 km south of Durban. It also has a 50% holding in the South African Manufacturing Co. (SAMCO), a lubricants and oil blending plant at nearby Island View.

The South African oil environment

Crude oil is South Africa's single largest import item. Some 15% of South Africa's primary energy consumption is met by imported crude oil. During 1997 it imported approximately 23.6 million tonnes. 21,300 million litres of refined product were consumed.

South Africa has four crude oil refineries with a total capacity of 455,000 barrels a day. About one-third of fuel demand is met by synthetic fuel manufactured from coal at government-owned plants.

The industry's wholesale turnover was some

\$7.36 billion in 1997 and it employs more than 100,000 people. There are approximately 4,900 retail service stations, providing employment to an estimated 45,000 pump attendants.

Regulatory framework

The industry in South Africa is characterized by a unique regulatory framework and a significant degree of government involvement.

The government's service station rationalization plan limits the number of service stations in order to promote throughput and enhance profitability despite price controls. It prohibits self-service at retail outlets to protect the jobs of pump attendants. Vertical integration in the industry is also prohibited, in that wholesale marketers are not allowed to operate service stations in order to encourage and protect small businesses in the retail industry.

The 1998 White Paper on Energy Policy set out the policy challenges for the industry, including deregulation, significant black economic advancement in all aspects of the industry and creation of conditions favouring future investment, while maintaining stable, competitive supplies and enforcing adequate health, safety and environmental standards. We have been actively involved in this process through the South African Petroleum Industry Association (SAPIA). The Ministry of Minerals and Energy is now in consultation with relevant stakeholders to agree a programme for implementation.

Ethical conduct

In South Africa, as in the whole African region, we have been developing an assurance process on ethics. In line with group policy, our assurance to our customers is that we only promise what we expect to deliver, we fulfil our obligations and will always act in good faith and in an ethical manner. The challenge is to move beyond what can become a routine procedure for managers to real dialogue and understanding.



Our South African programmes include helping abandoned children who are living on the streets with healthcare and job creation.

Sithembiso Mthethwa, director, Dudula Shipping Company. 'BP awarded us our first contract as a shipping agent. During the subsequent 12 months, we have acquired a 30% stake in Southern Terminals and established a liner service in the Indian Ocean Rim, operating a fleet in more than six countries.'



This year the formal certification process included a new, more explicit, provision requiring employees to certify that they understood the group policy on ethics and that to the best of their knowledge they had complied with it.

Employees were also encouraged to bring forward any concerns they might have in terms of the company's commitment to respect the rule of law, conduct business with integrity and respect human dignity and the rights of the individual. We hope that this process will encourage employees and management to discuss the implementation of ethical policy as well as the dilemmas which business can face in this area.

The central ethical issue that confronted the company in the past was that of working in the context of apartheid. We were among the first organizations to urge the ending of racial segregation, in particular through our support of multiracial community programmes such as the redevelopment of Cape Town's District Six as affordable working-class housing and our support for state schools wishing to open their doors to all races.

We have recorded our support of social change in biennial social reports since 1978. In the new South Africa key issues are black economic empowerment, economic development and social stability. This report demonstrates how we are contributing in these areas.

Employees

We employ some 1,300 people in South Africa. This excludes those employed by SAPREF, the refinery and the blending plant. Employees have more than 10 distinct home languages and a wide variety of racial and cultural backgrounds.



We are proud of our relationship with the community through the Soshanguve Town Council, Gauteng, where the development of the BP facilities, including an Express shop and jet wash, have provided a total of 28 jobs in the community. Parties, meetings, meals and sports are some of the activities that attract people to the only park in the immediate vicinity, provided by BP as part of the development.

The company's remuneration strategy is to pay market-related salaries and to reward individual and team performance. Independent surveys indicate that our salaries are among the top 25% of those paid in South Africa. We also provide an extensive range of performance-related pay, bonuses and other benefits.

We were among the first companies in South Africa to recognize the need for structural social change in our internal and external operations. Diversity in the workforce enriches the company, providing opportunities to learn from different cultures. We have been pursuing our own recruitment and staff development programme for more than two decades, trying to ensure that the demography of South Africa is accurately mirrored in our workforce. Through this programme, the company has created a pool of experienced employees, representative of South Africa's diversity, who can be selected on merit for promotion to higher job grades.

We are committed to the development of a world-class workforce. We run a variety of training programmes to develop specific work-related skills, or more general work-based competencies. We also offer the Advanced Leadership Programme (ALP), a staff development assessment process that allows staff and line managers to evaluate their progress. The number of international moves presently under way to group associates in the UK and Europe demonstrates that BPSA staff are in demand globally. At present 37 employees are working for BP Amoco outside South Africa.

Relationships

We develop relationships with a myriad of large and small suppliers and are proud of the support we have given them: working with them in hard times, understanding their problems and working patiently to put together win-win deals.

We are aiming to extend the diversity of our suppliers and contractors. We have made a start in our service station building programme by making a particular effort to ensure that black contractors are placed on the tender list. We are also insisting that suppliers and professionals address the issue of diversity in their own organizations.

Empowering emerging businesses is high on the agenda. For example, we provided South Africa's first black shipping company, Dudula Shipping, with its first contract as a shipping agent. Sithembiso Mthethwa, the director of the company, acknowledges that, once this first contract was signed, the company was in a position to grow rapidly and position itself as a serious contender in the shipping community of South Africa.

Social investment has been fundamental to our relationships with local communities and their representatives throughout South African society over the years. For example, alongside our service station and Express shop in Soshanguve, in Gauteng, we developed and landscaped the only park in the vicinity, as an amenity to be enjoyed by our customers and everyone else in the community.

The selection of social investment initiatives is based on criteria of merit and need and predominantly involves previously disadvantaged communities. We support some 200 individual projects annually, focusing primarily on education, training, community support, conservation and development. The programme is fully documented in BP South Africa's latest Social Report published in December 1998.

Increasingly we are looking for an approach in which social contributions are complementary and integral to our business operational objectives. We believe in developing a social investment programme based on business synergy, creating an alliance between sound community development on the one hand and sound business propositions on the other.

‘THERE IS A RECOGNIZED NEED FOR FURTHER IMPROVEMENT IN OUR SOCIAL INVESTMENT FOR ENVIRONMENTAL ISSUES. WE WILL CONTINUE TO DEVELOP OUR UNDERSTANDING IN THIS AREA BY ENGAGING IN DISCUSSION WITH RELEVANT STAKEHOLDERS.’

Fred Phaswana, regional president



Health, safety and the environment

Our road safety record has been improving, especially with regard to road transport. However, despite comprehensive training and participation in the global road safety leadership initiative, the rate of incidents is still unacceptably high. Regrettably two people were killed in road accidents in 1998. The company acknowledges that there is room for improvement and has targeted a clear aspiration of zero accidents.

South Africa is experiencing a high rate of crime and lawlessness. There were 12 fatalities on our retail forecourts in 1998. Some were occasioned by armed robbery and some through clashes between rival taxi organizations.

We undertook a site security survey in 1996 and 1997 which resulted in a commitment to spend more than \$3 million by the end of 1999 to upgrade security at our retail sites. The upgrade includes fitting of security installations, bullet-proof glass, the formation of a national cash collection company which affords our dealers a preferential cash collection rate and the installation of drop safes. Workshops have been held with the South African police service to alert them to the risks facing dealers.

We are at the forefront of developing an oil industry response to the issue of safety on forecourts. Our research into security problems was presented to the Fuel Retailers' Association and South African Petroleum Industry Association in order to gain recognition that the other oil companies face the same problems and develop an industry-wide response.

Although basic needs in a developing country, such as housing and job creation, are of the greatest concern to the public, the environment is increasingly a widely debated public issue in South Africa. We support a wide range of organizations working in environmental management and conservation. National bodies include the Institute for Environment and Energy, the Oceanic Research Institute, the Wildlife and Environmental Society, the South African National Foundation for the Conservation of Coastal Birds and the World Wide Fund for Nature. Regional bodies include the Oil Skimmer Project in the Eastern Cape.

Risks have been identified concerning underground pipes and tanks at some of the older retail sites. A national joint industry/South African Bureau of Standards (SABS) standard, initiated by the petroleum industry, has been in place for the past three years. This has ensured that new installations are on a par with global best practice. However, a number of older sites are lagging behind and we need to remedy this situation. We comply with the UK's Institute of Petroleum standard.

In 1998 we commissioned an underground pumping/tank strategy which will lead to major improvement works over the coming years on the older installations.

what others say

INDEPENDENT COMMENT –
ASSESSED AND REPORTED
BY ERM SOCIAL STRATEGIES

The prevailing view among those interviewed was that BP lives up to its policy commitments and is a socially responsible company.

Unsurprisingly, the need to redress the inequalities within South Africa caused by the apartheid system featured prominently. BPSA's contribution to this is recognized. However, and particularly because the company has shown willing, there was a sense that there was more it could contribute to the socio-economic development of the country. 'There are huge tangential opportunities for BP. They are taking up the obvious ones but not the innovative ones' (government official). The two recurring suggestions were promoting black emerging businesses and sharing its outstanding managerial and organizational skills with both local businesses and government.

Ethical conduct and relationships

On BP's ethical conduct, the overwhelming view was that there had 'not been a hint of impropriety on its part' (NGO).

Most of those interviewed were of the opinion that BP had built good relationships within the country.



'I thought it would be impossible to do business with a company like BP, but BP makes it comfortable and easy' (supplier). 'The company spends a lot of energy on building relationships' (employee). However, there was some concern that this was 'more a question of individuals who are prepared to take the extra step' (contractor) rather than company policy.

There is a consensus that the company is 'open to listening to others, although this does not mean that it always changes its views or is in agreement' (business partner). 'BP believed that a company like [ours] needed the opportunity to start and gave us that opportunity' (contractor).

There was divided opinion on whether BP understands the needs and aspirations of others. 'BP definitely understands our needs and aspirations' (community project representative). However, a government official commented: 'BP needs to really look at needs and aspirations of South Africa... BP needs to be different. It shouldn't be like other South African companies which have to be shocked out of their old ways of doing business.'

Employees

BP is generally regarded as a company that treats its workforce well. 'There is an open door to management and usually a good response from them' (employee). Another employee said he thought 'almost every employee is immensely proud to work for BP.'

On affirmative action policies, the general view was that BP had appointed black South Africans to significant positions based on merit, and the 'profile of the company had changed significantly over the last five years' (research organization). However, an industry association representative noted that although there was 'representation of all the different cultures of South Africa within BP... we still find glass ceilings'. One employee said: 'The policies on

employment are right and correct, but I am not sure whether we are doing everything possible to get a proper rate of ethnic diversity.'

The trade union representative 'did not see that BP Amoco's obligations to its employees were being fulfilled. Previously BP took a leadership role with regard to conditions of employment... But now it compares itself to the rest of the industry rather than taking the initiative to be better than the rest.'

Health, safety and environment

There were different views on the company's HSE performance. One of the company's suppliers noted that 'safety regulations at the Blendcor site are very stringent; they are not just a question of legal compliance'. However, the view of an NGO representative was: 'BP forms business alliances with some companies who have poor environmental standards... BP needs to look at what they do and assert leverage.'

Some felt 'by the very nature of its business, it cannot promise not to do environmental damage' (community project beneficiary). An NGO representative said BP, as joint owner of the SAPREF refinery, 'does not meet the goal of no accidents, no harm to people, and no damage to the environment... SAPREF's attitude to the surrounding community has been one of 'We are not causing a problem; if you say we are you must prove it'... Companies should incorporate best international practice into their mode of business' (NGO).

However, BP's support of environmental projects is recognized – for example, the Table Mountain Trust Fund and the clean-up of a highly contaminated tank farm on the Cape Town Waterfront. On the latter, an industry association representative said: 'I certainly think BP went the extra mile.'

BP SA is seen as one of the companies that

is 'sensitive to the changes taking place within South Africa and to the government's aspirations' (independent research organization) and 'has indicated the desire to get involved and make a difference' (government official).

Meetings were held with community project beneficiaries, representatives of government, business, a trade union, employees, NGOs and research organizations.

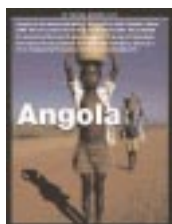


how
TO FIND
OUT
MORE

visit our website <http://www.bpamoco.com>

1997 CASE STUDY updates

Brief accounts of the major events over the last year affecting those operations featured as case studies in BP's first Social Report, published in April 1998.



Angola

During 1998, the fragile peace broke down. Renewed fighting between UNITA and government forces resulted in greater displacement of the rural population to towns, putting increased pressure on already overstretched resources.

As BP Amoco, our portfolio now includes operatorship of exploration Block 18 and interests in Blocks 5 and 21. The BP Statoil alliance terminated on 14 February 1999. Existing interests held jointly with Statoil will remain but future interests will be owned by BP Amoco.

This will have no impact on our social programmes or our commitment to social impact management. We have commissioned a second study by ERM, updating the 1997 baseline social impact study, and held a series of workshops with NGOs in Luanda and the UK.



Colombia

Sharply reduced oil prices and the move from development to production meant reductions in both employee and contractor numbers. The security environment remained serious. In October, the ELN blew up the oil pipeline to the coast, killing more than 70 people in the village of Machuca.

Security issues remain an area of sensitivity and continue to attract comment. We have tried to be more transparent about these arrangements without compromising effectiveness. New 1998 security agreements between the state oil company and the Colombian government contain human rights and auditing provisions. These are also being formalized for our private security contractors.

Progress was made in relationships with key stakeholders in Casanare. A new grassroots campaign, *Tiempo de Paz*, was launched in January 1999 to promote tolerance and human rights. Extensive consultation with the local community took place throughout the commissioning of the Cupiagua Central Processing Facility.

We have moved as far as we had hoped in developing a formalized system of social performance reporting.



Poland

The privatization of the oil sector is now under way and may be very influential in shaping the environment for future business development. Despite the unfavourable climate for the global industry, our operations in Poland continued to grow. By year end, we were the top foreign oil retailer with 92 service stations and 15% of the liquefied petroleum gas market.

The BP-funded Business Environmental Association, aimed at improving the environmental performance and management of small and medium enterprises, was launched successfully. More than 20 businesses, including some of our own contractors and suppliers, joined Clean Business Clubs providing advice, information and environmental health checks by trained auditors.



Scotland

During 1998 we commissioned a \$90 million marine vapour recovery plant at Hound Point on the Forth Estuary, to reduce hydrocarbon vapour loss to the atmosphere during tanker loading. We also confirmed new investment totalling \$825 million for Grangemouth's petrochemicals operations. Several new UK offshore fields, representing investment of more than \$4,000 million by BP Amoco and partners, were brought on stream.

During the year we won a national award for educational links and gained EMAS/ISO 14001 environmental registration for all Grangemouth operations and seven of our offshore fields.

Towards the end of the year we began restructuring our upstream business, managed from Aberdeen, in response to low oil prices and the merger. This will involve reduced activity levels and some job losses in 1999.

how

WE MEASURE UP

PERFORMANCE

IN THIS SECTION WE:

- set out the new BP Amoco policy commitments on ethical conduct, employees, relationships, and health, safety and the environment
- provide an account against each commitment of our approach to giving assurance that the commitments are being implemented, our progress so far and our plans for the future
- introduce one annexe containing detailed HSE reporting data and a second providing accounts of selected social investment programmes from our operations worldwide
- publish separate reports from auditors Ernst & Young on our social and HSE management processes.

36 Ethical conduct

39 Employees

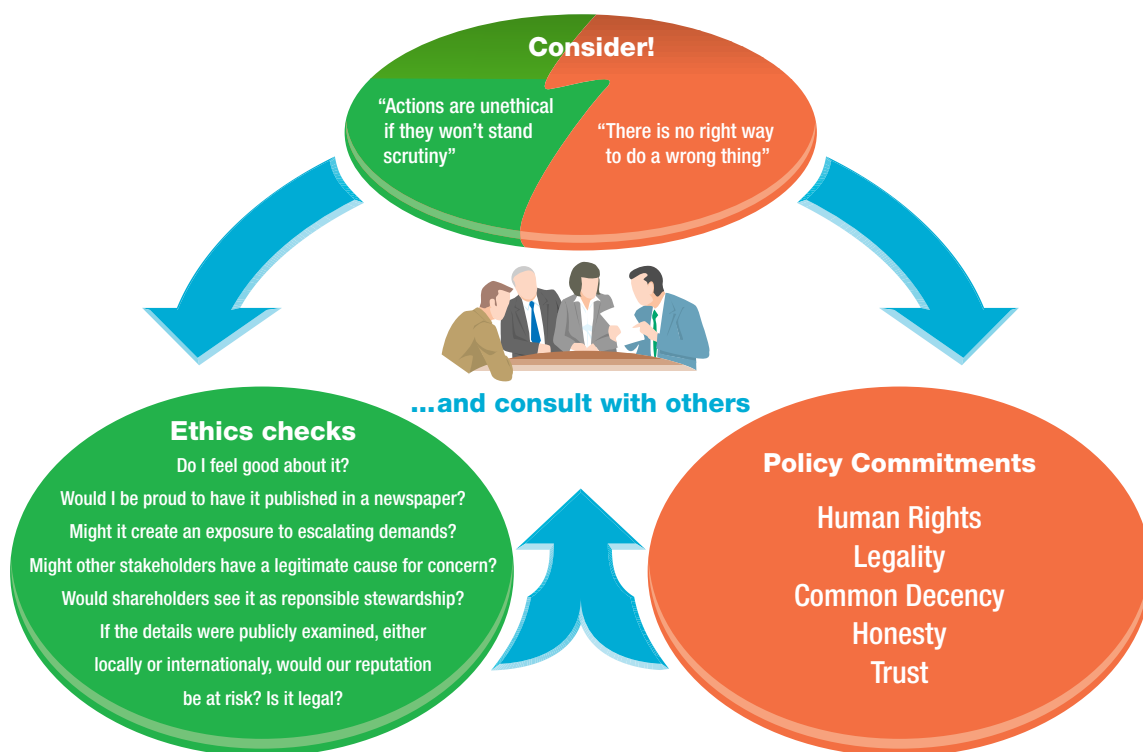
42 Relationships

45 Health, safety and environmental performance

48 Attestation statement

ethics and CONDUCT

...and respect the dignity, respecting the rights and interests of individuals



OUR PROGRESS

Guidelines

Questions of business ethics are often not clear-cut and cannot be resolved by rules alone. With this in mind, during 1998 we revised our Guidelines on Business Conduct, which provide guidance on ethical issues to anyone who has custodianship of the company's assets or commercial relationships. They have been published on the group intranet and include:

- a decision model to help clarify issues and potential consequences
- advice on ethical issues such as bribery and corruption, and conflicts of interest
- tests which managers can apply to ensure the policy is working effectively. Our rules on discipline and reporting breaches of the policy are also covered.

Line managers are accountable for implementation of the policy and ensuring these guidelines are used. They are supported in this by their regional president.

Specialist ethical conduct network

The internal audit function acts as a centre of expertise on ethical conduct issues and is available to help anyone working for the company to resolve any ethical issue which is of concern to them. A specialist network has been established, partly to assist in the revision of the Guidelines on Business Conduct and partly to promote consistent understanding and practice and to share knowledge across the group.



Our commitment to ethical conduct includes respect for the rights and dignity of indigenous communities, such as the Warao Indians of the Orinoco Delta in Venezuela.

Workshops

Ethical conduct has been discussed in workshops for business teams in many countries during the year. Some were specifically focused on this topic; in others, ethical conduct was one element of a discussion covering all the policies.

Special case studies have been developed to stimulate debate on ethical dilemmas, but we find the most benefit is obtained when participants work together on real issues drawn from their own business experience.

Amoco has run seminars on various aspects of ethical behaviour including corrupt payments, compliance with anti-trust, sanctions, boycott, discrimination and other laws. A major objective was to raise employee awareness of issues overseas and to keep the company from inadvertently entering into business relationships with partners who do not apply the same standards of behaviour.

Seventeen ethical conduct workshops were held across Asia, covering all the main operating countries in the region. More than 300 staff of all levels of responsibility attended, with the target audience being those who dealt with customers, suppliers and other third parties. Many of these debates centred on the issues of facilitation payments and bribery, the use of agents and consultants, and gifts and entertainment.

The workshops were generally well received although some people still wished for straightforward answers to difficult questions.

The workshops have identified many ethical issues and stimulated debate and deeper thinking, but it is clear that we are some way from resolving all of these issues and changing people's behaviour. Building on this experience, we aim to run further workshops in 1999.

ethical CONDUCT CONTINUED

Annual certification process

The annual ethics self-certification exercise in BP was updated in 1998 to reflect the revised policy with its emphasis on principles, judgement and openness. During November and December all BP employees in positions of responsibility down to team leader level signed assurance certificates providing a personal confirmation that individuals understood the policy commitment and expectations, and that they and their teams had applied them. The individual certificates underpin the certificates of all senior management, for example, all business unit leaders and ultimately those of the managing directors.

The process aims to help embed the policies and to illuminate any issues where there may be doubt and/or non-compliance. There will always be incidents of non-compliance for reasons ranging from misunderstanding to deliberate wrongdoing. The former is minimized by continued efforts at raising awareness; the latter is dealt with by disciplinary and even legal action.

Human rights

We continued to focus on raising awareness among employees generally and especially among business unit management to ensure that human rights issues are addressed. We developed intranet sites providing employees with

briefing and contact information on the major international non-governmental organizations with which we have established contact and dialogue, and specific guidance on human rights issues.

To mark the 50th anniversary of the Universal Declaration of Human Rights we launched a human rights page on our internet site, sponsored the United Nations Association speech in London by Mary Robinson, UN High Commissioner for Human Rights, and ran a special feature in our international in-house journal.

OUR PLANS

In the coming year, we will implement a common approach to certification throughout BP Amoco.

We will continue with workshops on ethical conduct and human rights for those in leadership roles.

Line management will continue to be accountable for reinforcing all the policies by raising individual awareness and providing the individual with support and assistance in helping to make judgements. We will encourage all businesses to ensure that the right management processes are in place.



Our human rights internet page was launched on 10 December 1998, the 50th anniversary of the UN Universal Declaration of Human Rights. This may be accessed via our website <http://www.bpamoco.com>

employees

OUR COMMITMENT

We respect the rights and dignity of all employees. Everyone who works for BP Amoco contributes to our success and to creating a distinctive company. Working together, and drawing from our diverse talents and perspectives, we will stimulate new and creative opportunities for our business. Collectively we will generate a more exciting and rewarding environment for work in which every individual feels responsible for the performance and reputation of our company.

Our ambition is that BP Amoco should be a company which attracts the best people – regardless of their background, beliefs or lifestyle.

We commit to creating a working environment in which there is mutual trust and respect, in which inclusion and diversity are valued, and where everyone who works for BP Amoco:

- knows what is expected of them in their job
- has open and constructive conversations about their performance
- is helped to develop their capabilities
- is recognized and competitively rewarded for their performance
- is listened to and involved in improving the team's performance
- is fairly treated
- feels supported in the management of their personal priorities.

OUR APPROACH

The merger brings together two organizations with high standards in the management of people. BP communicated its commitments widely to its employees and during 1998 measured progress towards delivering them. Amoco brings a particular commitment to positive initiatives on diversity.

We have developed a range of processes for people management, some of which, such as upward feedback and personal development planning, are at the leading edge. However, processes are not enough without a clear commitment by the organization, backed up by targets and performance measures, and regular employee consultation and feedback.

Our approach therefore includes:

- Our commitments – the foundation
- Targets and measures – quantitative targets for key human resources activities
- People assurance surveys – surveying employee attitudes to measure whether we are meeting our commitments
- Diversity – promoting diversity and encouraging an inclusive environment.

employees CONTINUED

OUR PROGRESS

In 1998, for the first time, BP set global targets for people management processes. This did not include all unionized employees but we have decided to include them in 1999. We achieved our targets in the area of feedback, which includes upward feedback. We delivered on average five days of training per employee over the year. However, only 86% of employees had a development discussion against a target of 100%.

The top 350 leaders in BP and many Amoco leaders carried out a 360 degree feedback exercise, seeking views of their performance from team members and peers as well as their senior manager. Many team leaders at other levels in the organization also carried out upward feedback exercises.

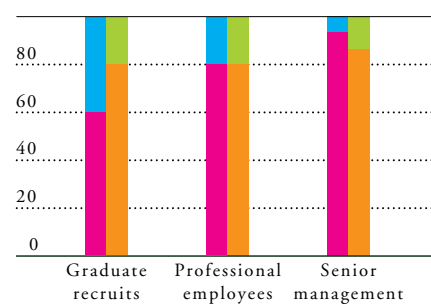
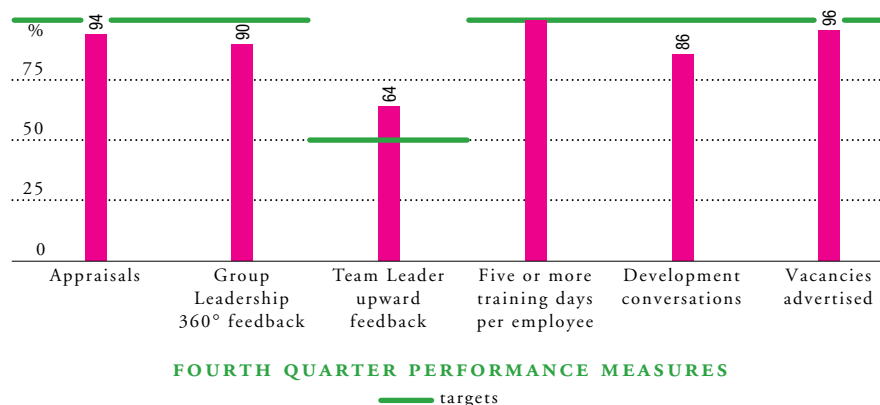
During 1998 Amoco continued its successful focus on diversity. Employee survey trends indicated progress in creating an environment where everyone could fully contribute. The percentage of women, minorities and non-US employees in professional and leadership roles increased, but there is still room for improvement. The focus was on identifying key behaviours which help to create a team environment where all members feel valued, and on providing leaders with the skills and knowledge to create a fair and inclusive environment. Employees were involved in interactive discussions of real-life diversity issues through on-line case studies.

In BP, senior management commissioned a programme of work to examine diversity issues. Internal

research worldwide suggested that lack of visible diversity is caused more by attitudes and behaviour than by policies or processes such as recruitment and development. Responses to this challenge took different forms in different parts of the world, reflecting local issues.

In April, we piloted our People Assurance Survey, an employee attitude survey with questions aligned closely to the Commitment to Employees, by surveying group leaders and those reporting directly to them. The results indicated a highly motivated and dedicated leadership team.

In October, a further survey for the whole organization was carried out with questionnaires being sent to 40,000 BP employees worldwide. Again mainly





favourable overall results were obtained.

Responses to all 46 main questions were grouped into eight dimensions. The bar chart below shows averaged favourable, neutral and unfavourable scores across these different dimensions. The first dimension, 'feelings about BP' for instance, measures overall morale; creating a 'distinctive' company covers areas such as financial, societal and environmental performance; and the 'team leader' dimension concerns day-to-day people management, such as feedback, coaching, workload and fair treatment.

Compared with other companies using the same questions, our results were mainly above external norms. However, there were a few areas where scores were less favourable, particularly in equal opportunities, work/home life balance, coaching and mentoring by team leaders, and skills development.

Summary results were communicated to employees during December and

business unit leaders received individual reports to enable them to address the key concerns in their own areas.

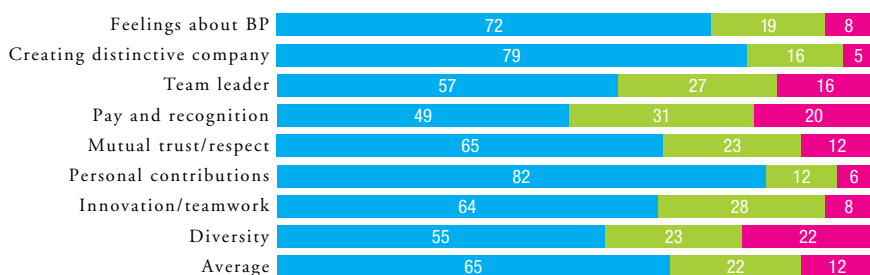
After the merger announcement and through the second half of 1998, surveying took place to monitor employees' perceptions and opinions. Telephone interviews were held with 1,000 BP and Amoco employees every month, backed up with input from focus groups.

OUR PLANS

The combination of the merger and the highly competitive business environment has necessitated considerable change in the organization and, in certain areas, major job losses. We will handle these in accordance with our policy commitments, treating individuals fairly and communicating and consulting wherever appropriate.

We plan to continue with the same framework of commitments, targets, performance measures and attitude surveys, and we will clarify and communicate accountabilities for good people management.

We will also continue to monitor our gender, ethnic origin and nationality mix. In addition we will establish a BP Amoco diversity strategy that will focus on leadership commitment, education, communication and shared learning, as well as the integration of diversity into policies and processes.



SUMMARY OF DIMENSION SCORES
 ■ % Favourable ■ % Neutral ■ % Unfavourable

relationships

OUR COMMITMENT

We believe that long-term relationships founded on trust and mutual advantage are vital to BP Amoco's business success.

Our commitment is to create mutual advantage in all our relationships so that others will always prefer to do business with BP Amoco.

We will do this by:

- understanding the needs and aspirations of individuals, customers, contractors, suppliers, partners, communities, governments and non-governmental organizations
- conducting our activities in ways which bring benefits to all those with whom we have relationships
- fulfilling our obligations as a responsible member of the societies in which we operate
- demonstrating respect for human dignity and the rights of individuals.

We will work to build long-term relationships founded upon:

- high performance standards
- delivering on our promises
- openness and flexibility
- learning from others
- mutual interdependence
- sharing success.



A young rider with Riding for the Disabled receives a cheque for money raised by UK employees and matched through our Matched Giving Scheme.

OUR APPROACH

Throughout BP Amoco we try to promote attitudes and behaviour which support good long-term relationships that are open and trusting and bring benefits to both parties.

In 1998 the specific actions for fulfilling our commitment on relationships included:

- continuing our dialogue with non-governmental organizations at international, national and local level
- building closer contacts with intergovernmental institutions
- listening to the views of customers and wider audiences through opinion research
- improving our understanding of political risk and corporate responsibility, particularly in developing countries
- developing our understanding of assessment and management of social impact, with pioneering work in a number of countries
- improving the monitoring and measurement of social investment programmes
- using this report as a means of promoting and celebrating best practice within the organization.

OUR PROGRESS

In recent years we have become increasingly aware that we have to understand and manage our social impact on the places where we operate, just as we must understand and manage our environmental impact. Our social impacts can range from positive ones, such as the creation of jobs and prosperity, to less welcome ones, such as fuelling unrealistic employment expectations, exacerbating existing or latent conflicts and disrupting settled ways of life. Sometimes these impacts can make demands on national and local government services, the judiciary and law enforcement agencies and other elements of the social infrastructure which, in remote or less developed areas, may be ill-equipped to cope or even absent.

We are working to improve our own understanding of these issues and to build the shared understanding and partnerships with governments, international aid and development agencies and NGOs which are necessary to tackle them. We have begun a dialogue with the international trade union movement to share ideas about major social and employment issues. This dialogue is handled separately from any relationships with trade unions at the workplace level.

At the same time we are getting to grips with social impact issues at a practical level, for example in Angola.

We use objective research, both in the UK and internationally, to

look in depth at views of the public, business leaders and opinion-formers. A 12-country study conducted by MORI confirmed the importance of social and environmental responsibility as a factor in determining opinions about companies.

Perceptions of BP Amoco continue to be influenced by the often negative views about extractive industries and multinational companies generally. MORI investigated NGO opinion in 1998 and found some encouraging signs. Disapproval of our industrial activities is tempered by an appreciation of our genuine desire to uphold our social responsibilities, and a recognition of our willingness to engage in open discussion with stakeholders of all kinds. As one respondent commented: 'We don't agree with them in many things but, for good or for bad, it is an organization which one can have a dialogue with.'



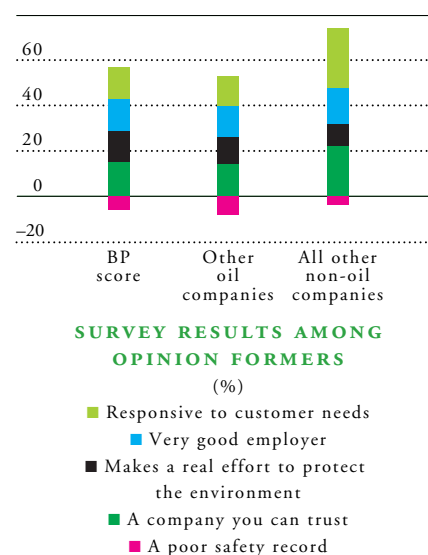
Listening to our customers is essential. Our Global Image Tracking Survey, which we conduct in all our key markets, measures the performance of our brand by comparison with our main competitors.

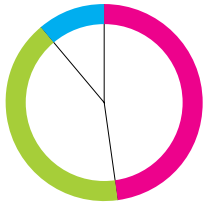
The research covers factors influencing customers' purchasing decisions, such as brand familiarity, product quality, service station image and employee attitude.

This helps us improve the quality of the products and services we offer our customers by responding to new needs and providing new services.

In most markets, our image has

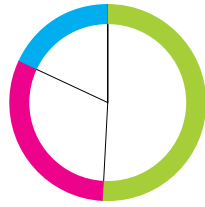
Opinion formers' responses in the 12-country survey indicated that we were well regarded compared to our industry sector. Comparison with other sectors often showed a marked difference. Perceptions of us were also higher among those opinion formers whose knowledge of us was greater than average.



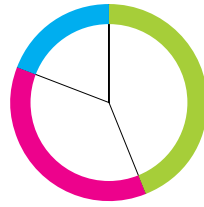


BREAKDOWN OF PROFIT*
(\$3,999 million)
■ Europe 48%
■ USA 41%
■ Rest of World 11%

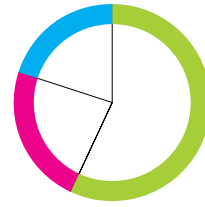
*Replacement cost profit after tax and before exceptional items



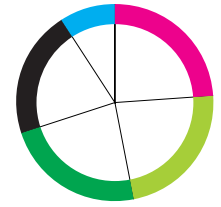
BREAKDOWN OF FIXED ASSETS
(\$54,465 million)
■ USA 51%
■ Europe 31%
■ Rest of World 18%



DISTRIBUTION OF EMPLOYEES
at end year
(96,650)
■ USA 44%
■ Europe 37%
■ Rest of World 19%



BREAKDOWN OF COMMUNITY EXPENDITURE
(\$64.9 million)
Excludes BP Amoco staff and operating costs
■ USA 57%
■ Europe 23%
■ Rest of World 20%



COMMUNITY EXPENDITURE
(\$64.9 million)
Worldwide community expenditure by main theme excludes BP Amoco's environmental operating costs
■ Community development 24%
■ Education 23%
■ Other 23%
■ Arts and culture 21%
■ Environment 9%

improved significantly and we are now seen in more countries as leading our competitors on dimensions such as 'being a successful international company' and 'being innovative', and we are recognized as playing a distinctive role in making a real effort to protect the environment.

Our relationships with local communities are enhanced by our social investment programmes. For several years we have reported the regional distribution of community investment in relation to the distribution of our assets, employee numbers and profits. We now include figures for the Amoco Foundation, which naturally increases the proportion of expenditure in the USA.

This year we have begun to collect information on the value of in-kind and staff support to social programmes and of funds leveraged from other sources as a result of our support. We also collected examples of community programmes for which output and/or impact measures were available. Alongside this report we have produced a special annexe describing examples of our social investment programmes around the world which is available from BP Amoco or on the internet at <http://www.bpamoco.com>

OUR PLANS

With the completion of the merger and the approval of the new business policies a major communications exercise will be required to raise awareness and understanding of the policy commitments throughout the organization.

Although detailed planning is still under way, we intend to develop the assurance processes within each policy area, as reflected in this report. We also plan to establish a programme to raise awareness of policy issues among business unit leaders and to encourage them to set up similar programmes within their own operations. We are considering options for a social performance management system to sit alongside our HSE management system.

We are devising a new global social investment strategy in which the Amoco Foundation, reconstituted as the BP Amoco Foundation, can help business units develop social investment strategies better attuned to their business priorities and the needs of the communities in which they are operating. We will adjust the balance of our social investment across the world to match the evolving pattern of our business development aspirations more closely in the coming years.



The provision of a complete water treatment and distribution system in Colombia delivered greatly improved health standards:

- clean water availability extended from 50% to 100% of community
- water clarity improved by a factor of more than three
- water purity – presence of coliformes reduced to zero
- local hospital consultations for stomach illness down by 80%



Our programme in Singapore supported the mentoring of 3,000 schoolchildren. The scores show student views of the programme. The schools' views were equally positive:

- confidence improved 96%
- more attentive in class 87%
- class results improved 91%
- would like to continue studies 84%

Increasingly we are looking for measurable outputs from our community investments.

health, SAFETY AND ENVIRONMENTAL PERFORMANCE

OUR COMMITMENT

Everybody who works for BP Amoco, anywhere, is responsible for getting HSE right. Good HSE performance and the health, safety and security of everyone who works for us are critical to the success of our business.

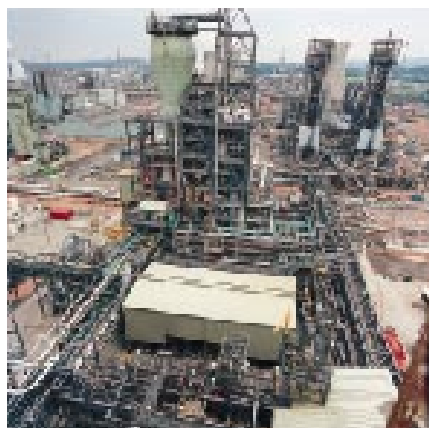
Our goals are simply stated – no accidents, no harm to people, and no damage to the environment.

We will continue to drive down the environmental and health impact of our operations by reducing waste, emissions and discharges, and using energy efficiently. We will produce quality products that can be used safely by our customers.

We will:

- consult, listen and respond openly to our customers, employees, neighbours, public interest groups and those who work with us
- work with others – our partners, suppliers, competitors and regulators – to raise the standards of our industry
- openly report our performance, good and bad
- recognize those who contribute to improved HSE performance.

Our business plans include measurable HSE targets. We are all committed to meeting them.



OUR APPROACH

BP Amoco has adopted an HSE management system that has drawn on the best of the systems that were used in BP and Amoco. The system provides a broad-based set of expectations integrated into 13 elements of accountability. This framework helps line managers to focus on critical HSE needs, forecast and allocate resources, set direction for HSE activities and consistently deliver improved HSE performance.

A systematic approach to HSE management is fundamental to all operations throughout BP Amoco.

The 13 elements are:

- 1 leadership and accountability
- 2 risk assessment and management
- 3 people, training and behaviours
- 4 working with contractors and others
- 5 facilities design and construction
- 6 operations and maintenance
- 7 management of change
- 8 information and documentation
- 9 customers and products
- 10 community and stakeholder awareness
- 11 crisis and emergency management
- 12 incidents analysis and prevention
- 13 assessment, assurance and improvement.

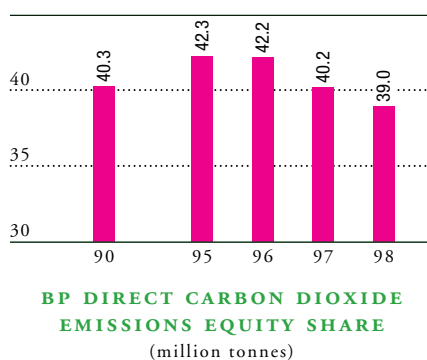
Business unit leaders assure themselves and the group chief executive that all relevant processes are in place and working effectively to manage HSE risks associated with their business activities. This is achieved through regular:

- risk assessments and risk management programmes
- peer reviews, self-assessments and objective external assessments
- reviews of performance indicators against agreed targets.

HSE assurance is discussed regularly between business unit leaders and their senior managers. An assurance management system assessment will be periodically conducted to provide a review of key internal controls. In addition, an annual HSE report is prepared summarizing progress and planned activities.

OUR PROGRESS

BP Amoco has announced that it will reduce greenhouse gas emissions by 10% from 1990 levels by 2010. Progress towards that target is shown below.

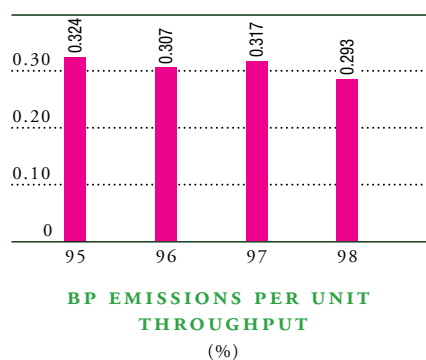


This graph illustrates BP's share of emissions of carbon dioxide from operations where BP had equity, whether they were operated by BP or not. In 1998, these carbon dioxide emissions were about 1% lower than our 1990 emissions. Since we have refined our data collection process across the group, the figures shown here are slightly different from those published in 1997. They will be reviewed again in 1999 to take account of the merger.

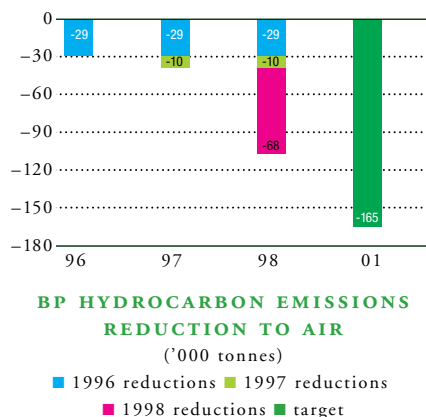
Last year BP announced three HSE targets. Further progress has been achieved in 1998 as shown below. Once baseline information for BP Amoco is available, targets for the new organization will be developed.

BP's targets were:

- to achieve year-on-year continuous improvement by reducing the sum of air, water and waste emissions per unit of throughput



Total emissions were reduced by 8% or 67,000 tonnes while production decreased by 2%. Throughput is the sum of oil and gas production, refinery throughput, gasoline sales and chemicals sales.



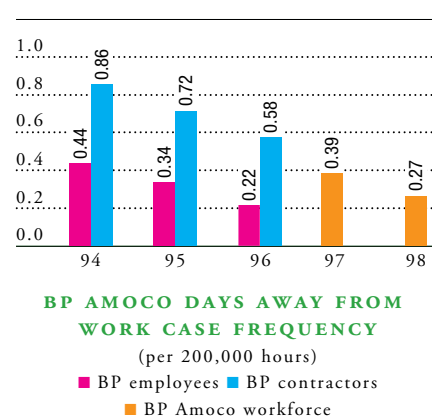
- to reduce our annual hydrocarbon emissions by 165,000 tonnes by 2001 (from 1995)

Only reductions arising from emissions reduction programmes and plant closures are counted towards the target. Reductions resulting from sale and continued operation of plant by new owners, or improvements in estimating methods and increases in emissions owing to new operations, are excluded. The major contribution in 1998 was a vapour recovery unit commissioned at Valdez in Alaska.

- to gain ISO 14001 certification at our major sites and publish verified site environment reports by 2000

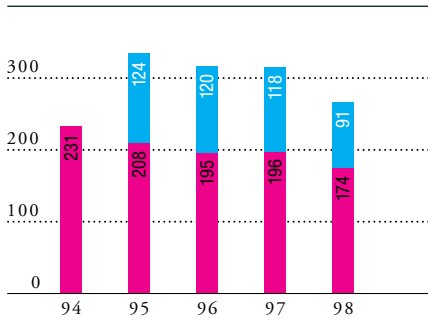
Fifteen sites in our exploration and production business, eight sites in our refining operations, five sites in our chemicals activity, one solar site and our research centre at Sunbury have achieved certification.

Further indicators of our continuing progress in HSE performance are shown below:



- BP Amoco days away from work case frequency

Data in this graph represent the global operations of the organization. BP Amoco has adopted the US Occupational Safety and Health Administration standard for illness and injury reporting worldwide. Workforce is employees and contractors.



BP HYDROCARBON EMISSIONS TO AIR
('000 tonnes)
■ Data for operations reported for the first time in 1995 (mainly shipping and crude oil loading)

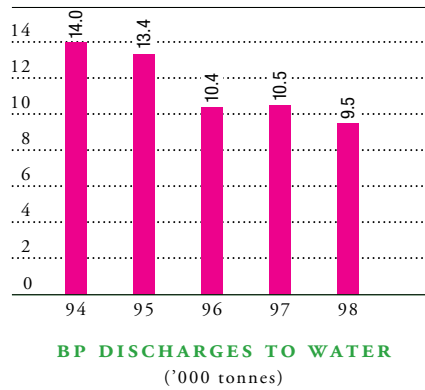
- Total hydrocarbon emissions from BP-operated facilities

Hydrocarbon emissions to air fell by 16% or 48,000 tonnes in 1998. The largest contribution was from the vapour recovery unit in Valdez in Alaska, but a myriad of smaller activities across the group have contributed as well.

- Total discharges to water from BP-operated facilities

Discharges to water were down 10% in 1998, a reduction of 1,000 tonnes.

Further comprehensive HSE data describing both BP and Amoco HSE



performance are available in the Health, Safety and Environmental Data 1998 publication which is available on request from BP Amoco, or on the internet at <http://www.bpamoco.com>

OUR PLANS

While we are encouraged by the level of improvement in our key indicators of health, safety and environmental performance, we realize that there are opportunities for further gains. In particular, we will focus on reducing fatal accidents in our operations and sharing the learning of preventative actions that are successful in many parts of the group.

With injury and illness frequency measures, our health and safety performance continues to approach our goals of no accidents and no harm to people in many business units, although we recognize that a moment's inattention to this critical issue can undo the work of years. Oil spills that reach the environment are also an issue that we will continue to pursue.

We are confident that the programmes in place to reduce our emissions will continue to show results.

Greenhouse gas and hydrocarbon emissions will be our principal targets for reductions and we will also focus on discharges to water. We will extend our emissions trading pilot from the 12 business units currently participating to cover the whole group over the next year or so.

We will continue our programme to achieve independent certification of our environment management systems to the international ISO 14001 environment management standard at all our major sites, and they will produce verified site environment reports.

In 1999 we will work to establish baselines of emissions throughout the group, to create challenging short-term targets and long-term goals for our continuous improvement.

We also recognize that our commitment to the environment must extend to our products. We aim to become an unleaded company in the next three years, and we will introduce a clean fuels offer to at least 40 cities around the world over the next two years.

attestation STATEMENT

To the board of directors of BP Amoco p.l.c.

In accordance with your instructions we have reviewed BP Amoco's 1998 Environmental and Social Report (the report) in order to substantiate its contents. In addition you requested an independent view of progress in implementing the company's policies addressed in this report. The report has been prepared by the directors, who are responsible for the collection and presentation of information within the report.

Approach

There are currently no statutory requirements or generally accepted standards in the UK relating to the preparation, publication and attestation of environmental and social reports. We have therefore developed an attestation framework involving a detailed challenge of the report's contents, coupled with a review of management processes supporting implementation of the policies. This has required the development of a customized protocol based on environmental, quality and emerging social management systems standards and guidelines.

Basis of our review

Our review consisted of the following:

- 1 Discussions with a selection of BP Amoco group senior managers to assess commitment to the implementation of the policies and to gauge corporate expectations of business unit performance.
- 2 Review of selected documents which contribute to internal assurance that the policies are being implemented. These included health, safety and environmental (HSE) assurance reports, signed certificates on ethical business conduct, staff opinion survey results, board minutes and ethics and environment assurance committee minutes.
- 3 Review of a selection of publicly available information relating to BP's HSE and social performance as a check on the accuracy of the information reported and statements made in the report.
- 4 Review of HSE data management systems and samples of data collected at site level, to assess it has been consolidated and reported accurately. A separate attestation statement on HSE performance data is provided in the HSE annex to the report.

- 5 Review of the management processes supporting the implementation of the policies at the Global Business Centre in London and at the following BP Amoco locations: Kwinana, Australia (refinery), Hull, UK (chemicals), Alaska, USA (upstream), South Africa (downstream), Mersin, Turkey (BP/Mobil joint venture refinery), Texas City, USA (chemicals and refinery). In addition we have had discussions with representatives of the former Amoco organization in Chicago to establish an understanding of management processes in place in 1998.

Conclusions

Report contents

On the basis of our review, we conclude that the information reported in the 1998 Environmental and Social Report is consistent with the evidence obtained. We have found no statements in the report which we have been unable to substantiate either through our site visit observations or documentation obtained and we have found underlying processes for reporting and collating HSE data to be robust.

Progress in implementing the company's policies

We have formed the following views of progress in implementing the policies:

- With the merger of BP and Amoco, the policies have been relaunched across the new organization. On the basis of our observations, we consider that, although there are historical differences in approach, former BP and Amoco operations are being managed in a manner which is largely consistent with the policies. We consider there is a solid foundation for ongoing integration and policy implementation.
- A range of management processes is in place for implementing the four policies addressed in this report. Ultimately, the effectiveness of management processes is reliant upon the competence and integrity of individuals. During our investigations we have consistently found evidence of these qualities at all levels.
- For the HSE and the Employees policies, management processes are largely systematic and formalized. The HSE management processes have been in place for a number of years. However, the employee management processes were revised in 1998 following the introduction of the employees policy. These management processes provide reasonable

assurance that policy commitments are being acted upon in these areas.

- For the Ethical Conduct policy, the existing corporate-driven assurance and enforcement process was revised during 1998 to be more aligned with the specific expectations of the ethical conduct policy. While a structured ethical conduct assurance process is in place, the processes for implementing the policy at business unit level are less developed.
- Management processes for implementing the Relationships policy are less formalized. Following the introduction of the policies, there has been limited review of existing processes for the management of relationships against the expectations of the policy.
- Where management processes are less formal, such as for the management of relationships and ethical issues at a business unit level, we have been able to obtain less assurance of consistency of approach to policy implementation.

Opportunities for improvement

We consider that management processes for policy implementation could be strengthened in a number of areas. These will be detailed in a separate report to management and include:

- stronger co-ordination between regional and business unit levels in the management of relationships with key stakeholder groups
- provision of further guidance and training on the regional and local interpretation of the Ethical Conduct policy, tailored to the diverse cultural and business contexts in which BP Amoco operates
- more consistent integration of ethics considerations at a business unit level into key management processes
- objectives relating to the implementation of the ethics and relationships policies within performance contracts for business units and key managers.

Ernst & Young

London

31 March 1999

This statement has been prepared taking into account the guidelines of the European Federation of Accountants (FEE) *Research Paper on Expert Statements in Environmental Reports*.

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ON BP AMOCO'S ENVIRONMENTAL AND SOCIAL PERFORMANCE AND THIS REPORT

Your views and opinions will help us assess our progress in managing and reporting our environmental and social performance.

The questionnaire on the next page gives you the opportunity to comment and to raise questions of your own.

Please take the time to fill in the questionnaire and to send it or fax it to us. You can also send your comments by e-mail to *bpes@bp.com*

We will provide details of your comments in next year's report.

Further information

Further copies of this BP Amoco Environmental and Social Report, the Health, Safety and Environmental Data report, BP Amoco in the Community and an accompanying CD-ROM, together with other BP Amoco publications, may be obtained from:

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Tel. (+44) 01202 244030
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The reports are also available on the internet through the BP Amoco website at <http://www.bpamoco.com>

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The paper used for this report meets the strictest environmental standards set by the Nordic Swan Council and is fully recyclable. The pulp used to produce the paper is generated locally, is fully sustainable and is bleached without the use of elemental chlorine.

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how ARE WE doing?

Your feedback on BP Amoco's environmental and social performance and reporting

1 Did you find the BP Amoco Environmental and Social Report:

- very informative
- informative
- not very informative
- not at all informative

2 What aspect or aspects of the report did you find most useful?

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3 What aspect or aspects of BP Amoco's activities would you have liked more information on?

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4 In your opinion, how could BP Amoco improve its environmental and social performance?

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5 BP Amoco would welcome your comments on any aspect of its environmental and social practices.

If you have comments to make that you feel are not covered by the above questions please add them here.

.....

.....

.....

6 Are you a

- customer
- shareholder
- employee
- general public
- other organization

Name

Address

.....
Postcode

THANK YOU for your feedback