

**Business Plan:
ARCO Environmental, Health & Safety**

Introduction

This document is intended to present ARCO's corporate EH&S vision of our rapidly-changing world. It contains a series of long-term strategies, including a proposed ARCO action plan to address the trends that are projected for the remainder of this decade. Five major trends have been identified. Each trend's impact on ARCO has been described, followed by recommendations for specific actions to be taken.

Realistically, it is difficult, and perhaps even foolhardy, to predict trends and their impact much beyond 5 years. What can be confidently predicted is that a large proportion of the future issues will be a continuation or an expansion of the current ones, with a smaller number of completely new issues arising and requiring additional expertise. It is also reasonable to predict that the resources ARCO devotes to environmental, health and safety management will have to increase dramatically in the coming years. The factors contributing to this increase are described on the following pages.

TREND 1

As a result of the public expanding its demand for "zero risk" as a "right," relative and absolute spending on health and environmental protection will continue to dramatically increase worldwide.

Impact on ARCO

1. Government regulation of ARCO's environmental, health and safety activities will expand and become more restrictive.
 2. Environmental, health and safety issues will have a growing impact on ARCO's financial performance and public image.
 3. Obtaining permits will become a much more burdensome process. The "right to pollute" may become a thing of the past. Markets will develop for emission permits.
 4. ARCO will face increased competition for qualified and experienced environmental, health and safety personnel.
5. ARCO cannot expect relief from environmental regulation during economic downturns.
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Recommendations - ARCO should:

- A. Establish a corporate-wide group for long-range EH&S planning and trend identification.
- B. Semi-annually, convene a small group of senior EH&S and government affairs personnel to identify advocacy activities.
- C. Appoint EH&S spokespersons to communicate with government agencies and various stakeholders on environmental, health and safety issues.
- D. Commit additional resources to the development of environmentally compatible technologies and innovative approaches to solving environmental, health and safety problems.
- E. Conduct periodic corporate-wide reviews to assure adequate staffing levels.
- F. Develop processes to disseminate risk management expertise throughout the company.

TREND 2

There will be no universally agreed-upon risk management priorities or goals in the U.S. or the world.

Impact on ARCO

1. ARCO will be faced with environmental, health and safety laws, regulations, and policies that continue to be inconsistent on such key issues as:
 - A. Which concerns are the most critical?
 - B. How should cost vs. benefit information be interpreted?
 - C. What constitutes an acceptable level of risk? How clean is clean?
 - D. What levels and types of controls should be imposed?
 - E. Should waste sites be eliminated or simply stabilized?
 - F. How do we strike a balance between environmental preservation and human progress?
2. Lacking a single, definitive set of socially acceptable environmental, health and safety standards, ARCO will need to develop its own internal standards and advocate them externally.

Recommendations - ARCO should:

- A. Establish ARCO's priorities for environmental, health and safety issues.
- B. Develop corporate positions on environmental, health and safety policy issues.
- C. Develop outreach programs to maintain a dialogue with the public and government agencies regarding ARCO's priorities and policies.