



open



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Verified or evaluated



Quotations



Dialogue



Partnerships

Should multinationals stay out of developing countries where human rights and developmental issues are contentious and subject to debate?

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'Constructive engagement' means exactly what it says. We want to hear other people's opinions, and we want them to listen to ours; because social progress is driven by open-minded people who communicate on the basis of facts.

# letter from the chief executive



Premier Oil has been the operator of major gas developments and facilities for just five years, although we have been involved in international exploration for nearly 20. For a relatively small company, to undertake the management of such major projects has been a significant challenge over the past few years.

In some of the most remote and difficult terrain in the world, we have installed offshore production platforms, built pipelines, negotiated large-scale gas sales contracts, drilled exploratory wells and opened new fields. We recognise that these activities impact on the environment and people, and that these impacts have to be measured, monitored, prevented or managed.

Accordingly, we established the Premier Corporate Social Responsibility programme, which was designed to help us ensure that we recognised and, as far as possible, fulfilled our responsibilities to our stakeholders. In late 1999, I agreed with Dr Richard Jones, the internal champion of this project, that we should take the important and brave step of self-assessment. For us, corporate social responsibility is as much about social justice in the work place as it is about our external stakeholder relationships.

We also recognised that we needed to be open and transparent about our performance as a socially responsible corporate citizen. We made it a corporate priority to carry out a social audit in which a qualified independent third party would communicate directly with our stakeholders in order to discover what they really thought about Premier Oil and the company's impact on their lives.

This Social Performance Report is the first fruit of that process. It is not a full social audit, because it was logistically impossible for a small company such as ours to organise a complete survey of all our stakeholders in the time available. Instead, we have focused on three key groups: our employees; local communities affected by our operations in Myanmar and Indonesia; and our shareholders.

The concept of a combined social performance review, social audit process and verification exercise, guided by a framework of performance indicators, was developed primarily by Dr Richard Jones, our group Manager of Corporate Responsibilities and Communications and Professor Alyson Warhurst of Warwick Business School.

EQ Management, an independent consultancy specialising in the assessment of corporate social responsibility, was then contracted to design a pilot audit and undertake the necessary ground research and consultation, in collaboration with local consultants. The entire social performance review process, including its results and recommendations, as detailed in the following pages, was then independently verified and evaluated by the University of Warwick's Corporate Citizenship Unit.



It has been a complex and resource-stretching process, but it has also been tremendously valuable. The respondents, from individual shareholders to local villagers, have given us definitive feedback on how they view us. This in turn gives us a platform from which we can plan our way forward. It will also help our employees to understand the importance of the relationships that enable us to go about our business.

Our Social Performance Report 2001 is unique in its approach to stakeholder consultation and performance assessment. We believe that we have been innovative in respect of the methods we have followed and the rigour we have applied to both target setting and the process of verification and evaluation.

Different stakeholder groups will interpret the results in different ways. But I hope that every group will recognise and appreciate the value that lies in the project itself – a deliberate, open and in-depth effort to understand and demonstrate the true nature of our relationships with our stakeholders.

We have learned a great deal, and we are already planning management systems and training programmes to embed what we have learned into the Premier culture. Much remains to be done, particularly in terms of consulting additional stakeholder groups. We have begun a process. It will not be easy; but we now have a framework that will help us to achieve our objective.

Premier is, first and foremost, a commercial organisation. We must therefore strike a balance between profit and the interests of our different stakeholders. This investigation into our social performance represents a first step towards defining the current balance and the setting of new targets. In the future, we will continue to improve and monitor our social performance and it will help us to ensure that corporate social responsibility and human rights considerations are an integral part of our decision-making processes.

*Charles Jamieson*

**Charles Jamieson, Chief Executive**

Premier Oil  
April 2001

# corporate social responsibility policy

It is Premier Oil's priority to acknowledge and fulfil our corporate social responsibilities, including the protection of human rights, and to establish policies, programmes and practices for developing and conducting all our work in a socially responsible manner.



## Twelve social responsibility principles

### Sustainable development

We are committed to making positive contributions to the development of the communities in which we operate, and recognise that the fulfilment of our corporate social responsibilities plays an important role in achieving local sustainable development goals.

### Integrated management

We will fully integrate our social responsibility policies, programmes and practices within each of our business units around the world. They will be integral factors in our decision-making.

### Employee education

We will educate, train and motivate all employees on all aspects of our internal and external social responsibilities, including human rights protection, empowering them to implement the policies of the company.

### Impact assessment and ethical auditing

We will assess the social, economic, health, human rights and environmental impacts of any new activity or project prior to its commencement, on an ongoing basis and before decommissioning a facility or leaving a site.

### Research

We will conduct and support research on the social and environmental impacts of the raw materials, products and wastes associated with our operations, and on the best means of minimising adverse effects.

### Preventing adverse impacts

We will select services and products and conduct our activities in a manner consistent with the latest research, in order to anticipate and prevent from the outset negative social and environmental impacts.

### Operating responsibly

We will develop, design and operate facilities and monitor activities, taking due account of the findings of social, economic, health, human rights and environmental impact assessments.

### Emergency preparedness

We will provide relevant training and develop and maintain emergency preparedness plans, in conjunction with the appropriate emergency services and the local communities in areas where hazards exist or might emerge.

### Contractors and suppliers

We will promote our corporate social responsibility principles with contractors and companies within our supply chain, in order to encourage – and, where appropriate, oblige – them to improve their practices.

### Continuous improvement

We will continually make improvements in our performance, and will review and update our social responsibility policies, programmes and practices, taking into account the latest research, social and environmental issues of concern in areas of operations, and feedback from our stakeholders. We will set targets for improvement and apply these principles of social responsibility conscientiously.

### Auditing, verification and reporting

We will undertake regular social audits and assessments of compliance with respect to our social responsibility principles and human rights policy across the company. The findings of these audits and assessments will be independently evaluated and verified, and communicated to the Board and to all our stakeholder groups.

### Transfer of best practice

Wherever possible, we will contribute to the development and transfer of socially responsible business practices generally, throughout our industry sector and in the countries where we operate.

# human rights policy



## Universal Declaration of Human Rights

The Premier Oil Human Rights Policy is based on the fundamental rights pronounced in the Universal Declaration of Human Rights and is guided by those rights enshrined in the core labour conventions of the International Labour Organisation. These rights are to be protected and promoted throughout Premier Oil's business operations and in our relations with both business and local community partners. We will also use our legitimate influence to promote the protection of human rights outside of our areas of operation.

## Continuous improvement

Premier Oil recognises it has a responsibility to protect human rights in both its external and internal business environment. This is the basis of the company's commitment to corporate social responsibility. The company is committed to the continuous improvement of its performance in this area.

## Development rights

The scope of our policy includes the rights of our employees – their health and safety as well as their security arrangements and working conditions; and the development rights of our external stakeholders, in particular local communities. We believe that the right to development is a basic right, without which other human rights cannot be secured or sustained. It is therefore our policy to [Make a Positive Difference](#) through supporting programmes of social investment, in partnership with professional social development organisations, government agencies and local non-governmental agencies, that contribute to sustainable development goals in the communities and countries where we operate.

## Stakeholder dialogue and social reporting

We are always willing to enter into dialogue, and have developed a programme of engagement with different stakeholders in order to develop a greater understanding of their concerns about the impacts of our operations. The results of dialogue with stakeholders influence directly how we benchmark, evaluate and report on our social performance over time.

## Supply chain

We understand that local social, political and cultural conditions may present challenges for immediately conforming to international standards on the part of our business partners. We will look for evidence of their commitment to working towards such standards, and will withdraw from relationships where no positive progress is made over time.







"We are committed to making positive contributions to the development of the communities in which we operate, and recognise that the fulfilment of our corporate social responsibilities plays an important role in achieving local sustainable development goals."

(Premier Oil's Corporate Social Responsibility Policy)

# summary of approach



As foreign direct investment increases and the extractive sector in particular expands its operations worldwide, demand has grown: firstly, for increased accountability to a broader group of stakeholders, stretching beyond employees and shareholders to encompass communities located in the areas of these operations; and secondly, for improved environmental and social performance in corporate practice – that is, enhanced corporate social responsibility (CSR).

Although, as a company, we have achieved a considerable investment in community social development programmes, and committed ourselves to engage with NGOs, special interest groups and government agencies, we considered that there was a need for a systematic evaluation of our social investment programmes over time – from the perspective of both the local communities and NGOs that have an interest in our operations, as well as from the perspective of our employees and shareholders.

Therefore, in November 1999, we asked EQ Management to develop and implement a social audit programme. EQ Management provides advice on social and ethical performance to a range of organisations pursuing improved strategies of corporate social responsibility, improved ethical performance, and political and social risk management. All four founder members of the

company previously worked for The Body Shop International in various capacities, including the management of environmental impact, Fair Trade, supplier relations, ethical evaluation of supply chains, social accounting and reporting and quality management.

The EQ Management approach involves simplifying the ethical issues at stake and then establishing manageable methodologies and systems for measuring, reporting and improving ethical and social performance. EQ Management was concerned that we should go beyond conventional approaches to Social Accounting (which sometimes simply reflect and report only on current practice) and use the social audit process as a catalyst for action that would lead to improved practice and continuous improvement.

From the outset, three challenges became apparent. First, given Premier's size, only limited resources were available to undertake such a costly process. Secondly, given the complexity of the practical, cultural and human rights-related issues that emerged in efforts to undertake dialogue with different stakeholder groups across the business units, community consultation was to prove very challenging, requiring a number of different approaches. Finally, the differing external perceptions of the value of, and intent behind, our implementation of responsible business practices

led to the need to develop deeper and ongoing relationships with some NGOs and commentators on the industry.

These considerations were taken into account during the design of the consultation and reporting methodologies. Following the preparation of a scoping study early in 2000, EQ Management concluded that "Premier Oil now has an opportunity through the social audit process to engage in genuine two-way dialogue with its key stakeholders, to clarify its key principles and how they manifest themselves in the business and how staff can effectively carry them out". It was recommended that Premier follow the AA 1000 process, with some tailoring to allow for the fact that we are a medium-sized company. AA 1000 is a process standard developed by AccountAbility, the Institute of Social and Ethical Accountability. It is principally a standard for demonstrating accountability – i.e. the steps an organisation needs to follow to measure and report on its social and ethical performance.

To contribute academic robustness and specific extractive industry experience, we were also assisted by Professor Alyson Warhurst, who is Chair of Strategy and International Development at Warwick Business School and also Director of the global Mining and Energy Research Network and a director of the Corporate Citizenship Unit

at the University of Warwick. Her input draws on more than 20 years' experience working on environmental and social performance in the oil and mining industries, particularly in South America and China, as well as her extensive range of publications and worldwide advisory work.

The agreed strategy for implementing the social audit and performance evaluation process for a company of our size was manageability, credibility and methodological rigour. This first report is therefore not the product of a full social audit, as there are systems still to be put in place and more stakeholder groups to be consulted. Rather, it should be seen as a pilot study on the one hand, and on the other as a first effort to put in place and test priority management systems and policies regarding corporate social responsibility and human rights. Given that this type of social evaluation process has previously been almost entirely the domain of large multinationals, the challenge of making the project relevant and effective, as well as not too unwieldy, has been approached in a spirit of mutual learning on the part of Premier Oil and EQ Management, with the goal of continuous improvement. We have also taken the important step of contracting the Corporate Citizenship Unit of Warwick Business School to verify and evaluate the social audit process and social performance review.



It is my understanding that no other extractive sector company of our size has undertaken such a thorough investigation of its status in relation to corporate social responsibility.

The outputs of the process include: this report and further web-based details of the data it relies upon; a verification and evaluation report by Dr Magnus Macfarlane from the Corporate Citizenship Unit of Warwick Business School; a set of management systems and tools for their implementation, the most important of which is a set of performance indicators at corporate and business unit level; new policies on corporate social responsibility and human rights which are rooted in an understanding of the social implications of our operations and the

management systems we have put in place to address them; and a training programme to ensure that the results are integrated into our decision-making and the way we do our business, so that we can demonstrate that we are *Making a Difference*.

**Dr Richard Jones, Manager of Corporate Responsibilities and Communications**

Premier Oil  
April 2001



**Scoping Study (Board Approval)**

– Define scope and outline methodology

December 1999 – January 2000

**Planning and refinement**

- Initial stakeholder consultation
- Agree internal participation
- Define detailed methodology
- Identify key performance indicators
- Design consultation

February 2000 – November 2000

**Conduct consultation**

- Understand stakeholders' issues
- Develop management system
- Assess performance
- Refine policies
- Set targets
- **Launch report**

December 2000 – May 2001

**Social audit cycle (annual)**

- Continuous improvement to:
- Embed management systems
  - Resolve issues
  - Tackle new issues
  - Refine the process
  - Include more stakeholders – NGOs, contractors/suppliers, business partners, the environment

May 2001 onwards

# roles and scope



## Roles and responsibilities

**Dr Richard Jones** is Manager of Corporate Responsibilities and Communications. He reports directly to the CEO of Premier, Charles Jamieson. Dr Jones is principle champion of the overall social audit and social performance review process and is primarily responsible for the company's reporting of the results and the setting and monitoring of the company's corporate social responsibility targets for the next social audit cycle. He was previously responsible for the development of the social investment programme in Myanmar and currently is overall manager of Premier's social development projects in the UK, Pakistan, Indonesia and Myanmar. Dr Jones co-ordinated all the sub-contracts for this process, defined the briefs and managed all internal and external stakeholder corporate communications with respect to the surveys, questionnaires and consultation exercises. This work included the establishment of Premier's first international communications management committee, which includes the business unit HR managers, community relations managers and government liaison officers. Dr Jones has not been involved in the employee, community and NGO/INGO consultation processes in order to ensure that the consultants and verifier were able to work independently and with the trust of all participants in this process. He did, however, complete a questionnaire about group corporate

social responsibility strategy on behalf of the company as part of the social audit process.

**EQ Management** was retained at the end of 1999 to assist Premier Oil in designing and refining a robust social audit process, and to carry out dialogue at the appropriate stages with stakeholder groups. EQ Management's role also includes assuring sustainable embedding of corporate social responsibility practices by producing a social issues management system and delivering training to the business units for its effective implementation. Ultimately, EQ Management also became responsible for analysing the stakeholder feedback and assisting with the drafting of this report.

**Professor Alyson Warhurst**, has been an adviser to Premier Oil since 1999. She contributed to the development of a framework of performance indicators and management tools for both internal and external stakeholder feedback measurement as well as providing advice to Premier Oil regarding its policies on human rights and corporate social responsibility principles and targets. Professor Warhurst also visited Myanmar in the course of this work and was able to draw on insights from that visit to ensure the relevance of the management tools that were developed.

The **Corporate Citizenship Unit of Warwick Business School, the University of Warwick**, was appointed to evaluate and verify the social audit and social performance review process at the end of 1999. This role was undertaken by Dr Magnus Macfarlane, a Research Fellow with expertise in social impact assessment processes, with the assistance of Dr Malcolm McIntosh, who teaches in the area of social auditing. The Corporate Citizenship Unit (CCU), directed by Dr Malcolm McIntosh and Professor Alyson Warhurst, is an internationally recognised centre of excellence for research, teaching and consultancy in the areas of corporate citizenship and sustainable development, which brings together business, government and civil society to examine the relationship between corporations, states and communities. Research projects of CCU/MERN examine the emerging drivers of corporate social responsibility, the implementation of the concept of corporate citizenship, and the equity and business practice issues pertaining to its realisation. The unit also undertakes advisory work regarding corporate reporting and social and environmental performance evaluation and verification, as well as training in strategy development and implementation in the areas of social auditing and corporate citizenship more broadly.

**Compass Research**, an independently owned and operated research agency based in Myanmar, was recruited by Premier Oil to undertake the local community consultation in villages along the pipeline area in Myanmar. The brief, designed in consultation with EQ Management, was to gain a representative cross-section of opinion about Premier's activities, approaches, attitudes etc., towards local communities, with reference to key performance indicators and questions supplied as part of the brief. Compass Research had not previously worked for Premier.

**ERM**, a UK environmental and social consultancy group, was commissioned to undertake a pilot consultation exercise in Indonesia to evaluate local community experiences of the impacts of Premier Oil's operations there. Again, the brief, designed in consultation with EQ Management, was to gain a representative cross-section of opinion about Premier's activities, approaches, attitudes etc., towards local communities, with reference to key performance indicators and specific questions supplied as part of the brief.



### Which stakeholders are included and why

We decided to cover all our international business units, but to concentrate on three main stakeholder groups during this first pilot social performance review, prior to a full social audit to be undertaken at a later date. These groups are:

#### 1. Employees

They are key, both as recipients of and participants, in our goal of social justice in the workplace and our policies of employee education and continuous improvement in all areas of operations. They are also vital custodians and promoters of our external social responsibility policies.

#### 2. Local communities in areas of operations

It is a priority for us to improve our understanding of our social impacts on communities living near where our most sensitive and potentially disruptive activities take place, and to address any negative effects. In this regard, we also acknowledge the strength of feeling amongst special interest groups within civil society about our operations in Myanmar.

#### 3. Shareholders

It is important that we understand how our shareholders view our current performance in social as well as financial areas. A survey at this stage was viewed as an important first step in gauging their expectations about our strategies of corporate social responsibility.

#### Future plans

##### NGOs and Community Programme Partners

This summer we intend to hold an independently facilitated workshop for INGOs and NGOs with whom we have the potential for developing partnerships and with whom we already work. Some of the issues to be discussed have already been scoped during the first round of consultation. They will focus on evaluating impacts of company operations and community programmes, building more effective cross-sectoral partnerships for social and economic development, the longer-term sustainability of projects and the continuous assessment of our social audit process.

#### Government

Consultation with governments in the countries where we operate is ongoing. At this stage, we have already begun to create a baseline of information on current approaches to government relations through developing an internal questionnaire aimed at the appropriate line managers within the business units and at global level. Pilot indicators to be reported on in future are suggested in the targets section at the end of this report.

#### Business partners

The company's two largest shareholders, Amerada Hess and Petronas, are effectively also the company's major business partners and, as such, their views on corporate social responsibility and Premier's strategies and impacts will be important to understand. They will be consulted by interview in the next social audit cycle.

#### Subcontractors

Some important issues for contract staff have emerged from this year's consultation with staff, particularly those involved in security, our drivers and those working offshore. This group and the issues they raise will be addressed within the next social audit cycle.

#### Displaced communities from Myanmar

Provided that security conditions allow, and that we can find a suitable intermediary who has both the independence and the appropriate relationships with such communities as well as the ethnic, cultural and linguistic understanding required for such sensitive work, we will appoint a facilitator to consult with this group in the next social audit cycle on the impacts they have experienced from the operation of Premier's pipeline in Myanmar.

#### Environment

We already have environmental policies and procedures in place, which are published on our intranet. Some environmental monitoring is carried out, but this varies throughout the business units. Work is underway to adopt standard company-wide environmental monitoring, along the lines proposed by UKOOA. We are also endeavouring to put in place a comprehensive set of environmental indicators for the future. Our environment, health and safety systems are in the process of merging, and we also intend to do the same with onshore and offshore management systems. There is relatively little consistent company-wide environmental monitoring data available, and it is important that a core set of performance indicators is soon established which could be reported on in future years.

# methodology



## Key stages leading to this report

The social audit process we adopted follows seven stages, the last one being the report itself. Given that we have approached this first stage as a social performance review, rather than as a full social audit, the stages approximate, but do not fully mirror, the AA 1000 process.

AA 1000 suggests a way to approach stakeholder consultation, systems development, performance measurement and target-setting. It is therefore not outcome-based. The standard looks to participating organisations to attain the goals of transparency, responsiveness and continuous improvement, guided by the key principle of inclusivity.

### 1. Scoping

Key managers in each business unit were interviewed by EQ Management about their responsibilities and the nature of their interaction with stakeholders. This enabled a review of existing social and ethical policies and management systems (human resources, human rights, environment, health & safety, quality, document control etc.), a discussion about performance indicators already in use, and the identification and analysis of stakeholders' views in relation to each of these issues. This part of the process also raised awareness amongst management of the forthcoming social audit and the company's social responsibility strategy in general. The main output from this stage was a scoping report.

### 2. Process design

Subsequent to the consideration by the Board of this scoping report, EQ Management agreed the general approach to the methodology to be used, primarily with Dr Richard Jones, Premier's Manager of Corporate Responsibilities and Communications. Advice was also taken from Professor Alyson Warhurst of the University of Warwick and Professor Tom Sorrell of the University of Essex.

Decisions were made about which aspects of social performance were to be measured and what would be the scope of the first and subsequent social audit cycles. At this stage the following were important considerations:

- Political and logistical challenges of carrying out consultation with certain stakeholder groups in some business units.
- Company culture differences.
- Language and communication issues including the avoidance of jargon.
- Potential workforce scepticism.
- The possibility of issues raised through consultation presenting decision-making trade-offs and conflicts.

- Being too prescriptive or procedural about responsible business systems so as not to alienate staff from the process.
- Awareness that negative findings may reinforce the 'difficult' image that Premier Oil has with some stakeholders.
- The potential risk of embarrassing business or government partners.

Consideration was given to how management prioritises different stakeholder groups' views, and the practicalities of the process based on perceived specific stakeholder group needs, circumstances, quality of relationships and interests, as well as geographical region etc. At this stage, it was therefore decided to consult the views of employees (as the key internal stakeholder), NGOs (given the importance of the company's relationships with some of them from a reputational and community development perspective), shareholders (to try and gain more constructive interaction, particularly with those raising social responsibility concerns at AGMs), governments, community programme partners and local communities. All this was subject to stakeholder input into the design of the social audit.

### 3. Stakeholder input into design

This stage was crucial in achieving an effective two-way dialogue between the company and its stakeholder groups. We wanted to hear stakeholder views on the key issues relating to our policies of social responsibility, to have their input into the design of the process and its content, to hear their views on how the next stage of dialogue with them should be carried out, and to address any concerns they may have about confidentiality.

EQ Management visited each business unit and carried out the first stage of dialogue with relevant stakeholder groups. This included:

- Focus groups with employees in each business unit.
- One-to-one interviews or focus groups with NGOs (some of which, at the latter's request, were confidential).
- Visits to community development projects at operational sites to meet both community programme partners and local communities (where relevant).
- Focus groups with shareholders.



These visits also highlighted local cultural issues and practices, which would need to be respected in later stages. Key objectives were to raise the awareness of employees and other stakeholders about the process taking place, establish training needs and to identify concerns about the implementation of our global business principles, human rights policy and our social responsibility principles. This would then enable more informed decisions to be made by the company about different stakeholder concerns.

During this first stage of consultation, EQ Management also gathered information about the management systems and training programmes already in place, so that future social audit systems could be effectively integrated with them. The following conclusions were drawn from an interim report that analysed the findings across all the business units:

- For employees, the key issues were: better long-term career prospects and improved career planning; more effective management systems in place; and greater tolerance, understanding and skills exchange between expatriates and nationals and between employees and contract staff.
- Employees had high expectations of the process and wanted to see things change as a result.

- Managers did not want to participate in a bureaucratic and pointless exercise.
- NGOs had vastly differing views of Premier's social responsibility performance – some were willing to engage at this stage or on an ongoing basis, some were not.
- The nature and stage of our operations in each country, political sensitivities, the accessibility and willingness of different NGOs to engage in constructive dialogue, would all be key factors in undertaking any consultation.
- NGOs who are community programme partners with us are clearly a separate stakeholder group, given the closer financial and working nature of the relationship. Key areas of interest for this group are centred around the sustainability of relationships with their business partners and working together to measure project impacts, longer-term sustainability and effectiveness.
- Government consultation is clearly sensitive and in some instances is difficult to report on in the public domain, given the inherent confidentiality of some discussions. In this social audit cycle therefore host government stakeholders were not formally consulted and it is considered that our main aim this year should be to develop a consistent internal approach to the internal management of governmental relations and to include consultation in future social audit cycles.

- It is difficult to engage with some of the most 'audible' shareholders i.e. those who purchase small numbers of 'protest shares' and attend AGMs. In addition, since such small numbers attend AGMs, it was agreed that the most appropriate way to engage with them is through a survey.

The interim report was also clear on the need for an internal management team to take ownership of this process and to make a number of critical decisions in order that the process be embedded in mainstream corporate strategy. An international communications committee was then formed and a meeting held to decide upon the following:

- Timing, frequency and format of the next stages of consultation (this year or next year).
- Responsibilities for organising consultations and collating results.
- Which of the Key Performance Indicators derived from this consultation stage would be monitored and reported on, and with what degree of frequency.
- Internal communications options regarding the process and the results.
- How to embed the social audit targets into existing management structures and business goals.

- How to ensure that information generated is accurate and will withstand the scrutiny of external verifiers.

The following decisions were made:

- The next stage of consultation for employees, local communities, and shareholders should take place by the end of 2001.
- Consultation with government will be ongoing and some appropriate indicators need to be developed.
- The next stage of consultation with communities will involve only those who reside either near a gas field development or production areas.
- The shareholder consultation process should be defined at head office.
- Fuller consultation with NGOs and Community Programme Partners will take place in 2002.



## KPIs and dialogue with stakeholders

We decided to approach this first report on our social performance as a pilot survey. In terms of designing tools for carrying out dialogue, we built on the feedback given to us during the first round of consultation, as well as taking account of logistical considerations and advice from EQ Management and Professor Alyson Warhurst. At this point, the Social Sustainability Indicators framework was finalised, which would provide us with the context and reference points from which to construct the consultation questions.

### 4. Choice of indicators/KPIs

The fundamental output of the process regarding indicators has been the document finalised by Professor Alyson Warhurst entitled 'Social Sustainability Indicators Framework'. Its final shape was informed by reference to: first, external benchmarks and indicators such as those developed by the GRI and World Business Council for Sustainable Development; second, research by the Mining and Energy Research Network (MERN) of the Corporate Citizen Unit of Warwick Business School, the University of Warwick, sponsored by the UK government's Department for International Development (DfID) and an industry club of sponsors of which Premier is a member; third, the experience of developing indicators for other companies; and fourth, input from Premier's stakeholders consulted earlier in the year.

The mix of stakeholder-derived and expert-derived indicators was defined from a process that involved the following:

- First, defining social sustainability issues of concern, drawn from the EQ interim process report, Alyson Warhurst's own evaluation visit to Myanmar and her own knowledge based on her research and that of MERN.
- Second, defining what would constitute a progressive response to those concerns on the part of the company.

- Third, identifying a set of indicators capable of rating over time the company's corporate social performance with respect to addressing that area of concern.

It was agreed that these indicators also had to be:

- A mix of qualitative and quantitative measures.
- Manageable in number and degree of aggregation.
- Fairly easily measurable and not too burdensome for managers in business units to be able to collect.
- Capable of showing a meaningful pattern or evolution over time.
- A balanced mix of process and outcome indicators.

#### Three key areas of social sustainability are addressed. They are:

- Internal CSR.
- External CSR with respect to local community, NGO and shareholder relations.
- External CSR with respect to government relations.

Indicators must be manageable in order that they communicate meaningful values of importance to stakeholders internal and external to the company. They are organised in a system of logical





hierarchies, which group together global, business unit and site level indicators (Levels 1, 2 & 3 respectively).

The Level 1 global corporate indicators describe how Premier as a company is contributing to addressing global social sustainability concerns. The Level 1 Social Sustainability Global Indicator for internal CSR is:

- The effective development and implementation of policy and practice, which assures social justice in the workplace.

The Level 1 Social Sustainability Global Indicator for external CSR for local communities, NGOs and shareholders is:

- The effective development and implementation of corporate governance structures, policies and reporting mechanisms which contribute to more socially responsible external stakeholder relations.

The Level 1 Social Sustainability Global Indicator for external CSR relating to government relations is:

- The effective development and implementation of policy and practice which assures socially responsible engagement with government stakeholders pertaining to regulation, human rights and corporate citizenship.

Each of these is linked to a set of Key Performance Indicators (KPIs) or Level 2 indicators, which are principally business unit derived.

Level 2 indicators for internal CSR are:

- Socially responsible employment and working conditions.
- Socially responsible management policies and systems.
- Socially responsible approach to employee personal development.
- Socially responsible communication strategy and employee involvement.

Level 2 indicators for external CSR in relation to local communities, NGOs and shareholders are:

- Group policies with reference to internal and external CSR benchmarks & human rights issues.
- Sustained commitment to social performance evaluation and reporting at local and corporate level.
- Ongoing group social audit and verification processes conforming to AA 1000.
- Demonstrable use of Social Impact Analysis (SIA) tools throughout project life, including closure.
- Sustained commitment to corporate social investment.

- Proven commitment to stakeholder engagement, dialogue and transparency as a principle of corporate policy.

Level 2 indicators for external CSR and government relations are:

- Corporate compliance and accountability with respect to international, national and regional regulations, restrictive measures and laws.
- Commitment to strategy of corporate citizenship irrespective of laws in place and government approach to enforcement.
- Identification of human rights concerns and commitment to their protection.
- Proven commitment to government stakeholder dialogue and engagement as a systematic principle of corporate policy from the outset to the end of a project/investment.
- Proven commitment to investigate more equitable 'rent-sharing' agreements.
- Proven commitment to Corporate Social Investment (CSI) as a mechanism for contributing to local and regional development plans in countries of operation.

The site level indicators – Level 3 – are derived from addressing issues of concern principally identified in stakeholder consultation exercises. The process adopted for the selection of the Level 3 indicator categories is expert-driven in that it involved EQ Management and Alyson Warhurst, in the context of the considerations noted above, developing different management tools according to their different areas of expertise aided by a peer review process. Other experts in the field and from within the company, including the overseas business units, were involved in verifying their appropriateness through a process of peer review.

The indicators are presented for ease of management as a set of ten management tools (questionnaires, survey forms, guidelines for consultation etc.) all of which give rise to a detailed set of indicators. These are all pilot and can be adjusted or varied to address evolving stakeholder concerns. There are of course any number of management tools that can be developed to provide indicators of performance at site level on any number of issues. The selection process adopted here is based on priority concerns of both Premier Oil and its stakeholders, as communicated principally through interviews undertaken by EQ Management.



#### The ten management tools are:

- A pilot employee survey.
- A social account survey for human resource managers.
- A social account survey at group level.
- Social audit and verification summary set of performance criteria.
- A survey for local community consultation.
- A shareholder consultation survey.
- A set of questions for focus group consultation with NGOs/INGOs.
- A set of questions for focus group consultation with local community groups.
- A 'brief' for contracting local consultants in each site of operation to undertake the community consultation exercises.
- A set of questions to be sent to all equivalent CSR managers in each business unit as a self-assessment tool with respect to progress regarding government relations.

Initial consultation feedback for the development of Level 3 management tools:

- Most employees had said they preferred questionnaires as long as they were guaranteed anonymity and that the language used in the questions was clear. For them, the key issue was the feedback that they received afterwards and that it was personally explained by management.
- Local communities need to be offered the opportunity to give feedback to local people, without interference, the risk of bias or loss of confidentiality.
- Questions asked also need to be relatively simple. Focus groups 'on location' in the relevant villages were therefore seen as most appropriate.
- Shareholders had not responded to focus group invitations and so it was felt that a questionnaire would reach a much greater number and maximise our chances of receiving a critical mass of feedback.

In terms of sampling, the following decisions were made:

- Employees – all employees (direct and contract) across all business units to be mailed a questionnaire.
- Local communities – sampling methodology of villages to be recommended by the local expert group commissioned to carry this out, but it should include some community programme beneficiaries and some non-beneficiaries.
- Shareholders – we wanted to receive responses from approximately 200 shareholders so we decided it would be necessary to mail 1,000 individual shareholders of which there are approximately 17,000.
- NGOs – INGOs or NGOs, willing to engage in dialogue, and community programme partners, to be consulted by way of an international workshop.

Feedback from stakeholders was then analysed by EQ Management and evaluated against Premier's stated policies and the Social Sustainability Indicators framework. This comprehensive feedback has informed the continual improvement programme and setting of targets, as detailed on pages 54–62. In addition, we have identified indicators and issues to be measured in future audit cycles.

## 5. Development of procedures/manuals

Although this represents stage 5 of the social audit process, time and resource constraints have not enabled these to be in place prior to the consultation and reporting this year. Procedures and a full Social Issues Management System (SIMS) in the form of a manual will be finalised in late Spring 2001, and training in each of the business units will be delivered shortly afterwards.

In the absence of such systems to monitor, we decided that this consultation exercise could not be termed a full social audit cycle but should rather be considered a review of social performance and a pilot social audit. It is proposed that a full independent social audit plus verification would be carried out for the next cycle.



## 6. Target setting

The social audit process involved the development of indicators not only to inform internal and external stakeholders of the company about progress achieved with respect to the application of the Premier's principles of corporate social responsibility and human rights policy, but also to provide a set of guidelines for the achievement of annual targets.

The targets are divided in three categories in line with Level 1 global corporate performance indicators to cover: first, internal CSR; secondly, external CSR pertaining to NGOs, communities and shareholder relations; and thirdly, external CSR pertaining to government relations. Level 2 targets are set with reference to our KPIs in each of these categories and are either expert driven and/or stakeholder derived. Level 3 targets are set with reference to the recommendations, which emerge from the application and findings of the ten management tools, and are principally stakeholder derived.

The targets are considered 'work in progress' and will be refined through a process of internal consultation. They are presented in a summary table that indicates the targets to be achieved at each level, the people responsible with reference to their job title and the time horizons applicable. The measurable criteria of success will be defined through a process of consultation.

## 7. Verification and evaluation of process and report

It was initially decided that the scope of verification should be:

- The legitimacy of the scope and processes chosen for the social audit.
- The accuracy and fairness of the content of the social audit report.

Following some modifications to the scope and aims of this particular cycle, the verification brief was revised, as follows:

- To verify selectively the stated competence of the auditors and evaluate the appropriateness of their stated competence in relation to the proposed tasks of designing the social audit framework and conducting the social performance review.
- To verify selectively the stated process used to design the social audit framework (specifically, the verification of the country consultation process will be restricted to Myanmar and UK) and evaluate the quality and scope of this process against relevant AA 1000 process standards for social auditing. These process standards include identifying stakeholders, defining and reviewing values, identifying issues and indicators, determining process scope, and selecting indicators.

- To verify selectively the stated process recommended and/or used to conduct the social performance review (specifically, the verification of country consultation processes will be restricted to Myanmar and UK) and evaluate the quality of this process against relevant AA 1000 process standards for social auditing. These process standards include collecting, analysing and reporting information.

The verification and evaluation of the social audit process and social performance review has been undertaken by the Corporate Citizenship Unit of Warwick Business School. The Research Fellow responsible is Dr Magnus Macfarlane, who is being assisted by Dr Malcolm McIntosh. Alyson Warhurst holds a Chair in that School and has been playing an advisory role to Premier over the past two years. In order to ensure the independence and integrity of the exercise, she has not been involved in the conduct of the verification process.

“We have learnt a lot of new skills through the loan programme and now we know how we can earn money to fund programmes like the school after Premier leaves. We have already started to prepare for that – we keep records of all the loans and all our meetings.”

(Management Committee – Ohn Bin Kwin)



# employee consultation



Within the framework methodology devised for this pilot process, employees and subcontractors were consulted in order to assess the level of corporate social responsibility that exists internally at Premier Oil. This was achieved by examining their perceptions of, or views about, the effective development and implementation of policy and practice which assure social justice in the workplace. At a more specific level, this process involved soliciting answers to questions from which we derived four Social Sustainability Key Performance Indicators (KPIs) of business practice relating to internal corporate social responsibility. These KPIs are the degree of social responsibility that applies to:

- Employment and working conditions.
- Management policies and systems.
- Employee personal development.
- Communication strategy and employee involvement.

## Objectives

The central objective of the employee consultation process was to assess the extent to which Premier is fulfilling its obligation to ensure social justice across its business units and to give staff the opportunity to comment on the social audit process.

Although the issues at a head office in a developed country are likely to be different from those in a more multicultural business unit in a developing country, many of them simply represent universal good employment practice.

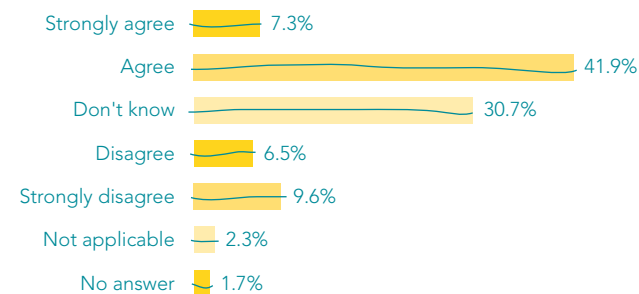
## Premier employees

Premier Oil employs approximately 759 people across its four business units who are a mix of national staff and expatriates. Our staff fall into the following categories:

- Permanent/temporary.
- Company/contract employed.
- London employed/locally employed.
- Expatriate/national staff.
- Office-based/offshore-based.

Staff are consulted and communicated with in a variety of ways across the business units. The main methods are through the corporate GIS (Global Information System) and E-mail, staff notice boards, video conferencing, group meetings and updates.

## Recruitment practices are fair





### Staff comparative statistics

	London	Myanmar	Pakistan	Indonesia
Total number of employees	76	305	64	314
ILO conventions recognition/familiarity	low	low	good	good
Estimated average working hours per week: expats	variable	50	35	55
Estimated average working hours per week: nationals	35	40	35	40
Number of fatalities	0	0	0	0
Number of reportable accidents	8	2	7	6
Estimated number of person days lost	0	2	51	98
Estimated person days lost through absenteeism	0	213	7.7	n/a
Estimated person days lost through sickness	23.6	256	89	n/a
Annual staff turnover as a % total staff	18	2.13	6.25	8.5
Number of staff grievances received	0	0	5	10
% nationals promoted last year	0	3.33	0.6	2
Highest grade nationals promoted to	n/a	3	9	3
Number of cross-postings last year	3	0	2	2
Ratio of training budget to operating costs	n/a	1.61	1.3	5
Existence of a suggestion scheme	no	yes	yes	no
Number of suggestions received per year	n/a	25	open door	n/a
Number of suggestions taken up per year	n/a	25	50%	n/a
Existence of staff representation body	no	no	no	yes

### Comparative HR statistics

To obtain background information on a number of HR-related issues, we undertook a preliminary survey of HR managers at all the business units. The findings provide baseline information for future comparisons and highlight procedural differences between the business units.



### Methodology

We initially consulted employees during Spring 2000 to establish their views on various corporate social responsibility issues and solicited their preferences in relation to future consultation exercises.

For managers, the overriding concern was that the social audit process should produce action or change, rather than simply a document.

Other employees felt that the process should be capable of unearthing issues and perspectives of which management may not be aware.

It was also seen as a possible method to increase mutual understanding and tolerance between expatriates and nationals and to increase the exchange of skills from expatriates to nationals.

A survey form containing 55 quantitative questions, grouped under the four KPI headings on page 20, and three qualitative questions plus extra space for free-form narrative, were mailed to employees at four key business units – Myanmar, Indonesia, Pakistan and the head office in London. 303 responses were received, representing an average of 40% of the workforce. Responses from the different locations are shown on the table to the right:

	London	Myanmar	Indonesia	Pakistan
Number responding	24	106	109	64
Response as % business unit workforce	31%	35%	34%	100%

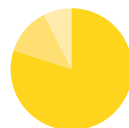
### Respondent profiles

Although the questionnaires were anonymous, employees were requested to provide other criteria (location, type of job, gender etc.) so that we could gain an insight into the profile of respondents. The results are shown below:

The possibility that some staff, particularly in cultures less accustomed to openness, may not feel comfortable with commenting on their peers and managers cannot be entirely ruled out. However the breadth of response would tend to neutralise this effect. In future, we would expect this factor to diminish as staff learn to trust the social auditing process.

### Composition of respondents:

Nationality



- Not indicated
- Expatriates
- Nationals

Gender



- Not indicated
- Female
- Male

Member of union



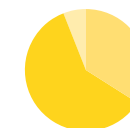
- Not indicated
- Member
- Not a member

Employees



- Not indicated
- Direct employees
- Contract Employees

Type of job



- Not indicated
- Administration
- Technical





### Work and employment conditions

Satisfaction here is generally high. Of the 20 questions asked in this section, 15 received positive marks of 65% or over, indicating that staff feel positive about work satisfaction, motivation and teamwork and mutual respect issues. For example, 93% respect their peers; nearly 80% feel satisfied after a day's work; and 81.5% feel they can achieve their objectives within working hours.

Trust levels between colleagues were also high, with 85.5% responding affirmatively. This is despite 19 comments (only three of which were from expatriates) made in the qualitative section indicating a degree of mistrust or resentment between nationals and expatriates or staff and management

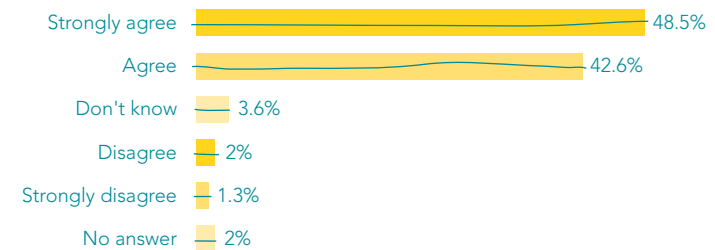
The analysis of the qualitative section of the questionnaire suggested that work/life balance may be an issue for some groups, especially expatriates in Myanmar and Indonesia who are working over 50 hours per week.

"The company needs to seriously investigate the potential for burn-out in the expatriate employees. Many are doing 12–14 hour days, six and seven days a week."

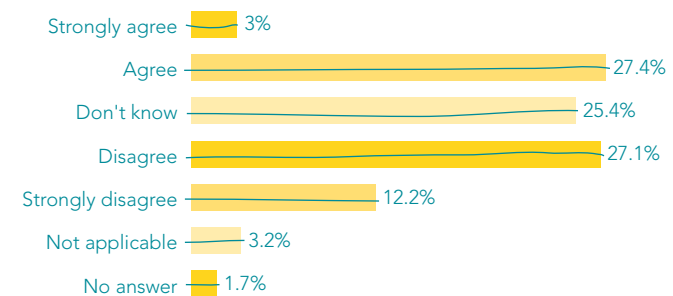
While 56% had found their induction training informative, 22% did not. In the qualitative section, one respondent indicated that the induction process should include more training for expatriates on local cultural and social sensitivities.

There was a notable division of opinion regarding our salary grading scheme and overall remuneration packages. 30% of respondents thought they were fair, while 39% did not. A further 25% 'did not know'. There was also a significant split of opinion on the question of whether our remuneration packages compare well with those of other oil companies – 28% thought they did compare well, 40% felt that they did not, and a further 28% 'did not know'.

### Safety is a high priority for Premier Oil



### The Premier Oil salary grading is fair





The qualitative section contained 14 comments regarding remuneration, of which 12 were from Indonesian local employees. They included:

“Remuneration [should be] based on work performance, not on good relationship”

and

“[There should be more] transparency in the bonus system”.

As well as remuneration as a general issue, there were several mentions from Myanmar staff of rising prices in Kanbauk, and the falling real levels of their incomes – four made requests for travel and food allowances, a further three said that salaries were not keeping up with rising prices.

Overall, the indicators for work and employment conditions sustainability are positive. A possible indicator of this goodwill is that 90.4% of respondents say they would give up their free time to help the company address a problem.

### Specific issues with subcontractors

Although subcontractors have been grouped with direct staff for this survey, two issues directly related to subcontracting have emerged.

The first involves a perception, particularly prevalent among subcontracted drivers and security staff, that their working conditions (working hours, pay, holidays, sick leave, etc.) are significantly worse than if they were employed directly by Premier Oil. Consequently, a large number of contractors have asked to be taken onto the Premier payroll.

The other issue relates to suppliers' bidding procedures in Indonesia, where two respondents question the criteria that govern the appointment of suppliers.

### Consultants' recommendations

- Establish why expatriates in Myanmar and Indonesia are putting in so much time at work, and find ways to reduce working hours.
- Track person days lost due to absenteeism in Indonesia.
- Evaluate the induction process, and particularly the level of assistance given to expatriates regarding local social and cultural sensitivities and issues.
- Assess the value of undertaking a remuneration analysis for the Indonesian operation.
- Address issues relating to subcontractors by including them as a separate group for consultation for the next cycle.
- Evaluate whether there is any cause for concern regarding supplier choice in Indonesia.

### Management policies and systems

Three aspects of management policies and systems were addressed during the consultations: development; implementation; and content.

Overall, respondents felt that they would like to play a greater role in the **development** of policies and systems within the company and that greater consultation and justification for existing policies would be desirable.

Regarding **implementation**, four respondents felt that policies were not consistently applied across the company. One noted that the company should:

“Define clear policies and procedures and stick to them, therefore ensuring fair treatment of employees (national-national, national-expatriate, permanent-contract)”.

On the question of **content**, 48% of respondents believed that the policies and practices laid down by Head Office in London had a positive impact upon their work, while a large proportion – 34% – ‘did not know’. Just over half the respondents believed that the quality of their working life would improve in the next year due to company policies. 26% disagreed with this suggestion, and 36% were



unsure. This may reflect an unwillingness to speculate on the future, or possibly indicate that Premier should encourage a greater level of participation in policy development and evolution. 58% of respondents believed that the company's policies were flexible and took into account reasonable personal needs, while 53% were confident that the company would support them during personal difficulties.

A large proportion (63%) of respondents believe that Premier's social programmes have a positive impact on local communities, and 61% are proud of the company's social policies.

There was a very high level of confidence that the company takes safety seriously (92.1% consider that safety is a company priority). A high majority of respondents are actively encouraged (86.8%) and actually do report (84.2%) safety risks to management. Only four staff members – all from countries where we have offshore operations – commented in the qualitative section that safety standards could be improved.

Complaint procedures may need clarification and improvement. While 39.3% thought they were effective and accessible, a significant proportion (21%) disagreed and a sizeable 33% 'did not know'.

#### Indonesia: specific issues

There were a number of comments regarding specific areas of HR policy, particularly in relation to Indonesia. Overall, nine respondents indicated that the company needed to build capacity within HR departments offshore. Eight of these comments came from the Indonesian operation, principally from nationals.

The issue of fair recruitment and promotion is of great concern to Indonesian staff. Eleven comments – all from Indonesian nationals – were received on this topic, the majority of which alleged the existence of some form of nepotism. For example:

*"Keep the company free of collusion, nepotism and corruption".*

In fact, these issues have already been addressed at the highest level, and a new senior management team has been in place since January 2001.

Linked to the issue of recruitment in Indonesia is that of balancing national and expatriate staff within the business units. This was an issue for 18 respondents (6% of the sample), mainly from Indonesia but also from Myanmar. The major concern was that there were insufficient nationals working within the business units. Seven other nationals indicated that there might be cost benefits if expatriates were replaced with nationals. Nine Indonesian staff members also commented on the quality of business leadership noting that:

*"We need a leader that can act firmly [and] objectively..."*

and that

*"We need [the] right leader in Jakarta".*

Only one of these comments was from an expatriate working in Indonesia.

#### Consultants' recommendations

- Greater transparency and participation is required in the development of company policy, and offshore staff should be given more opportunity to contribute to the process.
- Company policy set at Head Office in London may be being interpreted differently in Indonesia and Myanmar. This requires investigation.
- All HR departments should be subjected to internal audit, specifically to examine capability, recruitment procedures, skills base of employees, ethnic and other inequities and the balance between expatriate and national staff. The results and recommendations of this audit should be communicated to all staff.



### Employee personal development

The overall response for this section was very positive, with an overwhelming 93.7% of respondents confident that they play an active role in their own development, suggesting that employees feel empowered to control their own career development path. This is supported by the fact that 75% believe they are given appropriate responsibility and encouraged to make decisions.

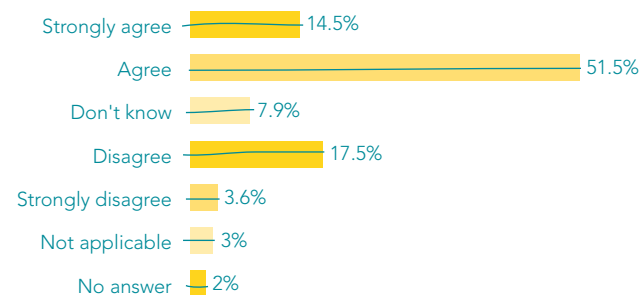
The picture is slightly less clear on questions of access to training and opportunities for advancement. Although 66% indicated that they have adequate access to training, a significant minority – 21% – did not believe this to be the case. Just over half (51%) considered that opportunities for advancement are good, while 27% disagreed. Similarly, there was significant doubt that career opportunities are advertised within Premier – only 53% thought they were, while 43% either suspected that they weren't or 'did not know'.

In the qualitative section of the questionnaire, seven individuals (six from Indonesia, one from Myanmar) noted that their personal development plans had neither been formulated nor clearly explained. Staff in Indonesia also expressed concern on the question of appraisals and opportunities to demonstrate their capacity and skills. Two people from Myanmar and 13 from Indonesia requested more training, in particular leadership training.

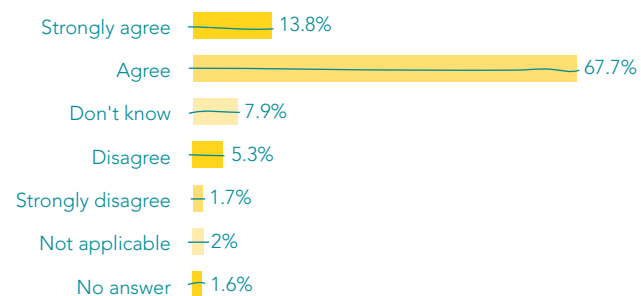
### Consultants' recommendations

- Ensure that audits of individual business units' HR departments include an evaluation of personal development plans, appraisals and training opportunities, especially for Indonesian nationals.
- Career opportunities within business units and across the company could be more clearly communicated.

### I have adequate training or access to it, to progress in my career



### I feel I have been given clear work objectives





## Communications strategy and employee involvement

As regards overall communication, the feedback suggests that the company is performing extremely well. For example, objectives for each business unit, department and individual are being clearly communicated (65%, 78% and 82% respectively). Efficiency and freedom of expression are clear company values that are strongly upheld. 81% point to the emphasis of the company on efficient task completion. A large majority feel confident (84%) that they can express their views with impunity.

Questions relating to relationships with management received high positive response rates, but a minority felt that interaction with their manager is unsatisfactory and that they are not encouraged to give opinions (13% and 14% respectively). Whilst 69% acknowledge that their manager explains and includes them in decision-making, 14% do not. One respondent from the London office commented that

“We would like more relaxed and communicative senior managers”.

The qualitative section contained ten comments regarding communication issues. They suggest that there may be room for improvement in communication and co-operation between Head Office and the offshore offices, and between nationals and expatriates.

### Consultants' recommendations

- General communication, especially between London and the offshore offices, needs improvement.
- Wider access to the Global Information System should be provided, particularly in Myanmar.
- More interactive and qualitative feedback from line managers would be appreciated.

### Views of social audit process

There are clearly high expectations for this process and there was mostly overwhelming support for it, invariably with the proviso that the information should be acted upon.

The following comments were recorded:

“The process would definitely boost the morale of employees only if and when ‘on-paper’ plans are put into practice.”

“This should be regarded as feedback for management to increase company performance to compete in globalisation.”

“It is good practice and should be encouraged and repeated every three months.”

“It will definitely improve the environment.”

### Consultants' recommendations

- The company should commit to annual consultation with employees.
- To ensure effective communication, feedback should be given both by individual line managers and reinforced by presentations from senior international management.





“In general, local people believe that Premier Oil does care about how their presence and activities affect the community.”

(ERM Indonesia)

# community consultations introduction



## What is achievable?

Consultation with local communities in operations overseas presents any UK-based company with a number of challenges relating to language, culture and balance of power differences. In Premier's case, there are additional complexities pertaining to the specific developing countries in which we operate, relating, for example, to the political stability, openness and transparency of the prevailing political regimes and the comprehensiveness and reliability of viewpoints gathered in such environments. The process also raises questions about the scope of stakeholder consultation and particularly about how far beyond the geographical boundaries of our operations we should consult.

These issues were keenly debated by our International Communications Committee, which is comprised of representatives from all of our overseas business units plus head office staff. It was decided that the main objectives of consulting with local communities should be:

- To examine whether Premier Oil is considered to be a socially responsible corporate citizen, in terms of both its policy and practice, in every country of operation.

- To demonstrate that adherence to our principles of social responsibility and human rights policy is an effective strategy for contributing to the development goals of local communities.
- To demonstrate understanding and transparency in relation to our social impacts and performance as well as a commitment to the necessary social investment programmes required to address social performance concerns.
- To employ dialogue and the social audit process as part of a toolkit for planning positive change in collaboration with local communities.
- To collect externally auditable and verifiable data.
- To highlight issues previously not addressed or recognised by the company.
- To create a system that encourages interactive communication and feedback.
- To provide Premier Oil with comparative measures of performance of our external corporate social responsibility strategy across our business units.

A major goal is to build a greater sense of responsibility and ownership amongst our employees in relation to the issues faced by communities living and working around our operations, and to provide a solid basis for further consultation, discussion and action. This formal annual consultation process is being complemented by interim and ongoing communication and feedback with each community group, to assure local community stakeholders: first, that Premier is serious about understanding and addressing their concerns; and second, that this is an ongoing process, not a one-off public relations exercise.

It was agreed by the Committee that ongoing communication with participants could take the following form:

- Visits by a company representative to the relevant villages with relevant documentation and prepared talks describing the issues raised in previous consultations.
- Communicating to the groups that we are in the process of developing a plan to manage issues of concern.
- Communicating clearly that completion of the plan will require further consultation and feedback.





### Operational neighbourhood communities

Local communities that experience impacts from Premier Oil activities can be grouped into four different categories (see table below):

### Future approaches

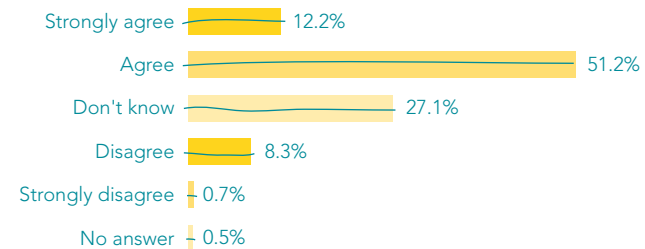
The scope of this pilot social audit did not enable us to include local communities affected by the operations of our business partners in the consultation process. Although the Committee decided that it would not be possible to include them in this round of consultation, it made a commitment to do so in subsequent rounds after relevant business partners have been consulted.

	Myanmar	Thailand	Pakistan	Indonesia	UK
Seismic/drilling			Juniper Forest Dureji Village	Pangkajene	
Gas field development					
Production	*Pipeline Villages			*Matak Island	
Head office/ business unit	'Displaced people' Inlay Lake Yangon		Islamabad	Jakarta	London

\* The groups selected for this first round of independent consultation are those in areas where we have either a gas field development or oil or gas production. Logistical reasons and the geographical range and variation of seismic activities negated the selection of exploration/drilling areas. We also consulted our own employees who in some instances comprise our local communities to obtain additional perspectives on our external social responsibility strategies.

### Employee consultation:

Our community programmes Make a Difference that is positive for the local communities where we operate



# community consultation – myanmar



Consultation with local communities in the area of our operations in Southern Myanmar was undertaken as a key stage in the assessment of our corporate social responsibility in relation to external stakeholders. The purpose was to assess their perception of the effective development and implementation of our corporate governance structures and social investment strategies, and the extent to which they consider that our policies and reporting mechanisms contribute to more socially responsible external stakeholder relations.

The three Social Sustainability Key Performance Indicators derived from this assessment as being relevant to this stakeholder group include:

- Social impact assessment effectiveness.
- Sustained commitment to corporate social investment.
- Commitment to stakeholder engagement, dialogue and transparency as a principle of corporate policy.

## Objectives

The objective of this round of consultation was to gain a greater understanding of Premier Oil's impact and reputation within the area, with a view to helping future policy formulation. We wanted to include different types of village and to employ locally-based specialists to assess our performance against key performance indicators derived partly from stakeholder views given during EQ Management's initial visit in 2000 and partly from expert opinion. By using independent local people to initiate the dialogue, we hoped to create a greater degree of trust and openness.

## Premier's operations and social investment

Premier Oil has been working in Southern Myanmar for 3.5 years. We have built an offshore production platform to tap the Yetagun field in the Andaman Sea and a pipeline that carries gas overland to the Thai border.

In parallel with these operations, we have funded an extensive socio-economic programme to benefit the local community. Called SCF USA/Yetagun, the programme has been designed and managed by our partner, the charity Save The Children Fund USA (SCF USA).

The main objectives of the programme are to provide community training and skills development, to encourage local self-sufficiency, to enhance education opportunities, and to

promote environmental protection. The overriding principles which govern the management of these programme are: demonstrable impact; sustainability; and replicability. According to SCF USA/Yetagun, some 100,000 people had benefited from the SCF USA/Yetagun programme by November 2000.

The programme is focused on communities along the 67 km pipeline route. Some 35,000 people – mostly Burmese – live in villages within a 14 km corridor stretching to the Thai border. The majority of these people are engaged principally in subsistence farming and fishing. There are 16 social development programmes in Myanmar. Each of the participating communities has a management committee, which is responsible for overseeing the Premier socio-economic programme in its community. The community selects the committees, comprised of men and women. The committees are responsible to their village constituencies and work in close collaboration with SCF USA which provides formal and informal training for the committee members across a number of areas including financial management. They monitor the various community projects and provide feedback to SCF USA based on their own observations and input from other community members.

Critics of our operations in the area allege that, during the construction phase, some communities along the pipeline route were displaced from their homes and are now dispersed across Myanmar and in some cases over the Thai border. We have not



included displaced groups in this first pilot round of stakeholder consultation, but we plan to consult these groups in the next cycle of social auditing.

### Methodology

Having designed a brief and questionnaire with the help of EQ Management, we asked the Yangon-based research agency, Compass Research, to undertake the community consultation.

Because we wanted to collect and understand people's opinions, a qualitative methodology was employed, using Focus Group Discussions (FGD) and paired In-Depth Interviews (IDI). The interviews were conducted by a female Myanmar national who was accompanied by a Compass colleague and a verifier from Warwick Business School's Corporate Citizenship Unit. It was explained to respondents that none of the research team members were representatives of Premier Oil or SCF USA.

Compass Research's choice of villages was influenced by the need to gather a cross-section of opinions representing both beneficiaries and non-beneficiaries of Premier community programmes. The selection of villages was made independently of EQ, Premier and SCF USA staff. Notwithstanding security restrictions on visiting some of the villages, Zinba – a Karen village – was included in this process.

### Interviewees

A total of 43 people were interviewed from three villages, Ohn Bin Kwin (a predominantly Burmese village), Zinba (a Karen village) and Paik Te Lay (a Mon fishing village). These interviewees fell into the following stakeholder groups:

- Parents of children attending the Resource Learning Centres in Zinba and Ohn Bin Kwin.
- Farmers in Zinba and Ohn Bin Kwin.
- Members of the Socio-Economic Development Programme Management Committee.
- Non-beneficiaries and fishermen from Paik Te Lay.

All interviewees had been living in the area since before the pipeline was built. Approximately 80% of the respondents were living in the village they were born in. The other 20% had moved to a different village when they married but were still from the region.

All interviews were audio-recorded and, in this report, we have used the interviewees' own translated words as much as possible. We have also included some feedback from our community programme partner SCF USA regarding its activities and relationship with us.

### Broad social impacts of Premier Oil and the pipeline

Premier is not the only oil company operating in southern Myanmar. Villagers are often unable to separate out the individual impacts of each company.

#### Better facilities – infrastructure, health and education

All respondents in Ohn Bin Kwin and Zinba agreed there had been improvements in their lives since the pipeline was built. They agreed that there were better health and education facilities and better roads and water supply.

“There were only a few water wells in this village but more ponds and wells have now been dug. Now water is no problem.”  
Parent – Ohn Bin Kwin.

“The oil company supports the government school and they opened the nursery. Our children are receiving better education. Before we had trouble even getting a teacher for the village school.”  
Parent – Ohn Bin Kwin.

“The teacher at the new Premier school at Damin Seik now comes and collects some children and takes them to her school, and when we are sick we go to the doctor at Damin Seik who wasn't there before.”  
Non-beneficiary – Zinba.

### New business opportunities

Ohn Bin Kwin Management Committee members said that villagers now had more opportunities to start their own businesses through the loan programme.

#### More local production of food

Zinba villagers said oil development had improved their lives. Their incomes had risen; they produced more food and felt safer.

“We used to have to go to Kalain Aung to buy meat and vegetables – now we can buy our food easily in Zinba because the farmers are growing eggs, meat and vegetables, and that's because the farmers are being supported.”  
Parent – Zinba.

Paik Te Lay respondents initially said their life had not changed since oil development began but they knew that people living in nearby villages were enjoying a higher quality of life. Later, however, they acknowledged that they had benefited from improved local health and school facilities.



### But...

Some of the Ohn Bin Kwin parents, farmers and non-beneficiaries said their incomes were lower because some of the lead mines, where they had previously worked, had closed down. However, they acknowledged that closure of the lead mines had removed a local health risk. Food prices had increased because Myanmar nationals working in the oil business had moved to the village and had considerably higher spending power than the native villagers.

Ohn Bin Kwin Farmers and some parents said there were more discussions among villagers because the development of oil resources benefited some more than others. There was some resentment about land compensation and work opportunities.

*“Now in our village there is a bigger gap between rich people and poor people because some received a lot of money for their land and others received nothing. This causes bad feelings between some families because it doesn't seem fair.”*  
Parent – Ohn Bin Kwin.

### Sustained commitment to corporate social investment

Respondents referred specifically to Premier's education, loan, sewing training and agricultural programmes, which represent – besides the commitment of time and resources – a financial investment by Premier worth some US\$600,000 in the past financial year.

### Perceived motivations for social investment

In Ohn Bin Kwin, parents, farmers and non-beneficiaries had similar views about motives for social investment. They said that clinics and schools had been built for them to compensate for the negative effects that oil development had on village life.

*“They organise sewing training and help the farmers because they think that we have less opportunities to earn money now than before they arrived.”*  
Parent – Ohn Bin Kwin.

Many agreed that oil development required skilled workers of whom there were few in the villages. Initially, this meant that skilled labour had to be recruited from Yangon. However, local skills training would benefit both the communities and oil development in the future.

*“I think they were surprised that the villagers did not have many skills. That's why they built schools and offered training courses because they want our children to have more opportunities than we have.”*  
Parent – Ohn Bin Kwin.

Management Committee members (Ohn Bin Kwin) and Zinba villagers said they believed clinics, schools and training were provided because development of the villages was in everyone's best interests.

*“They want to help us because they see how undeveloped we are.”*  
Management Committee member – Ohn Bin Kwin.

This view is reinforced by feedback received from SCF USA regarding its perception of the drivers for our community partnership with it:

*“Premier has been an excellent funder. The bottom line has always been – ‘do good sustainable development work’ rather than concerns about PR or image.”*

Perhaps inevitably, villagers from Paik Te Lay, the non-beneficiary village, had a slightly different perspective, feeling that assistance was only offered to some villages to ensure that those living near the pipeline would take care of it.

### Perceptions of Premier

Parents, farmers and Management Committee respondents from Zinba and Ohn Bin Kwin recognised that the Resource Learning Centres (RLC), Early Childhood Care and Development (ECCD) and Enhanced Education Programmes (EEP) are Premier's main contribution to the community. All comments about the education programme were favourable. Most respondents

felt that the home-based education programme was available to all families with children of pre-school age, although some Ohn Bin Kwin non-beneficiaries commented that the programme did not reach all outlying areas of the village.

*“This education programme that Premier provides is really good for our community. We didn't have anything like it before. Now, when they are ready to start 1st standard, the children happily go to school. They have more confidence and are more disciplined. As a parent I would say this is the best thing that oil development has brought to our community.”*  
Parent – Zinba.

Respondents from the non-beneficiary village, Paik Te Lay, also viewed the Premier education programme as providing a real benefit to children in the area. This effective allocation of resources to where it is most needed is supported by the feedback received from SCF USA regarding our approach to community funding:

*“Premier consistently demonstrates its respect for SCF [USA]'s professional expertise.”*



### Sustainability of social investment

Sustainability is a fundamental criterion for our community funding. SCF USA has established a systematic method of assessing impact and putting sustainability mechanisms into place in all the projects we fund. This includes: impact assessment through half yearly reporting with targets, dates, achievements and outputs; training; and the implementation of mechanisms to ensure that programmes can function on a stand-alone basis in the future.

When asked about sustainability and continuity, Management Committee members were confident that, with the interest from the loan programmes, they would be able to continue funding the education programmes after oil development is finished.

*"We have learnt a lot of new skills through the loan programme and now we know how we can earn money to fund programmes like the school after Premier leaves. We have already started to prepare for that – we keep records of all the loans and all our meetings."*

Management Committee – Ohn Bin Kwin.

However, parents in both beneficiary villages said they hoped they could continue the programmes, but were not sure how they would afford it. The disparity between the views of the Management Committee and the parents suggests that better communication may be required between the two groups.

Management Committee members and parents from Ohn Bin Kwin and Zinba spoke favourably about the sewing training programme because it provides a useful skill that benefits their families.

*"We would like more sewing training courses, because we save money by making our own clothes."*  
Parent – Zinba.

All Zinba and Ohn Bin Kwin respondents, including non-beneficiaries, mentioned the agriculture programme as a Premier-funded community benefit that was available to any farmer in the community.

Other benefits cited included:

- Farmers save more money now because they grow their own food. Many also produce enough to sell at the market. (All Ohn Bin Kwin and Zinba respondents.)
- Children are more polite, disciplined and interested in learning. (All Zinba and Ohn Bin Kwin respondents.)
- Children are more prepared for school because they attend the pre-school now. (All Zinba and Ohn Bin Kwin respondents.)
- Middle school students can learn English language skills at the speaking classes. (Zinba parents.)
- Paik Te Lay villagers said they benefited from the health clinic (this forms part of the other locally-operating gas consortium's community programme) and the school in nearby Damin Seik village.



## Stakeholder dialogue and transparency

There is a difference between the commitment to engage with villagers through formal processes such as a social audit and the more personalised communication that occurs between Premier staff and local communities regarding day-to-day issues. We understand that we need to strike the right balance between involvement and interference.

None of the respondents had direct connections with Premier Oil. Parents, farmers and Management Committee members said the closest they came into contact with Premier was via SCF USA in connection with the Socio-Economic Development Committee, the local committee that manages Premier's Myanmar social investment programme.

*"The only time I've met Premier people is when they come for a ceremony – maybe once a year. It would be good to be able to meet them on other occasions to discuss the programmes. We have some ideas and we'd like to talk directly to Premier – not always via the Management Committee."*  
Parent – Zinba.

A more positive interpretation from SCF USA of our current levels of community interface on the ground is:

*"Premier has been most supportive when we need help and respectful of our independence when we don't."*

The parents, farmers and non-beneficiaries in Zinba and Ohn Bin Kwin said that, if they wanted to discuss the education programme, they would talk to the Management Committee. If they wanted to discuss the agricultural programme, they would talk to the agricultural consultant. If they wanted to discuss the pipelines or oil development in general, they would talk to the government representative in their village. Respondents were unanimous about these channels of communication, although their effectiveness requires further examination.

*"The Management Committee can solve problems for the programmes – this is their responsibility. I think they take our issues to Premier."*  
Farmer – Ohn Bin Kwin.

The non-beneficiaries also said they had no contact with either Premier or the Socio-Economic Development Committee. None of the respondents or their families had previously, or were currently, working for Premier.

## Premier Oil's reputation

Our reputation undoubtedly reflects the way we operate in southern Myanmar and the depth and quality of the relationships we are cultivating. However, a significant proportion of the respondents find it difficult to distinguish between the actions and impacts of the individual oil companies, even though Premier is by far the smaller.

*"Premier really cares about education for our children. Their programmes are giving the children a better education and preparing them for school. It's what we need."*  
Parents – Ohn Bin Kwin.

## Transparency of recruitment

There is a widespread perception amongst respondents that Premier does not always distribute work opportunities fairly. This is an issue that we will need to examine more closely and, if necessary, take action.

## Environmental concerns

The two key environmental concerns amongst respondents were dust and the perceived threat of gas explosions. Respondents in all villages were concerned about the possibility of explosions and, although this risk is effectively managed by Premier, there is clearly need for further reassurance. Dust was also an important issue for Ohn Bin Kwin respondents.

*"Everyone is worried about the danger of gas explosions. We have been worried about it since they first came. We asked our township leaders about this. The companies then asked us to a meeting and they explained that we did not need to worry. They said the pipelines are safe and cannot explode. But many people are still frightened about this."*  
Management Committee member – Ohn Bin Kwin.

## The social audit process

The social audit process itself inevitably raises expectations, and these need to be managed effectively, through clear communication about objectives and scope and through satisfactory feedback.

*"When groups come, they ask us all the questions. I'd like to be hearing what you have to say. Next time I'd like to have a discussion with the Premier people. Then we could ask questions and talk about our issues and hear what the foreigners from Premier say."*  
Parent – Ohn Bin Kwin.



## Summary

The research indicates that Premier Oil has provided significant and ongoing support – US\$1,800,000 to date – for social development within the communities interviewed in southern Myanmar, and that the mechanisms of social investment ensure the likelihood that projects will be sustainable in the long term.

SCF USA is looking for “a shift in the geographical and sectoral focus of the current programmes in order to expand coverage and enhance impact and programme visibility”. They suggest an ultimate goal of one million beneficiaries by 2005.

The main difficulty with drawing firm conclusions on performance is the challenge of separating the impacts of the oil/gas companies operating in this area. Nonetheless, all the comments contain important lessons for Premier, and imply that community development would benefit from increased co-operation between the two companies. While it is true that oil development has affected the balance of power and material wealth in these communities, Premier’s social impact is widely considered to be highly positive in terms of health, education, and increased livelihood options.

Some cynicism is evident amongst villagers about any company’s funding of social investment activities but this is counterbalanced by positive opinions of

the nature and sustainability of the education projects – and particularly those funded by Premier.

However, there were some areas of concern with regard to the loan programme and to hiring practices, with the belief being that influential people are more likely to receive loans or receive employment from Premier Oil. We need to investigate whether or not there is substance to these perceptions.

Similarly, we need to examine the quality of our communication with the villagers. It appears that, because villagers do not have direct access to Premier Oil, the Socio-Economic Development Committee has more scope to make decisions that are relevant to smaller groups.

The research indicates that prices of local necessities have risen, and that there is a growing antagonism between those who have benefited from oil development and those who have not. This situation requires monitoring as it is common wherever industry develops rapidly in areas that were previously under-developed.

It is also evident that the regular and committed use of the social audit process has the potential to differentiate Premier significantly among the local communities, providing villagers with a confidential channel for expressing views and soliciting action that will be strengthened by ongoing and more direct contact with Premier personnel.

## Consultants’ recommendations

### Social impact

- Track local produce price changes and disparities between indexed and real incomes, and liaise with the appropriate government departments.
- Pursue opportunities for working with an intermediary NGO to facilitate dialogue with displaced communities.
- Investigate the issue of dust management caused by construction and maintenance operations, particularly in relation to potential health issues.
- Consider the options for next stage of programme development with SCF USA, especially its recommendation to focus on addressing a single, critical issue such as reproductive health and HIV/AIDS.

### Social Investment

- Monitor the work of the Loan Committee to ensure fairness.

## Community consultation, dialogue and transparency

- Examine local hiring procedures and provide more training in ethical decision-making for Premier staff who are responsible for local recruitment.
- Find ways to deepen and broaden the company’s relationship with the community, possibly by providing opportunities for company staff to participate in local community programmes.
- Implement a confidential communication network within the local communities.
- Allay local apprehension about the perceived risk of gas explosions by publicising emergency response plans.
- Commit to annual consultation during the period of Premier’s presence in Myanmar and every two years during the subsequent four-year period.

"This education programme that Premier provides is really good for our community. We didn't have anything like it before. Now, when they are ready to start 1st standard, the children happily go to school. They have more confidence and are more disciplined. As a parent I would say this is the best thing that oil development has brought to our community."

(Parent – Zinba)





# community consultation – indonesia



We began operating in Indonesia in 1996 when we took over the operation of the Anoa oil field in the West Natuna Sea. We have subsequently built up stakeholdings in several other nearby fields, and in 2001 began shipping gas to Singapore through the brand new West Natuna Gas Transmission System.

## Objectives

The central purpose of the consultation project was to gain a clear picture, using local independent expertise, of how the inhabitants of Matak Island perceived Premier Oil and its social investment programmes on the island. We also wanted to build up baseline information on certain issues relating to our specific Key Performance Indicators (KPIs) for evaluating our relations with local community stakeholders:

- Social impact assessment effectiveness.
- Sustained commitment to corporate social investment.
- Commitment to stakeholder dialogue and transparency as a principle of corporate policy.

## Premier's operations and social investment

We directly employ 317 people in Indonesia, of whom 274 are nationals and 43 are expatriates. Our offshore operations are supported from a supply and logistics base on Matak Island. We do not own or operate the base, but rent facilities on a long-term basis.

The base camp now consists of an airport (runway and helicopter field), a harbour and warehouse facilities and lodging quarters for around 200 people (plus offices, mess, mosque and church).

We have seven permanent staff on the island, with further employees only staying there when in transit to or from the offshore platforms.

The island has a population of 10,000 living in 11 villages, the largest of which has a population of approximately 2,500.

Our own social investment in this area is US\$60,000 a year, in addition to the US\$250,000 funding programme which is jointly supported by all three oil companies operating from the base.

Premier's main community programme on Matak Island is run by a female representative of Social Concern Indonesia Foundation, an Indonesian non-governmental organisation specialising in social and community projects. Specifically, the programme has provided a new kindergarten

school employing three teachers to provide early childhood care and development. Ninety-four young children are already enrolled in this scheme, which will also help adolescents and adults learn literacy, numeracy and relevant life skills, and has the long-term aim of implementing sustainable income generation programmes.

We also support other ad hoc community activities involving work experience for high school students as well as a range of charitable efforts undertaken by our staff or their relatives on an individual basis.

EQ Management carried out an initial consultation in May 2000. Using one of Premier's locally based employees as a translator; it interviewed a range of local people, including the community programme manager, teachers at the school, the village leader and parents of children attending the school. The following key points were revealed:

- Villagers are involved in making decisions about funding allocation e.g. income generation schemes.
- Sustainable development concepts are already being applied in programmes such as 'teaching the teacher' and other employment generating programmes.
- No process for the evaluation of projects is yet in place.



- The village leader said that he is very pleased that projects have progressed so rapidly since first talking to Premier.
- The community demonstrated trust in Premier Oil.
- There has been a marked difference since oil development began. Previously, the future seemed very uncertain.

From the feedback received, EQ Management identified the following possible indicators, which could be used to measure progress in future social audit cycles:

- Sustainability of projects over time.
- Adult literacy rates.
- Number of local people learning English.
- Number of local people benefiting from income generation schemes.

### Methodology

A locally based research organisation affiliated to the UK Environmental Resources Management (ERM), a consultancy firm, was commissioned to carry out the consultation on Matak Island. It interviewed 12 local islanders as well as three Premier staff.

The consultant who undertook the interviews has 19 years' experience in the developmental sector and had not undertaken studies for Premier Oil prior to this occasion. The consultant spoke the local language (Bahasa) and has lived in Indonesia for 12 years. No Premier Oil staff were present during the interviews, although the manager of the kindergarten, who is paid by Premier Oil, was present.

The interview sheet used by the consultant was the same as that used for the Myanmar community consultation with some adaptations to take account of local concerns. As well as individual interviews, there were also group discussions, which are a customary way of addressing important issues in Indonesia.

### Interviewees and gender considerations

The choice of interviewees was determined by the need to interview a representative sample of people from the four villages situated near to the base camp. The sample group only included one woman (the kindergarten manager), although informal discussions took place with a women's sewing group and some of the mothers of children at the kindergarten.



## Social impact

As was shown from our consultation in Myanmar, when examining the broader economic, social and environmental impacts on the island, it is sometimes difficult to separate out the impacts of different oil companies. This is because they share the same base camp and are known collectively by the islanders as 'the oil companies'.

### More jobs

Prior to the opening up of the oil fields, the villages on the island were communities of fishermen, sailors and farmers. This is still the case but some villagers are now able to find work in the oil industry:

"There is in general definitely more wealth in the villages now. There is also more education."

Despite this, there is still significant unemployment, and the islanders believe that the oil business can and should employ more people. In 2000, this sentiment prompted a demonstration by a group of local youths, demanding work in the oil sector:

"The youngsters in the villages have some understanding for the demand for jobs from the rich oil companies, [but] hardly any locals are working on the rigs."

A further change on the island is that the cost of living has risen:

"The cost of living has gone up significantly. Some benefit more from the presence of the oil companies than others. For those families that do not work there, life has become more difficult."

However, research suggests that the cost of rice on the island has risen at the same pace as on Java. Prices compared were from 1976, 1997 and 2001.

As far as environmental issues are concerned, most islanders consider that the impact of oil-related activities on the local environment has been limited.

### Local expectations of Premier Oil

The local population has high expectations of Premier Oil in terms of creating employment.

"Premier Oil is seen as the rich uncle that has come to visit for quite a long time. He is supposed to help his poor relatives by giving them access to jobs and supporting them to get an education"

## Human rights

Premier Oil has a human rights policy statement that is understood and adhered to by staff working on the island. This includes the ILO conventions as well as the right to development and the intention of the company to make a positive difference through its social investment programmes.

None of the interviewees reported any issues regarding human rights abuses by Premier Oil on the island.

## Corporate social investment

The most tangible result of Premier Oil's social development programme is the Taman Anak-anak (TK) kindergarten school, which looks after 94 children aged 3–5 from the neighbouring villages who play and learn (e.g. writing and religion) at the school every morning. The school has a manager, three teachers and an administrator. So far there are only lodging quarters for the guards at the school premises, but there are plans to build living quarters for the teachers. The school was founded in 1999 by Premier Oil and is still fully funded by us.

Premier's other social investments on Matak Island include:

- Financial contribution to road construction.
- Development of the water system on the island.
- Building of a sports field.
- Upgrading a mosque.

When asked to specify the benefits of Premier Oil's presence on the island, all interviewees first mentioned the kindergarten. They also knew about Premier's contribution to the construction of roads, the water system, sports field, books for the local primary school and the upgrading of the mosque.



### Stakeholder dialogue and transparency

We are part of a coalition with the other oil companies that share the base, and together we fund an integrated development plan. The coalition meets with village representatives twice a year to discuss social development projects, the utilisation of the local workforce and the expansion of the base itself.

As well as this contact, representatives from the villages meet with our local Premier social responsibility manager informally on a more regular basis. The interviewees found this a more accessible way of discussing issues and preferable to meeting formally with the coalition, although they do acknowledge that “it is easier to discuss a comprehensive development programme with all parties involved”.

In general, interviewees commented that Premier “[has] very good contact with many of the local people” and has “good local relations”.

The need for more dialogue has also been highlighted:

“The village people think they have open communication with Premier Oil through their people (they prefer it not to be too formalised). So far, the situation is that they ask and Premier Oil decides. This could be developed to a situation where the two parties are planning together.”

#### Premier Oil’s local reputation

Premier’s reputation with the local island people is good, though some believe that Premier could still strengthen its environmental policies further:

“In general, local people believe that Premier Oil does care about how their presence and activities affect the community.”

### Summary

It is very difficult to separate out our impact from that of the other oil companies operating on the island. Not only do we share premises, but we also work together to deliver the jointly funded corporate social responsibility programme that benefits the island.

However, the consultation clearly demonstrated that we have made a sustained commitment to stakeholder dialogue and to corporate social investment. Some islanders regard investment levels as insufficient. We need to address this perception by improving local communications and relationships to raise understanding of the parameters of our influence – in other words, helping people to recognise that there are areas where we can provide direct assistance but others where we can only help and encourage local government efforts.

“So far Premier Oil has lived up to expectations quite well. The benefits are recognised, the disadvantages marginalised. But the expectations for the coming 25 years are higher. The people hope that, with the support of Premier Oil and the other oil companies, they can achieve a higher level of development that can sustain itself after the companies have left.”

### Consultants’ recommendations

- Encourage the island people to discuss their own development strategy and find appropriate channels through which to develop a dialogue with the government in order to establish where joint interests regarding community development lie. It may be more appropriate for Premier staff to participate in the process but not to lead it.
- Determine how much corporate social investment should be made annually and communicate this to the islanders, so that they have reasonable expectations of what Premier can achieve.
- Measure and report on the following indicators for the next round of the social audit:
  - Number and cause of local protests related to Premier.
  - Number and nature of jobs given to local people in community development areas.
  - Evidence of systematic monitoring of human rights within organisational practices.
  - Evidence of indigenous representation in decision-making in community development programmes.
  - The undertaking of a health, safety and environmental audit.

# shareholder consultation



The profile of Premier's shareholder groups that were consulted as part of the pilot social audit includes:

- Petronas and Amerada Hess – 50% between them.
- 200 fund managers/institutional shareholders, holding 35% of shares. No single fund manager holds more than 5%. AXA is the biggest institutional shareholder with 3.1%.
- Approximately 26,000 private shareholders, holding 14% of shares.
- There is a small contingent of shareholders who buy minimal shares as 'campaigning shareholders', so that they can attend AGMs and register their concerns.

## Objectives

The central purpose of the consultation was to make an initial assessment of the extent to which our shareholders consider social responsibility issues to be important and whether or not they feel the company is addressing these effectively.

Although this is not a systematic survey of shareholder concerns, it has generated some interesting findings from which we have learnt much and will draw upon in the future implementation of our policies. Our analysis of these pilot survey findings has been grouped under the following main headings which also relate to our KPIs to evaluate external stakeholder relations:

- External benchmarks of corporate social responsibility (CSR) and human rights issues.
- Social performance evaluation.
- Stakeholder engagement, dialogue and transparency.
- Financial performance.

## Methodology

Initially, we tried to engage shareholders (including those who are unhappy about our presence in Myanmar) in dialogue through focus groups by issuing invitations at the Annual General Meeting. The intention was to give them the opportunity to air their views in a balanced and non-confrontational environment with a third party. The response, however, was poor. We then decided to use a questionnaire to elicit information.

We felt it was important that both private and institutional shareholder perspectives were gathered, as the two would be likely to have different interests. We also wanted to establish whether synergy existed between the various groups.

We selected 1,000 private shareholders at random from the register of 17,000 shareholders and mailed them with a 20-question survey form divided into three sections – general information (for profiling), social responsibility and financial performance. 138 institutional shareholders (one in 5) were also sent a survey form, which contained corporate management/financial questions additional to those asked of private shareholders.



### Private shareholders' response

- High response rate (37%) – 370 received by deadline – but not all were properly completed.
- Quite often, the narrative responses given were not necessarily relevant to the questions posed, but they nonetheless provided valuable information that was often strongly felt and relevant to other questions in the survey.
- Several shareholders took the trouble to write covering letters, offering mixed but often quite strong opinions. In some cases, these were supportive of the company, but in other cases were a way to register strong annoyance with either the process or – more often – the company's share price performance.

We were very encouraged by the high response rate and the quality of some of the feedback given. While the overwhelming priority for shareholders is the performance of the business in relation to the share price and dividend, a significant number wish to be assured that they are investing in a company which behaves responsibly. Although the survey generated a few negative comments about the perceived superficiality of the consultation exercise itself, it proved that Premier shareholders are certainly very interested in our activities.

### Shareholder statistics

- Average shareholding: 11,273 shares.
- Average length of time shares held: 75 months.
- Less than 10% answered the question about how much longer they intended to hold shares.
- Where a view was expressed, 72 months was the average future tenure.
- 62% (out of 354 responses) own shares with other companies operating in 'states of concern'.

### Institutional shareholders

Only nine institutional shareholder groups replied (less than 5%), which means the feedback received, although insightful, is not statistically significant. Moreover many of those replies were incomplete.

### External benchmarks of CSR and human rights issues

Just over two-thirds of private shareholders considered it vital or important that Premier should comply with international codes in relation to CSR. The same proportion also owned shares in other companies that operate in so-called 'states of concern'. This may be coincidence or indicative of a raised level of consciousness about ethical issues among shareholders with holdings either in the same sector or in developing countries generally.

### Social performance evaluation

Overall, the shareholders delivered a very positive verdict on our social performance. Although not all felt informed enough to comment, those who feel the company is acting in a socially responsible manner are in the majority. However, some shareholders expressed a need to receive more information about the socially responsible activities of the company. Human rights, lack of democracy, and how social and economic benefits are distributed in the countries where we operate are further issues about which our shareholders have questions. There is also some difference of opinion across the shareholder spectrum about the extent to which these subjects are within the legitimate sphere of influence of Premier Oil or business more generally. A significant proportion of shareholders expressed concern about the issues that emerge through operating in territories controlled by 'repressive regimes'.

Just under half of the respondents rated the company's current level of social responsibility as 'good' or 'very good'. Only 9% considered that Premier is not acting socially responsibly.



### Media coverage

There is a high awareness (64% of respondents) of media coverage around Premier's operations, but more than half of respondents said this did not affect adversely their views of the company.

"– I am not concerned about what the press or anyone else thinks about the company so long as its share price and dividend increase."

For some people, negative press coverage even seems to trigger a greater degree of tenacity and defensiveness:

"...more likely to remain a loyal shareholder."

"More news and views is good news."

The most frequently mentioned media sources were the national newspapers, with some mentioning radio and TV. The newspapers most frequently referred to appear to be the Financial Times and the Daily Telegraph.

Many commented that press coverage was useful to shareholders as a means of keeping in touch with developments, evaluating the company's situation from an external perspective and raising awareness of the difficulty of operating in politically challenging regions. Some saw a value in the media coverage as an important counterbalance to, or reinforcement of, the company's presentation of facts and performance given in the Annual Report.

"The Annual Report gives a reasonable picture but media coverage shows how other countries, groups and people see things."

Some shareholders were concerned about the effect of poor media coverage on the share price, but many recognised that it is important to be able to identify 'unbiased and factual' reporting and to not be unduly influenced by every piece of news emerging.

Some used knowledge derived from media reporting to suggest ways in which the company could diversify its interests in the future, and there were several references to environmental issues:

"Considering the rapidly diminishing oil sources, the company should be looking into alternative power sources, e.g. hydrogen."

Some less positive outcomes of the effects of press coverage are:

"...makes me wonder if Premier is doing enough to project its social responsibility."

"If I judged the [press] report to be unbiased and factual, then it could change my view of the company's ethos."

"Negative views broadcast in the press make me reluctant to remain a Premier shareholder."

In all, ten (less than 3% of the sample) shareholders mentioned that negative press coverage and human rights concerns made them unsure about whether to continue their shareholding and/or made them regret buying Premier shares.

### Strong vote of confidence for continuing operations in developing countries

Shareholders have clearly given considerable thought to the issues arising from Premier's operations in developing countries. A very high proportion (90%) of all respondents considered that the company's reasons for continuing operations in developing countries are convincing.

Several respondents gave detailed reasons to support this strong vote of confidence. Many take a pragmatic view, expressing in a variety of ways a fundamentally similar consideration – that the company should do what it can to protect human rights and behave in a socially responsible manner where it operates, without losing sight of commercial objectives.

"There are very few oil producing countries that one could point to and say these are democratic. Honestly, if most oil companies were really concerned by this then they shouldn't be in the oil business...and the world would come to a stop."





“When the company rebuffs suggestions of inappropriate behaviour, I feel heartened that the company is prepared to justify itself.”

“To be honest, my interest is in [the company’s] potential for increased value but I would not wish to associate with an unethical company.”

Some felt that the company was unnecessarily defensive about its operations:

“The company should not need to justify its image to outside parties unless something goes badly wrong.”

### Negative responses

Comments were also received from people who were not convinced by the company’s arguments, but it should be noted that they represented less than 10% of opinion on this matter, and in some cases they demonstrate a lack of awareness of actions we have taken already to address such concerns. Nonetheless, for reasons of methodological rigour we report the issues raised.

They include:

Lack of pro-activity/or a clear Premier ‘voice’ in the press:

“The company doesn’t seem to respond to any coverage nor anticipate concerns and take prior action.”

“It [Premier] does make comments in the Annual Report but I have not seen any other reference in the press. You need to convince non-shareholders.”

“The company should emphasise that its involvement is a means of presenting a good example of what an ethical company can do in areas which have a poor image.”

Lack of credibility about what Premier does say:

“It has not convinced the UK government, hence the continued pressure of bad press.”

Unacceptability of some of the areas in which Premier operates:

“I can’t think of a convincing argument for supporting a repressive regime.”

“Use of slave labour not addressed.”

Several shareholders raised general commercial concerns:

“I feel the risks are increasing worldwide – perhaps the company could achieve the same or better nearer to home.”

### The Myanmar debate

With specific reference to Myanmar, respondents expressed both positive and negative views:

“We feel uncomfortable that Burma is under dictatorship but do not feel that withdrawing companies from the country can do much good.”

“China is just as bad as Myanmar on human rights but western governments flock to do business there...they’re all hypocrites. Carry on, but make plain that you do not approve of the junta when you have a prudent opportunity...I expect you to hold your nerve if ever faced with major demos.”



### Social issues and investment decisions

We wanted to gain a clearer picture about the social issues that influence our shareholders' investment decisions. Respondents were given four issues and asked to indicate which ones mattered and to what degree. From the 266 shareholders who gave feedback here, 36 noted three or more issues as being of importance. Half of all respondents considered that the company's presence in developing countries other than Myanmar was a consideration in buying or selling Premier shares. 128 considered the company's reputation as a corporate citizen as being a factor. Only slightly less significant were general ethical investment criteria (76 positive responses) and the company's continuing presence in Myanmar (74).

A further 104 indicated that none of these issues was significant to them, either by stating this or by not completing this section of the survey. In this regard, one comment was:

*"Forget about social issues – concentrate on running the company."*

From these responses, it is feasible to separate shareholders into two specific groupings – those who are simply concerned with financial performance and those for whom social considerations are a significant factor.

Our company view is that these two considerations are not mutually exclusive. Of the 266 who replied to the social issues section, 87% also listed the share price and dividend payments as being amongst their top three financial performance concerns.

Although the social issues of concern were not ranked, it is clear that a significant proportion of the socially concerned group of shareholders takes a balanced overall view of the company's performance and does not focus on single issues.

### Stakeholder engagement, dialogue & transparency

Judging from the response rate and positive comments received, it appears that shareholders are willing to be engaged in the consultation process. However, it also suggests that more interaction is required on an ongoing basis and that shareholders are looking for more routes to question and communicate with the Board on key company performance issues, such as social, environmental and financial factors.

Despite the low attendance of responding shareholders at Premier's AGM (just over 2%) and the fact that this survey was well received (80% of those who answered this question felt that a survey is the most appropriate communication channel), nearly a third still felt they did not have sufficient channels through which to express their views.

These shareholders seem to be looking for more consultation around five main areas:

- Dividends and share price.
- Environmental issues including new sources of energy, levels of oil reserves, global warming, developing country environmental concerns etc.
- Social, political and economic contributions of the company to developing countries.



- Corporate management and governance, e.g. directors' remuneration, severance conditions, share options, major shareholders (Petronas/Amerada).
- State of the business (e.g. exploration performance), future strategy, investment plans.

Fifteen shareholders commented that they would prefer more direct contact with Premier – about all issues but particularly the more sensitive ones – rather than learning of them indirectly through the press.

#### Comments on the consultation process

A minority of shareholders felt that effort on surveys of this kind was wasted, mainly because these respondents wanted management resources focused on commercial issues. A few doubted that it would produce useful change, while some expressed the fear that the company's pursuit of the consultation process was driven by political correctness.

"On balance, it's probably a waste of money."

"I am sure the Board of Directors are both responsible and capable of conducting the business suitably, according to international codes without a questionnaire and having my vote of confidence."

#### Financial performance

Judging by many of the ad hoc comments, a significant group of shareholders remains positive about future prospects, although Premier's financial performance is perceived by some as relatively weak.

Just over 80% of respondents indicated that they were dissatisfied with the company's share price performance. Judging from responses to other questions, share price and dividend payment still seem to be the overriding concern for the majority of shareholders.

Most respondents commented on financial aspects of concern to them. Of 359 completing this question, 93% indicated their concern about the share price; 57% about the payment of dividends; 36% about overall shareholding structure. 35% were concerned about business risks associated with Myanmar; and 33% were concerned with risks elsewhere. Only 30% were concerned about the Board composition.

#### Institutional shareholders

Although only nine groups responded, they did consider that it was important or vital for Premier Oil to comply with international corporate social responsibility codes. The majority also expressed a high opinion of the company's current policies towards social responsibility. There was a reasonable awareness of press coverage surrounding Premier, with four respondents suggesting that it did affect their views of the company. Three respondents found the press coverage useful in terms of raising their understanding about the issues stemming from the company's operational locations. Of the six that responded, five felt that the company presents a convincing argument for its continued operations in developing countries, but only one respondent added any narrative to this, expressing concern about political interference in the company's operations. Some institutional respondents expressed concern that events in Myanmar might affect their buying and selling decisions. Eight did not attend the AGM regularly, yet most felt that they had adequate communication channels for raising issues and felt that this survey was also an appropriate way to do this.

#### Consultants' recommendations General shareholder communications and future consultation

- Offer specific channels of communication for shareholders, e.g. website comments box or the choice of receiving more press releases.
- Bulletin notices via website to enable timely expressions of the company view or response to topical news items.
- Quarterly newsletter for shareholders.
- Regular invitations to express opinions or discuss concerns with company personnel.
- Facilitated breakout sessions/focus groups around AGMs to enable committed shareholders to voice their opinions in more depth with a third party.
- Regular (annual) and more comprehensible questionnaires with specific questions aimed at 'professional' or 'protest' shareholders.
- Interviews with institutional shareholders to gain more in-depth opinion to assess more accurately their views on socially responsible investment and to gauge information requirements on this topic.



“We will select services and products and conduct our activities in a manner consistent with the latest research, in order to anticipate and prevent from the outset, negative social and environmental impacts.”

(Premier Oil’s Corporate Social Responsibility Policy)



## Current CSR practice, continuous improvement and future targets

### CSR practice

In relation to internal CSR practice, as part of the social audit process, a questionnaire concerning our approach to external stakeholders with substantiating documentation was completed at group level. This has demonstrated that we already have policies and practices, which are being implemented, in the key areas of health & safety, environmental practice, community development, site security and infrastructure provisions around sites. Well underway to full implementation is our CSR strategy towards, and dialogue with, local communities, special interest groups and relevant government agencies, of which this innovative social audit process is a vital part.

In addition to the ethical imperative of operating responsibly which is underlined by the creation of the new position at group level of Manager of Corporate Responsibilities and Communications and the establishment of the group-wide International Communications Committee, the company considers that the primary drivers for a comprehensive CSR strategy are improved relationships, particularly with employees and communities, and enhanced risk management. CSR is also considered an important mechanism for delivering improved shareholder value through costs savings and enhanced reputation.

### Human rights

We have a human rights policy in place – see page 5 – and are finding its implementation challenging given the balance that inevitably needs to be struck between maintaining an internal license to operate in our host countries and the policy goal of achieving demonstrable contributions towards improved human rights. The Human Rights and Human Security training programme that we sponsored this year in Myanmar was an important first step and was widely recognised as a ‘positive’ contribution. Next year we will put in place a system to monitor how we are registering and addressing human rights concerns and allegations within our sphere of influence and this will subsequently be applied in respect of our supply chain.

### Ongoing improvement

Other key areas of CSR policy and practice which are in place, although not fully implemented nor harmonised or benchmarked across the business units, are policies and monitoring systems pertaining to working conditions and labour practices, child and forced labour, social impact mitigation strategy as well as human rights

protection and training. As noted, we convened a training workshop in human rights this year and plan to increase its breadth and scope in future training programmes. These are areas requiring ongoing improvement and this will feed into our targets for next year. Our CSR principles – see page 4 – are already central to the way we formulate strategy, approach project appraisal and design our risk management systems.

In terms of further embedding CSR policies within corporate behaviour and practice, we have made a significant commitment to conducting a regular social audit as well as an independent verification and performance evaluation process, which will in future years be extended to encompass our procurement systems. There is also a need for increased investment in staff development to implement our planned social issues management system. The capabilities to manage CSR issues will become part of the systematic training and performance measurement of our staff from next year. Other CSR-related issues to be addressed next year include: biodiversity conservation; an explicit policy regarding business ethics; freedom of association and collective bargaining; and employee dislocation.



### Corporate social investment and partnerships

CSI is both managed and funded at local and group level. This enables the integration of corporate values and priorities as well as tailoring for local circumstances and the participation of regional staff. Much of our corporate social investment forms part of broader community development programmes, and their funding is often undertaken in collaboration with joint venture business partners. This facilitates a more cohesive and effective approach and avoids the pitfalls of duplication and 'competitive philanthropy'.

### CSR targets

Part of the social audit process has involved the development of indicators not only to inform internal and external stakeholders of the company about progress achieved with respect to the application of Premier's principles of CSR and human rights policy, but also to guide the strategy for the achievement of annual targets.

Our targets are divided in three categories in line with Level 1 global corporate performance indicators to cover: first, internal CSR; second, external CSR pertaining to relations with NGOs, local communities and shareholders; and third,

external CSR pertaining to government relations. Level 2 targets are set with reference to our key performance indicators – KPIs – in each of these categories and are either expert driven and/or stakeholder derived. Level 3 Targets & Commitments are set with reference to the recommendations that emerge from the social audit process and the findings from applying the management tools referred to in the methodology section on page 16. They are principally stakeholder derived.

The summary table that follows indicates the targets to be achieved at each level, the persons ultimately responsible with reference to their job title and the time horizons applicable.

It is proposed that the person responsible, in collaboration with the Group International Communications Committee which includes the business unit HR managers, community relations managers and the government liaison officers, should start with a process of consultation throughout the company, building on the findings of the social audit process, to define a detailed work-plan to achieve these targets and the verifiable criteria of success. The targets presented here should therefore be viewed as 'working

targets', as they will be refined during the year through this process of consultation. This should not be considered to be an exhaustive list or a substitute for an effective management system. Rather, the list includes the actual findings of the social audit and stakeholder consultation process as well as our consultants' recommendations, some of which are derived from GRI indicators.

It should be noted that ultimately the responsibility for the meeting of targets rests with the Manager of Corporate Responsibilities and Communications and after that with the CEO and Board of the Company.



**Level 1 Corporate Target: The effective development and implementation of policy and practice, which assures social justice in the workplace**

Level 2 Target	Person(s) Responsible	Review Date
Socially Responsible Employment and Working Conditions	Manager of Corporate Responsibilities & Communications; Group and Business Unit HR Managers	December – 01
Level 3 Targets & Commitments	Person(s) Responsible	Review Date
Benchmark employee retention rates against industry standards	Group and Business Unit HR Managers; Manager of Corporate Responsibilities & Communications	December – 01
Benchmark standard injury, lost day and absentee rates (including subcontracted workers) against industry standards	Group and Business Unit HSE Managers; Group and Business Unit HR Managers; Manager of Corporate Responsibilities & Communications	December – 01
Establish mechanisms to provide health and pension benefits to all permanent employees	Group HR Manager; Manager of Corporate Responsibilities & Communications	December – 01
Plan to reduce number of reported grievances by employees and increase rate of resolving formal/informal grievances	Group and Business Unit HR Managers; Manager of Corporate Responsibilities & Communications	December – 01
Establish why expatriate employees in Myanmar and Indonesia are recording long working days, and find ways to reduce working hours	Group Business Unit HR Managers; Manager of Corporate Responsibilities & Communications	December – 01
Assess benefits of undertaking analysis of remuneration rates for Indonesian operations	Indonesia Business Unit HR Manager; Manager of Corporate Responsibilities & Communications	December – 01
Investigate and address dust management problems caused by construction and maintenance operations in Myanmar, particularly in relation to potential health issues	Group and Business Unit HSE Managers; Manager of Corporate Responsibilities & Communications	December – 01
Benchmark salaries and benefits against industry norms in each business unit	Group Business Unit HR Managers; Manager of Corporate Responsibilities & Communications	December – 01





Level 2 Target	Person(s) Responsible	Review Date
Socially Responsible Management Policies and Systems	Group and Business Unit HR Managers; Manager of Corporate Responsibilities & Communications	December – 01
Level 3 Targets & Commitments	Person(s) Responsible	Review Date
Investigate ways to increase investment in injury prevention across the business units	Group HSE Managers	December – 01
Evaluate the induction process, and enhance the level of assistance given to expatriates regarding local social and cultural sensitivities and issues	Group and Business Unit HR Managers; Manager of Corporate Responsibilities & Communications	December – 01
Evaluate whether there is any cause for concern regarding supplier choice in Indonesia	Manager of Corporate Responsibilities & Communications	December – 01
Examine local hiring procedures and provide more training in ethical decision-making for Premier staff who are responsible for local recruitment	Group and Business Unit HR Managers; Manager of Corporate Responsibilities & Communications	December – 01
All HR departments should be subjected to an annual internal audit, specifically to examine capability, recruitment procedures, skills base of employees and balance between expatriate /national staff and different ethnic groups (the results to be communicated to all staff)	Group and Business Unit HR Managers; Manager of Corporate Responsibilities & Communications	July – 02
Ensure audits of individual business units' HR departments include evaluation of personal development plans, appraisals and training opportunities	Group and Business Unit HR Managers; Manager of Corporate Responsibilities & Communications	July – 02
Introduce a social issues management system into each business unit	Manager of Corporate Responsibilities & Communications	December – 01
Track person days lost due to absenteeism in Indonesia	HR Manager Indonesia; Manager of Corporate Responsibilities & Communications	December – 01



Level 2 Target	Person(s) Responsible	Review Date
Socially Responsible Approach to Personal Development	Group and Business Unit HR Managers; Manager of Corporate Responsibilities & Communications	December – 01
Level 3 Targets & Commitments	Person(s) Responsible	Review Date
Monitor effectiveness and reach of mentoring programmes for national staff on an annual basis	Group and Business Unit HR Managers	July – 02
Increase and harmonise training budgets across operating units as ratio to operating costs	Manager of Corporate Responsibilities & Communications; Group HR Manager	July – 02
Explore job satisfaction levels in more depth in next staff social audit consultation	Group HR Manager	December – 01
Consider relevance of tracking average years of education of workforce	Group and Business Unit HR Managers; Manager of Corporate Responsibilities & Communications	July – 02
Increase number of local employees learning English	Group and Business Unit HR Managers; Manager of Corporate Responsibilities & Communications	July – 02
Deliver training for social issues management system to all relevant staff	Group and Business Unit HR Managers; Manager of Corporate Responsibilities & Communications	December – 01



Level 2 Target	Person(s) Responsible	Review Date
Socially Responsible Communication Strategy and Employee Involvement	Group and Business Unit HR Managers; Manager of Corporate Responsibilities & Communications	December – 01
Level 3 Targets & Commitments	Person(s) Responsible	Review Date
Raise awareness through training amongst HR and community relations managers and staff about relevant ILO Conventions	Group and Business Unit HR Managers; Manager of Corporate Responsibilities & Communications	December – 01
Plan independent review of effectiveness of workers' representative organisation in Indonesia	Indonesian Business Unit HR Manager; Manager of Corporate Responsibilities & Communications	December – 01
Develop standard terms of reference and protocols for staff representation bodies and grievance procedures across all business units	Group and Business Unit HR Managers; Manager of Corporate Responsibilities & Communications	December – 01
Investigate ways to increase employee engagement in shaping management decision-making through the creation of a staff representative body in each business unit, including London	Manager of Corporate Responsibilities & Communications; Group and Business Unit HR Managers; Business Unit Management Committees	December – 01
Establish a suggestion scheme in London and the business units	Group and Business Unit HR Managers; Manager of Corporate Responsibilities & Communications	December – 01
Increase employee allegiance to organisational vision	Manager of Corporate Responsibilities & Communications; International Communications Committee	December – 01
Communicate career opportunities within business units and across the group more effectively	Manager of Corporate Responsibilities & Communications; International Communications Committee	December – 01
Improve communication of policy developments, between London and the business units and offshore offices	Manager of Corporate Responsibilities & Communications; International Communications Committee	December – 01
Provide wider access to Global Information System in Myanmar	Group IT Manager; Manager of Corporate Responsibilities & Communications	December – 01
Improve qualitative feedback from senior and line managers to employees regarding the results of the social review process	Manager of Corporate Responsibilities & Communications; Business Unit HR managers	December – 01
Undertake annual consultation with employees	Group and Business Unit HR Managers; Manager of Corporate Responsibilities & Communications	December – 01



**Level 1 Corporate Target: The effective development and implementation of corporate governance structures, policies and reporting mechanisms which contribute to more socially responsible external stakeholder relations**

Level 2 Target	Person(s) Responsible	Review Date
Group policies with reference to internal and external CSR benchmarks & human rights issues	Manager of Corporate Responsibilities & Communications; Business Unit General Managers	December – 01
Level 3 Targets & Commitments	Person(s) Responsible	Review Date
Establish a monitoring plan for addressing human rights issues	Manager of Corporate Responsibilities & Communications; Business Unit General Managers; Group and Business Unit HSE Managers	December – 01
Expand Human Rights policy to suppliers	Manager of Corporate Responsibilities & Communications; Business Unit General Managers	December – 01
Formally consider inclusion of all GRI indicators not currently reported on, for next social audit cycle	CEO; Manager of Corporate Responsibilities & Communications	December – 01
Level 2 Target	Person(s) Responsible	Review Date
Sustained commitment to social performance evaluation and reporting at local and corporate level	CEO; Manager of Corporate Responsibilities & Communications;	December – 01
Level 3 Targets & Commitments	Person(s) Responsible	Review Date
Allay local community apprehension about perceived risk of gas explosions	Group and Business Unit HSE Managers	December – 01
Level 2 Target	Person(s) Responsible	Review Date
Ongoing group social audit and verification processes conforming to AA 1000	Manager of Corporate Responsibilities & Communications	December – 01
Level 3 Targets & Commitments	Person(s) Responsible	Review Date
Develop and undertake health, safety and environmental audits in each exploration or production business unit on an annual basis	Group and Business Unit HSE Managers	July – 02



Level 2 Target	Person(s) Responsible	Review Date
Demonstrable use of SIA tools throughout project life, including closure	Manager of Corporate Responsibilities & Communications; Business Unit General Managers	December – 01
Level 3 Targets & Commitments	Person(s) Responsible	Review Date
Incorporate security and human rights issues into country risk assessment and planning	Manager of Corporate Responsibilities & Communications; Business Unit General Managers	December – 01
Level 2 Target	Person(s) Responsible	Review Date
Sustained commitment to corporate social investment	Group and Business Unit HR Managers; Manager of Corporate Responsibilities & Communications	July – 02
Level 3 Targets & Commitments	Person(s) Responsible	Review Date
Establish a common formula for community project expenditure across the three business units and a common level of proportionate support from head office	Manager of Corporate Responsibilities & Communications; Business Unit HR Managers	December – 01
Increase number of local people benefiting from income generation schemes in Myanmar	Manager of Corporate Responsibilities & Communications	December – 01
Determine how much CSI we should undertake annually and communicate this to local communities to inform reasonable expectations of what we can achieve	Manager of Corporate Responsibilities & Communications	December – 01
Consider SCF USA recommendation to focus on addressing a single, critical issue such as reproductive health and HIV/AIDS	Manager of Corporate Responsibilities & Communications	December – 01
Monitor the work of the Loan Committees in Myanmar to ensure fairness	Manager of Corporate Responsibilities & Communications	December – 01



Level 2 Target	Person(s) Responsible	Review Date
Proven commitment to stakeholder engagement, dialogue and transparency as a principle of corporate policy	Manager of Corporate Responsibilities & Communications	December – 01
Level 3 Targets & Commitments	Person(s) Responsible	Review Date
Construct a stakeholder map for each country of operation	Manager of Corporate Responsibilities & Communications	July – 02
Establish a register of community protests in each relevant business unit	Manager of Corporate Responsibilities & Communications	December – 01
Address issues relating to subcontractors and key business partners/shareholders through consultation in next social audit cycle	Manager of Corporate Responsibilities & Communications	December – 02
Improve transparency and employee participation in the development of company policy; specifically more opportunity for offshore staff to contribute to the process	Manager of Corporate Responsibilities & Communications	July – 02
Pursue opportunities for working with an intermediary NGO to facilitate dialogue with displaced communities	Manager of Corporate Responsibilities & Communications	December – 01
Find ways to deepen our relationship with the community – possibly by providing opportunities for employees to participate in local community programmes	Manager of Corporate Responsibilities & Communications	December – 01
Implement a confidential suggestion system within local community projects	Manager of Corporate Responsibilities & Communications	December – 01
Premier representative to visit each village consulted during second round of consultation to give feedback on results and next steps	Manager of Corporate Responsibilities & Communications	December – 01
Hold workshop with community programme partners and NGOs to discuss ways to formalise and standardise community development project evaluation process	Manager of Corporate Responsibilities & Communications	December – 01



**Level 1 Corporate Target: The effective development and implementation of policy and practice, which assures socially responsible engagement with government stakeholders pertaining to regulation, human rights and corporate citizenship**

Level 2 Target	Person(s) Responsible	Review Date
Corporate compliance and accountability with respect to international, national and regional regulations, restrictive measures and laws	CEO; Business Unit General Managers; Group HSE Manager	December – 01
Level 3 Targets & Commitments	Person(s) Responsible	Review Date
Establish register of country laws and regulations and company record of compliance	CEO and Business Unit General Managers; Group and Business Unit HSE Managers	December – 01
Record and verify incidences of non-compliance with child labour laws where relevant	Manager of Corporate Responsibilities & Communications; Business Unit General Managers	December – 01
Investigate a policy and management system in respect of biodiversity conservation	Corporate and Business Unit HSE Managers; Manager of Corporate Responsibilities & Communications	July – 02
Level 2 Target	Person(s) Responsible	Review Date
Commitment to strategy of corporate citizenship irrespective of laws in place and government approach to enforcement	Manager of Corporate Responsibilities & Communications	December – 01
Level 3 Targets & Commitments	Person(s) Responsible	Review Date
Establish and monitor policy regarding child labour elimination programmes	Manager of Corporate Responsibilities & Communications	December – 01
Set up research project to track local produce price changes and disparities between indexed and real incomes in Myanmar and Indonesia	Manager of Corporate Responsibilities & Communications	July – 02
Level 2 Target	Person(s) Responsible	Review Date
Identification of human rights issues and commitment to their protection	Manager of Corporate Responsibilities & Communications	December – 01
Level 3 Targets & Commitments	Person(s) Responsible	Review Date
Establish a register of CSR/human rights issues and allegations reported to Premier	Manager of Corporate Responsibilities & Communications	December – 01
Establish a procedure to address the remuneration/rehabilitation of victims of security force action in areas of operation	Manager of Corporate Responsibilities & Communications	July – 02
Demonstrate the application of human rights screens in new investment projects	Manager of Corporate Responsibilities & Communications	December – 01
Systematically monitor human rights issues within our organisational practices	Manager of Corporate Responsibilities & Communications	December – 01



<b>Level 2 Target</b>	<b>Person(s) Responsible</b>	<b>Review Date</b>
Proven commitment to government stakeholder dialogue and engagement as a systematic principle of corporate policy from the outset to the end of a project/investment	Manager of Corporate Responsibilities & Communications	December – 01
<b>Level 3 Targets &amp; Commitments</b>	<b>Person(s) Responsible</b>	<b>Review Date</b>
Encourage island population in Indonesia to discuss its own development strategy and find appropriate channels to develop dialogue with government in order to establish joint interests regarding community development	Manager of Corporate Responsibilities & Communications	July – 02
Explore ways to audit and verify consultation with governments	Manager of Corporate Responsibilities & Communications	July – 02
<b>Level 2 Target</b>	<b>Person(s) Responsible</b>	<b>Review Date</b>
Investigate more equitable 'rent-sharing' agreements	CEO and Business Unit General Managers	December – 01
<b>Level 3 Targets &amp; Commitments</b>	<b>Person(s) Responsible</b>	<b>Review Date</b>
Ensure Pakistan business unit shares its understanding with the others of its rent-sharing agreements and its use of indicators to evaluate government relations	CEO and Business Unit General Managers	December – 01
<b>Level 2 Target</b>	<b>Person(s) Responsible</b>	<b>Review Date</b>
Proven commitment to CSI as a mechanism for contributing to local and regional development plans in countries of operation	Manager of Corporate Responsibilities & Communications	December – 01
<b>Level 3 Targets &amp; Commitments</b>	<b>Person(s) Responsible</b>	<b>Review Date</b>
Increase number and skill level of jobs given to local people in community development areas	Business Unit HR Managers; Manager of Corporate Responsibilities & Communications	July – 02
Increase indigenous representation in decision-making in community development programmes	Manager of Corporate Responsibilities & Communications; Business Unit Community	December – 01
Consult with government agencies to harmonise CSI with regional development goals	Manager of Corporate Responsibilities & Communications; Socio-Economic Development Committee	July – 02



# pilot social audit verification and evaluation



Corporate Citizenship Unit



The objectives of the verification and evaluation exercise are outlined on page 17 of the report. The verifier has independently abridged the following statement from the full verification and evaluation report, which is accessible from the Premier Oil website: [www.premier-oil.com](http://www.premier-oil.com). The statement does not differ from the report in substance; only details and examples have been lost through the summary process.

## Structure:

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## Verification and evaluation method and sources

Criteria derived from AccountAbility 1000 (AA 1000) process standards and principles have been used to structure and guide the verification and evaluation of the social audit process generated by EQ Management (EQ) for Premier Oil (PO). AA 1000 was chosen because it is transparent, widely recognised, and supports the design and evaluation of the entire social auditing process.

Evaluation of the principal auditors involved assessing their competence in relation to the tasks of generating the social audit framework (SAF) and conducting the social performance review (SPR). These tasks are evaluated by assessing the quality of the processes used to generate and conduct them. Verification of the auditors involved selectively confirming their stated competence, while verification of the SAF and SPR involved selectively confirming that EQ's stated process was undertaken. The sources of information used for verifying the competence of the auditors, the SAF and the SPR, are referenced below and, unless specified otherwise, the material sources are the authorship of PO or EQ. All the sources of information, material or verbal, have been reviewed or obtained through specific methods and techniques that fall into one of the following generic methodological categories characterised by AA 1000:

- (i) **Inspection** consists of examining records, documents etc.
- (ii) **Enquiry** consists of seeking information of persons inside or outside the organisation.
- (iii) **Confirmation** consists of making enquiries to corroborate information.
- (iv) **Observation** consists of looking at a process being performed by others, for example the observation by auditors of the running of a focus group discussion by the organisation's staff.

**Inspection:** Samantha Towle's and Deborah Smith's CV (15/2/2001). EQ Management's Proposal to Premier Oil (22/12/1999). Social Audit Scoping Study (20/1/2000). Social Audit Interim Report (21/7/ 2000). Hand written notes of scoping interviews with managers & interview checklist for key Head Office Managers (24/1/2000). A list of the full range of scoping questions with management. Summary of Premier Oil Values (13/2/2000). Letter to employees enclosing 'Making a Difference' document (22/12/2000). Corporate Responsibility and Community Relations (15/3/2000). The Future is Responsible Business (1999). Premier Oil Web site. Notes of project management meetings between PO and EQ (2/12/1999, 4/1/ 2000, 3/2/2000). Aims of first visit to Business Units (7/2/2000). Staff Focus Group Questionnaire (13/2/2000). Staff Focus Group Structure (13/2/2000). INGO focus group questions (13/2/2000). Questions for Managers (13/2/2000). Myanmar Country Report, including flip charts from 4 staff focus groups, hand written notes of interviews with managers, INGOs and visits to 2 pipeline villages, staff focus group questionnaires,



lessons from Myanmar (19/5/2000). London Country Report, including flip charts from 2 staff focus groups, hand written notes of interviews with managers, staff focus group questionnaires, invitation to shareholders to attend focus group (10/5/2000). Notes of AGM (17/5/2000). Discussions with Burmese Border Consortium (BBC) (28/4/2000). Discussions with John Jackson (7/2/2000). Email from BBC (29/4/2000). Indonesian country report, 3 staff focus group flip charts, hand written notes of management interviews and visit to Matak Island. Staff focus group questionnaires. Brief to Brian Everett to consult with INGOs (21/6/2000). Results of consultation with Indonesian INGOs (11/7/2000). Pakistan country report, 3 staff focus group flip charts, hand written notes of management interviews, staff focus group questionnaires (21/6/2000). Notes of internal, international meeting held in Singapore (14/9/2000). Draft Social Performance Report (12/4/2001). Social Performance Report (24/4/2001). Rationale for the Choice of Indicators (5/3/2001). Social Sustainability Indicators Framework (5/12/2000) and Revised Social Sustainability Indicators Framework (5/1/2001). Community Consultation Questions (10/12/2000). Institutional and Private Shareholder Questionnaire (10/12/2000). HR Managers and Employee Questionnaires (10/12/2000). Social Assessment at Matak Island (ERM Indonesia 5/3/2001). Kanbauk Final Report (Compass Research 27/2/2001). Pilot Employee Survey Form (Appendix 1-SSI). Human Resources Managers Questionnaire (Appendix 2-SSI). Social Accounts

Survey (Appendix 3-SSI). Consultative survey for local communities (Appendix 5 -SSI). Shareholder questionnaires (Appendices 6 & 6A -SSI). Questions/format for NGO/INGO workshop (Appendix 7-SSI). Questions for community focus groups (Appendix 8 - SSI). Brief for NGO's for community consultation in Indonesia & Myanmar (Appendix 9 - SSI). Government Consultation Questionnaire form (Appendix 10-SSI). Interview Guidelines - Farmers (Compass Research 15/02/2001). Interview Guidelines - Non-Beneficiaries (Compass Research 15/02/2001). Interview Guidelines – Parents (Compass Research 15/02/2001). Interview Guidelines - Management Committee (Compass Research 15/02/2001). Guidelines on Focus Group Structure (Compass Research 15/02/2001). Analysis of Employee and Shareholder Responses (10/4/2001). Shareholder and Employee Survey Responses (15/3/2001).

**Enquiry and Confirmation:** Communication with: Deborah Smith, EQ Management. Richard Jones, Premier Oil. Alyson Warhurst, University of Warwick. Chris Morley, Birmingham University. Veena Madhavan, AccountAbility. Ed Mayo, New Economics Foundation. Nicky Amos, Body Shop. John Jackson, Burma Campaign UK. Michael Clarke, Foreign Commonwealth Office. Lisa Parsons, Premier Oil. Peter Frankental, Amnesty International. Belgit Ranna, University of Central England. Postgraduate Student Registry, Lancaster

University. Mark Akers, Premier Oil. Michael Pert, Premier Oil. Alison Henry, Premier Oil. Cameron Jones, BSMG. David O'Reilly, British American Tobacco. Sally Thompson, Burmese Border Consortium. Tyler Giannini, EarthRights International. Katharine Redford, EarthRights International. Myanmar based community members, employees and NGO representatives were interviewed during field-verification of the SAF and SPR. Realising that there might be concern that the disclosure of potentially sensitive views would jeopardise their relationship with PO, informants were told of the verifier's independence from PO and of the anonymity of any information disclosed to the verifier. In order to try to mitigate against any outstanding mistrust, informants were invited to write or e-mail the verifier anonymously in the United Kingdom with any concerns about the way that the consultation had been conducted or if they had felt inhibited discussing issues on a face-to-face basis.

**Observation:** Consultation with Myanmar community members in the vicinity of PO operations was subject to participant observation by the verifier. Throughout the period of three-day engagement with members of the four villages visited, the verifier was present as an independent observer of Compass Research. When considered appropriate, the verifier maintained a discreet or transitory presence so as not to inhibit consultees and so jeopardise attempts to collect information of a sensitive nature.

## Verification and evaluation of the competence of the auditors

**To verify and evaluate the qualifications and skills of the auditors:** The verifier believes that the auditing qualifications of Deborah Smith and Samantha Towle of EQ Management (EQ) provide them with a solid understanding of the specific issues around, and approaches to, social auditing. These qualifications are complimented by graduate and postgraduate higher educational training that gives them grounding in social research methods and a good theoretical understanding of the environmental and social management fields. Collectively, their qualifications provide a concrete theoretical predisposition to the task of developing a social audit framework and conducting a social performance review for Premier Oil (PO).

**To verify and evaluate the experience of the auditors:** With respect to the relevance of their career experience, it is clearly evident that both assessors have undertaken roles that relate and contribute extensively to their present ability to develop social auditing for PO. Both auditors have already undertaken social audits for high profile companies in addition to tasks, which are critical components of the social audit process, such as stakeholder consultation and social and policy reviews. The temporal scope of their appointments and project experience is considered satisfactorily



extensive while selective verification of the quality of their work has yielded consistently positive responses from employers and contractors. Overall, the auditors suggest a high level of experiential appropriateness to the task of developing a social audit framework and conducting a social performance review for PO.

### Verification and evaluation of the social audit framework

#### a) Identifying stakeholders

**To verify and evaluate whether a complete list of stakeholder groups has been prepared:** EQ should be credited for corroborating and extending their initial theoretical and documentary-based identification of stakeholder groups and sub-groups through consultation with senior managers across the company. They have prepared a list of stakeholder groups that includes employees, NGOs, community programme partners, local community members in areas of PO's operations, displaced communities, shareholders, the environment, contractors and suppliers, business partners, and government. Although it is hoped that future social audit cycles will consider the addition of customers and competitors to the list, it satisfactorily captures what are considered to be the key stakeholders in PO's operations.

#### To verify and evaluate whether key dimensions of the relationship to each stakeholder group has been described:

EQ is not completely systematic in their description of the relationship of PO to their stakeholders. Nevertheless, they satisfactorily describe what the verifier considers to be the critical dimensions of their relationship to each key stakeholder group. Coverage is consistently given in EQ's scoping report to the nature or history of the relationship with each stakeholder group, the identification of stakeholder sub-groups in every area of PO's operations and the perceptions and expectations of those stakeholder groups with respect to PO's social responsibilities generally and the social audit process specifically.

#### b) Defining and reviewing values

##### To verify and evaluate whether the organisation has defined or reviewed its current mission and values:

In the latter part of 1999 EQ conducted a scoping study in order, among other things, to undertake a formal review of PO's current missions and values. This builds upon substantive informal internal reviews and statements of values undertaken and written internally by PO's Manager of Corporate Responsibilities & Communications, Dr Richard Jones. The approach taken by EQ involved interviewing key members of the senior management team, selected according to their role in managing relations with a range of key stakeholder groups, and reviewing company

documentation, including existing social and ethical policies and management systems. The results of the consultation to identify stakeholder issues further contributed to the review of mission and values.

##### To verify and evaluate whether the review of values has been formalised in a statement available to all stakeholders:

PO has produced many 'values' documents including, among others, 'Global Business Principles', 'Corporate Responsibility and Community Relations' and the 'Human Rights Policy'. As a small oil company, PO, and in particular, Dr Richard Jones, should be commended for developing an array of comparatively enlightened documents that display a rigorous understanding of the current issues of corporate social responsibility and a commitment to meeting the challenges that they set. Nevertheless, the verifier would confer with EQ's comment that, to date, "their style, timing of release and target audiences have been somewhat fragmented" (2000:24). EQ and PO have successfully addressed this issue through 'Future is Responsible Business', the 'Social Performance Report' and PO's website. These sources are available to all stakeholders and set out a clear summary of PO's post-review mission and values.

#### c) Identifying issues and indicators

##### To verify and evaluate whether the organisation identifies issues and indicators relevant to each key stakeholder group:

PO has committed to the full inclusion of stakeholder groups, issues, indicators and targets in subsequent social audit cycles. However, given the logistical burden attached to the initial development and conduct of a full social audit process, EQ and PO agreed to develop a pilot social audit in the first instance. As a result, consultation to identify issues and indicators was restricted to NGO, shareholder, employee and community stakeholders. EQ's approach to identifying issues and indicators among these stakeholders is documented in their Interim Report (21/7/2000) and involved visits to Myanmar, Indonesia, Pakistan and London. Professor Alyson Warhurst assisted EQ in the identification of stakeholder issues and indicators and henceforth, in areas where they have worked collaboratively, they shall be referred to collectively as 'the consultants'.

##### To verify and evaluate whether this identification process includes engagement with Myanmar related stakeholders that accurately and fully obtain stakeholder views in an atmosphere without fear or restriction:

Engagement with PO's employees in Myanmar was based on a methodologically flawed selection process as it relied on the discretion of a PO employee rather than an impartial party. In addition, pipeline and offshore employees were not included in the



consultation. EQ attribute this to difficult logistics, and the fact that many pipeline staff are sub-contractors (2000:7). The logistical constraints they faced are appreciated but, given the inevitable presence of operation-specific employee issues, this should not have precluded the assertion of greater efforts to consult them. In addition, sub-contractors, while indirectly employed, are nonetheless employee stakeholders and should be considered as such in consultation exercises. The verifier notes that their full inclusion is planned for the next social audit cycle.

The identification of NGO issues and indicators involved a focus group with the directors of four international NGOs operating in Myanmar. The director consulted for verification purposes considered this a satisfactory and productive exercise. However, she also noted that while the calibre of the representatives of the focus groups was excellent, the group was, with the exception of one director, exclusively composed of expatriates. She felt that the group might have benefited from the presence of a greater number of NGO national and field-based representatives who could have identified more relevant or insightful issues specific to PO's operating environment and indicator appropriateness.

EQ acknowledge (2000:14) that at all of PO's operations, first-round consultations with communities were, "constrained by a number of issues, including language, cultural issues, and personal security....", as a result, "we will not have been able to gain the fullest or frankest picture possible of conditions and viewpoints" (2000:15). Nevertheless, the verifier feels obliged to highlight a number of specific concerns in relation to the initial consultation with Burmese community members. First, there was no formal sampling of the consultees who were all, by chance or design, direct or indirect beneficiaries of local SCF USA programmes sponsored by PO. Second, EQ relied on SCF USA's Programme Managers to act as translators, which compromises the integrity of the information collected. Third, EQ spent less than one full day consulting local community members, clearly insufficient time to identify a representative range of indicators and issues when there are in excess of ten villages impacted by PO's operations.

Overall, the verifier's concerns over the methodological rigour of the community consultation exercise are ameliorated by the subsequent approach to consultation adopted in the SPR. This relied on independent Burmese researchers, utilising broader and more representative sampling techniques over a more protracted period and provides PO / EQ with the belated opportunity to revise indicators based on the inclusion of legitimate issues and informants emerging from the SPR. Indeed, it should be noted

that in their 'Rationale for the Choice of Indicators' (5/3/2001), the consultants state that "these [indicators] are all pilot and can be adjusted or varied to address evolving stakeholder concerns". To mitigate outstanding concerns over the methodology of EQ's first round consultation it is imperative that these issues and informants are fully incorporated into the modification of community indicators / targets in subsequent social audit cycles.

**To verify and evaluate whether this identification process includes engagement with UK related stakeholders that accurately and fully obtain their views in an atmosphere without fear or restriction:** Consultation with UK employees involved two focus groups attended by a total of fifteen staff (one self-employed, eleven employed staff and three contractors) by open invitation. Verification and evaluation checks suggest that the consultation was entirely satisfactory. EQ also intended to consult shareholders through focus groups, with open invitations being issued at PO's AGM. However, just one shareholder attended. EQ's shareholder consultation therefore constitutes an interview between EQ and a "highly informed" shareholder (2000:6). While the views expressed by this shareholder are valid they are clearly not representative of the views of all PO shareholders. As a result, while the approach to shareholder consultation was creditable, and attendance at the

AGM allowed EQ to identify many shareholder issues, this cannot qualify as a satisfactory consultation exercise. Therefore, while the logistical constraints faced by EQ and PO are appreciated; the verifier is concerned that greater effort could have been made to understand the absence of shareholders from the focus group meetings and to encourage their participation through alternative research mechanisms such as a pilot survey.

In relation to UK based NGOs and NGOs based outside Myanmar and Indonesia, EQ held discussions with representatives of Amnesty International, Burma Campaign UK, and the Burmese Border Consortium. EQ state that they also tried to engage with EarthRights International (EI) and EI state that they were willing to engage with EQ. However, EQ did not consult EI at this stage of the audit development for reasons that the verifier cannot definitively determine in the time available. These NGOs were selected on the basis of "their particular relevance to the key social issues and criticisms that PO faces, and because an informal dialogue existed between PO and some of the aforementioned NGOs" (2000:3). With regard to the quality of the engagement, it should be noted that Burma Campaign UK and the Burmese Border Consortium expressed some misgivings. However, having not been present during the discussion with these NGOs, and in the absence of any detailed documentary evidence regarding EQ's engagement with the aforementioned NGOs, it is not possible to definitively evaluate this.



### **To evaluate the process of engagement with Indonesian and Pakistan based stakeholders:**

There is no reason to doubt that the process of consulting Indonesian and Pakistani NGO and employee stakeholders were conducted in anything other than an appropriate way. However, having not been present during the consultation, and in the absence of a more detailed account of the methodological approach adopted by EQ, it is impossible to definitively evaluate the quality of this process. It should also be noted that input from community stakeholders in Pakistan “relied on reports already generated in this regard” (2000:4). It is considered beyond the scope of the present study to obtain and evaluate the methodological rigour of each of these varied community consultation reports and, therefore, the quality of the Pakistani community consultation.

The consultation of Indonesian community members is found wanting. First, the consultation involved the active participation of a PO employer as a translator who might have unwittingly inhibited the expression of negative perspectives. Second, there was no legitimate or formal method for selecting the consultees. Third, the selected consultees were beneficiaries of the PO's community programme and neither included youth who demonstrated at the base camp for employment or fishermen whose fishing grounds were allegedly disrupted by the construction of the Natuna platform. Finally, the number of consultees selected for the inquiry cannot be considered

representative of the four villages within close proximity of the base camp, and less so of the 10,000 inhabitants of Matak island. The verifier's concerns over the quality of the community consultation exercise are not ameliorated by the subsequent approach to community consultation adopted by ERM Indonesia. While this relied on independent unaccompanied Indonesian researchers, utilising a more representative sample, it was equally restrictive on time and relied on PO employees to arrange meetings with individual consultees.

### **d) Determining process scope**

**To verify and evaluate whether the selection criteria for shortlisted locations, stakeholders & units are documented & communicated, along with a list of excluded locations, stakeholders & units, and plans for their future inclusion:** EQ and PO decided to include all of their international business units and locations but restricted the scope of much of the SAF, and all of the SPR, to three stakeholder groups – employees, communities and shareholders. The social performance report provides sufficient documentation of the stakeholders included in the SPR alongside the rationale for their inclusion. A list of those stakeholders excluded from the SPR, and PO's plans for their future inclusion, is also documented in the report (2001:3). However, the

report does not document and communicate the criteria used to preferentially select the aforementioned stakeholders for inclusion in the SAF or SPR over other key stakeholders. PO have committed themselves to the inclusion of all key stakeholders in subsequent social audit cycles, but in the event of the unforeseen omission of stakeholders in the next social audit cycle, it is essential that a full and frank account of the reasons for that omission is provided.

**To verify and evaluate whether all issues likely to have a material impact on the organisation's stakeholders are accounted for and the relevance of the issues to particular stakeholder groups are documented to allow internal and external auditing:** The verifier does not feel that EQ or PO has, within the defined scope of the social audit process, consciously or wilfully avoided any issues that might have a material impact on the organisation's stakeholders. Nevertheless, some methodological shortcomings have been noted with initial stakeholder consultation that may have limited the identification of stakeholder issues and indicators. These arose prior to the SPR and in the context of a social audit framework that provides a relatively unique learning model. In the verifier's opinion, this framework is sufficiently adaptive to ensure that most of the employee, local community and shareholder issues neglected in the initial consultation will have been identified in the SPR, documented in the social performance report and incorporated into revised indicators and targets for

future social audit cycles. The only exceptions are those issues associated with Indonesian community members, subject to inadequate consultation in the development of both the SAF and SPR. As long as EQ and PO acknowledge and amend these shortcomings, any initially neglected issues are very likely to be identified in subsequent social audit cycles.

### **e) Selecting indicators**

**To verify and evaluate whether the rationale and processes of selecting indicators are documented to support internal and external auditing:** The selection of indicators is clearly a dynamic process and the documentation of the rationale for their selection by the consultants, contained in three separate reports compiled at different stages of the social audit process, reflect this. Collectively, this documentation gives a complete impression of how the process of indicator selection has evolved. More recently, a holistic summary of the indicator selection process was produced by the consultants in a short document entitled 'Rationale for the Choice of Indicators' (5/3/2001). The content of this document is entirely satisfactory for auditing purposes.



**To verify and evaluate whether the choice of indicators reflects a three-tier approach covering its values, the values of its stakeholders, and wider societal values:**

The 'Rationale for the Choice of Indicators' (5/3/2001) document suggests that the consultants were highly cognoscente of the need to reflect the values of the company, stakeholders and wider societal values in their indicator selection. The consultants approached the task of reflecting these three-tiers through the synthesis of internal, expert and stakeholder derived issues and indicators. This is based on the reasonable, though conceptually debatable, assumption that the values expressed in expert principles and by expert institutions such as MERN and the Global Reporting Initiative are representative of wider societal values, by virtue of their grounding in empirical research. Following a review of values promulgated by external experts and PO and their stakeholders, the verifier is satisfied that these three-tiers of values have been reflected in the consultant's choice of indicators. However, it must be noted that this conclusion is based on the tentative assumption that the values expressed by consultees in the first round of consultation represent those of their wider stakeholder group (please refer to the verifier's concerns regarding first-round consultation detailed earlier).

**To verify and evaluate whether within these tiers, the organisation selects indicators that reflect both its processes and the outcome of its activities:**

The consultants deserve particular credit for their selection of outcome and process indicators. The mixture of these two types of indicators is balanced and appropriate and has been achieved through the vertical and horizontal integration of the indicator types across a sophisticated hierarchical framework. The comprehensive integration of the indicators in this way establishes the foundations for the production of a number of complimentary data sets. If the analysis of these data sets is capitalised on rigorously and transparently, illuminating and detailed insights into the interconnectivity of social processes and outcomes should be captured.

**To verify and evaluate whether indicators provide sufficient coverage of defined process scope, stakeholders, operations and issues:**

Within the defined scope of the SPR, the consultants have selected indicators that provide sufficient coverage of PO's stakeholders and operations. The task of selecting indicators that provide sufficient coverage of the issues is challenged by the multifarious and dynamic nature of those issues. The overriding dilemma is that of wanting to select indicators that address geographically, socially and temporally specific issues while simultaneously needing to select indicators that provide information that is comparable across operations and stakeholders over time. PO's indicators are

unexceptional in their reflection of the necessary compromises to specificity that the latter need entails. By supplementing generic indicators with ever more temporal or unit specific indicators this dilemma can be mitigated at a high logistical cost. However, the verifier is entirely confident that in selecting indicators that are stakeholder specific and reporting on issues at three different levels of the company, the consultants have achieved a very successful balance between the dual concerns of specificity and comparability without inducing logistical paralysis for the company.

The title attributed to one of the four sections of the level three community indicators is 'The Demonstrable use of Social Impact Assessment (SIA) tools'. However, the indicators attributed to this section (e.g. "Are your human rights being infringed?") do not address the use of SIA tools. The SIA process, and its associated methodological tools, has evolved from the need to predict and mitigate impacts prior to commissioning. As a result, a more appropriate title for this section might be the 'Demonstrable monitoring of social impacts' or the 'Sustained commitment to social impact monitoring'.

## Verification and evaluation of social performance review

### f) Collecting and analysing information

**To verify and evaluate whether the rationale and processes of data collection are documented to enable internal and external auditing of their appropriateness:**

EQ, Compass Research and ERM Indonesia have all documented the rationale and processes of data collection they used to consult stakeholders. For all but one stakeholder group they have been documented to a level that enables satisfactory auditing of their appropriateness. The exception is the rationale and processes of data collection documented by ERM Indonesia (5/3/2001) for Indonesian community stakeholders. This provides enough detail to enable auditing of their approach to sampling but not enough detail to enable auditing of their approach to encouraging the participation of their consultees or to fostering an atmosphere conducive to open inquiry. It is suggested that in future cycles, the brief given to sub-contracted community consultants contain specific methodological reporting criteria.

**To verify and evaluate whether, in addition to stakeholder preference, methods for collecting information are appropriate to the capacity and size of the organisation, the scope and location of the engagement and nature of the issues:**

The method of data collection preferred by community stakeholders was semi-structured interviewing. The decision by EQ to use this method is appropriate for the following reasons. First, it is within the



logistical capacity of the company to contract qualified and independent specialists to facilitate the use of such a method. Second, as levels of literacy are low, rural communities in developing countries are more accustomed to oral rather than written forms of communication. Third, the unbounded nature of the semi-structured interview allows consultees to express themselves on issues that have not been predetermined. Finally, the nature of community issues tends to be descriptive and dynamic and better captured by utilising a qualitative and versatile method like semi-structured interviewing.

The method of data collection preferred by employee and shareholder stakeholders was the questionnaire survey. The decision by EQ to use this method is appropriate for the following reasons. First, questionnaires are relatively quick and temporally flexible which is important when the time available to employees and shareholders to participate is highly restricted. Second, unlike community members, employees and shareholders have relatively good access to the Internet, which allows questionnaires to be quickly and efficiently distributed and collected internationally. Third, in dealing with ethnically or politically sensitive issues, the anonymity of questionnaires can be advantageous. Finally, employees and shareholders in the business environment tend to be more accustomed to, and comfortable with, written rather than verbal modes of enquiry.

**To verify and evaluate whether the organisation used robust and representative sampling techniques for its Myanmar community data collection processes:**

Compass Research employed a combination of random, snowball, and purposive sampling techniques. Collectively, the sampling techniques were used to reduce sampling bias through triangulation. Purposive sampling was used to examine issues relating to key stakeholder groups within the local community such as farmers and community representatives and to increase the diversity of the sample. Random sampling was used to reduce bias and further increase the diversity of the sample, while snowball sampling was used to examine particular issues in detail. For security reasons, outside Compass Research's control, community members displaced from the project area during construction of the pipeline were excluded from the scope of this consultation exercise. It is imperative that PO upholds their commitment to make every effort to facilitate their inclusion in future audit cycles. This important issue aside, the verifier is completely satisfied that the selected sample was broad enough to allow for the inclusion of all other major stakeholder categories, including Karen community members residing in militarily restricted areas within impact proximity of PO's base camp.

**To evaluate whether the organisation used robust and representative sampling techniques for its Indonesian community data collection processes:**

ERM Indonesia negated the impartiality of their sample by relying on PO representatives to select and arrange meetings with consultees within their sample frame. Moreover, because just one day was spent consulting community members, ERM Indonesia only managed to interview twelve consultees, two of whom were PO employees. The sample interviewed did not include youth demonstrating at the base camp last year or fishermen whose grounds had allegedly been affected by the construction of the Natuna platform. By virtue of their representative status in the villages, the other consultees appear to be critical informants, however such a restrictive sample undermines any claim to complete or representative findings. Indeed, ERM Indonesia (5/3/2001:4.4) acknowledge that: "Obviously the results are biased by the fact that most of the interviewees have, in one way or another, an economical relation with the oil companies". Given this inherent bias, it is important that PO and EQ now commit to a specific review of Indonesian community indicators based on the findings of any subsequent consultations with Indonesian community stakeholders. The issues raised here also reflect methodological shortcomings in the brief given to ERM Indonesia.

**To evaluate whether the organisation used robust and representative sampling techniques for its employee and shareholder data collection processes:**

EQ decided that all of PO's employees would be selected and sent questionnaire surveys. In theory, sampling cannot be more robust or representative than the full inclusion of the sampling frame in the survey. However, it should be noted that a very small number of Myanmar employees at Kanbauk said that they had not received the questionnaire survey. This is probably attributable to the rotation of the employees and the verifier does not see this as a source of adverse concern. With respect to the sampling of shareholders, PO instructed Computer Share Services, who hold the full numerical listing of shareholders for Premier, to randomly select (computer generated) 1 in every 17 of the 17000 individual shareholders and 1 in every 5 of the 138 institutional shareholders. In both cases the sample size and method of sampling is regarded to be representative and robust.

**To verify and evaluate whether the collection of data from Myanmar community stakeholders was undertaken in a way that accurately and fully obtains their views in an atmosphere without fear or restriction:**

The focus group discussions were conducted by an experienced and proficient female facilitator, who was able to converse with members of the local community in their local dialect. She always stated the purpose



and confidentiality of the research, her independence from PO, and engendered an atmosphere of openness and inclusivity in her focus group discussions. She was able to consistently attain the active participation and balanced contribution of all consultees. Her request for people to express themselves on any issues beyond those unearthed by the indicator questions raised the important additional insights. It is essential that this diligent practice be continued in future audit cycles through its inclusion in the brief to local community consultation sub-contractors.

Representatives of SCF USA and Compass Research felt that Myanmar's political environment would not significantly restrict the ability of community members to express themselves on issues relating to PO at the local level. In addition, it was the verifier's impression that community members were either impartial to the political impact of PO's presence in Myanmar or that the issue was overshadowed by other local interests and concerns. Nevertheless, given the acknowledged repression of critical political comment in Myanmar, the verifier is concerned that community members wanting to address negative issues relating to PO's national political impact, and/or the ramifications that this might have at the local level, will feel restricted. In the present political environment this unavoidably compromises the ability of PO's community stakeholders to be fully expressive, although its effect can and must continue to be minimised through concerted efforts

to adopt flexible and innovative research methods and techniques.

**To evaluate whether the data collection from Indonesian community stakeholders was undertaken in a way that accurately and fully obtains their views in an atmosphere without fear or restriction:**

There is no reason, within the limitations of the sampling approach noted earlier, to doubt that the process of data collection from Indonesian community stakeholders was conducted in anything other than an accurate, open and non-coercive way. However, having not been present during the consultation, and in the absence of a more detailed account of the ethical and methodological approach adopted by ERM Indonesia, it is impossible to evaluate the quality of this process.

**To verify and evaluate whether the collection of data from employees and shareholders was undertaken in a way that accurately and fully obtains their views in an atmosphere without fear or restriction:**

The verifier did not unearth any serious concerns in relation to the ability of employees to complete questionnaires fully and accurately in a fearless or unrestricted atmosphere. However, a number of minor issues emerged that should be addressed in future audit cycles. First, there is a need for more thorough proofreading of the questionnaires prior to distribution. Despite EQ's recognition that the division between expatriate and national employees "appears to be

a particularly important distinction for consultation purposes" (2000:11), some of the initial Myanmar questionnaires contained a typographical error to the tick boxes so, instead of reading 'National' and 'Expatriate', they read 'National' and 'National'. This was subsequently corrected. Second, there is a need to avoid unnecessarily complex or managerial wording in the questionnaires, which can be a source of misunderstanding for junior staff. Third, given that English is not their first language, it is suggested that future audit cycles provide Burmese staff with translated questionnaires. Finally, the anonymity of the employee consultees should be completely protected by giving them the option to complete the questionnaire in a printed format. In Myanmar, two of PO's drivers informed the verifier that they had not voiced issues of concern for fear that their handwriting would be recognised by senior managers.

Representatives of SCF USA and Compass Research felt that Myanmar's political environment would not restrict, to any significant degree, the ability of employees to express themselves freely over issues relating to PO as an employer. In addition, it is the verifier's opinion that the relative anonymity of questionnaires helps to prevent the harbouring of sensitive information. Nevertheless, given the acknowledged repression of critical political opinion in Myanmar, the verifier is concerned that some employees could feel restricted in their ability to address PO's national political impact. This issue compromises the ability of employees to

be completely uninhibited in their expression. In future cycles every effort must be made to use techniques that further mitigate this restriction.

Given that shareholders were sampled randomly and their identity was protected, it was not possible to verify or evaluate the degree to which the collection of data from them was obtained in an atmosphere without fear or restriction. Nevertheless, following inspection of the shareholder questionnaires and responses, there seems no reason to consider that their views were obtained in either a coercive or inhibiting way. With regard to the degree to which the collection of data from shareholders accurately and fully obtains their views, the verifier highlights the importance of providing scope in the questionnaires for comments and issues beyond those prompted by the indicators. This is evidenced by the fact that the narrative responses given to the questionnaires often did not relate to the questions asked and that some shareholders felt obliged to write covering letters. This is particularly pertinent given the significant under-representation of shareholders during the first round of consultation. It is suggested that in future cycles, the shareholder questionnaires allow for the inclusion of a text box for additional comments.





**To verify and evaluate whether the organisation uses the findings to revise future objectives and targets including its processes of auditing:** In addition to being developed to identify and report on stakeholder issues, the indicators provide guidelines for the achievement of annual targets. The consultants should be highly commended for clearly setting out these targets in the social performance report, along with details of the applicable time available for, and people responsible for, their achievement. The targets satisfactorily address the issues generated by stakeholders and the recommendations suggested by EQ in the report. While not specified in the social performance report due to conflicting time frames, the verifier has been assured by PO and EQ that the issues and recommendations highlighted in the present report will also be used to revise aspects of its social auditing process.

**To verify and evaluate whether the content of the report reflects the principles of AA 1000 and is inclusive, complete, material, comparable, reliable, relevant and understandable:** At all stages of the verification and evaluation of the SAF and SPR the verifier has recognised AA 1000's foremost principles of inclusivity, completeness and materiality. In general, the pilot SAF and SPR measure well against these principles. Where areas have been judged to be less than satisfactory, they are not regarded as completely negating a specific process or the information related to that process and presented in the social performance report.

Nevertheless, some of the less satisfactory areas of the SAF and SPR noted in this statement will affect the nature of the information presented in the social performance report and PO's readership must be cognisant of this in assessing PO's social performance.

The performance information is summarised appropriately and EQ are prudent in their expression of judgmental responses to the stakeholder feedback. The information is also understandable and, most importantly, representative of the feedback provided by PO's selected stakeholders through questionnaire, focus group and interview. In general, the presentation of this information in the social performance report is satisfactorily objective and neutral. However, the exclusively positive nature of the enlarged and highlighted comments accompanying the report's photographs exhibit an explicit selection bias and this practice should be avoided in future social performance reports. The neutrality of presenting an employee consultation graph in the community consultation section of the report is also questionable (see page 31). Finally, although the comparability of much of the performance information with previous periods / targets is limited (as it is the first social audit cycle), information generated through the utilisation of indicators derived from international standards will be comparable to external benchmarks.

**To verify and evaluate whether the report includes a statement of the organisation's: (a) mission and values; (b) processes for dealing with social / ethical issues; (c) methodology for, and scope of, process, including reasons for the exclusion of any activities, locations, stakeholders or issues; (d) plans for future cycles of the process:** The social performance report provides complete coverage of all the key areas specified above. The report's introduction clearly sets out a collective summation of the company's post-review mission and values. This is supported by an outline of their processes for dealing with social and ethical issues, both in terms of identifying those issues and in terms of recommendations and responsibilities for mitigating and managing those issues. The stakeholder consultation sections and the methodology section respectively summarise the methodology underlying these processes and the overall process of the social audit. A section is also dedicated to clarifying the roles and scope of the social audit. Together with the listed targets, these sections detail plans for future social audit cycles. Overall, the coverage given to these sections of the report is excellent. The quality of the coverage provided in these sections is also very high but would have been improved through the inclusion of a much more explicit scoping rationale.

**To verify and evaluate whether the report contains performance information on: (a) the organisation's performance against its mission & values; (b) stakeholder identified indicators for the current cycle; (c) issues and indicators outside the power of influence of the organisation, or where operating in partnership to affect the indicators:** The report contains social performance information on stakeholder and expert derived indicators, objectives and targets in addition to the auditing process itself. These indicators, objectives and targets reflect PO's mission and values and therefore implicitly report on their related performance, although no formal analytical comparison is made. The report also discloses social performance information on issues and indicators outside PO's immediate power of influence and where they are operating in partnership to affect the indicators or issues. For example, one of the objectives of the community stakeholder consultation is to obtain feedback on PO's 'Sustained commitment to corporate social investment' (2001:13) which largely relate to PO's partnership programmes in Indonesia and Myanmar. It is suggested, for the purposes of organisational parity, consensus and efficiency, that PO consider reporting on indicators already used by the organisation (e.g. by human resources) or by partnership groups outside the organisation (e.g. by SCF USA for their education programmes) in addition to the present social audit indicators.



### Limitations and acknowledgements

The major limitation associated with this exercise is that the completeness and reliability of the verification and evaluation is dependent on the completeness and reliability of the information gained by, or presented to, the verifier. Where possible, information has been triangulated in order to maximise its completeness and reliability. Nevertheless, short of an unlimited enquiry, it is impossible to guarantee the completeness and reliability of the information. Therefore, the verifier planned and carried out the verification exercise to obtain reasonable, rather than absolute, assurance of the completeness and reliability of the information associated with the SAF and SPR. This limitation is particularly relevant to the verification of the social audit framework because the processes associated with its design were largely conducted prior to the verifier's engagement. Therefore, information associated with the SAF was subject to less reliable ex-post verification mechanisms such as secondary source inspection.

Although this verification and evaluation process was greater in time and scope than usual exercises of this type, the need to report back in a reasonable period of time limited the scope of what could be achieved. Time constraints ruled out the possibility of verifying those components of the SAF and SPR relating to Indonesian and Pakistani stakeholders. Where possible, these components of the SAF and SPR have been evaluated. However, in some cases direct observation of, or more detailed

accounts of, the ethical and methodological approach adopted by the consulting body were demanded and it was therefore not possible to comment on the quality of the process. Time constraints also meant that verification and evaluation of the auditors is limited to its principal auditors, Samantha Towle and Deborah Smith and to a selection of their key stated skills and qualifications, prioritised in relation to their relevance to the project tasks.

It should be acknowledged that Professor Alyson Warhurst holds a chair at Warwick Business School and has been playing an advisory role to Premier Oil over the last two years. Therefore, other than for the purposes of enquiry and confirmation defined earlier, the verifier has conducted the verification and evaluation of the principle auditors, the SAF and the SPR completely independently of her. As with verification of the competence of the principle auditors, verification of the SAF and SPR was selective and bounded by criteria derived from AA 1000's process standards. It should be acknowledged that these process standards do not provide a 'blueprint' for reviewing social audits, but a benchmark that represents expert views grounded in evolving experience and consensus. Some of AA 1000's process standards like 'embedding the system' and 'obtaining feedback on the report' are omitted from the exercise because these processes will be finalised by PO/EQ after the verification and evaluation exercise.

Finally, it is acknowledged that evaluation of the Social Audit Framework (SAF) and Social Performance Review (SPR) has not been based on relative criteria involving comparisons with other social audit processes, in which case the SAF and SPR would have been subject to less stringent criteria. In addition, the verifier would like to acknowledge Premier Oil and EQ Management's agreement that the SAF and SPR should not only be verified but also evaluated by the Corporate Citizenship Unit. This is relatively unique and indicative of the transparency Premier Oil wants to engender in the process. It is the verifier's opinion that by agreeing to such practice the company has set the standard for many of its competitors, among whom social audit evaluation could be more widely encouraged and adopted.

**Dr Magnus Macfarlane,  
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The University of Warwick  
27 April 2001

# key/glossary



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Verified or evaluated



Quotations



Dialogue



Partnerships

## AA 1000

A process standard, developed by AccountAbility, the Institute for Social and Ethical Accountability, which guides organisations to demonstrate and improve on their social and ethical performance and transparency. ([www.accountability.org.uk](http://www.accountability.org.uk))

## Civil society

Organisations, bodies or individuals – but not governments – which reflect, endorse or protect certain stakeholder interests, public opinion etc.

## CSI

Corporate social investment.

## CSR

Corporate social responsibility.

## DfID

Department for International Development, the UK government department responsible for managing Britain's role in worldwide social and economic development.

## Embeddedness

Making an organisation's ethical and social accounting practices and areas of ethical performance an integrated part of the corporate systems and way of doing business, rather than a 'bolt-on' activity.

## GRI

Global Reporting Initiative – a long-term multi-stakeholder international initiative which aims to offer organisations a blueprint for sustainability/triple bottom line reporting.

## INGO

International non-governmental organisation.

## KPI

Key performance indicator.

## MERN

Mining & Energy Research Network, Corporate Citizenship Unit, Warwick Business School, University of Warwick.

## NGO

Non-governmental organisation.

## SIA

Social impact assessment.

## SSI

Social sustainability indicator.

## Stakeholders

Any group who is either impacted by the activities of the company or whose own activities may impact the company. Stakeholder groups may include employees, subcontractors, shareholders, local communities in areas of operations, governments, media/opinion formers, business partners and suppliers.

## UKOOA

UK Offshore Operators Association, an industry grouping for companies involved in offshore oil/gas exploration and production in UK waters.

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Designed and produced by philosophy

Photography by mike abrahams

Printed by empress litho

Cover: Dutch unlined Greyboard, 445 gsm.

Text pages: Imagine 150 gsm. All the paper shown in this report is fully recyclable and biodegradable, made with wood fibre from sustainable forests.

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