



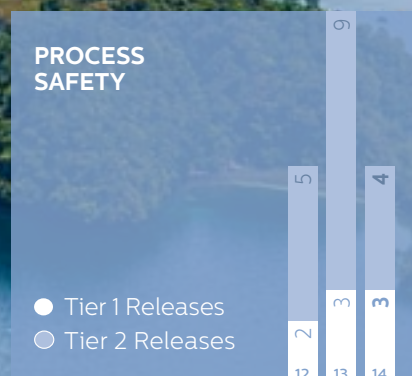
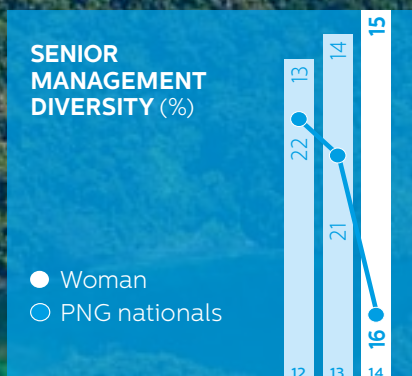
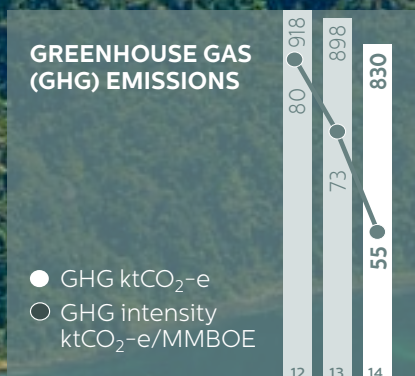
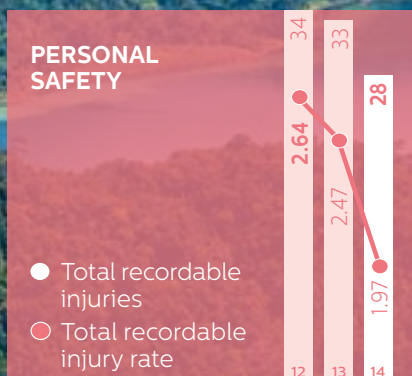
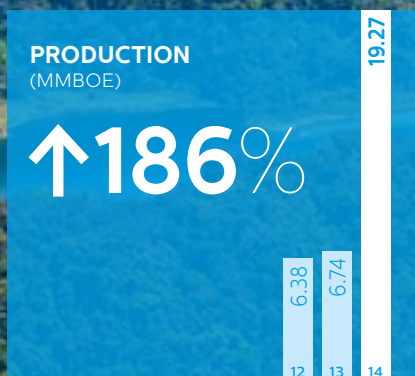
**Oil Search**



2014

# **SOCIAL RESPONSIBILITY SUMMARY**

# 2014 PERFORMANCE HIGHLIGHTS



## OIL SEARCH VISION:

To generate top-quartile returns for shareholders through excellence in socially responsible oil and gas exploration and production.

## SOCIAL RESPONSIBILITY PRINCIPLES

### Operating with Integrity

Operate ethically and adopt and advocate for principles, practices and standards that respect diversity, local culture, human rights, labour rights and the environment, and which contribute towards combatting corruption.

### Enhancing Social Licence to Operate

Support continued business operations by maintaining strong mutually beneficial relationships directly with stakeholders, monitoring the impact of our activities and leaving a long-term positive social development legacy.

### Generating Shared Value

Generate positive, sustainable outcomes for the communities in which we operate by creating opportunities which benefit the community and contribute to the continuity of our operations.

### Managing Resources Responsibly

Minimise our environmental impact and operate in an environmentally sustainable way through the adoption of a precautionary approach and consideration of effective and efficient use and re-use of resources.

### Continuous Performance Improvement

Continue to grow and leverage our sustainability capability by seeking ways to enhance our approach through improved monitoring, measurement and innovation.



## LETTER FROM THE MANAGING DIRECTOR AND HEALTH, SAFETY & SUSTAINABILITY CHAIRMAN

Oil Search's activities delivered a strong platform for growth in 2014. Despite the global oil price collapse late in the year, 2014 was an historic year for the Company, with the delivery of the transformational PNG LNG Project, a near tripling of production to record levels, the highest profit in the Company's 86-year history, and successful gas expansion activities in the PNG Highlands and Gulf Province. With the company's production volumes likely to quadruple from 2015 onwards compared to the 2013 results, Oil Search is undergoing fundamental change.

Throughout this period of dramatic growth, our enduring commitment to operating in a socially responsible manner remains firm.

To reinforce the important role social responsibility performance plays in value protection and competitive differentiation for Oil Search, the Board this year endorsed its inclusion in the Company Vision. This is a fitting and appropriate reflection of the kind of business we are and aspire to be.

The Company's 2014 Strategic Review identified key aspects of social responsibility as being critical to the successful delivery of key work initiatives and objectives. These elements relate to supporting the preservation of a stable operating environment and the enhancement of our organisational capability.

With LNG revenues flowing, the people of PNG understandably expect improved access to basic services and infrastructure. Throughout 2014 Oil Search continued to help ensure the economic and social benefits of our industry's operations are delivered strategically, efficiently and transparently.

We continue to augment the PNG Government's capacity to provide roads, schools, healthcare and justice facilities, taking the total value of the Tax Credit Scheme projects Oil Search manages to over US\$200 million. The Company also invested US\$7.8 million in projects to improve health, education, women's empowerment and food security. This included a donation of US\$5.8 million to the Oil Search Health Foundation (OSHF). The work of OSHF in PNG is a key pillar of our sustainable development approach and makes Oil Search one of the largest health providers in PNG.

The 2014 Strategic Review highlighted that in order to realise the full value of Oil Search's PNG operations and deliver on our vision, the Company needed to focus on PNG and continue to build organisational capability in key areas. As a result, the Board endorsed a number of strategic organisational changes.

These changes will enhance management depth in PNG to address in-country challenges, and broaden relationships with key PNG stakeholders. They will also facilitate succession planning and strengthen the senior management skills we need to deliver Oil Search's strategy over the next five years.

In periods of rapid growth, it is vital to keep focusing on doing business safely, securely and ethically.

In 2014 the Company's Total Recordable Injury Rate reduced by 20%, from 2.47 in 2013 to 1.97, whilst the Lost Time Injury Rate reduced by 17% from 0.59 in 2013 to 0.49 in 2014. Safety performance was excellent in PNG; however, regrettably, a member of the seismic contractor team in Tunisia was fatally injured during the year. An investigation by senior line management and safety staff into the circumstances surrounding the incident led to immediate administrative and engineering control enhancements which were shared with the wider seismic community.

In 2015 Oil Search will further develop a multi-year social responsibility strategy that outlines how we can continue building the Company's capabilities and performance in alignment with the Company's business objectives. This will coordinate activities in our community affairs, health and education programmes, the work of our Health Foundation, along with important social programmes in power and agriculture. Our commitment to, and investment in, various social responsibility initiatives will be increased, against a backdrop of tighter expenditure controls in response to the significant drop in oil prices seen in the last nine months.



PETER BOTTEN  
Managing Director



KEITH SPENCE  
HSS Committee Chairman

# OIL SEARCH'S SOCIAL RESPONSIBILITY JOURNEY

## 2003

Oil Search's 75<sup>th</sup> year of operating in PNG

Oil Search assumed operatorship of **all PNG producing oil fields**

## 2006

Oil Search's workforce HIV Policy drafted and HIV Educator appointed

## 2007

First Oil Search biennial social and economic survey undertaken

HIV programme extended to communities in areas of operation

Marasin Stoa Kipa (MSK) malaria treatment dispensation programme launched

## 2008

PNG Environmental Management System **certified under ISO 14001**

## 2009

PNG LNG Project Umbrella Benefits Sharing Agreement (UBSA) and Licence Based Sharing Agreement (LBSA) signed

Transwonderland Limited, an umbrella PNG Landowner company, established with Oil Search's help

## 2010

Strategic Review conducted – new business plan announced for 2011-14

Flare reduction programme implemented

Corporate Sustainability function established

**Oil Search's first Corporate Sustainability Report published**

Established emissions reduction target

Nominated as a Principal Recipient by the Global Fund to fight AIDS, Tuberculosis and Malaria

Appointed dedicated Maternal and Child Health team, substantially strengthening community vaccination programme

Developed and introduced Leading the Oil Search Way leadership programme

Submitted first CDP Carbon questionnaire response

## 2011

Became a signatory to the **United Nations Global Compact**

**Sustainability Policy and formal Sustainability Strategy approved by Oil Search's Board**

Sustainability governance structure established

Multi-year Corporate Sustainability Strategy put in place

**Oil Search Health Foundation established**

Published first **Sustainability Data Book and PNG In-Country Sustainability Report**

# 2012

20 years of investing in community health programmes in PNG

**First Sustainability Employee Engagement Survey conducted**

Published first formal **Payments Transparency Report**

KutMor Limited, an umbrella PNG Landowner company established with Oil Search's help

Oil Search advocated for PNG participation in EITI, and supported establishment of preliminary processes

# 2013

Oil Search celebrated 10 years as operator of all of PNG's oil fields

**First Investor Sustainability briefing held**

**Health, Safety and Sustainability (HSS) Board Committee established**

Became a **Extractive Industries Transparency Initiative (EITI) Supporting Company**

Oil Search joined PNG's EITI Multi-Stakeholder Group (MSG)

Included in **Dow Jones Sustainability Index** for first time

Corruption Prevention Framework approved and introduced

New Learning Management System implemented

# 2014

PNG LNG Project production commenced

Strategic Review conducted – new strategic plan announced for 2015 – 2019

PNG admitted as an EITI Candidate Country

**Social responsibility enshrined in new Company Vision**

**Values and behaviours refreshed** to support new Company vision

Included in Dow Jones Sustainability Index for second year

New operating model and enterprise management system announced

Accelerated Development Programme for emerging and established leaders launched

**Diversity and Inclusion Strategy introduced**

Conducted human rights risk review

Published first **social responsibility microsite**, with increased disclosures on management approach to key issues

Submitted first CDP Water questionnaire response



# OPERATING WITH INTEGRITY

## 2014 HIGHLIGHTS

**Compulsory Corruption Prevention Framework training roll out commenced**

**Oil Search Human Rights risk review completed**

**PNG admitted as an EITI Candidate Country**

**US\$246 million paid by Oil Search to governments as royalties, taxes, dividends, levies and other fees and charges**

**Corporate risk assessment framework updated**

## APPROACH

Operating with Integrity is one of Oil Search's core social responsibility principles. It means adopting and advocating principles, practices and standards that respect diversity, local culture and laws, human rights, labour rights and the environment, and which help to combat corruption.

The Company expects employees, contractors, suppliers and other people who represent Oil Search to do business legally, ethically and transparently.

As Oil Search operates in countries where this approach is not always part of the local culture, we have a number of measures in place to mitigate these risks. As well as providing employee training and education, we work closely with third party suppliers and governments to effect change.

A key element of Oil Search's approach to operating with integrity is promoting transparency. This includes being open and honest about our payments to governments, activities, performance and breaches as well as advocating for governments to be more transparent around the revenues they receive from extractive industries. Transparency is an important anti-corruption tool and supports continuous improvement as it holds boards, business owners and governments accountable to stakeholders.



## PERFORMANCE

### EVOLVING GOVERNANCE FRAMEWORK

Enhancements to Oil Search's management system and infrastructure in 2014 supported Oil Search's ability to continue operating with integrity as the Company grows:

- The introduction of a new management system commenced to ensure transparent, consistent management of key aspects of Oil Search's leadership, governance, operating model and capabilities. It will also help employees to conduct business according to Company values and behaviours, as laid out in the Oil Search Code of Conduct.
- The social responsibility governance structure was amended to better align key Board and management committees. The corporate risk assessment framework was updated and roll out commenced. The framework captures corporate level current and emerging risks and their corresponding controls across a number of operational, financial and social responsibility categories.

### CORRUPTION PREVENTION AND ETHICS TRAINING

Corruption Prevention Framework training commenced in 2014 and will be completed by all staff in 2015. The Framework supports Oil Search's zero tolerance approach to corruption of any kind.

Mandatory Chartered Institute of Purchasing and Supply Australasia ethics training for the Contracts team also began in 2014. This is helping Oil Search to identify potential supply chain integrity and business risks and to address them.

### HUMAN RIGHTS REVIEW RESULTS

A review in 2014 identified four main potential human rights risk areas within the context of the countries where Oil Search operates: community relations, labour rights in the supply chain, security, and land access and resettlement. Controls to manage these risks are being improved to minimise and appropriately manage the risk of impact. This includes improvements to policies and procedures; practices (both formal and informal); documentation and record-keeping; and grievance management.

### PAYMENTS TRANSPARENCY

As a signatory to the United Nations Global Compact, Oil Search is committed to working against corruption in all its forms. A key element of our anti-corruption approach is promoting transparency around industry payments to national governments.

Oil Search has voluntarily disclosed the taxes, royalties and other fees and charges it makes to governments for some years. In 2013, we became a Supporting Company for the Extractive Industries Transparency Initiative (EITI), a global standard that promotes openness and accountability.

Oil Search continued with transparency initiatives in 2014, including supporting PNG's EITI candidacy. In March 2014, the EITI Board admitted PNG as an EITI Candidate Country. Oil Search participated in various EITI forums during the year to support the country's transition.

For more information about Oil Search's approach to Operating with Integrity and 2014 payments or performance data, visit:

<http://socialresponsibility.oilsearch.com>

# HEALTH, SAFETY, ENVIRONMENT & SECURITY

## 2014 HIGHLIGHTS

**Total Recordable Injury Rate (TRIR) declined 20% to 1.97 in 2014**

**Lost Time Injury Rate (LTIR) declined 17% to 0.49 in 2014**

**8% drop in greenhouse gas emissions to 830 ktCO<sub>2</sub>-e**

**25% drop in emission intensity to 55 ktCO<sub>2</sub>-e/MMBOE**

**One spill >1bbl reached the environment in 2014**

**New incident management system roll out completed**

## APPROACH

A comprehensive, proactive and risk-based approach to Health, Safety, Environment and Security (HSES) risks and responsibilities is key to Oil Search's vision of socially responsible growth. We believe all incidents are preventable and continually improve Oil Search's processes and performance to support the ultimate goal of incident free operations.

Oil Search identifies HSES risks at the Corporate, Business Unit and Operations level and uses data to monitor the health of the existing risk controls and to identify emerging risks. Incident investigation findings drive continual improvement to Company systems and processes.

Oil Search uses a number of key performance indicators (KPIs) on health, safety, process safety, and environmental performance and benchmarks performance.

Targets are set for many of these KPIs based on operational considerations each year and performance against key safety targets is part of all employee's and the senior management team's remuneration structure.


## PERFORMANCE

### PROCESS SAFETY SYSTEMS STRENGTHENED

Implementation of the Process Safety Improvement Plan progressed significantly in 2014, with Basis for Safe Operations documents now in place for two key sites in PNG. In 2015, this process will be repeated at other PNG facilities.

The number of Tier 1 Process Safety Events has remained steady in 2014 at three, whilst the number of Tier 2 Process Safety Events declined to four in 2014 from nine in 2013. During the year there was a marked reduction in the number of incidents related to human error and a significant focus on process safety event reporting.





During 2014, Oil Search also completed an extensive review of operated wells in PNG to better understand the current status of the equipment which has been installed to prevent the unintended or uncontrolled release of hydrocarbons to the surface.

#### **MAINTAINING A CONTINUED FOCUS ON PERSONAL SAFETY**

The continued focus on ensuring adherence to procedures and deep dive site leadership inspections contributed to an improvement in total recordable and lost time injury safety indicators.

Regrettably, a member of the seismic acquisition contractor crew in Tunisia was fatally injured. Senior Oil Search staff conducted an investigation into the incident and the contractor provided the family of the deceased worker counselling and support. The investigation was completed in December and led to immediate procedural and engineering control changes as well as improvements in how safety and security is managed during the acquisition of seismic. Lessons learnt have been communicated to the international seismic community and throughout Oil Search.

#### **ENVIRONMENT AND WELLBEING PROTECTION MEASURES STRENGTHENED**

In 2014 the focus was to build on the waste management infrastructure improvements implemented in 2013. This included developing the supporting processes, increasing awareness of good waste management practices, and embedding them into day-to-day activity.

A comprehensive training programme for the field Environment team, a new database and reporting tool, new wet lab and updated quality assurance processes strengthened the Company's air, water and noise environmental monitoring capabilities in PNG.

Oil Search's Environmental Management System was audited in 2014 under the ISO 14001 recertification process. Just one new minor non-conformance was issued.

The Staff Wellbeing programme was relaunched in PNG to better embed a culturally aware employee health, fitness and wellbeing ethos into our PNG operations.

#### **GREENHOUSE GAS PERFORMANCE ON TRACK TOWARDS 2016 TARGET**

In 2014, Oil Search's total greenhouse gas (GHG) emissions were 830 ktCO<sub>2</sub>-e. This was lower than in recent years, primarily due to a decrease in flaring.

This decrease in total emissions, coupled with a significant increase in production in 2014, means Oil Search's emissions intensity performance is currently ahead of the Company's emissions intensity target of a 12% reduction in emissions intensity by 2016 against a 2009 baseline. A challenge in 2015 and 2016 will be to maintain this when new high carbon dioxide content wells in PNG come online.

To manage the carbon dioxide from these wells, substantial progress was made in 2014 on installing a carbon dioxide separation unit and flare. The unit is due to be completed in 2015.

For more information about Oil Search's HSES approach and 2014 performance, visit: <http://socialresponsibility.oilsearch.com>

# SUSTAINABLE DEVELOPMENT

## 2014 HIGHLIGHTS

**US\$7.8 million invested in sustainable development by Oil Search**

**US\$42.3 million spent on behalf of the PNG Government delivering Tax Credit Scheme projects**

**29 community development projects completed in PNG and Kurdistan**

**30 Oil Search-sponsored tertiary students graduated**

**310 community members received farming techniques training, 75% of which were women**

**26 PNG landowner company directors trained in good governance**

**US\$68.5 million paid for work contracted with PNG landowner companies**

## APPROACH

Oil Search's sustainable development activities are essential to protecting the Company's social licence to operate and a key part of our socially responsible business model. Realising opportunities to generate value shared by both the business and society is therefore of critical importance to our success.

Oil Search contributes to sustainable development through:

- Partnerships, including the Oil Search Health Foundation, community development projects, and targeted sponsorships and donations that create opportunities which provide long term benefits to local communities.
- Providing business development advice and assistance to local businesses so they can participate in the marketplace.
- Employing and upskilling local staff.

The focus of Oil Search's sustainable development activities is determined by community need as identified through socio-economic surveys, community requests and on-going engagement. They are focussed on helping develop local communities, businesses, skills and economies and facilitate the delivery of essential infrastructure. Both directly and through the Oil Search Health Foundation, the Company also contributes to improved community health outcomes.

Where possible, Oil Search looks to align this focus with priorities identified by the governments where we operate.





## PERFORMANCE

### COMMUNITY DEVELOPMENT

Oil Search's longstanding involvement in community development activities continued during 2014. PNG highlights included:

- Ongoing HIV, malaria and maternal and child health public health interventions lead by the Oil Search Health Foundation (OSHF).
- Good progress on collaborative projects hosted by the OSHF such as the Reproductive Health Training Unit and the PNG Industry Malaria Initiative.
- Completing the pilot phase of a potential piggery enterprise in partnership with Business for Millennium Development.
- Delivering three infrastructure projects in the Southern Highlands under PNG's Tax Credit Scheme and continuing work on delivery of a sports stadium and a government office block in Port Moresby.
- Working with seven local level PNG governments to help improve the planning, transparency and delivery of local government development activity.

Oil Search's sustainable development investment in the Kurdistan Region of Iraq increased in 2014 and included a number of education and water supply infrastructure improvements. In addition, the Company contributed to the efforts of the Kurdistan Oil and Gas Humanitarian Initiative, which provides emergency support to people affected by conflict in the area.

### BUSINESS DEVELOPMENT

The Company engaged with several major suppliers to create a safer, more cost efficient and more sustainable supply chain.

We also reviewed contractor PNG landowner companies (Lanco) to measure how well they were meeting their regulatory and contractual obligations around governance and transparency. In response, Oil Search instigated an improvement programme including regular meetings with Lanco management to implement a management plan, specialist assistance, and training. As a result, the number of compliant Lancos increased in 2014.

### LOCAL CONTENT

In PNG, 39% of total payments to suppliers were made to local suppliers in 2014 and 83% of Oil Search's workforce are PNG nationals.

The Company invested in a wide range of training and development programmes in 2014, such as the Oil Search Graduate Programme. This investment helps citizen employees to progress their careers, benefits local communities and has long term economic benefits for areas where we operate. For more information, see the People section.

For more information about Oil Search's sustainable development approach and 2014 performance, visit: <http://socialresponsibility.oilsearch.com>





# OUR PEOPLE

## 2014 HIGHLIGHTS

- ▶ **New organisational structure and management system announced**
- ▶ **15% of our senior management team are female**
- ▶ **83% of our PNG workforce are PNG citizens**
- ▶ **Diversity and Inclusion Strategy introduced**
- ▶ **Oil Search values refreshed: Caring, Integrity, Passion, Responsible, Respect, Excellence, Diversity**

## APPROACH

Oil Search's human resource plan provides a consistent approach to sourcing, developing, motivating and retaining the right people for Oil Search's strategic business needs. By taking a strategic diversity and inclusion approach, the Company develops and implements leadership, graduate, talent and succession management programmes that support current and future leaders.

Oil Search operates in a highly competitive marketplace for talent, particularly in PNG. To acquire, develop and retain high calibre people, the Company uses a targeted recruitment method that integrates the company's leadership behaviours and values. Attraction, retention and performance are further improved by a competitive reward and benefits programme.

The underlying human resource systems are designed to support Oil Search's vision, values and behaviours. These systems also provide data that optimises workforce decision making and improves business performance.

A range of key performance indicators are used across key areas and targets are in place for many of them, including diversity and inclusion, remuneration competitiveness, and succession bench strength and performance.





## PERFORMANCE

### NEW OPERATING MODEL

During 2014 several changes were made to our operating model, management system and human resource plan to align organisational capacity with Oil Search's forward business strategy.

The Company moved to a Business Unit/Functional structure from January 2015. The structure includes a PNG Business Unit based in Port Moresby and headed by a new Executive General Manager role. A number of senior positions will progressively move from Sydney to PNG to strengthen management presence and succession planning.

The changes align with the outcomes of the Strategic Review which emphasised Oil Search's commitment to PNG, capability building and further improvements to diversity and inclusion.

### PEOPLE DEVELOPMENT

Several long term development projects to build organisational capability were successfully implemented in 2014, including:

- Talent and succession management processes: Including a formal programme of talent evaluation by executives; aligning role criteria with the new business strategy; and bringing in expertise to support senior leadership and specialist bench strength.
- Accelerated Development Programme: An intensive 12-month programme of leadership skills development that included residential workshops and executive mentoring.

- Global graduate programme: Training expanded to include non-technical professional development such as critical thinking, communication and planning; in alignment with the Company's strategic focus on leadership.

The Board endorsed an independent review to identify the management competencies required to lead the Company's new business strategy and assess skills gaps so they can be addressed. The programme will be carried out in 2015 and will be ongoing.

### OUR WAY LAUNCHED

Roll out of the Our Way enterprise management system, a major enabler for the new business strategy, was progressively implemented in 2014. Development and integration of the system will continue in 2015. It includes a Leadership Framework that sets out Oil Search's values and the related behaviours, which all employees are expected to embody.

### DIVERSITY AND INCLUSION STRATEGY

The Oil Search Diversity and Inclusion Strategy was introduced in 2014. The three-year strategy focuses on gender and nationality as priority areas for action, particularly in leadership roles.

For more information about Oil Search's People approach and 2014 performance, visit:

<http://socialresponsibility.oilsearch.com>



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