



FRIDTJOF NANSENS INSTITUTT

Beyond Petroleum: Can BP deliver?

Atle Christer Christiansen

FNI report 6/2002



FRIDTJOF NANSENS INSTITUTT
THE FRIDTJOF NANSEN INSTITUTE

Tittel/Title Beyond Petroleum: Can BP deliver?	Sider/Pages 40
Publikasjonstype/Publication Type FNI report	Nummer/Number 6-2002
Forfatter(e)/Author(s) Atle Christer Christiansen	ISBN 82-7613-430-0
Program/Programme	ISSN 0801-2341
Prosjekt/Project Petropol 0113	
Sammendrag/Abstract <p>Over the last decade BP has received much support and acclaim for its 'proactive stance' on environmental issues, most notably for its position on global climate change and efforts to curb emissions of greenhouse gases. The role of BP is often highlighted in stark contrast to companies that have been accused of lobbying intensively against efforts to mitigate the risk of global warming.</p> <p>Alongside heated debates about global environmental issues and corporate responsibilities in that respect, the last decade has also witnessed the emergence of a potentially much wider and broadening social agenda, oftentimes framed by the concepts of corporate social responsibility (CSR) or corporate citizenship. The objective of this report is to explore how BP has faced up to the challenges posed by the emerging and broadening CSR agenda.</p> <p>The report starts off with a brief overview of BP's history and involvement in countries with poor performance on social and poverty-related indicators. Second, the report provides empirical evidence of accusations raised against BP, followed by an assessment of BP's external communications on CSR issues. In brief, the report argues that BP puts strong emphasis on communicating to the public what it perceives as the key CSR-issues and how BP aims to act upon its rhetoric. BP is also recognised as a prime mover in setting new targets and standards on CSR-issues like corruption and transparency, taking also new steps in the development and implementation of management systems and techniques. Third, the paper compares company rhetoric with actions, suggesting that there is in general a rather high degree of consistency. Finally, the report offers some perspectives of BP's views on the role and limitations of companies in meeting the challenges posed by the widening CSR agenda.</p>	
Stikkord/Key Words CSR, oil companies, BP	
Bestilling til/Orders to: Fridtjof Nansen Institute, Postboks 326, N-1326 Lysaker, Norway. Tel: (47) 6711 1900 Fax: (47) 6711 1910 Email: post@fni.no	

Table of contents

- 1 INTRODUCTION 1**
 - 1.1 OVERVIEW OF BP AND ITS OPERATIONS IN KEY COUNTRIES AND REGIONS 1
 - 1.2 HISTORY AND CONTEXT 4
- 2 INCIDENTS AND ACCUSATIONS AGAINST BP 8**
 - 2.1 COLUMBIA: HUMAN RIGHTS ISSUES 8
 - 2.2 ANGOLA: CORRUPTION AND TRANSPARENCY 11
 - 2.3 OTHER ACCUSATIONS AGAINST BP 12
- 3 BP’S EXTERNAL COMMUNICATION ON CSR 14**
 - 3.1 BEYOND RESPONSIBILITY? THE NOTION OF PERFORMANCE 15
 - 3.2 BUSINESS POLICIES AND CSR 17
 - 3.2.1 *Ethical conduct policy* 18
 - 3.2.2 *Relationships policy* 21
 - 3.3 MANAGEMENT SYSTEMS AND PERFORMANCE INDICATORS 21
 - 3.3.1 *CSR Management* 22
 - 3.3.2 *Providing assurance* 23
 - 3.3.3 *Management techniques* 25
 - 3.4 SOCIAL PERFORMANCE REPORTING – EXPANDING THE BOTTOM LINE 27
- 4 COMPARING STATEMENTS WITH ACTIONS 30**
- 5 BP’S VIEW ON THE ROLE OF COMPANIES 33**
- 6 CONCLUDING REMARKS 38**
- REFERENCES 40**

“A good business should be both competitively successful and a force for good. At the core of BP is an unshakeable commitment to human progress. [...] We will enable customers, governments, communities and our own people to participate in a new constructive dialogue. We aim for radical openness – a new approach from a new company: transparent, questioning, flexible, restless and inclusive. We will be the magnet for people who want to change the world with new ideas, delivering a performance standard that challenges the world’s best companies”.

BP Business Policies, What we stand for.

1 Introduction

Over the last decade BP has received much support and acclaim for its ‘proactive stance’ on environmental issues, most notably for its position on global climate change and efforts to curb emissions of greenhouse gases. The role of BP is often highlighted in stark contrast to companies that have been accused of lobbying intensively against efforts to mitigate the risk of global warming. Alongside heated debates about global environmental issues and corporate responsibilities in that respect, the last decade has also witnessed the emergence of a potentially much wider and broadening social agenda, oftentimes framed by the concepts of corporate social responsibility (CSR) or corporate citizenship.

The objective of this paper is to explore how BP has faced up to the challenges posed by the broadening CSR agenda. The paper starts off with a brief overview of BP’s history and its involvement in countries and regions with poor track records on human rights abuses and poor governance. Section 2 provides some empirical evidence of accusations against BP, followed by a review in section 3 of BP’s external communications on CSR issues and concrete actions taken to establish and implement CSR policies at the company level. A comparison of statements with actions is then given in section 4, while section 5 offers some perspectives on BP’s view on the role of companies (opportunities and limitations) in meeting the challenges posed by the widening CSR agenda. The paper is then wrapped up with some concluding remarks in section 6.

1.1 Overview of BP and its operations in key countries and regions

Following the merger with Amoco in 1998, BP Amoco plc (now BP) entered the scene among the world’s top three oil companies. Judging by merits such as market capitalisation (\$ 203 billion), revenues (US\$148 billion) and earnings (US\$ 8.4 billion), BP was in year 2000 surpassed only by the other oil-majors ExxonMobil and the Shell Group. BP also ranks top three in terms of discovered oil and gas reserves, amounting to some 15,2 billion barrels of oil equivalents. BP’s products are on sale in about 100 countries, and it has well-established operations on six continents. Upstream, the company is active in 29 countries with production

operations in 23 countries. BP is the largest producer of oil and gas in the US, and the second largest marketer of gasoline. Key downstream figures include gas sales contracts in 25 countries, refineries in 23 countries, and more than 28,000 service stations. BP is also a major player in chemicals (58 sites worldwide) and solar power (revenues of US\$200 million in 2000).

Table 1: BP upstream production (2000 data)

	Oil production ^a	Gas production ^b
Europe	624	1,788
UK	534	1,652
Norway	89	41
Other, inc. Netherlands	1	95
USA	729	3,054
Alaska	314	2,161
Lower 48 onshore	218	9
Gulf of Mexico	197	884
Rest of World	390	2,504
Egypt	108	
Canada	19	582
Colombia	52	
Trinidad	47	885
Venezuela	46	
Australia	37	205
Azerbaijan	30	
Indonesia		373
China		77
Sharjah		184
Other	51	198
Associated undertakings	185	263
Total BP	1,928	7,609

^a thousand barrels per day including NGL and condensate, ^b million standard cubic feet per day (mscf/d). Source: www.bp.com

Key data concerning upstream and downstream activities are given in Tables 1 and 2, revealing that even though BP clearly has a global outreach, it has the largest portfolio of production activities and downstream assets in the US. Almost 40% of its oil production, and close to 60% of BP's retail stations are located in the US. Europe is the second most important region, including some 40% of overall petroleum product sales and about 30% of BP's fixed assets. As regards developing countries, BP holds strong interests in the Americas, notably Columbia and Venezuela, besides countries in Southeast Asia (Indonesia) and Africa (Egypt).

Table 2: Downstream production figures (2000)

	Petroleum product sales (\$ million) ^a	Total fixed assets (\$ million)	Refinery throughputs (thousand b/d) ^d	Service stations	Number of employees
Europe	30,010	22,801	926	8,200	41,400
UK	8,528 ^{b,c}	17,722	324 ^e		18,900
Rest of Europe ^c	21,482 ^c	5,079	602 ^e		22,500
USA	34,120	38,170	1,625	16,300	44,000
Rest of World	10,109	14,202	365	3,700	21,800
Trading/supply sales ^c			12		
Total	74,239	75,173	2,928	28,200	107,200

^a Product sales include aviation fuels, gasoline, middle distillates, fuel oil and other products. Proceeds exclude sales to other BP businesses, customs duties and sales taxes. ^b UK area includes the UK-based international activities of Refining and Marketing. ^c The figures include the BP share of the BP/Mobil European joint venture. International aviation and marine businesses were not included in the joint venture. ^d Includes actual crude oil and other feedstock input both for BP and third parties. ^e The figures include the BP share of the BP/Mobil European joint venture. Source: www.bp.com

That said, by way of assessing BP's (potential) exposure to public scrutiny and criticism, it is important to note that BP is about to expand its business into some of the more socially sensitive locations worldwide, including countries like Angola and Azerbaijan, which presumably will become major assets in few years. There have also been public debates and criticism regarding BP's role in Alaska and the possible opening of the Arctic National Wildlife Refuge (ANWR), although BP emphasises that "we are not operating in the Arctic

National Wildlife Refuge nor have we decided to do so”¹. Moreover, examining the geographical distribution of BP’s exploration interests reveals that the by far largest proportion of undeveloped reserves (acreage) is confined to countries in Africa, the Middle East and the Former Soviet Union as shown in Table 3.

Table 3: Oil and natural gas acreage (thousand acres – 2000 data)

Country/Region	Undeveloped		Developed	
	Gross	Net	Gross	Net
UK	2 712	1 249	691	338
Rest of Europe	4 088	1 505	128	44
USA	10 061	6 225	11 901	6 523
South America and Canada	29 694	13 396	2 398	1 354
Middle East, Africa and former Soviet Union	60 776	22 295	3 286	605
Australasia and Far East	30 788	13 771	612	209

Source: www.bp.com

1.2 History and context

British Petroleum’s origin goes back to the early 20th century and the discovery of oil deposits in Persia (now Iran) that lead to the formation of Anglo-Persian Oil Company in 1909. In 1914, the British Government took a major stake in Anglo-Persian to secure oil supplies for the Royal Navy in the First World War. In the period between World Wars I and II the company expanded gradually through the construction of new refineries in Europe and Australia, while exploration was carried out on a global scale, in Canada, South America, Africa, Europe and Papua. Following the Iranian nationalisation process in the early 1950s, the company was forced to expand to other areas, notably the North Sea and Alaska. The Anglo-Iranian Oil Company was renamed The British Petroleum Company in 1954. It was largely for this strategic reorientation that BP was able to survive the oil crisis of the 1970s. From the mid-1970s, BP’s strategy of diversification led to the inclusion of new business areas, such as minerals, coal and chemicals. Towards the late 1980s BP decided to change its strategy, concentrating efforts on its core activities in petroleum and chemicals.

¹ BP’s current position is that “if ANWR is opened for development, BP will make a decision about seeking access at that time in the light of the economic, environmental and social risks and when compared with

After the UK government sold its remaining major block of shares (31.5%) in 1987, BP was a middle size oil company with a vast debt and a share price of only £ 1,85. The stock market crash on Black Monday not only wrecked the share issue, but also precipitated a damaging row with Kuwait over its decision to buy a large chunk of BP shares. Even though Kuwait was forced to sell the shares back to the UK government, BP faced a financial crisis that culminated in the dividend being halved in 1992. BP was also locked in a crisis of management confidence following the departure of Robert Horton as chairman. The year 1992 is thus seen by many as a watershed, initiating also BP's struggle of overturning the heritage of a cumbersome organisational structure into an efficient company for the 21st century. Over the years 1992-95, the global work force was reduced from 117,000 to 56,000, non-core activities were sold out, and BP focussed on its core businesses: BP Ex (exploration & production), BP Oil (refining & marketing) and BP Chemicals. This process was continued after John Browne was appointed CEO in June 1995. In parallel, BP has expanded its geographical focus to new regions such as Columbia, the Former Soviet Union, the Gulf of Mexico, Asia, and Africa, including also the new business streams of Gas and Power and BP Solar. Following the process of decentralisation is also the transfer of autonomy and decision-making power to the individual leaders of the 140-150 Business Units worldwide.

Much has been made about the important role Sir John Browne, BP's CEO, has played in leading BP towards what is widely considered a 'proactive' position on environmental, notably climate change, and social issues. A most notable event was a speech Browne gave on 19 May 1997 about climate change. In his opening lines, he reminded the audience of the new era for business and society that followed the collapse of Communism in Europe and the fall of the Soviet Empire at the end of the 1980s:

“Governments, corporations and individual citizens have all had to redefine their roles in a society no longer divided by an Iron Curtain separating capitalism from communism. A new age demands a fresh perspective on the nature of society and responsibility. If we are all to take responsibility for the future of our planet, then it falls to us to begin to take *precautionary* action now.”

By making this speech, which to that date “would have seemed much too radical for the head of one of the world's major oil companies” (Rowlands, 2000: 339), Browne apparently set BP on a new course in terms of corporate responsibility. In fact, The Economist deemed it as “[breaking] ranks with other bosses of big oil firms” (cited in Rowlands, 2000: 339). In follow-up speeches since 1997, Browne and other key officials have elaborated extensively on other key issues pertaining to the new and wider agenda for corporate responsibility that paved the way for what is BP's current standing on macro-CSR issues.

other opportunities in our global portfolio”,
http://www.bp.com/environ_social/environment/sensitive_areas/our_position.asp, [29.07.02]

The merger between BP and Amoco into BP Amoco plc on 31 December 1998 was at the time the largest industrial merger in history, bringing together two companies with long-standing merits in the establishment of one of the world's top three energy and petrochemicals groups. Moreover, the merger transformed BP from a company with a largely UK-US bias to one which had a broader asset base with which to at least aspire to global status. In contrast with the former BP, Amoco, like Exxon, has evolved from a subsidiary of the old Standard Oil Trust². However, unlike Exxon (now ExxonMobil), whose strategy on for instance 'hot' environmental issues such as climate change has been described as "reactive" (Skjærseth and Skodvin 2001: 49) and as "one of the most resistive [of the world's major oil companies] to proactive policies on climate change", Amoco had a history of setting itself "the goal of being a leader in the environmental field" (Estrada *et al.*, 1997: 124). Amoco's aims for leadership was also accompanied by the establishment of "a set of ambitious goals and a number of environmental management tools" (*ibid.*; 136). Still, others have argued that the take-over of Amoco "brought a relatively sceptical US-based company into the BP-fold" (Rowlands, 2000:345). Nevertheless, it seems that the BP view has prevailed, a view that largely remains unchallenged by corporate actions and policy developments since 1998.

The decade-long process of refurbishing the interior, including processes of reorganisation and divestment, the acquisitions of Amoco (1998), Arco (1999) and Burmah Castrol (2000), and polishing its exterior, came to a (preliminary) conclusion with the complete corporate re-branding in July 2000. The launching of the new yellow, white and green sunburst logo along with the slogan 'Beyond Petroleum' seemed to many a revolutionary and bold move, in that it aspires to reflect a genuine concern for the environment and "an unshakeable commitment to human progress". However, some may have misinterpreted the message, as conveying the BP would proceed with a rapid phase out of its fossil fuel business in favour of new forms of energy, such as solar power. Nevertheless, the process of strategic re-orientation has won BP the number one spot in two of the categories covered in the UK Financial Times and PricewaterhouseCoopers' 2001 survey of the World's most respected companies. This was the first time this survey polled activist groups, non-governmental organisations and the media, as well as chief executives from 914 companies across the globe, listing BP as the number one in the rating of "Companies that best manage and effect environmental resources"³.

Besides corporate culture and leadership commitment, the 'home country base' is also recognised as a key variable exerting influencing on the positions and policies chosen by transnational companies (Porter, 1990; Rowlands, 2000; Skjærseth and Skodvin, 2001). In the case of BP this hypothesis is reasonable not only on grounds that the top executive's nationality is British, lives in the UK and associates regularly with the UK industrial and

² For a brief review of the US context see Skjærseth (2002).

³ The re-branding has also, for all it is worth, won BP the title as having the most valuable brand the oil majors, according to Interbrand's annual survey. See www.interbrand.com.

governmental elite. It is also justified because of the simple fact that BP's headquarter is located in London. Hence, it is reasonable to suspect that the regulatory framework as well as demands for 'responsible behaviour' arising within the 'general public' and other domestic stakeholders (customers, employees, local communities, and NGOs) will exert some influence on corporate policies in particular issue areas. Moreover, the UK and European Countries in general have over the recent decade been more progressive on environmental and social issues pertaining to the operations of transnational oil companies.

2 Incidents and accusations against BP

“International companies that do not pay sufficient attention to the ethical or regulatory climate of the countries in which they invest are increasing the risk to their own shareholders. But it goes wider than this. In countries where the rule of law is weak or non-existent, and there’s no proper regulatory climate or real transparency or accountability, foreign investors can be drawn into a twilight world where corruption is routine. [...]. There are many things we can do to influence and improve a situation. We can lead by example. We can set clear standards for our contractors. We can try to influence behind the scenes. [...] The key for us is transparency and accountability.”

Richard Newton, Group Vice President, Regions & Policies⁴

During the post-war period, the world has witnessed momentous increases in the value and power of transnational companies. The emergence of global economic integration, commonly framed in the concept of globalisation, has also helped draw new attention to issues that transgress companies’ traditional concerns and responsibilities. Over the last decades, the business agenda has expanded by the inclusion of environmental issues, most notably the threat of global climate change, and more recently, growing concerns over the social impact of international commerce. The latter has brought to the fore increasing attention to social problems such as human rights violations, corruption, and transparency. Demands for openness and reporting on this ‘triple-bottom-line’ - economic, environmental and social performance - have particular relevance for companies that operate in countries and regions with poor governance and human rights records, such as BP, whose operations and activities span across six continents.

In brief, BP has received moderate negative attention on CSR issues, at least compared to other transnationals like Shell and TotalFinaElf. In fact, BP has in recent years received growing recognition in terms of its positive contributions to the CSR agenda, by demonstrating leadership, and in some ways acting as a catalyst for changes in the oil industry as a whole. For instance, several NGOs have publicly acknowledged BP for being among the first oil transnationals to endorse a human rights policy, for its early position on the climate change issue, its exit from the Global Climate Coalition, and for setting new standards in areas such as transparency. That said, the following sections outlines in some detail incidents and accusations raised against BP in relation to macro-CSR issues.

2.1 Columbia: Human rights issues

“Some of you are aware of the allegations about BP in Colombia. Firstly let me assure you the allegations are false. We've had internal audit and there is an external

⁴ Richard Newton, Group Vice President, Regions & Policies, Speech at the Royal Institute of International Affairs Conference on Corruption, London 19th March 1999.

investigation in progress. And we have had an external environmental review. [...] BP is developing 2 oilfields in an area of guerrilla activity. BP's operations are a declared guerrilla target so security is paramount. In Colombia we are protected by the state forces, which is right. But we have to pay the MoD. We would rather there was another way. The army is accused of abuses and we are accused of complicity by association. [...] Should we withdraw? Surely we should not deny Casanare the development which is available to others. Or should we let someone else with different standards take our place?"

Richard Newton, Group Vice President, Regions & Policies⁵

BP has been present in Columbia since 1987, following some modest earlier involvement, and is currently the operator of the Cuisana and Cupiagua oil fields in the Department of Casanare. It also has holdings in some other blocks and licenses. Along with other oil majors, BP's operations take place in partnership, through so-called 'Association Contracts' with the state-owned company Ecopetrol.

It has long been recognised that operations in Columbia is fraught with danger and safety risks due to the presence of guerrillas and paramilitaries that have essentially declared war against oil companies. For instance, in October 1998 the *Ejército de Liberación Nacional* (ELN) admitted to blowing up the OCENSA pipeline in the department of Antioquia, resulting in the deaths of more than 70 people. Owing to the risks that guerrilla activities represent to staff, facilities and to the environment, security arrangements and protection measures are considered a vital element in BP's presence. In 1995, BP and partners signed formal contracts with the Colombian Defense Ministry and National Police to assign army brigades and police to defend their operations. According to Human Rights Watch (HRW), the Colombian military has a reputation for serious human rights abuses, and is described as "one of the few in the hemisphere still [April 1998] engaged in a pattern of gross violations of human rights" (HRW, 1998: 1). Allegations against the army include the massacre of ten civilians in Puerto Lleras in 1994, and the killings of at least two following protests against BP in Casanare in 1995. (ibid.). Other HRW studies report several cases of possible extra-judicial executions by soldiers and allegations of army tolerance of violent paramilitary activity in Casanare. The BP-led consortium's private security firm, Defense Systems Colombia (DSC), was also accused of giving lethal training to a Colombian army brigade, importing arms and setting up intelligence networks to monitor individuals opposed to the company. The basis of the criticism raised against BP's was that collaboration with DSC would undermine the credibility of codes of conduct extending to sub-contracted companies.

In the aftermath of negative international attention to these issues, BP and partners renegotiated the previous agreements, in terms that payments were made to the state-owned Ecopetrol rather than directly to the security forces. HRW recognised these as substantive

⁵ "Business and Human Rights" Speech by Richard Newton to an Amnesty International Event, Birmingham, UK, 1st November 1997.

changes, and commended BP's openness in terms of revealing to HRW a copy of the agreement, the content of which is not publicly known in Columbia, and for conveying concerns about human rights violations to government and military officials⁶. However, they also stressed that the reliance on the military would continue, and urged BP to take "adequate steps to prevent further abuses and to address those that have occurred". Moreover, HRW stated that "in the spirit of transparency, your contract should be open to public scrutiny, with the sole exception of operative details that could jeopardize individuals' lives" (ibid.: 2). Among other recommendations were that BP's assistance should be the subject of "external auditing on a regular basis by a company with unquestionable reputation".

On the basis of these and other allegations raised in the media during 1996 and 1997, BP requested "the highly respected Human Rights Unit of the Colombian Prosecutor General's office (the Fiscalía) to investigate". The report of the Fiscalía, published in 1998, found that there was no substance to the allegations against BP. However, BP did transfer one of its advisers working for DSC in the Casanare region. In the 1999 Columbia Location Report, BP also states that they have had a number of consultations with various NGOs, along with visits from European ministers and parliamentarians to inspect BP's operations. BP has also organised a number of ethical workshops in Columbia in order to "raise awareness and understanding" and "to ensure that staff are able to recognise dilemmas and know what course of action to take to resolve them". BP has also spent some \$30 million on social investment programmes. In the most recent report on social performance, BP states that the company "will ensure that any security arrangements protect human rights and are consistent with international standards for law and enforcement" (Environmental and social review 2000: 13). Moreover, the report states that "BP wishes to avoid all direct payments to the military and expects that military protection will be provided out of taxes" (ibid.).

Commenting on BP's Colombian experience, one observer has argued that "BP learned quite a lot, but the hard way". However, the observer recognises that the case against BP remains on the ground of "insensitivity to local political realities and the situation of the poor and powerless of the region, as well as their failure to investigate seriously the role of the army". Hence, BP has come clear of direct accusations of complicity in human rights violations⁷.

⁶ Source: <http://www.hrw.org/advocacy/corporations/colombia/Oilpat.htm#recommendations>, [25.07.02]

⁷ Amnesty International, *Human Rights and Business Matters*, Autumn 1999, Available at <http://www.amnesty.org.uk/business/newslet/autumn99/conflict.shtml> [22.10.01].

2.2 Angola: Corruption and transparency

“Within the next few years Angola will be producing more oil than Kuwait or Nigeria. It has the potential to be one of the most successful economies in Africa and to be a symbol of renewal in the fortunes of Africa as a whole.”⁸

Angola is one of BP’s growing areas of upstream interest, reflecting the successful development in the deepwater Lower Congo Basin. BP operates two blocks, 18 and 31, and have interests in four other blocks. It is today well known that Angola has suffered badly from years of civil war and violent conflict, and is ill reputed on account of HR violations, widespread corruption, lack of transparency, and limited respect for the rule of law. According to Human Rights Watch, revenues from oil extraction have been used for weapons procurement to pursue the war. Besides the government’s ‘general misuse’ of oil revenues, it has also allegedly paid for arms purchases through funds generated from *signature bonus payments* for oil exploration, of which BP-Amoco, Exxon and Elf Aquitaine were the main contributors. According to the Angolan foreign minister, these funds were earmarked for the ‘war effort’. Moreover, weapons procurements are characterised by a “marked lack of transparency and accountability” (HRW, 2001: 6). HRW also notes that “in some cases, payments for weapons bypassed the Ministry of Finance and central bank and were made directly through Sonangol, or through the Presidency” (ibid.). More recently, Reuters reported that the IMF had uncovered in its Oil Diagnostic Programme that some 1,5 billion USD in oil revenues, more than one third of total income, were missing from the accounts.

Global Witness has for long argued that oil companies that are not transparent about their payments to the Angolan government or the state-owned company Sonangol are “complicit in the whole sale robbery of the Angolan State”. BP was allegedly the first company to publicly recognise the need for a change in this regard. This followed the recognition that its involvement in Angola could become problematic “if the government fails to live up to commitments made to increase democracy, accountability, and transparency, and if oil revenues continue to be the main source of income to the government” (BP Social Report, 1998).

Since 1997, BP has commissioned an independent annual Social Impact Assessment to evaluate the impacts of group activities in Angola. The first assessment was published in the Social report the year after, which recommended that BP set a benchmark for corporate transparency and accountability in Angola. As a part of this review, the contractor – Environmental Resources Management – has made interviews with a range of stakeholders on the extent to which BP manages to live up to its commitments, expectations and aspirations on ethical conduct. In its Angola Location Report published in March 2000, BP stated that

“we are determined that the wealth and opportunities created through our operations will benefit the people and economy of Angola” (p. 2). Moreover, that “the BP Amoco group must play its part in promoting and supporting the search for reconciliation, peace and reconstruction”.

Responding to its own rhetoric and recommendations that BP “set a benchmark for corporate transparency and accountability in Angola”, BP stated in a letter to Global Witness dated February 6 2001 that in addition to maintaining a dialogue with the Bretton Woods institutions over the situation in Angola, it would publish key financial data regarding its operations. This would involve the total net production by block; aggregate payments to Sonangol in respect of production sharing agreements (PSA); and total payments in terms of taxes and levies to the Angolan Government. Moreover, BP also noted that the signature bonus payment for Block 31 was recorded in the 1999 annual report for BP Exploration (Angola) Limited. The disclosure of these financial data was characterised by Global Witness as “an excellent move”, while Human Rights Watch congratulated BP as setting “a new standard of fiscal transparency for oil companies in Angola”.

2.3 Other accusations against BP

BP has recently been called upon to reconsider its investments in PetroChina; a company accused of being indirectly implicated in human rights violations in Sudan and Tibet through its parent corporation, the Chinese state-owned China Petroleum Corporation (CNPC). The concern over BP’s indirect involvement in Sudan is based on accusations that the Sudanese government uses oil revenues in the financing of their war against the Sudan People’s Liberation Army (SPLA), as well as in relation to the government’s alleged brutalities against civilians living in the vicinity of oilfields. In Tibet, concerns have been raised in relation to a pipeline project, which according to the Tibetan government in exile and other NGOs will consolidate China’s grip on Tibet, and increase the influx of Chinese workers into Tibet. The latter would serve to make Tibetans a minority in much of their own nation. On September 8 2001, the UK newspaper the Independent reported that BP had decided to pull out of the bidding for another 2,600 mile natural gas pipeline across China. Criticism has also been raised against BP in relation to its plans for oil exploration in the Arctic National Wildlife Refuge, in particular for expansions into an area that native Indians want to preserve as a sacred hunting ground.

In brief, it appears that the recent re-branding of BP along with efforts to improve upon its environmental and social performance has created high expectations within the public, NGOs

⁸ “Leading Toward A Better World? The Role of Multinational Corporations in Economic & Social Development of Poor Countries”. Keynote speech by John Browne at Harvard, 3rd April 2002. Available at www.bp.com, [25.07.02].

and minority shareholding groups to what the company should and should not do. Hence, although many stakeholders have publicly endorsed BP for its efforts and progress, the company seems to be facing criticism for ‘sticking its neck out’. There is thus evidence that strong rhetoric may to some extent cause ‘backfiring’ that could affect corporate strategies.

⁹ Global Witness, “a crude awakening”, report available at www.oneworld.org/globalwitness, [22.10.01].

3 BP's external communication on CSR

"I don't believe social responsibility [...] has anything to do with public relations. It's not an add-on or a nice coat of paint. [...] From our experience, social responsibility is a matter of hard-headed business logic. [...] That's why we have standards, covering issues such as business ethics, the treatment of people and the care of the natural environment, which apply universally and are built into the performance contract of every manager. Delivery against those standards is obligatory and non-negotiable, and assurance processes are designed to make sure the standards are being met, including external verification."¹⁰

"We regard the greater transparency and accountability associated with sustainability as an opportunity for leadership and innovation. We think that competitive advantage will go to those who can anticipate the pace and breadth of the changes implied by sustainable development."¹¹

"The global nature of our business also drives [...] the need to be involved in the societies of which we are part. To show that big companies can also be good citizens and can help individuals and companies to prosper and to thrive. That matters everywhere we work - in this country, in Vietnam, in Angola, in Colombia. Not out of altruism, but out of enlightened self-interest, because we believe that if big companies are not seen to be making constructive social investments their licence to operate will in the end be limited. And if your ability to operate is limited, then your performance is limited."¹²

BP puts great emphasis on communicating to the public what it considers to be the key issues on the international CSR agenda, and how the company approaches such issues. This is evident most notably through the complete re-branding exercise set off in year 2000. Following the acquisitions of Amoco, Arco and Burmah Castrol, BP in July 2000 launched its new green, white and yellow sunburst (or sunflower) logo, together with the 'Beyond Petroleum' slogan and advertising campaign. This bold, £ 135 million¹³ public-relations move should be seen firstly as an effort to extol BP's genuine concern for the environment. Moreover, it was most likely intended as a symbol of its readiness to assume the responsibilities of a progressive energy company in the fight for ethical business principles, and the rights of 'all people(s) beneath the sun'.

Another key element in BP's external communication is the set-up of a corporate website (www.bp.com) that gives extensive coverage of social issues, including detailed annual social

¹⁰ "The Case for Social Responsibility", Sir John Browne, Group Chief Executive The British Petroleum Company p.l.c., A presentation to the Annual Conference of Business for Social Responsibility, Boston, USA, 10th November 1998. Available at www.bp.com, [03.10.01].

¹¹ "Future Growth and Sustainability - BP and Sustainable Development", Dr Chris Gibson-Smith - Managing Director, Policies & Regions, The British Petroleum Company p.l.c. speaks at Cambridge University Engineers Association Annual Conference - Engineering, Energy and Sustainability, 25th September 1998.

¹² "Britain's Most Admired Companies", Sir John Browne, Group Chief Executive, BP, Speech given at a Dinner organised by Management Today 30th November 2000.

¹³ Figure taken from an article in The Independent, April 19, 2001.

performance reports, value and mission statements, speeches by key corporate officials, location studies, and detailed guidelines on ethical conduct. BP has also developed an Intranet system for the purpose of communicating corporate values to employees and business partners as well as guidelines and management control techniques to facilitate implementation of corporate commitments. The latter involve internal mechanisms such as signing of codes by executive officers, establishment of compliance committees, internal monitoring and auditing functions, and whistle-blowing facilities (hotline numbers). In brief, BP's approach takes inspiration from a body of international declarations on issue areas where such is available (e.g., UN Universal Declaration of Human Rights), while trying to develop its own set of value statements and guidelines in areas where international consensus is more limited (e.g., bribery and corruption).

Even though BP does not explicitly make claims to leadership on CSR issues, it recognises that BP has changed its approach to social responsibilities, and that BP "is praised as having been a catalyst for change in the oil industry as a whole" (Social end environmental review, 2000). In order to support and qualify these observations, this section reviews business policies, commitments, value statements, codes of conduct and other policy statements found in annual and other reports as well as on BP's web-site.

3.1 Beyond responsibility? The notion of performance

At the core of BP's external communication on CSR is the notion of *performance*. Performance Contracts cover all essential elements of BP's business, and each of BP's 150 Business Unit Leaders are accountable for the fulfilment of contracts that are negotiated with the relevant Executive Committee. The striking feature is of course not the concept as such - a rather conventional buzzword. Rather, it is the way in which it permeates corporate language and rhetoric. For instance, at the corporate web-site (www.bp.com) Sir John Browne, Group CEO, makes his welcome by announcing that "our watchword is performance". In BP's 2000 annual review on social and environmental issues, performance is posed as "the fundamental test for any company", and "without superior performance and strong profitability companies cannot deliver the higher standards sought by society". "In particular, we regard the greater transparency and accountability associated with sustainability as an opportunity for leadership and innovation" (ibid.: 9).

Performance is also at the core in relation to BP's communication on CSR, to the extent that BP has introduced the concept of (corporate) *social performance*, which is said to have "developed from what is commonly called corporate responsibility or corporate social responsibility" (Social Performance 1999, Performance data and evidence: 1). CSR is here posed as "the idea that companies have broader responsibilities in society than simply the obligation to be profitable". By way of communicating that BP aims to go beyond merely recognising the idea of social responsibility, its outspoken aspirations are to "try to define

these responsibilities, manage them proactively and measure the resultant performance” (ibid.).

Social performance is defined as *outcome*, measured in terms of three dependent variables:

- ❑ **Behaviour**, that is whether and how BP lives up to its policies and values
- ❑ **Impact** on people, and
- ❑ Our overall **contribution** to society

What emerges from this re-conceptualisation – from social *responsibility* to *performance* - is a broader involvement of *stakeholders*, with shareholders sharing the stage with other primary stakeholders, such as employees, local communities, the environment, and society at large. This is an attempt to move the onus of CSR away from discretionary activities of philanthropy toward an understanding that CSR is integrally related to the daily operating practices of a firm, particularly with respect to those most affected by the activities of the firm, the primary stakeholders.

As regards the impact and contribution, the role of companies is increasingly seen in relation to the notion of globalisation. “Globalisation has certainly increased the scale and reach of companies [...] [and] taken companies into a wider range of countries, some of which have fragile social structures and limited experience of the workings of a market economy.”¹⁴ The increasing outreach also involves a development where “many of the major issues - such as the environment or human rights or questions of poverty and development are themselves global in nature”. In brief, globalisation challenges transnational companies to establish comprehensive approaches to global ethics and responsibilities. In this context, BP affirms the role of demonstrating leadership, “by maintaining the highest standards of operational integrity and transparency in our ethical conduct and respect for human rights”, and “by understanding the various impacts our business has on the places where we operate and taking action to mitigate negative impacts and enhance impacts”. However, BP also admits “we must even go further [...] and actively seek a progressive, beneficial role [...]. For example we can actively promote and encourage others to work towards the principles of *transparency*, integrity and respect for the rule of law that we aspire to ourselves”.

In the context of globalisation, BP asserts the concept of poverty alleviation as an objective that all parts of society share, “whether as a moral imperative, and opportunity to create new markets or a desire to *avoid the instability that flows from social inequity*” (Web 26.09.01, italics added). In so doing, BP recognises that societal expectations regarding the scope and responsibility of business is moving beyond that of contributing to social problems through

¹⁴ “Governance and Responsibility - the relationship between companies and NGOs. A Progress Report”. Sir John Browne, Group Chief Executive, BP. Arthur Anderson Lecture at The Judge Institute of Management Studies, Cambridge University 29th March 2001. Available at www.bp.com [03.10.01].

tax payments and corporate donations. Companies are increasingly being challenged on macro-CSR issues such as the “the expatriation of profits or support for corrupt regimes under which national wealth is diverted to the privileged few”. In order to approach these complex issues, BP recognises that the “places where we operate should benefit directly from our presence. [...] At the national level we can help maintain or build the conditions that favour economic growth and investment by *urging* stable macro-economic policies, *transparency* and respect the rule of law, open markets and a *commitment to development that benefits all rather than the few*” (*italics added*). In order to measure the extent to which BP succeeds in contributing to these goals, monitoring and reporting of *progress* is a key concern, for instance through *social impact assessments* and *social investments* (more on this later).

“One advantage of being positioned as BP is - large, global and successful, is that we can be a force for good to a stronger degree than others. We can adhere to values and insist on acceptance of global standards in such areas as the environment, labour law and safety regulations while still respecting the cultural strengths of the local community. We seek zero tolerance of such anti-competitive factors as corruption, market cartels and price-rigging”¹⁵.

As regards the notion of progress, BP recognises that the “awareness of some of the negative impacts of unrestrained development increases” (BP environmental and social review 2000: 4). It also accepts that “certain conditions appear fundamental to human progress” (*ibid.*: 5), of which the rule of law, honest administration, transparency and accountability are heralded among the most important. BP acknowledges that the development of these conditions, and “broad-based development that benefits the many rather than the few”, hinges on collective action, for which the role of business is to support and encourage government efforts, support local communities and provide revenues for governments. However, BP does not provide explicit information on how, or to what extent they are able to affect the way in which governments spend such revenues. Still, and quite interestingly, BP states that they “regard the greater transparency and accountability associated with sustainable development as an opportunity for leadership and innovation” (*ibid.*: 9).

3.2 Business policies and CSR

The evolutionary nature of BP’s approach to social performance should be seen in relation to the new *business policies* that were approved in January 1999, shortly after the merger with Amoco was completed. These policies were said to build upon “the best practices and traditions of both previous organisations” (BP Amoco Environmental and social report 1998: 7). As such, they should be viewed as an attempt to explicate its core values in terms of statements like ‘what we stand for’, along with a set of commitments regarding five key areas:

¹⁵ “Moral Dimensions of the Global Economy”, James Krupka, General Manager Competitor and Industry Analysis, BP Amoco Speaks at the United States Catholic Bishops' Conference Joint Meeting of the International and Domestic Policy Committees Washington, D.C., 17th January 2001

ethical conduct; employees; relationships; health, safety and environmental performance; and control and finance. The former three are the ones that relate most directly to the (macro) CSR agenda in terms of social performance and progress.

3.2.1 Ethical conduct policy

An important element in corporate responses to macro-CSR issues and development of management control techniques is the establishment and adherence to codes of corporate ethical conduct. These codes commonly consist of written, voluntary statements of commitment to abide by certain standards of business behaviour. BP's policy on ethical conduct has evolved from a mostly rule-based policy to one that is perceived as better suited to reflect *expectations* and *aspirations*. Running alongside BP's set of commitments, expectations describe the boundaries for what the company could achieve within policy limitations and what is and what is not acceptable practice. Aspirations, on the other hand, are seen as reflecting the underlying values reflected in business policies and branding: performance-driven, innovative, green, progressive, and a force for good.

Commitments

At the basis of BP's ethical conduct policy is a *commitment* to "pursue our business integrity, respecting the different cultures and the dignity and rights of all individuals in all the countries that we operate". More specifically, the written expressions of commitment states that BP employees and representatives should abide by the following principles in their actions and dealings with others:

- ❑ Respect the rule of law
- ❑ Promise only what we expect to deliver, make only commitments we intend to keep, not knowingly mislead others and not participate in or condone corrupt or unacceptable practices
- ❑ Fulfil our obligations and commitments, treat people according to merit and contribution, refrain from coercion and never deliberately do harm to anyone
- ❑ Act in good faith, use company assets only for furthering company business and not seek personal gain through abuse of position in the company".

Expectations

In order to describe in more detail what these commitments mean in practice, the codes of conduct also elaborate on what should be expected from BP employees and representatives. For instance, with respect to HR, corporate language takes inspiration from key international declarations. "BP supports the principles set forth in the UN Universal Declaration of Human Rights and will respect the 1977 International Labour Organisation 'Tripartite declaration of Principles Concerning Multinational Enterprises and Social Policy' and the 1976 OECD

‘Guidelines for Multinational Enterprises’”. Moreover, BP agrees that “the promotion and protection of human rights is a legitimate concern for business”.

As regards the other macro-CSR-issues of corruption and transparency, however, there are no equivalent, formal expressions of international consensus. The most clear-cut language is on bribes, which is rendered prohibitive and unacceptable:

- “*We will never offer, solicit or accept a bribe in any form*”.

As regards payments into offshore escrow accounts or similar, the statement is equally clear:

- “*We will hold no secret or unrecorded funds of money or assets.*”

On the issue of facilitation payments, the ethical conduct policy is somewhat more lax:

- “*BP’s preference is not to make facilitation payments. Any such payment must be modest and recorded properly with the accounts*”.

However, in February 2002, BP “introduced a new policy that makes it clear that BP staff anywhere in the world should not make *facilitation payments* from now on” (*italics added*)¹⁶.

The code of conduct is also clear on gifts and entertainment and political contributions:

- “*We will only give or accept gifts and entertainment that are for business purposes and are not material or frequent. We will never accept gifts or entertainment during the process of a competitive bid or tender exercise*”.
- “*BP will make political contributions only when they are lawful, of modest size and properly recorded. BP does not make political contributions in the United Kingdom.*”
- “*Before we make major investments in a new area, we will evaluate the likely impact of our presence and activities. These assessments will consider the likely impact of major developments on local communities and indigenous peoples, local infrastructures and the potential for conflicts and its implications for security.*”

Guidelines on ethical conduct

In order to transform the corporate policy (commitments, expectations) on ethical conduct into practical guidance for corporate officials and employees, BP revised during 1998 its Guidelines on Business Conduct. During 2000 the Guidelines was updated and presented as a booklet, ‘Finding your way through the maze’. Herein, BP aims to give practical advice and guidance on a range of ethical issues, such as:

- Human rights
- Legality (the rule of law)

¹⁶ http://www.bp.com/environ_social, [14.03.02]

- Political contributions
- Bribery and corruption

The individual sections include brief descriptions of the topics covered, in some cases accompanied by clarifying definitions. They also include examples of potential risks, along with requirements on code of conduct and further information on where employees may seek further guidance within the organisation.

The section on human rights (HR) includes BP's explicit support of the UDHR, while also stressing BP's wider responsibilities in terms of considering the *impact* of business activities in a country. Besides promoting awareness of HR, BP employees are also required to "establish *transparent* relationships and arrangements with public forces and security contractors, with suitable contractual conditions of engagement that include safeguards to prevent human rights abuse"; to "liase with governments and responsible NGOs"; and to "foster similar standards in all third parties who act with us or on our behalf" (Ethical Conduct Policy: pp 8-9, *italics* added).

The section on bribery and corruption also include definitions:

"Corruption is any dishonest or illegal practice that undermines BP's business integrity. Bribery is the receiving or offering of any undue reward by or to any person whatsoever to seek to influence their behaviour and incline them to act contrary to the principles of honesty and integrity. Bribery is a form of corruption. [...] Bribery is unethical because it undermines the fairness of the market and distorts transaction costs and fair compensation. It is illegal under the U.S. Foreign Corrupt Practices (FCPA) and against the law in most countries where BP operates to offer a gift, payment or bribe, or anything else of value, whether directly or indirectly, to any foreign official, foreign political party, or candidate for foreign political office for the purpose of influencing an official act or decision, or to obtain, retain, or direct business to the company or to any person."

Herein, BP has more or less adopted the language of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. In order to transpose these general principles into practical advice, the Guidelines include provisions requiring employees and corporate representatives to never disguise facilitating payments they feel obliged to make as 'something else', and that senior local management should be consulted in such cases.

The Guidelines also include a decision model that aims to clarify ethical issues in 'grey areas', where acting solely on employee's personal judgements could be insufficient. Facilitating payments is regarded as one such grey area. Besides underlining the commitments highlighted above, the decision model include imperative statements like "act with transparency!" as well as an 'ethics check' for individuals and a check-list that managers can use to ensure that the business policies are implemented effectively. The ethics check draws in some respects on work conducted within the OECD programme on Public Management and Governance (PUMA).

Another issue raised in regards of ethical conduct is BP's establishment of an open bids system to develop competitive tendering. Although no specific mentioning is given on the issues of transparency and corruption, such business practices should be seen as elements in the fight against bribery.

3.2.2 Relationships policy

“We believe that long-term relationships founded on trust and mutual advantage are vital to BP Amoco's business success. [...] Our aim is that countries and communities in which we operate should benefit directly from our presence”. *Business Policies*.

BP's relationship policy is also founded on a set of commitments and expectations. “Our commitment is to create mutual advantage in all our relationships so that others will always prefer to do business with BP”. This is in part BP's way of communicating that successful brand promotion depends on its involvement with and dependence on stakeholders, be that employees, customers, partners, communities, governments and media. In order to build trust in external relationships, BP stresses the need for long-term relationships to build on high standards (influence by example), delivery on promises (accountability), openness (transparency) and mutual interdependence. As regards relationships with governments in particular, BP's policy dictates that the company will “seek, working in partnerships with others, to resolve any tensions or conflicts arising between international expectations and national or local practices in a sensitive manner” (*Business policies, 2000*). With regard to communities, BP's key ambitions are that “countries and communities in which we operate should benefit directly from our presence [...] so that we create sustainable human progress” (*ibid.*). In its relationships with contractors and business partners BP “will seek partners whose policies are consistent with our own [and] make our contractors and suppliers aware of our own commitments and expectations, and of their responsibilities in implementing them” (*ibid.*).

The relationships commitment has not been designed as a blueprint for a management system. Rather, the intentions are to formulate value statements and promote management techniques that in turn provide support and guidance for sound business conduct. In order to measure and monitor progress in its relationships BP uses a combination of customer surveys, opinion polls as well as consultation and dialogue.

3.3 Management systems and performance indicators

“Our starting position on the management of ethical and social performance is that it should be value driven and that it relies critically on the quality and commitment of the leadership throughout the organization” (Relationships Commitment: 7).

Although developing codes of conduct is a key element in affecting and improving employee's ethical behaviour, it is pivotal that the codes are effectively implemented,

monitored and enforced at all levels in the organisation. This is also reflected as a key element in OECD’s revised set of Guidelines for Multinational Enterprises (non-binding), which includes provisions requiring enterprises to adopt management control systems for discouraging bribery and corrupt practices.

3.3.1 CSR Management

In terms of developing a corporate compliance program and management system on CSR-issues, BP seeks to achieve a balance between two generic approaches; an approach based on *rules and compliance*, and a *value-based* approach that is consistent with the ‘overall management ethos’. To some extent one could argue that the ‘rules and compliance approach’ is also value-based, in terms that goals also include aspirations that go beyond compliance¹⁷. This is an approach that puts strong emphasis on the personal responsibility and autonomy for exercising judgement in a manner that is consistent with core values.

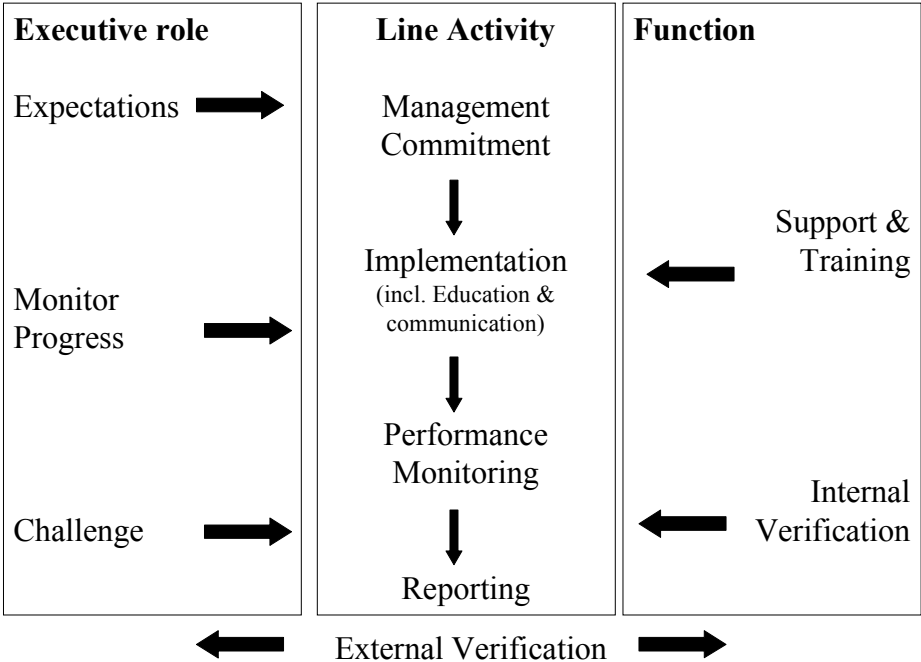


Figure 1: Schematic of BP’s ‘implementation model’ for CSR issues (Source: www.bp.com, [14.03.02]).

A schematic presentation of BP’s management system for raising awareness about ethical and social issues and ensuring compliance is given in Figure 1. This ‘implementation model’ is established to reflect the diversity of the BP organisation, and the emphasis put on individual responsibilities and autonomy. Hence, each of BP’s 140 Business Units (Line Activity) has

¹⁷ Personal communication with David Rice, Director of Policy Unit.

been assigned performance targets, but a large degree of freedom in delivering upon these targets. The process of decentralisation was largely born out of the poor corporate results in the early 1990s, culminating in the halving of the dividend in 1992. One of the outcomes of this ‘internal crisis’ was an enhanced emphasis on partnering and strategic alliances, and the transfer of decision-making power and autonomy to the level of the Business Unit (Lowe and Harris, 1998)¹⁸.

The first step in making the business policy ‘live’ concerns communication and training, in which disseminating information on management commitments and value statements (‘what we stand for’) are key elements. Documents on ethical conduct are also supported by more detailed statements of Group Expectations and Guidelines on Business Conduct (more on this in the next section), which are published on the Group Intranet.

The next step concerns enforcement, for which line managers (BU leaders) are held responsible and accountable. However, they receive support and training from Regional Presidents and Function Heads, while the Internal Audit function serves as a centre of expertise. Moreover, each Business Unit (BU) is tagged with an Audit Relations Manager (ARM), who plays an important role in organising specific workshops and seminars. Overall, the aim of BP is to learn from practical experience, and develop tools to facilitate the dissemination and sharing of knowledge throughout the organisation.

3.3.2 Providing assurance

The policies are said to be an integral part of BP’s overall system for internal control and how *assurance* on compliance is ensured, meaning the justified confidence that the system of internal control is in place, is fit for purpose and is working as intended. An illustration of the management processes involved is given in Figure 2. Over the last year or so, BP’s approach has become more regionally focussed, highlighted by the set-up of regional ethics committees, for each region¹⁹. This is done with the understanding that issues such as facilitation payments pose different challenges in different regions. This does not, however, imply that BP uses regional standards. Rather, it purports to ensure appropriate implementation of BP’s (global) standards at the regional level.

¹⁸ See Rowlands (2000) for a discussion of how leadership and management structures have affected BP policies and approaches on climate change.

¹⁹ Personal communication with David Rice, Director of Policy Unit.

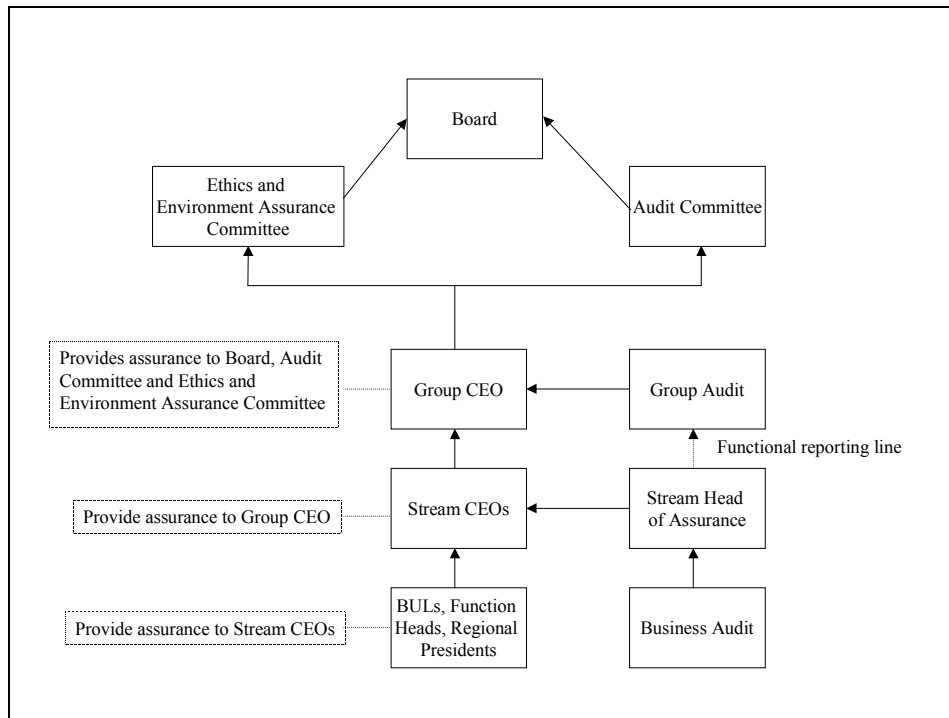


Figure 2: Accountabilities for assurance (Source: www.bp.com, [14.03.02]).

Assurance activities within the BP Group generally fall within three general categories:

- ❑ Performance measures
- ❑ Internal processes for implementing, monitoring and reporting performance
- ❑ External support and regular challenging of business performance by senior management and independent reviews by managers from similar business operations

It is widely recognised that appropriate standards or quantifiable targets for measuring social performance are not readily available, at least not compared to measures of for example environmental performance. Hence, besides ‘hard’ measures such as staff survey results’, ‘soft’ parameters such as shared values and the level of staff awareness regarding ethical dilemmas need to be taken into account. That said, BP recognises that there is scope for demonstrating leadership and innovation capabilities by establishing codes of conduct and internal systems conducive to documenting ‘superior’ performance.

An illustration of how assurance activities unfold in practice is the ethics *self-certification* process, which is the “formal expression of ethical conduct as an employee’s personal responsibility (Social Review, 2000: 12). This is a process that underlines BP’s emphasis on the personal responsibility of individuals. Every business leader and function head is required to sign a certificate each year to attest that the ethical conduct policy has been adopted and that appropriate procedures are put in place to ensure compliance. The leaders and heads are also expected to have discussions with the Group Vice President prior to signing the

certificates. The *Internal Audit* function is responsible for reviewing and verifying the rigor and completeness of the certifications. During the year 2000, BP ran the ethics certification process throughout the organisation, including also the set up of an Intranet website to facilitate and support the internal process. This includes Line Managers' and Team Leaders' assurance on different issue areas, such as "We are in compliance with applicable competition law and the Foreign Corrupt Practices Act (FCPA) [...] All payments have been approved by management and are properly recorded in the accounts of the company [...] we neither endorse nor collude in nor reinforce potential human rights violations, including the illegitimate use of child or forced labour."

BP has also created an independent centre of expertise to prevent fraud and investigate any serious violation of company policy and ethical conduct. This Investigation and Fraud Awareness Network (IFAN) consists of internal investigators from Internal Audit and Group Security, to whom BUs and FHs are required to report any discovery of misconduct or fraud involving the loss of \$100,000 or more.

3.3.3 Management techniques

Among the range of *management techniques* arising and evolving from group initiatives are relationship management, opinion research (dialogue and discussions with NGOs), country risk assessments, Social Impact Assessment²⁰, stakeholder engagement involving public consultations and dialogue forums, and the Global Social Investment (GSI). Portrayed as a novel tool in improving social performance, GSI is said to go beyond traditional or conventional approaches to corporate philanthropy – the charitable giving model. BP emphasises that the GSI is different in two ways. First, it is said to become an integral part of the way in which BP identifies and manages the impact on the communities in which the company operates. Second, it aims to look beyond the community level, taking also into account "the long-term future of the community".

In 2000 BP spent about 81,6 million USD on social investments, including funds for community development, education and the environment. Social investments for the period 1998-2000 are shown in Figures 3 (by region) and 4 (by theme).

²⁰ A number of Social Impact Assessments were reportedly carried out in 2000, including South Africa, East Timor and Indonesia.

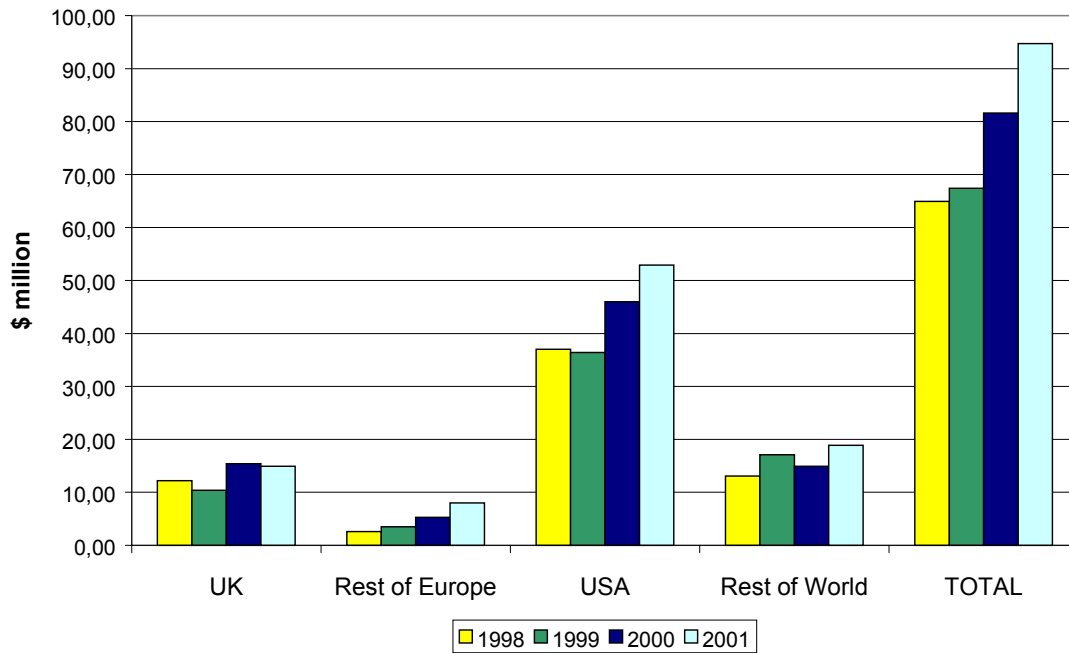


Figure 3: Social investment by region (Source: www.bp.com)

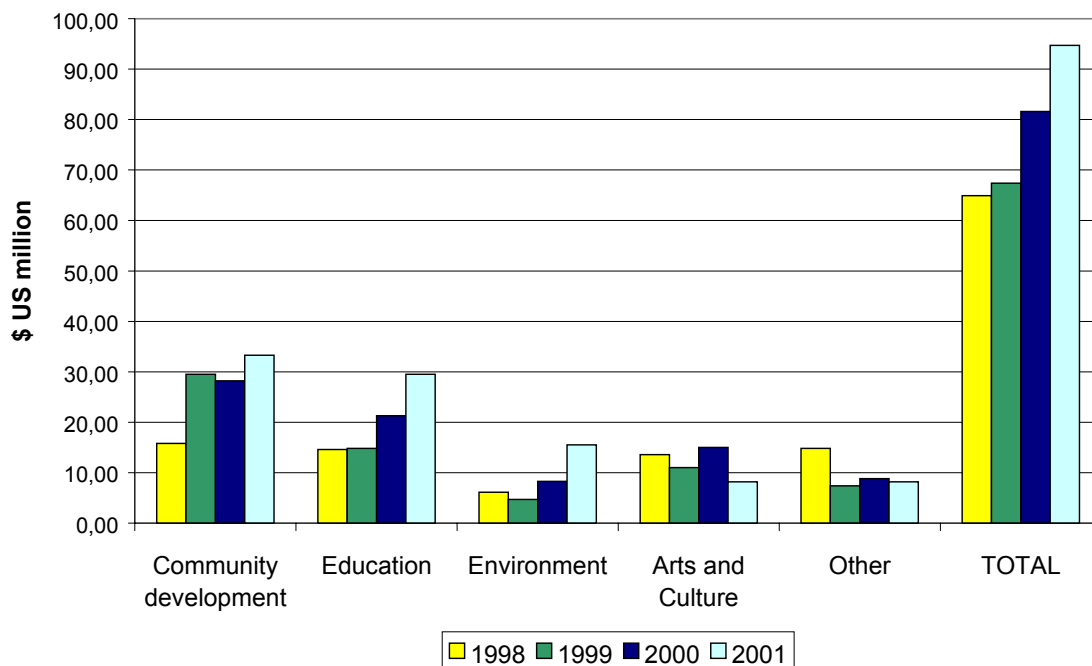


Figure 4: Social investment by theme (Source: www.bp.com)

Comparing investments by region shows that the largest share, some 53 million USD or 56 per cent of total, was allocated to the USA, while the rest of the world received some 19 million USD or 20 per cent. By theme, the majority funds went into Community Development (35%), Education (31%) and Environment and Health programmes (16%). A notable example

of BP's actions in this respect is the inclusion of 'black empowerment partners' into BP Southern Africa (Pty) Limited (BPSA). The partners in this "landmark initiative" – Mineworkers Investment Company and the WDB Investment Holdings - will hold an equity stake giving them 25% shareholder voting rights and three seats on the board. The purpose of this multimillion US dollar initiative is to ensure that the majority of the financial returns generated will fund social programmes in both rural and urban areas of South Africa, in turn making sure that the "value created from the partnership flows into as many hands as possible". Moreover, the rationale for BP's overall Economic Empowerment strategy, of which this specific initiative is said to be a first step, "is to develop empowerment opportunities at all levels of the organisation" and to "give the partners strategic influence over transformation initiatives within the company"²¹. This will in effect demonstrate BP's "focus on employment equity, affirmative action procurement and talent development"²².

Location reports is another instrument designed to provide an in-depth look at how BP operates in various locations around the world. The reports are structured communications offering information on corporate operations and investments, contextual information (e.g., security issues, politics, industry governance) as well discussions on how the Business Units have operationalised their commitments in terms of ethical conduct and relationships. For instance, BP states that they have developed a number of Key Performance Indicators (KPI) which will be reviewed and measured annually, "with increasingly more ambitious targets being set in several areas as our business develops" (Angola Location Report: 5). The location reports also include independent perspectives and commentaries from organisations such as the World Bank or consultancy/auditing companies. For instance, the Angola Location Report published in year 2000 includes findings from a "stakeholder analysis" conducted by the company Environmental Resources Management (ERM). The analysis was based on a series of semi-structured interviews, including BP employees, suppliers, NGOs, government officials and partner oil companies. However, the empirical material and comments are somewhat anecdotal, and there is hardly any mentioning of the 'larger' problems pertaining to macro-CSR issues such as the 'paradox of plenty'. Rather than making an overall assessment of the findings, the report includes a selection of quotes from interviewees, stating that "I have never heard of any scandals associated with BP Amoco Angola (NGO)", and that BP should "seek transparency in the relationships with the Government and Sonangol" (ibid.: 8-9).

3.4 Social Performance Reporting – Expanding the bottom line

"Companies are radically altering their Annual Reports to include detailed information about environmental and social performance alongside their financial accounts. Performance is now measured on many dimensions and success is defined in a holistic

²¹ http://www.bp.com/location_rep/south_africa/index.asp, [12.03.02].

²² http://www.bp.com/location_rep/south_africa/index.asp, [12.03.02].

way. I believe this new approach to corporate reporting is also entirely consistent with the economic revolution which is now upon us. One of the great gains from the connected economy is transparency - because that is the key to confidence and trust, and to the granting of permission by society for companies to pursue their activities and to continue to make progress.”²³

External, non-financial reporting has historically been scarce, and has this far not been supported or guided by a widely accepted, common framework of principles and procedures concerning what issues to report, when, and where. The choice of content and structure has thus (rightfully) been left to companies’ discretion. However, in recent years attempts have been made to conjoin efforts and interests in establishing new approaches to reporting on business’ financial, environmental and social impacts. One initiative is the establishment of the Global Reporting Initiative ([GRI](#)) in late 1997, convened by the Coalition for Environmentally Responsible Economies ([CERES](#)) in partnership with the United Nations Environment Programme ([UNEP](#)). The mission of GRI was defined as that of “developing globally applicable guidelines for reporting on the economic, environmental, and social performance, initially for corporations and eventually for any business, governmental, or non-governmental organisation (NGO)”. One of the key elements in these guidelines is the introduction of qualitative and quantitative *performance indicators*. Of special importance with respect to macro-CSR issues is the group of integrated indicators, consisting of two types:

- *Systemic indicators*, linking an organisation’s performance at the micro-level with economic, environmental, or social conditions at the macro-level (GRI, 2000: 4, 27), and
- *Cross-cutting indicators*, bridging information across two or more elements in the triple-bottom line

Despite their relevance and applicability, it is stressed that the development of such indicators is at an early and experimental stage. However, it may still be worthwhile to assess the extent to which such indicators are developed and/or planned at the corporate level.

BP does not use the GRI Guidelines, either in terms of structure or for reporting against the specific GRI indicators. The reason given is that BP prefers “to report our performance, whether good or bad, directly against our business policies and commitments”.²⁴ Nevertheless, BP has been at the forefront of developing principles and guidelines on non-financial performance. The first BP Social Report was published in April 1998, before the merger with Amoco. This landmark publication was an important step in BP’s struggle to answer global

²³ BBC’s Reith Lectures 2000, Sir John Browne speaks about business and sustainable development, 26th April 2000, Available at www.bp.com [03.10.01]

²⁴ http://www.bp.com/environ_social/guide_environ_social/gri/index.asp, [29.07.02].

protests against the operations of oil majors²⁵. Among the key responses and reactions to the Social Report was that “the social dimension needed more definition, including *clear plans, targets and quantitative performance measures*” (BP Amoco Environmental and social report 1998: 8). Another reaction was that the separate reporting on social and environmental performance could be combined in order to provide a more coherent and comprehensive outlook on company performance. The latter was taken into account in the follow-up report, *BP Environmental and Social Report 1998*. Herein, the Group CEO John Browne recognised that “the environment is the primary challenge facing the industry”. However, he also stressed the need to “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*” (ibid.: 3). Moreover, Browne emphasised that BP’s approach was an “evolving, rather than predetermined or overly bureaucratic, approach” (ibid.: 7), so that the report “should be read as simply a summary of work in progress” (ibid.: 3).

Following the merger with Amoco, BP Amoco in 1999 refined the form and content of corporate reporting, in terms of designing and introducing a ‘living’ report to be viewed and used on the Internet. The company also launched a website, [www./bpamoco.com/alive](http://www.bpamoco.com/alive), including performance reports cutting across the triple bottom line, documents corporate commitments, as well as ‘location reports’ demonstrating the way in which corporate policies and strategies come ‘alive’ in actual operations across the globe²⁶. The Environmental and Social Review 2000 hard copy report was consequently trimmed-down to summary form, leaving the more comprehensive account of performance on the revised corporate website - www.bp.com. Underlining yet again the evolutionary process of corporate reporting, BP also moved further in 2000 to produce the first combined financial, environmental and social (‘triple bottom line’) report – *annual review 2000*. This report also includes a survey of objectives, accounts, and governance & policy.

²⁵ Among the external driving forces for this initiative were Shell’s experiences in Nigeria, notably the killing of Ken Saro Wiwa and eight fellow activists in 1995, as well as critiques raised against BP in connections with its operations in countries like Columbia and Angola and human rights issues. Moreover, John Browne had apparently set BP on a new course in terms of corporate responsibility after he chose to make a key speech about climate change on 17 May 1997.

²⁶ The reports include case studies on social performance in specific business operations, third party commentaries, factual reports on progress, as well as auditor’s reports. One of the case studies in the 2000 report described BP’s investment and operations of a chemical plant in China made note of the criticism raised by western press, governments and NGOs on the Chinese record on human rights. Besides that of committing itself and employees to abide by BP’s human rights policy, in respect of the UN declaration and the International Labour Organization’s tripartite declaration, BP states that they have encouraged a dialogue with NGOs, academics and government experts to address these issues. This was seen as an approach based on *positive engagement*, focusing on areas where BP has a direct influence, such as conditions of employment and equal opportunity recruitment.

4 Comparing statements with actions

“The test [of social performance] is not whether we have written manuals but whether our actions are consistent with what we say we stand for”

- BP Amoco, Environmental and social report 1998: 7.

BP puts strong emphasis on communicating to the public what it perceives as the key CSR-issues that are relevant for the widening business agenda, and how BP aims to act upon its rhetoric. BP’s key message on macro-CSR issues is that its conduct should be a positive influence, including efforts towards “greater transparency and accountability” and actions to “drive out the evil of corruption”, while aiming to be “a force for good”. The re-branding of BP in the year 2000 is also an important ‘statement’, in that it has ‘wrapped’ the company in new colours that aspires to reflect a genuine concern for the environment and ‘global responsibility’. This is indeed a bold strategy, in that it is likely to create expectations both internally and externally regarding BP’s approach towards and involvement in macro-CSR issues that could lead to “backfiring”. For instance, BP’s offensive strategy clearly makes the company vulnerable to pressure from NGOs and other stakeholders.

In terms of actions, BP aims to achieve its objectives “by recognising and identifying our environmental and social impacts, setting targets for improvements, developing new tools and new businesses, learning from others and measuring progress so we can adjust our efforts as necessary”. The task of recognising and identifying *impacts* is a key element in BP’s Social Impact assessments. The approach taken by BP in Columbia and the Casanare region, where production started in 1992, is viewed as a good example in this respect²⁷. The evolving approach to managing CSR issues in the Casanare region is partly based on ‘tripartite partnerships’, including representatives of government, industry and civil society. A key objective is capacity building, involving *inter alia* the set-up of institutions and strengthening of educational capacity. In terms of impacts, BP officials note that illiteracy has gone down while health and employment is also said to have improved. Moreover, currently some 90 per cent of BP staff are Columbians. That said, negative impacts such as increasing violence and conflict is also recognised. In general, BP’s overall strategy for involvement and engagement is said to have benefited greatly from the experience in Columbia. BP’s Economic Empowerment strategy and the black empowerment initiative in South Africa provide other prudent examples of BP’s actions.

BP has clearly been a prime mover in terms of setting new targets and standards. For instance, in the environmental domain, BP was among the first to set company targets for unilateral reduction of greenhouse gases, a target that has been achieved well ahead of the 2010

²⁷ Personal communication with David Rice, Director of Policy Unit.

schedule²⁸. Moreover, BP undeniably set a new standard for *fiscal transparency* by disclosing the signature bonuses paid in Angola. It should be noted, however, that the issue of signature bonus payments is somewhat of a ‘grey area’ in relation to macro-CSR issues like corruption and transparency. Even though there are clearly places and countries that do not recognise the difference between facilitation payments and bribes, BP argues that “[s]ignature bonus payments are a widely acknowledged and legally accepted means of carrying on business in many countries throughout the world”²⁹. Hence, such payments are regarded as a legally accepted means of obtaining economic rent from oil and gas resources; i.e., an ‘up-front’ payment of taxes to the host government. The reason for the controversy in the case of Angola, however, owes partly to the lack of transparency in the bidding round for the ultra-deep water blocks. Moreover, and in a wider perspective, the key macro-CSR issue is really to improve transparency and accountability regarding the way in which and for what purposes such government revenues are used. Proponents for the practice of making financial data public argue that this would provide information to Angola’s citizens on government income and thus improve transparency. In order to clarify BP’s stance, the 2001 review of social performance states: “We have accepted that our position on this should be strengthened to re-enforce our overall strong anti-corruption stance. In February 2002, we introduced a new policy that makes it clear that BP staff anywhere in the world should not make *facilitation payments* from now on” (*italics added*)³⁰. Notwithstanding the difficulties involved in addressing the issue of facilitation payments, BP’s approach to financial transparency in Angola provides a pertinent example of how company policies may work out in practice³¹.

As regards new tools and management systems, BP is also taking new steps by way of establishing self-imposed constraints and guidelines on ethical behaviour, which (in principle) applies to relationships with employees and (corrupt) governments alike. An interesting development in this regard is the increasing regional focus, including the set-up of regional ethics committees, reflecting the understanding that key issues pose different challenges in different regions. The consequences and impacts of new standards and tools are of course difficult to measure. Developing specific and measurable targets and metrics for performance on macro-CSR issues is clearly a prime challenge. This far, measurement of BP’s social performance has largely focussed on quantifying inputs - the resources (financial, human, time, etc.) that have been invested, for which the perhaps most clear-cut indicator in public reporting being the Global Social Investment (GSI) program. BP also recognises that developing appropriate metrics for the measurement of outputs – “the relative difference

²⁸ See e.g., Keynote speech by John Browne, BP Group CEO at the Stanford Graduate School of Business, California 11 March 2002, <http://www.bp.com/centres/press/stanford/index.asp>

²⁹ http://www.bp.com/environ_social/business_ethics/corruption/index.asp, [14.03.02]

³⁰ http://www.bp.com/environ_social/, [14.03.02]

³¹ Personal communication with David Rice, Director of Policy Unit.

(positive or negative) that business has made to the development of the community in which it operates”, continues to be a challenge.

Against this background, taking also into account salient characteristics such as BP’s exposure in sensitive regions and rather moderate negative attention, there is in general a rather high degree of consistency between statements and actions on macro-CSR issues. However, that does not mean that BP is left totally unscathed by accusations of wrongdoings in the past. Moreover, there are pending issues that threaten to cast shadows on BP’s recent attempts to recast itself as an environmentally friendly and socially proactive company. Potential threats to BP’s reputation are its investments in PetroChina, accused of being implicated in gross human rights violations in Sudan, and BP’s possible involvement in drilling into the environmentally sensitive region of the National Arctic Wildlife Refuge.

5 BP's view on the role of companies³²

The objective of this section is to examine BP's perceptions regarding the role of companies in addressing the 'paradox of plenty'; e.g., if and to what extent companies is to be held responsible for the poor performance on social and poverty-related indicators in resource-abundant and oil-dependent developing countries³³. Moreover, the section also aims to provide indications of what BP officials perceive as limits to their possible influence on human progress in general, and good governance in particular, in countries where they operate.

The issue of dealing with the notion of 'paradox of plenty' is considered work in progress, involving efforts aimed at *inter alia* identifying and exploring key issues, examining proper responses, and delineating the boundaries between what the company can and cannot do. Even though there is no explicit reference to or recognition of the 'paradox of plenty' in company literature, some indications of company perceptions can be extracted from external communications, most notably speeches by the CEO and other key officials.

In a speech given at a conference in Berlin on 19 June 2002, John Browne acknowledged the general *awareness* of the issue, although refuting the existence of a causal link between the role of multinationals and deteriorating social conditions observed in some developing countries.

“There's a strongly argued view that in the poorer countries of the world the role of multinationals is exploitative, environmentally damaging, hostile to human rights and democracy, and divisive, destroying established communities [...] There is a belief that international investment is a bad thing. That it distorts the process of development against the interests of local communities [...] I believe all those views are mistaken, and indeed dangerous”³⁴

Further recognition of the arguments raised in questioning the benefits of globalisation and the increasing power of transnationals, if not their justification, was also given in a speech at Harvard on 3 April 2002:

“The benefits of the globalised economy aren't obvious to everyone in the developed world. Nor are they always obvious to some people in the developing world. [...] Given the speed of change over the last five to ten years it is no surprise that there is resistance and scepticism as to whether the benefits have in some way been stolen by others, and

³² This section is based on assessing BP's external communications and personal communications with David Rice, Director of Policy Unit BP.

³³ See e.g. Fridtjof Nansen Institute (2000); Karl (1997) Auty (1998); ECON (2000); Ross (2001).

³⁴ “The Strategic Logic of Diversity”, keynote speech given by Lord Browne at the Women in Leadership conference, Hotel Inter-continental, Berlin 19th June 2002

particularly by big business. All those doubts are real, even if they are not justified - and we have to start from that reality.”³⁵

By way of recognising such public concerns as real and legitimate, the question arises: What, if any, role and scope is there for company actions in dealing with such macro-CSR issues? On this, Browne’s speech also offered some views:

“So what should we do? It is clear that to restore trust, companies have to demonstrate that our presence, particularly in the poorer countries and the emerging market economies, is a source of human progress. [...] We have to be *transparent* in reporting on our activities and finances, because where there is a dark corner there will be doubt. That transparency is part of the process of sound governance [...] Strong corporate governance is necessary but, of course it isn't sufficient. [...] The standards have to be *set by example* from the top - from the Board, from the Chief Executive from senior management, reaching down through the executive teams.”³⁶ (*italics added*)

In order to illustrate in what ways and how BP may exercise such *directional leadership*, i.e. set standards and lead by example, Browne elaborated further on the issues of transparency and corruption, putting great emphasis on lessons learned in dealing with signature bonus and facilitation payments in Angola:

“One of our standards of behaviour is a prohibition on bribery which extends now to a *prohibition on all facilitation payments*. To deliver against that standard we've begun to improve the transparency of what we do across all our operations. In Angola, for example, with the active support of the Government of President dos Santos, we intend to publish details of all the payments we make as we develop Angola's huge reserves of oil. Publishing those details is not, as some people have suggested, to interfere with the way in which the funds are spent. It is simply about showing where the money is going. That step has the active support of many people in the NGO community including Oxfam and the Save the Children Fund, who have said that they believe transparency is the most effective way to ensure that the wealth we and others are generating benefits the whole population of one of the poorest countries in the world, where one child in three dies before reaching the age of five.” (*italics added*)³⁷

In terms of working to improve transparency and conditions for good governance, Browne proceeded by highlighting the limited influence of individual companies, making instead a case for *collective action* and *capacity building*, including companies, governments, civil society (e.g., NGOs) and multilateral institutions:

“Of course, no one company on its own can bring about change. Transparency must be a common effort, and Governments individually and collectively have a great role to play. Governments in the richer part of the world have the power to assist development not just with direct aid and financial support but also through *capacity building* - supporting the

³⁵ “Leading Toward A Better World? The Role of Multinational Corporations in Economic & Social Development of Poor Countries”. Keynote speech by John Browne at Harvard, 3rd April 2002. Available at www.bp.com, [25.07.02].

³⁶ *Ibid.*

³⁷ *Ibid.*

development of skills and structures which enhance the ability of individual states to combat corruption and to manage their own affairs effectively. Governments and international institutions have enormous potential leverage. Corruption isn't inevitable. If we can combine the leverage of Government with a firm and effective refusal by the private sector to tolerate corruption, including the petty but corrosive corruption of facilitation payments, we can begin to renew trust not just in corporate activity but in the whole development process, which comes from globalisation.” (*italics added*)³⁸

The case for collective action and partnerships is considered a more legitimate approach than actions taken solely by companies, individually or collectively. Such partnerships may on the one hand include multilateral institutions like the World Bank and the IMF, which are viewed as having both legitimacy and leverage regarding the use of public revenues from oil operations, e.g., through conditionality clauses. The role and assistance of NGOs is also considered crucial in many respects. The Tangguh Project in Indonesia is considered a good example of BP's approach towards capacity-building partnerships, in terms that by “working proactively with local communities and anticipating impacts, the project aims to ensure that its overall effect is decidedly positive”.³⁹ Key elements in BP's social strategy for the Tangguh Project include training, education, health, enterprise development, cultural preservation, economic resource management and conflict prevention. Tangguh is also the first ever BP project to commission its own dedicated Human Rights Impact Assessment. Other examples of fruitful co-operation with NGOs include experience with CARE international in Columbia, the Red Cross in Angola, and the WWF and Conservation International in Indonesia and China⁴⁰. BP also supports the UN global compact, which it perceives as an “important step forward”.⁴¹

Speeches by Lord Browne and other external publications also recognise that there are *limits* to what the company “can and should do” (environmental and social review 2000: 8). For instance, the quote above highlighted that it is not the role of companies like BP to tell governments how to spend their money. Nor is it considered legitimate for companies like BP to interfere in the development of political processes. This is in recognition of commonly accepted norms regarding public-private relationships, and the need to safeguard the integrity and sovereignty of states. For this reason, BP recently adopted a principle of not making political contributions anywhere in the world:

And then there is something we shouldn't be doing - which is to intervene in partisan politics. [...] In particular we must be particularly careful about the political process - not because it is unimportant - quite the reverse - but because the legitimacy of that process is

³⁸ *Ibid.*

³⁹ http://www.bp.com/location_rep/indonesia/tangguh_project/enviro.asp, [12.08.02]

⁴⁰ “Leading Toward A Better World? The Role of Multinational Corporations in Economic & Social Development of Poor Countries”. Keynote speech by John Browne at Harvard, 3rd April 2002. Available at www.bp.com, [25.07.02].

⁴¹ *Ibid.*

crucial both for society and for us as a company working in that society. That's why we've decided, as a global policy, that *from now on we will make no political contributions from corporate funds anywhere in the world*. We'll engage in the policy debate, stating our views and encouraging the development of ideas - but we won't fund any political activity or any political party. (*italics added*)⁴²

Another issue pertaining to the scope and limits for company actions, is what may be perceived as the ultimate option(s), namely to refrain from making investments in certain countries or regions or withdraw from locations within which they are already operating (disinvest). Considering first the option of not investing, John Browne was according to *The Guardian* asked at the 2001 annual general meeting for an example of a country in which BP had chosen not to invest because of human rights abuses. In responding, he said it would be 'uncivil and inappropriate' to mention any no-go nations (*Guardian*, April 20, 2001). Instead, such decisions are apparently to be made on a case-by-case basis in which the ability to operate according to BP's own standards is decisive:

"So we have to understand the limits of what we can do and the boundary line. And within the line we should work in different ways, responding to the particular needs of different communities with the basic aim of contributing to progress, and being prepared to be judged on that [...] Of course, there will be places where progress isn't possible. Where the nature of Governments, or the culture of a particular country, or the absence of proper legal structures means that we can't work to our own standards and we can't contribute to progress. There are such places - and we don't work in them."⁴³

This underlines the sense that investment decisions and the ability to operate according to BP's standards are examined and assessed on a case-by-case basis.

Deciding to withdraw, however, is framed in somewhat different language, for which even inferences to moral imperatives are used in formulating and supporting BP's stance:

"To withdraw and to say that progress isn't possible is sometimes necessary but it is a bleak decision and a denial of hope. Our approach, of course, is dictated by self interest. Companies are not aid agencies or charities - and our purpose is simply to create future wealth on behalf of shareholders. If we don't do that we will go out of business. But that self interest must be enlightened. Our investments in all the places I mentioned are investments for the very long term. Those investments will thrive if the societies in which they are located are also thriving. So to do nothing, to look after ourselves and to neglect the world in which we're operating would be to put at risk the interests of our shareholders. [...] The anti-globalisation forces are wrong. Globalisation is not a zero sum game in which the rich get richer and the poor get poorer. History demonstrates that is just not true. Those who argue against globalisation now are effectively denying the world's poor the chance to improve their standard of living and to share in the prosperity they themselves enjoy. They are denying the 1.5 bn people who live in absolute poverty the means of escape. That is *morally unacceptable*."⁴⁴ (*italics added*)

⁴² *Ibid.*

⁴³ *Ibid.*

⁴⁴ *Ibid.*

Regarding conditions that will *not* lead to withdrawal, the case of Columbia illustrates that BP does not accept poor governance and human right records *as such* as reasons to withdraw:

“Without investment and development Colombia will remain too dependent on narcotics - and divided and unequal in a way that fosters violence. Shared economic prosperity and peace go hand in hand. [...] In total, BP and its partners have invested more than \$6 billion in Colombia, and there is the possibility of investing more. That's why we want to see peace, and why we will continue to work with the local people to develop the social structure which is the only real means of securing peace.”⁴⁵

Hence, BP believes that divesting could lead to a situation where fighting and violent conflicts for the control of the revenues worsens. In relation to the criticism raised against BP's investments in PetroChina, Peter Sutherland, Director of the Board, put forth similar arguments:

“Disinvesting from PetroChina means, in reality, departing from China which would be a mistake, and would be wrong.”⁴⁶

In conclusion, there appears to be no explicit recognition of the ‘paradox of plenty’ in BP's external communications, at least not in the sense that oil companies are to be held responsible for the poor performance on poverty-related indicators in developing countries with substantial revenues from petroleum operations. However, there is recognition of the general and public *awareness* of concerns raised in relation to certain aspects of globalisation and the increasing power of oil transnationals. Still, the process of hammering out a strategy for dealing with this challenge externally is work in progress. In terms of actions and approaches, BP is supportive to contributing to capacity building and collective action, involving multilateral institutions, governments and NGOs. This serves to highlight BP's preference for action through *engagement* and taking active part in policy debates. The case of dealing with fiscal transparency and signature bonus payments in Angola is an example of company action that facilitated public debates on a difficult issue. Regarding the scope and limitations for corporate social responsibility, BP has clearly come a long way in drawing up the boundaries of what is perceived as legitimate concerns and actions. For instance, in the view of key company officials it is not perceived as legitimate for companies to become involved in partisan politics, nor to tell governments how they should spend public revenues from oil operations. Moreover, it is not the role of BP to publicly name countries in which they will refrain from investing. Rather, BP perceives it as more legitimate and appropriate for companies to contribute to ‘human progress’ by *inter alia* the setting of standards, leading by example, actively engage in public policy debates, and participate in collective action initiatives.

⁴⁵ “The Case for Social Responsibility”, Sir John Browne, Group Chief Executive The British Petroleum Company p.l.c., A presentation to the Annual Conference of Business for Social Responsibility, Boston, USA, 10th November 1998. Available at www.bp.com, [03.10.01].

⁴⁶ Director of the Board, Peter Sutherland, speaking at BP's annual general meeting in London 2001.

6 Concluding remarks

In the early 1990s, British Petroleum was a company in deep crisis, being a middle size oil company with a vast debt and low share price that culminated in the halving of the dividend in 1992. Against this backdrop, the last decade has witnessed a company undergoing considerable and wide-ranging changes, involving not only such major steps as the merger with Amoco in 1998, but also the re-branding of BP in year 2000 that has ‘wrapped’ the company in new colours that aspire to reflect a genuine concern for the environment and “an unshakeable commitment to human progress”.

BP puts strong emphasis on communicating to the public what it perceives as the key CSR-issues that are relevant for the business agenda, and how BP aims to act upon its rhetoric. Compared to other oil multinationals like ExxonMobil and TotalFinaElf, BP’s rhetoric is extensive and rather strong. This is indeed a bold strategy that is likely to create expectations both internally and externally regarding BP’s approach towards and involvement in macro-CSR issues. Consider for instance the following statement given by Frank Vogel, Member of the Board of Transparency International:

“We are heading for an era of accountability and transparency where CEOs will seek to emulate the model of Sir John Browne, Chief Executive Officer of BP Amoco. He has redefined his corporation and wrapped it in colours and a logo that declare to all stakeholders an intense concern for the environment and sound corporate ethics. Sir John sees this approach, and the comprehensive integrity reporting that BP Amoco undertakes, as a force in building the company’s competitive edge”.⁴⁷

Indications of increasing expectations from NGOs are already emerging, including criticism raised against BP for its investments in China.

This process of strategic reorientation has also been accompanied by a strengthening of management systems, business policies and company reporting. Evidence of changes is also provided in the development of new management systems and techniques, including stakeholder engagement, ethics certification processes, social impact assessments, social investments and wide-ranging reporting on social performance. BP has also been a prime mover in terms of setting new targets for social performance. For instance, by way of disclosing data on signature bonus payments in Angola, Global Witness congratulated BP as setting “a new standard of fiscal transparency for oil companies in Angola”. As regards new tools and management systems, BP is also taking new steps and seeking ‘innovative’ solutions by way of establishing self-imposed constraints and guidelines on ethical behaviour, which applies to relationships with employees and (corrupt) governments alike. On these

⁴⁷ “Corporate Integrity and Globalization: The Dawning of a New Era of Accountability & Transparency”, Lecture given by Frank Vogel, delivered at the Pennsylvania State University March 23, 2001. Available at www.transparency.org, [05.10.01].

accounts, it seems fair to include BP among the frontrunners in the development of business principles and guidelines for corporate social responsibility.

However, much work remains to be done in terms of developing metrics for measuring performance on macro-CSR issues. This far, measurement of BP's social performance has largely focussed on quantifying *inputs*, for which investments in the Global Social Investment (GSI) program is the perhaps most clear-cut metric. Developing appropriate metrics for the measurement of *outputs*, meaning the relative difference (positive or negative) that business has made to the development of the communities and countries in which it operates, continues to be a key challenge.

In conclusion, it is clearly premature to make judgements of what the future might bring since the development of principles, modalities and guidelines for company policies and action on macro-CSR issues is only in its formative stage. Nevertheless, the question going forward is whether the standards and goals set by BP are sustainable over the long haul. Hence, one could ponder on the extent to which BP as a company is capable of delivering to the public what Sir John Browne promised in a recent speech at Stanford on March 11 2002: "we need to reinvent the energy business; to go beyond petroleum"⁴⁸.

⁴⁸ Speech by John Browne, "Beyond petroleum. Business and the environment in the 21st century", Stanford Graduate School of Business, March 11 2002. Available at <http://www.bp.com/centres/press/stanford/>, [12.03.02].

References

- Auty, R. M., 1998 Resource Abundance and Economic Development. Research for Action 44. UNU World Institute for Development Economics Research
- BP, 2001. Business policies. What we stand for. Available at www.bp.com, [29.07.02].
- BP, 2000. Finding your way through the maze. Ethical conduct policy: guidelines on business conduct. Available at www.bp.com, [10.02.02].
- BP, 2001. *Environmental and social report 2000*, London: BP.
- BP Amoco, 1999. *Environmental and social report 1998*, London: BP.
- ECON, 2000. *Nature, Power and Growth*, ECON report 3, Oslo, Norway: ECON.
- Estrada, J., K. Tangen and H.O. Bergesen, 1997. *Environmental Challenges Confronting the Oil Industry*, Chichester, England: John Wiley and Sons.
- Fridtjof Nansen Institute (2000): *Petro-states – Predatory or Developmental?* FNI-Report 11/2000, Lysaker, Norway: The Fridtjof Nansen Institute
- Global Reporting Initiative, 2000. *Sustainability Reporting Guidelines on Economic, Environmental and Social performance*. Boston: GRI, Available at www.globalreporting.org
- Human Rights Watch, 1998. “Columbia: Human Rights Concerns Raised by the Security Arrangements of Transnational Oil Companies”, April 1998, Available at <http://www.hrw.org>, [17.09.01].
- Human Rights Watch, 2001. “The Oil Diagnostic in Angola: An Update”, March 2001, Available at <http://www.hrw.org/background/africa/angola/>, [14.03.02].
- Karl, Terry Lynn (1997): *The Paradox of Plenty. Oil Booms and Petro-States*, Berkeley: University of California Press.
- Porter, M., 1990. *The Competitive Advantage of Nations*, London: MacMillan.
- Ross, M., 2001. *Extractive sectors and the poor*. Oxfam America: Washington, DC.
- Rowlands, I.H., 2000. “Beauty and the beast? BP’s and Exxon’s positions on global climate change”, *Environment & Planning C: Government and Policy* **18**(3), pp. 339-354.
- Skjærseth, J.B. and T. Skodvin, 2001. “Climate Change and the Oil Industry: Common Problems, Different Strategies”, *Global Environmental Politics* 1(4), pp. 43-64.