



Social Performance Report  
Year to 31 December 2011

HEALTH  
SAFETY  
ENVIRONMENT  
W

TY &  
VIROONMENT  
are all responsible



## Company profile

**Premier is a leading FTSE 250 independent exploration and production company with oil and gas interests in the North Sea, South East Asia and in the Middle East, Africa and Pakistan regions.**

Our strategy is to add significant value for shareholders through exploration and appraisal success, astute commercial deals and optimal asset management. The company is headquartered in London with approximately 700 permanent employees worldwide, the majority being located in the United Kingdom and Asia. [www.premier-oil.com](https://www.premier-oil.com)

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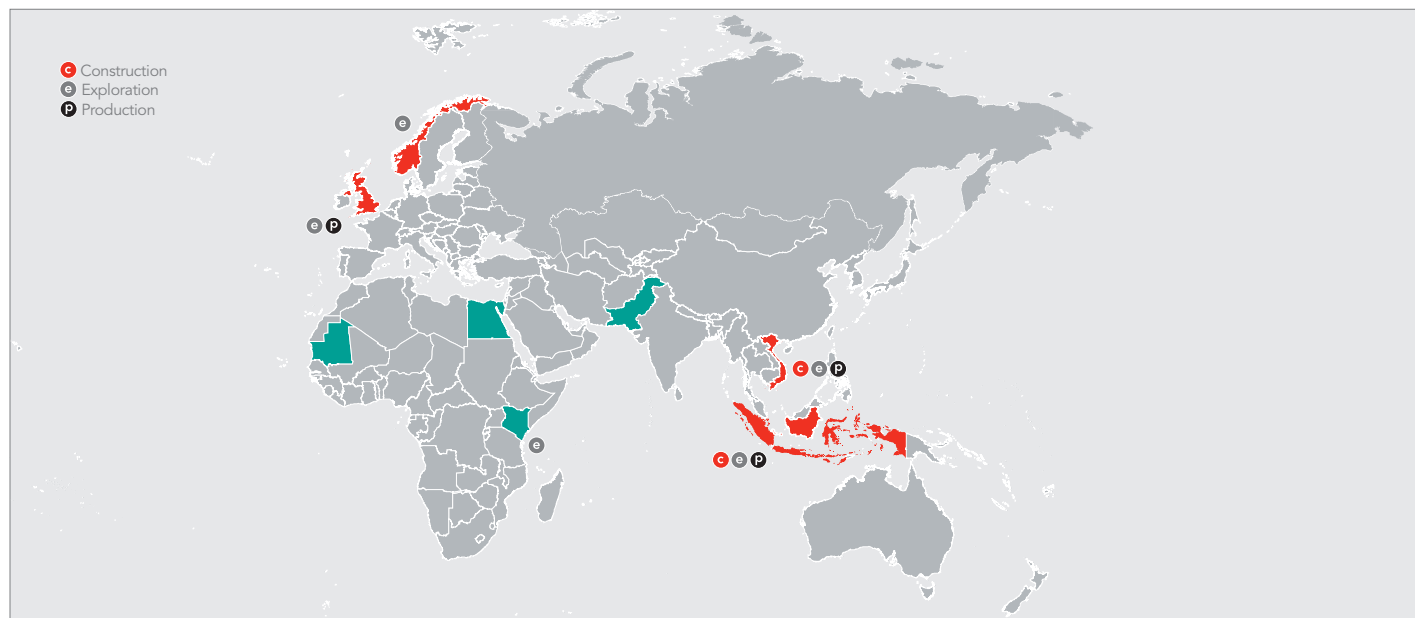
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# Map of our operations and licences



Licences	Field/Discovery	Equity (%)
<b>Congo</b>		
Marine IX <sup>1</sup>		31.50
<b>Egypt</b>		
North Red Sea		20.00
South Darag <sup>2</sup>		100.00
<b>Ireland</b>		
PEL 4/05 <sup>3</sup>	Old Head of Kinsale	15.00
PEL 5/05 <sup>3</sup>	Schull	12.50
<b>Indonesia</b>		
Buton		30.00
Kakap	Kakap	18.75
Natuna Sea Block A	Anoa	28.67
Block A Aceh	Alur Siwah	41.67
Tuna		65.00
<b>Kenya</b>		
	L10A	20.00
	L10B	25.00
<b>Mauritania</b>		
PSC A		4.615
PSC B		9.23
PSC B	Chinguetti	8.12
PSC C10		6.23
<b>Norway</b>		
PL359		30.00
PL364	Frøy	50.00
PL374S	Blåbaer	15.00
PL378	Grosbeak	20.00
PL378B		20.00
PL406		40.00
PL407	Bream	20.00
PL539		40.00
PL565		60.00
PL566S		50.00
PL567		60.00
PL617		35.00
PL622		60.00
PL623		20.00
PL647		30.00
<b>Pakistan</b>		
Production Leases	Zarghun South	3.75
P110	Zamzama	9.375
P110	Badhra	6.00
P119	Bhit	6.00
P201	Qadirpur	4.75
P201	Kadanwari	15.79
<b>SADR<sup>4</sup></b>		
	Daora, Haulza, Mahbes	50.00
	Offshore Laguera	100.00
<b>United Kingdom</b>		
P077		39.90
P077	Nelson <sup>5</sup>	50.00
P087	Nelson <sup>6</sup>	46.50
P101	Moth	50.00 <sup>7</sup>
P110	Mallory	27.24
P110	Huntington East	25.04
P119	Ptarmigan	60.00 <sup>8</sup>
P164	Solan	60.00 <sup>9</sup>
P185	Blackhorse	50.00

Licences	Field/Discovery	Equity (%)
P201	Balmoral <sup>10</sup> , Stirling <sup>11</sup> & Glamis	85.00
P201	Brenda (Above 7,500ft)	100.00
P213	Caledonia	100.00
P218	Scott <sup>12</sup>	45.83
P218	Telford <sup>13</sup>	7.29
P218		28.00
P233	Nicol	70.00
P257		1.518
P288 <sup>14</sup>	Angus, Fife, Flora	15.00
P300		25.00
P344		55.00
P344	Balmoral <sup>10</sup> & Stirling <sup>11</sup>	44.20
P354		30.00
P489	Blackhorse	50.00
P534	Wyth Farm (offshore) <sup>15</sup>	30.385
P640		50.00
P748	Kyle	40.00
P758 <sup>14</sup>	Fife	35.00
P1042	Brenda	100.00
P1114	Huntington	40.00
P1157	Brenda	100.00
P1181		57.50 <sup>16</sup>
P1212		50.00
P1220	Sheryl	65.00
P1243	Cobra	25.00
P1260	Shelley	100.00
P1298	Kildare/West Rochell <sup>17</sup>	50.00
P1335	Esmond	100.00
P1420		72.73
P1430	Catcher/Varadero	50.00
P1463	Tudor Rose	40.00
P1466		100.00 <sup>18</sup>
P1475		50.00
P1559		100.00
P1577		100.00
P1615	West Rochelle <sup>19</sup>	25.00
P1620		50.00
P1655		28.00
P1769	Hoylake	50.00
P1770		50.00
P1771		50.00
P1772		50.00
P1784		70.00
P1804		30.00
P1812		100.00 <sup>20</sup>
P1866		50.00
P1870		50.00
P1875		50.00
P1876		50.00
P1886		50.00 <sup>21</sup>
P1887		25.00
PL089	Wyth Farm (onshore) <sup>22</sup>	
26th Round (2)		7.50 <sup>23</sup>
26th Round (2)		0.00 <sup>24</sup>
<b>Vietnam</b>		
Block 12W	Chim Sáo	53.125
Block 07/03	Cá Rồng Đỏ	30.00
Block 104-109/5 <sup>25</sup>		50.00

Note: Red shading on map indicates countries where we operate. This includes our exploration, construction and production activities. Green shading indicates countries where we have equity in joint ventures operated by another oil and gas company (as at end 2011). A detailed list of these joint ventures and our equity ownership is located in the Annual Report 2011 and on [www.premier-oil.com](http://www.premier-oil.com)

- 1 Notice has been served to withdraw from this licence.
- 2 This government concession has been signed and is awaiting ratification.
- 3 A two year lease undertaking is being sought for this licence, which expired in October 2011.
- 4 These PSCs were signed in 2006 and will be ratified by the SADR Government once the SADR has been internationally recognised as an independent state.
- 5 Unithised share of 1.31404 per cent.
- 6 Unithised share of 0.348750 per cent.
- 7 Premier has entered into a farm-out agreement with ConocoPhillips. Subject to government and co-venturer consents Premier will transfer a 25 per cent interest to ConocoPhillips, on completion of which Premier's interest will be 25 per cent.
- 8 Subject to government consents Chevron will transfer their entire 28 per cent interest to Premier, on completion of which Premier's interest will be 88 per cent.
- 9 Premier will become Operator of this licence once formal notice has been received.
- 10 Unithised share of 78.115421 per cent.
- 11 Unithised share of 68.68 per cent.
- 12 Unithised share of 21.83 per cent.
- 13 Unithised share of 1.58677 per cent.
- 14 This licence will be relinquished once government approval has been given.
- 15 Unithised share of 30.09625 per cent.
- 16 Premier has entered into a farm-out agreement with ConocoPhillips. Subject to government and co-venturer consents Premier will transfer a 37.3 per cent interest to ConocoPhillips, on completion of which Premier's interest will be 20.2 per cent.
- 17 Unithised share of 9.289175 per cent.
- 18 Premier has entered into an earn-in agreement with Canadian Overseas Petroleum (UK) Ltd. Subject to completion of drilling and government consents, Premier will transfer a 40 per cent interest to Canadian Overseas Petroleum (UK) Ltd, on completion of which Premier's interest will be 60 per cent.
- 19 Unithised share of 5.710825 per cent.
- 20 Premier has entered into a farm-out agreement with TAQA Britani Ltd. Subject to government consent, Premier will transfer a 50 per cent interest to TAQA Britani Ltd, on completion of which Premier's interest will be 50 per cent.
- 21 This licence was awarded in the UK 26th Round (2nd tranche) jointly with AWE Offshore UK Ltd. AWE Offshore UK Ltd has withdrawn from the UKCS. Subject to DECC granting the licence, Premier will accept the licence as sole licensee.
- 22 Unithised share of 30.09625 per cent.
- 23 These blocks were awarded in the 26th Round (2nd tranche). Subject to licence grant and the Secretary's consent to a further assignment which will be sought after any such grant, Encore Oil has agreed to assign it's entire 7.5 per cent interest to Egdon Resources.
- 24 This block was awarded in the 26th Round (2nd tranche) to Echo Petroleum. Subject to licence grant and government consent, Premier will exercise an option to acquire a 50 per cent interest in this licence from Echo once granted.
- 25 Notice has been served to withdraw from this licence.

## MESSAGE FROM THE CEO

# 1

By Simon Lockett CEO



We are committed to applying the highest of ethical standards and to maintaining our reputation as a world-class operator in oil and gas. Our reputation for doing the right thing enables us to access new licences, enter new countries, build lasting relationships with local communities and ultimately secure the licence to operate. We have policies and procedures in place to ensure that our investment and operational decisions take appropriate account of the impacts that might arise from our activities.

Set out in the next few pages is our Social Performance Report 2011. It documents many of the things that we are rightly proud of. It also explains some of the areas of our business where we are challenged.

## Community investment

Sustained community investment continues to be a key part of our commitment to host governments and local stakeholders in those regions closest to our operations. This includes significant contributions to agriculture, education, infrastructure and environment projects in Indonesia and to helping those with disabilities or looking to secure active employment in the United Kingdom North Sea region. Similar projects are implemented in Pakistan and in Vietnam where our focus is on empowering disadvantaged children. All of these projects contribute to economic growth and build lasting local capacity. Our planned community investments continue to increase year on year, from US\$380,000 in 2009 to US\$427,000 in 2011.

## Building a diverse and ethical workforce

Our workforce in 2011 increased by more than 20% to over 700 employees. This was mainly due to the continued expansion of our operations in Indonesia and the North Sea. This last year also saw the launch of our global People Strategy, which aims to improve the recruitment, development and succession planning for our teams around the world. Gaining significant traction with this initiative at a time of very rapid growth in investment is critical to our continued success as we onboard new projects and expand our pipeline of future developments.

In 2011, Premier implemented the United Kingdom Bribery Act regulations and training for our employees at all operations worldwide. The process has been well received by all involved. No cases of corruption were identified during the year.



## Our Golden Rules on safety

This last year saw a significant reduction in high potential incidents per million man-hours from 1.59 in 2010 to 0.83. This was largely due to exceptional performance at our drilling and construction operations with annual frequencies of 0.00 and 0.36 respectively. Our overall safety performance also improved with the Total Recordable Injury Frequency (TRIF) at 2.36 instead of 2.84 in 2010. TRIF performance at our drilling operations was again exceptional at 0.00, excellent in construction at 1.80, but poor in our production operations at 6.10.

The implementation and communication of our new health and safety Golden Rules to all Premier operations worldwide is anticipated to help reduce future incidents. The Golden Rules reinforce our existing Health, Safety and Environment (HSE) Policy, procedures and standards and have been established to help prevent the most common causes of serious incidents in our industry. I believe these Golden Rules will make a really positive contribution to our safety culture and performance.

## Increased focus on greenhouse gas emissions

Our operated greenhouse gas emissions intensity in 2011 was 305 tonnes per thousand tonnes of production (2010: 185 tonnes per thousand tonnes of production). This increase from 2010 was mainly due to an increased focus on development drilling activity as well as unexpected events at Balmoral and during the development of our Chim São and Gajah Baru assets in Asia. If these these unexpected events are excluded, our underlying steady-state emissions intensity figure was 163 tonnes per 1,000 tonnes of production (155 tonnes: 2010).

Premier continues to participate in the Carbon Disclosure project and strives to reduce its emissions year-on-year to a level that is as low as reasonably practicable (ALARP). This is challenging due to the increasing age of our operations and the gas flaring often associated with the commissioning of new facilities. Despite this challenge, there are many recent examples of our continued commitment to emissions reductions. These include work at Anoa where we are reconfiguring gas export compressors to enable associated gas to be exported more reliably, and the use of low nitrogen oxides (NOx) and sulphur oxides (SOx) emissions turbines at our new Gajah Baru operation.

Our ambition is to achieve a greenhouse gas emissions intensity in line with the industry average published by the International Association of Oil and Gas Producers (OGP) with a stretch of being an upper quartile performer.

## Our intentions for 2012

Premier continues to uphold the principles of the United Nations Global Compact, a global initiative that aligns business operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. This report provides evidence of our commitment to these principles and to continued improvements in our social and environmental performance. This next year will see a number of new recruits joining our HSE and social teams, and the ongoing strengthening of management systems, reporting and governance across all areas of this report. This heightened level of vigilance will be critical as we continue to compete for licences and develop new projects.

**Simon Lockett**, Chief Executive Officer, Premier Oil plc

## OUR APPROACH TO REPORTING

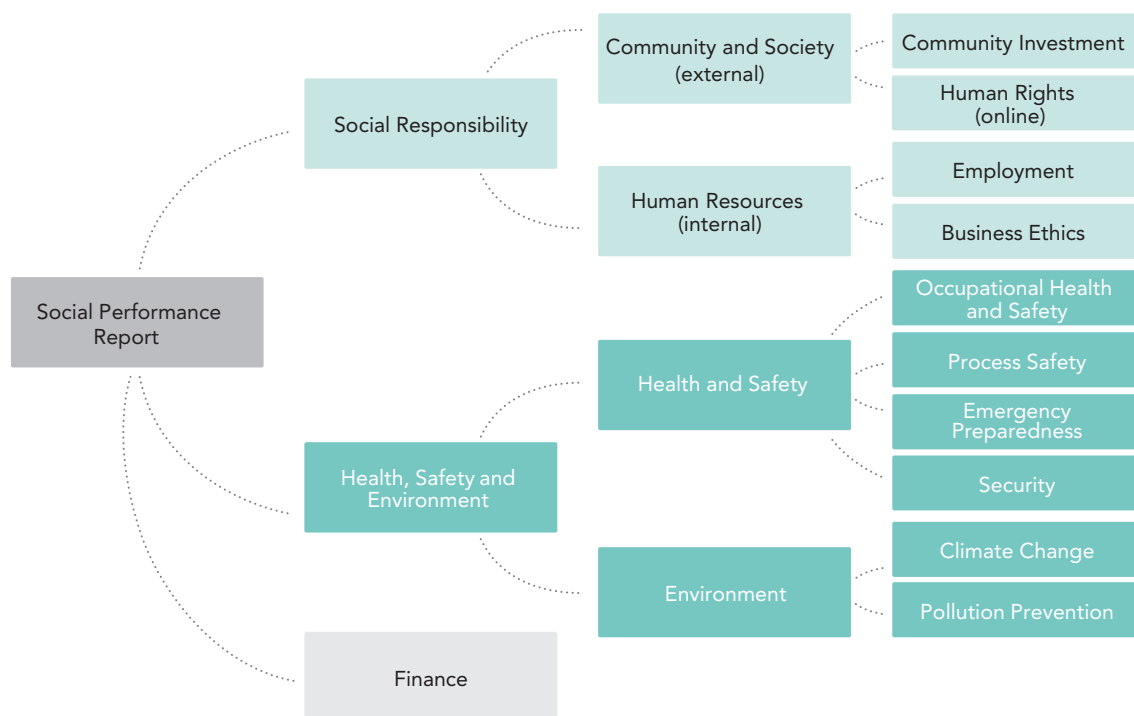
This Social Performance Report aims to demonstrate how we have applied and delivered on our stated policies and commitments in 2011. This report covers our own operations and does not include non-operated joint ventures except where specified.

Premier carries out independent audits of its policies to ensure compliance with the requirements of the following bodies: the Global Reporting Initiative (GRI); the International Petroleum Industry Environmental Conservation Association (IPIECA) Oil and Gas Industry Guidance on Voluntary Sustainability Reporting 2010; the Carbon Disclosure Project; FTSE4Good and the ten principles of the United Nations Global Compact.

Our last report identified areas for improvement relating to the continued development of our social investment programmes, employee engagement surveys and the roll-out of our Code of Conduct training. It also highlighted the need for additional process safety procedures, disclosures and incident reporting as well as more structured and informative greenhouse gas emissions accounting. Steps were taken in 2011 to address these areas and to further strengthen our underlying management systems in line with emerging global standards. Our performance in respect of the commitments made in 2011 is presented throughout this report and summarised on page five. Further information about our policies and procedures is available on our website. This includes our Human Rights Policy and position statements on issues such as indigenous peoples, development rights and stakeholder dialogue.

With regards to reporting against the GRI Sustainability Reporting Guidelines, we believe this report meets the requirements of a B+ level of compliance and as such addresses sufficient core areas to achieve that rating. This report is also our annual Communication on Progress to the United Nations Global Compact.

**Figure 01: The scope of our social performance reporting<sup>1</sup>**



<sup>1</sup> Policy statements for all areas are presented online at [www.premier-oil.com](http://www.premier-oil.com).



As of end April 2012, Premier retained its inclusion within the FTSE4Good Index for the 9<sup>th</sup> year in a row.

Tony Durrant, Finance Director, Premier Oil plc

Figure 02: Delivering on our commitments

Report section	Our commitment in 2011	Actions taken over the last year	Page
Our approach to reporting	Continue to improve existing policies and management systems to align with global standards and investor requirements	Implementation of new health and safety procedures; inclusion of answers to investor questions (e.g. on greenhouse gas emissions and targets) in this report	28-29
Community investment	Contribute to the sustainable development goals of host communities and governments	Continued engagement by local teams has added new initiatives of relevance to local employees as well as host governments and communities	7-17
Employment	Implement follow up to employee satisfaction survey	A survey was implemented in 2008. A follow-up was implemented on an anonymous basis with all employees in 2011, covering employee viewpoints on commitment, compensation, retention, the work environment and other parameters	19
	Continued roll-out of training programmes, grading systems and succession planning	Premier developed and continues to roll-out a global People Strategy including formal planning on resourcing, competency and development as well as succession and reward, to help Premier achieve its goals through its people	18-22
Business ethics	Delivery of training workshops on the Code of Conduct and its requirements to all senior managers	Presentations were delivered to all senior managers worldwide with similar sessions being implemented amongst other employees and consultants across the group	23-24
Health, safety and environment	Commitment to continuous improvement in HSE practice and performance	Implementation of our Golden Rules to help prevent serious incidents, and reaffirm our expectation that employees will "stop the job" if they see or believe something can be better controlled or is unsafe	3, 26-30
	Increased disclosure on process safety and emergency preparedness	Further analysis of our work on well integrity, asset integrity, simultaneous operations and preparedness for well capping	35-36
	More structured and informative greenhouse gas emissions accounting and the evaluation of targets	Enhanced, more rigorous reporting on greenhouse gas emissions as well as a discussion of industry status and company ambitions	38-41

## 2 | Social Responsibility



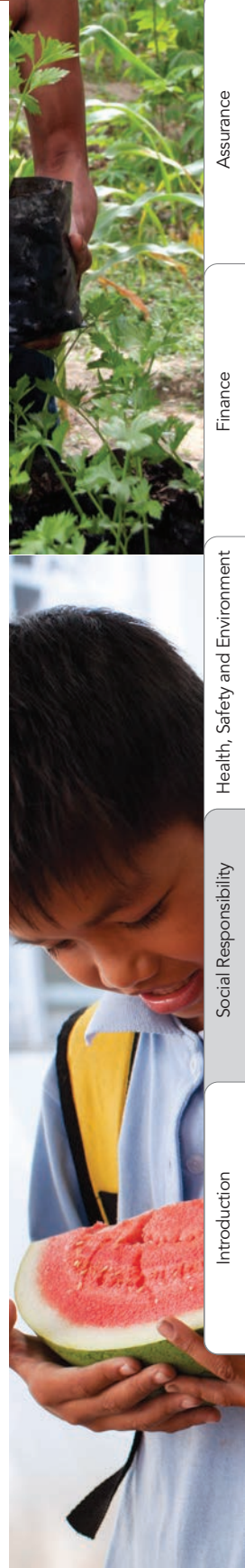


## COMMUNITY AND SOCIETY

Social responsibility is about how we engage with, assess and respond to our community and societal issues and risks. Our Corporate Social Responsibility (CSR) and Human Rights Policies are applicable to all Premier operated entities and may be adapted to address local priorities. Our global Code of Conduct (p23) and Employment Policy (p18) are managed through the Human Resources function. All policies are compliant with relevant legislation and take due account of appropriate initiatives and standards, industry guidance and relevant best practice.

We recognise that we have responsibilities to a diverse group of stakeholders including shareholders, customers, employees, business partners, local communities and society at large, including special interest groups that represent public interest concerns, such as Non-Governmental Organisations (NGOs). Our investment decisions take account of economic, environmental and social impacts and their management.

We will always comply with local laws and regulatory requirements as a minimum, and make representations to the relevant authorities if we believe that policies and practices of host governments undermine our policies. We complete environmental and social impact assessments prior to undertaking any new investment and evaluate these impacts regularly to ensure that they are responsibly managed on an ongoing basis. We expect our contractors, suppliers, joint venture and alliance partners to respect our policies. Their concurrence with the principles on which our policies are based is an important factor in our decision to form or remain in a relationship with them.



## COMMUNITY INVESTMENT

### Our policy

It is our policy to support social investment that contributes to the sustainable development goals of the communities and countries where we operate. This means working in partnership with professional social development organisations, government agencies and local NGOs to ensure our investment addresses relevant and material issues in a rigorous manner with positive impacts on society. Our investment is increasingly focused on the development of local capacity and educational initiatives that deliver social and economic returns for both local communities and host governments. We also contribute to local infrastructures and disaster relief initiatives.

There were no reported non-compliances with this policy in 2011.

### Our investment in 2011

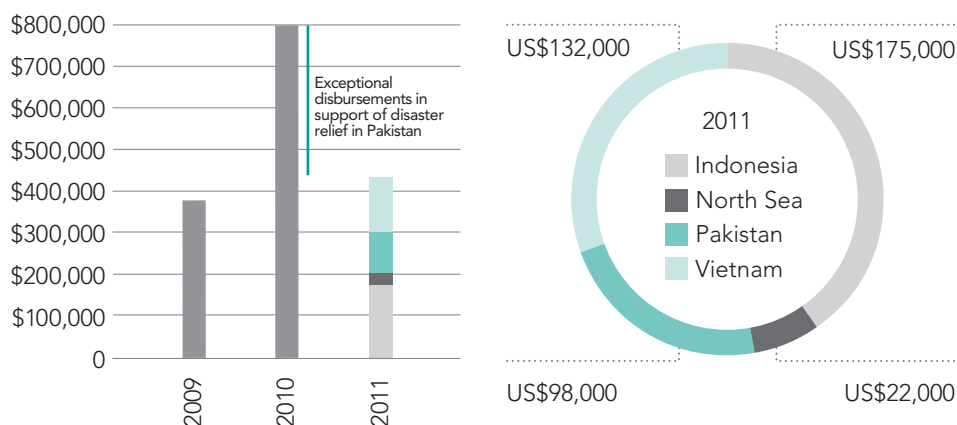
In 2009, we initiated a review of our CSR management system including the identification, management, evaluation and budgeting of social investment disbursements. These procedures form part of our business management system, are aligned with the IPIECA approach and include the following:

- Procedure 1: Management system overview
- Procedure 2: How to prepare country policy documents
- Procedure 3: How to embed social investment
- Procedure 4: How to conduct a risk assessment
- Procedure 5: How to prepare an annual action plan
- Procedure 6: How to implement and monitor
- Procedure 7: How to audit and review your performance

These documents, each of which is supported by a set of tools, were used by local business units in 2010 to build country-specific community investment strategies and identify appropriate local initiatives and partners to deliver on our policy commitments. The 2011 year saw the first full-year of implementation, review and reporting from each business unit (p9-17).<sup>2</sup>

Premier spent a total of US\$427,000 on community investment in 2011 (2010: US\$800,000). This represents a total of 0.3% of pre-tax profits (2010: 0.8%). The reduction from 2010 was mainly due to the reduced requirement for disaster relief disbursements in Pakistan. A total of 30% of this spend (US\$175,000) was disbursed in Indonesia (2010: US\$225,000) on long-standing community and environmental projects. The balance was disbursed in Pakistan, Vietnam and the United Kingdom.

**Figure 03: Our community investment profile (US\$)<sup>3</sup>**



COMMUNITY  
INVESTMENT  
IN INDONESIA  
TOTALLED  
US\$  
175,000

IN 2011 (2010: US\$225,000)

### Our community investment in Indonesia

Premier Oil Indonesia completed numerous community development projects in 2011. The positive impact of our investment helped us earn the Green Award for PROPER 2011 for the fourth consecutive year.<sup>3</sup> The award is given on a block-by-block basis following audits by the regulator and relates mainly to environmental and social performance. The Green Award recognises good operational performance and good levels of community investment and impact beyond legal compliance. For Premier this relates largely to our investment to support local capacity building and economic development in the Anambas region near our offshore Anoa production operations. This investment focuses mainly on agriculture, education, social infrastructure and the environment. Premier was one of 22 oil and gas companies that received the Green Award and ranked in the top quartile of all 1,000 companies assessed as part of the rating programme.

Community investment in Indonesia totalled US\$175,000 in 2011 (2010: US\$225,000). Our reduction in spend from 2010 was mainly due to a restructuring and reprioritisation of intended investment in partnership with local government. Much of this anticipated disbursement has now been carried over to our 2012 programme.

### Agriculture

In 2010, Premier initiated an economic agriculture programme with local communities in the Anambas region. It was implemented with 100 farmers from Langir Village (Palmatak sub-district) and Rintis Village (Siantan sub-district). The programme was developed with support from the local Anambas government. It enables local communities to grow their own organic crops including as rice, vegetables and fruits, thereby reduces dependence on expensive imports from other regions. In addition to the focus on pesticide-free environment-friendly farming techniques, the programme is designed to build business knowledge and support farmers to access markets and obtain a fair price for their produce.

<sup>2</sup> As a shareholder in four non-operated production operations (Bhit, Kadanwari, Zamzama and Qadirpur), Premier Pakistan financially supports community projects undertaken by our joint venture partners and also collaborates with the Pakistan Petroleum Exploration and Production Companies Association (PPEPCA). During the 2011 reporting period, Premier also instigated a number of additional community investment initiatives. This report includes only these additional initiatives funded by Premier.

<sup>3</sup> PROPER is an acronym for Program Penilaian Peringkat Kinerja Penataan dalam Pengelolaan Lingkungan (the Company's Environmental Performance Rating Program) which includes community development as part of its assessment criteria.



## COMMUNITY INVESTMENT (continued)

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The 2011 period saw a transition from preparatory training and skills development to the delivery of crop harvests and revenues for farmers at both projects. Langir successfully harvested 5.6 tonnes of rice crops in April on a pilot area of 6,000 m<sup>2</sup>. The success of this first harvest motivated the programme to expand the planting area to 11,000 m<sup>2</sup> resulting in an escalated harvest of 10 tonnes in October 2011. Rintis saw an equally successful harvest of vegetables with an average of 15 tonnes every 3 months in the farmers collective area including produce such as cucumber, chilli, corn and string bean. Similar frequencies and levels of harvesting are expected in future years. The farmers in Langir village aim to expand their rice field to 40,000 m<sup>2</sup> which will further increase their contribution to the overall needs of the 470 village residents. Hands-on technical consultants are working with the farmers to increase land used for agriculture as well as crop and yield productivity. Premier is also exploring the feasibility of an off-take agreement where it purchases defined volumes of rice and vegetables for use in the offshore employee canteen. The programme has already contributed additional income to the farmers of around US\$230 per month.

### *Focus on education*

Our engagement in Indonesian education initiatives started with the construction of a kindergarten in the Anambas region in 1999. Premier has now built a total of six kindergartens that enrol around 400 children spread across six remote villages in the Anambas regency. The kindergartens are individually managed by a foundation and are supported by the district government. Premier is supporting 25 teachers to obtain a bachelor degree equivalent in Early Education for Children in order to further enhance the quality of local teaching skills. The degree is run by the Open University with target completion of study at the end of 2012.

Premier also supports tertiary education through full tuition and board scholarships for university students. In 2010, we initiated a programme of support for 30 university scholarships as part of our commitment to develop local agricultural capability. This four-year bachelor of science scholarship programme in agriculture-related studies is now in its second year with all students having passed their first year exams. Most of the students will return to their home villages of Langir and Rintis helping to ensure the above organic farming initiatives are sustainable and transferable to future generations. The scholarships programme was assembled together with the local government of Anambas Islands as part of a sharing initiative developed by the Institut Pertanian (Agriculture Institute) located in Yogyakarta, Indonesia.

### *Commitment to local infrastructure*

Premier has developed several infrastructure projects at the request of the Anambas local government. This has included the construction of public health centres, libraries and school class rooms. Two of the multi-functional buildings we funded were completed and handed over to local government in 2011.

The first building, a sports hall, is located in Tarempa, the capital of Anambas Islands district, and was built using funds provided by the West Natuna Consortium, consisting of ConocoPhillips, StarEnergy and Premier Oil. It plays a central role in the Tarempa community and is used for all official meetings of the local government as well as by the community. Events held in this facility include official inaugurations, regional development planning meetings, national holiday ceremonies as well as art and cultural performances. It is used on a daily basis for badminton and "sepak takraw" (similar to football) which are the favourite local sports.

The second building, multi-functional education and community development centre, in Rintis village was funded solely by Premier and completed in early 2011. This building was designed to facilitate community meetings and women's economic advancement activities. The area behind the building is also used as a test plantation for training farmers in crop management including chilli, cabbage and spinach. In addition to funding the building construction, Premier is also assisting community members to organise their use of the building and maximise the potential for engagement and planning on development initiatives for the area. Premier has one full-time employee in the area and continues to engage closely with the local community and local government on how it might support a structured socio-economic advancement programme in future years.

### Environmental rehabilitation

In 2009, Premier supported a pilot project on turtle habitat preservation on Durai Island in the Anambas region. The island is an important nesting area for the endangered green and hawksbill species of sea turtles. In 2010, the programme successfully protected 915 turtles to securely nest on the island with more than 61,000 hatchlings returned to the sea. By the end of 2011, the cumulative number had increased to 1,600 nesting turtles with 120,700 hatchlings returning to the sea.

In 2011, the Ministry of Marine Affairs and Fisheries (DKP) declared the Anambas Islands as a national marine protected area. This includes the area of turtle preservation on Durai Island. Premier continues to work with the DKP and local government on the turtle preservation programme and also to prepare the island as a centre for future biodiversity and ecotourism activities, which will further help provide sustainable livelihoods for local communities. Many of these communities are closely involved not only in the monitoring of turtle numbers, but also in preparing the island and local economy for future tourism activity.

### Planned activities for 2012

In addition to the above programmes, which will continue and be enhanced in 2012, Premier is planning to implement several initiatives that focus on community engagement and advancement.

The first involves our commitment to the Bright and Green Programme lead by BPMIGAS (the Indonesian Upstream Oil and Gas Executive Agency) and includes other companies such as ConocoPhillips, Star Energy, and PT PAN.<sup>4</sup> Part of the Bright and Green Programme remit is to ensure citizens living near oil and gas operations benefit through enhanced access to energy. The 2012 calendar year is likely to see the installation of electricity for villagers in the vicinity of our Matak base.

The second relates to our continuance of a tropical forest conservation programme in partnership with local government and NGOs, which aims to build the awareness and capacity of local communities to prevent deforestation. A pilot was initiated in December 2011 with full roll-out expected in 2012.

Other work to be implemented in 2012 will include capacity building and economic advancement training for both youth and the fishermen community.



<sup>4</sup> Bright and Green is a slogan used by BPMIGAS for its environmental development programme, much of which is implemented in the vicinity of upstream oil and gas operation areas. The Bright programme fulfils electricity needs to support citizen economic growth. The green component focuses on citizen economic advancement, especially for those in the vicinity of oil and gas activity areas.

## COMMUNITY INVESTMENT (continued)

COMMUNITY  
INVESTMENT  
AROUND OUR  
NORTH SEA  
OPERATIONS  
TOTALLED  
US\$  
22,000  
IN 2011 (2010: US\$32,000)

**Our community investment in the North Sea**

Our operations in Aberdeen have continued to implement a community investment action plan that includes enhanced support for key local groups as part of our goal to add value to host communities and economies. This includes both direct social responsibility engagements such as our work with the Aberdeen Cyrenians and philanthropy to local charities such as Archway and Aberdeen Care and Repair.

Community investment around our North Sea operations totalled US\$22,000 in 2011 (2010: US\$32,000).

**Aberdeen Cyrenians**

The Cyrenians was established in 1968. Originally just providing food and shelter, the services now aim to meet all the varying needs of people affected by homelessness in Aberdeen and the surrounding area.

In 2011, Premier partnered with the Cyrenians to refurbish its training suite and kitchen facilities. This work has now been completed and the centre is being used for residential courses to help reintegrate homeless individuals into society. The centre includes computer training and access for those looking to develop their resumes, use email facilities and apply for jobs. Small local businesses also use the facilities for revenue generating activities. This includes a local sandwich delivery service that uses the kitchen to prepare its products, and a small printing shop. The training suite is also rented to local business for company away-days and off-site seminars. Premier is committed to maintaining and developing its relationship with the Cyrenians in 2012.

**Support for local charities**

We also support local charities selected by our Aberdeen staff:

- One of our key engagements in 2011 was with Archway Respite Care, an independent Aberdeen-based charity delivering innovative community-based services to improve the opportunities and quality of life for people with learning disabilities. In 2011, we donated US\$8,000 to improve access to gardens, and to replace broken dining room furniture
- Aberdeen Care and Repair provides free advice and technical assistance on housing, repairs, adapting homes for the elderly, and related matters. In 2011, Premier contributed US\$8,000 to assist with a new project on accident prevention in the home which was instigated due to a change in local council funding
- Premier donated US\$3,000 to the Grampian Multiple Sclerosis Therapy Centre that contributed to the purchase of a new adjustable bed for physiotherapy use. This Centre is completely self-funded and also provides services to people who have rheumatoid arthritis, epilepsy, ME and other similar conditions
- The Portlethen Voluntary Ambulance Association's current vehicle is due for renewal in Spring 2012. Premier made a US\$3,000 contribution towards the purchase. The service is manned entirely by volunteers and provides a range of services including transporting elderly residents to day-care centres, social excursions and a prescription delivery service

**Planned activities for 2012**

Our work in 2012 will continue to support the needs of those who are homeless and vulnerable in the community. This includes through the funding of resettlement services for the homeless and by helping individuals to obtain and develop employment opportunities.

[www.aberdeen-cyrenians.org](http://www.aberdeen-cyrenians.org)



COMMUNITY  
INVESTMENT  
IN PAKISTAN  
TOTALLED  
US\$  
97,610  
IN 2011 (2010: US\$380,000)

### Our community investment in Pakistan

Premier is a shareholder in four non-operated production operations in Pakistan: Bhit, Kadanwari, Zamzama and Qadirpur. Premier Pakistan provides financial support to community projects undertaken by our joint venture partners and also collaborates with the Pakistan Petroleum Exploration and Production Companies Association. During 2011, Premier also instigated a number of additional community investment initiatives. This report includes only these additional initiatives funded solely by Premier. Our community investment in Pakistan totalled US\$97,610 in 2011 (2010: US\$380,000). This reduction was mainly due to the reduced requirement for disaster relief disbursements.

### Environment

In 2010, Premier initiated two long-term environmental projects. Both projects are in the vicinity of our Islamabad office. The Margallah Hills National Park project is a joint public-private partnership in collaboration with the Himalayan Wildlife Foundation (HWF) and the Capital Development Authority (CDA). It deals with the environmental management and development of facilities in selected valleys of the Margallah Hills National Park area. Our stream restoration project in Fatima Jinnah Park is a joint public-private partnership in collaboration with the Rotary Club Islamabad Green City and CDA. The project deals with environmental management around a stream of the Margallah Hills National Park area which passes through the city's central park. This last year saw a number of activities at each of these projects.

### Margallah Hills National Park

The Margallah Hills National Park is inhabited by over 40,000 people. Many of these communities rely on the Park's resources for their livelihood e.g. animal grazing, use of trees for fuel etc. This leads to ecosystem disruption as well as the pollution of land and streams including those that flow into Islamabad. A number of different work streams are in place to improve the management of the Margallah Hills National Park:

- **Socio-economic survey of two villages (Gandian and Kalinjar):** A resettlement plan has been submitted to the CDA in order to provide villagers with access to key amenities. Once the plan is approved, two new model villages will be developed with access to all basic amenities e.g. drinking water, electricity, gas, education and health care. These model villages are expected to improve living standards and reduce villager encroachment into the National Park
- **Endangered species:** Premier collaborated with the University of Arid Agriculture to facilitate research on the distribution, population and habitat of the Scaly Anteater (*Manis Crassicaudata*) and Grey Goral (*Nemorhaedus Goral*). The former was found to be critically endangered due to loss of habitat. The latter ungulate species has become rare due to poaching and loss of habitat. Efforts are under way to improve habitat and halt poaching by implementing a watch and ward system and stringent punitive measures. HWF has also hired six guards from the local community to enhance the watch and ward system
- **Vegetation management:** In the recent years the Park has been invaded by non-native flora and fauna species, posing a great threat to the native species. A comprehensive plan was devised to remove and control the growth of Paper Mulberry and Lantana. As well as the removal of invasive species, the CDA also worked with local communities to ensure that only native species were planted during the 2011 season

## COMMUNITY INVESTMENT (continued)

- **Restoration of trails and seating areas:** The 2010 floods damaged a number of trails and made it more difficult for visitors, the CDA and fire-fighters to access all areas of the Park. These were repaired by the CDA in 2011 and several new trails have been developed in the southern part of the Park. A dirt road that originates at Sinyari and leads to the Kot Jindan hilltop has also been repaired to provide easy access for villagers and CDA fire-fighting staff. The HWF has trained key CDA staff in the use of geographic information system equipment for fire management. Sinyari, Kalinjar and Baliman spring sites have also been identified as potential sit-outs for visitors. Seating has already been implemented at Baliman with similar infrastructure to be provided for Sinyari and Kalinjar during the course of 2012
- **Capacity building:** The CDA's current understanding of the National Park is limited; they treat it more as a forest reserve. A concept note has been shared with the CDA to separate the Park from the rest of the city administration. This would help the CDA to build the appropriate park infrastructure, enhancing park administration capacity and institutionalising change. A two-room visitor information centre is also being assembled alongside the Faisal Mosque. The centre will house posters, leaflets and other information materials related to the park in general and the project in particular
- **Access to journalists and civil society:** Partnerships have been developed with organisations such as the Adventure Foundation of Pakistan, Girl Guides Association, Paedar and Sustainable Tourism Foundation Pakistan to introduce the National Park. Trips for journalists, school and college students are being organised on a regular basis

**Stream restoration in Fatima Jinnah Park**

Drinking water in part of Islamabad has become increasingly polluted following significant population growth upstream of the Fatima Jinnah Park. The natural stream restoration project was initiated to identify the sources of and reason for this pollution and to facilitate cleaning of the stream, which is one of the key water sources for the city's largest park. A preliminary survey found a number of upstream stakeholders to be major contributors of pollutants into the stream. Several meetings have since been held with those groups involved with a view to either diverting their sewage away from the stream into the CDA trunk system, or implementing a treatment programme. This has resulted in a partial diversion of the pollution, with alternatives being investigated for the remainder.

In addition to these pollution mitigation activities, the Rotary Club Islamabad Green City has established partnerships with various schools and colleges to raise awareness. This has included two "walk-a-cause" awareness raising initiatives conducted with local colleges, schools and civil society organisations.

### Direct donations for flood relief

Pakistan has been affected by many natural disasters over the last few years. In 2011, this included floods in southern parts of the country where millions were displaced. Premier donated funds to a number of different organisations involved in the recovery and rehabilitation of flood victims. This included a sum of US\$9,000 to the Corps of Engineers of the Army (that led the relief effort on behalf of the government) as well as other international and local NGOs, for the provision of food items and shelter material to those affected in Badin district. A donation of US\$2,300 was also given to the Overseas Investors Chamber of Commerce and Industry as Premier's share in a fund generated for the flood victims.

### Annual CSR programmes

Premier Oil Pakistan also supports the following organisations through regular contributions:

- **Academic Chair:** Premier funds an academic chair in the Department of Petroleum and Gas Engineering at the University of Engineering and Technology in Lahore, a leading institution in the field
- **Care for Special Persons:** Premier Pakistan provides monthly donations to Care for Special Persons Foundation, a local charity that provides education, training and psychotherapy to the mental and physically handicapped

In addition to the above independently funded initiatives, Premier contributes its share of the costs for community investment projects undertaken by the operators of our four joint ventures in their neighbouring communities. A small grant (US\$1,200) also was arranged for Umeed-e-Noor, an Islamabad based NGO for their aid and assistance to physically challenged children.

### Engagements and plans for 2012

All of the above projects will continue in 2012. This includes our engagement on the stream restoration work and in the Margallah Hills National Park. In 2012, the CDA and HWF will progressively move from community engagement activities and development of the resettlement framework and plan, to town planning and development of the new town. The shifting of households is not expected until 2013, allowing sufficient time for communities and households to plan for the transition. Our Pakistan team are also conducting a needs assessment of the education sector. Several schools in the vicinity of the Park have already been found to be under-equipped and under-staffed. A small grants project is being evaluated to help address this gap in 2012.

- [www.hwf.org.pk](http://www.hwf.org.pk)
- [www.cda.gov.pk](http://www.cda.gov.pk)
- [www.ppepca.com](http://www.ppepca.com)
- [www.prcs.org.pk](http://www.prcs.org.pk)
- [www.rotary3270.org](http://www.rotary3270.org)
- [www.kalinjartrails.com](http://www.kalinjartrails.com)



## COMMUNITY INVESTMENT (continued)

COMMUNITY  
INVESTMENT  
IN VIETNAM  
TOTALLED  
US\$  
132,099

IN 2011 (2010: US\$169,192)

**Our community investment in Vietnam**

Our community investment programme in Vietnam continues to be guided by the national socio-economic plan with goals and programmes related to economic growth, poverty reduction, job creation, education and vocational skills development. This last year also saw the implementation of our medium-term Corporate Social Responsibility (CSR) strategy that will run until 2013. The strategy, which was developed in consultation with our employees, focuses on the development and advancement of young people, helping poor communities and the protection of the environment. We ensure appropriate expertise and effective and sustained delivery in each of these areas by engaging with reliable partner organisations. In 2011, Premier Oil Vietnam received the Saigon Times Top 40s Award 2010, Vietnam for environmental excellence and CSR programmes (for the second year running).

Community investment in Vietnam totalled US\$132,099 in 2011 (2010: US\$169,192).

*Opportunities for disadvantaged children*

Premier Oil Vietnam has a long-term partnership with Friends For Street Children (FFSC) in Ho Chi Minh City. In 2011, in celebration of first oil from the Chim Sáo field, we announced our intention to fund the FFSC Binh Tho Development Centre for the life of the Chim Sáo field. The centre provides educational, vocational training and health care to more than 150 disadvantaged children of poor families and focuses mainly on equipping younger children to integrate into junior public high schools. FFSC also supports older children to find meaningful and respectful employment in roles such as accounting, photography, sales, and skilled factory and office work. In addition to supporting schooling and education facilities, we helped fund the completion of health and dental checks for all children at the Binh Tho Development Centre.

In 2011, we formalised our commitment to provide adolescents with enhanced employment opportunities by researching and publishing “Nhật Nghệ Tĩnh Nhất Thân Vinh”, a directory of vocational training institutions in Ho Chi Minh City that offer free or subsidised training to disadvantaged young people and provide guidance on career choices. The directory includes a number of motivational case studies. We believe this to be the first compilation of its kind in Vietnam and it has been widely distributed and well received by organisations working with adolescents. Our plan for 2012 is to employ a number of job coordinators who will work as an interface between schools, development centres and employers to find careers for disadvantaged youth.

Premier continues to support the infrastructure and scholarship schemes managed by Saigon Children's Charity (SCC). We currently fund 48 children (2010: 34) through school and have pledged to invest in the construction of eight classrooms during the life of the Chim Sáo field.



During the Tet festival I had the good fortune to meet many of the young adults that FFSC has supported as they moved from the warm shelter into employment. With very few exceptions they are clearly fulfilling their potential. Given the difficulties they've had to overcome, this is exceptional. This explains why Premier remains committed to supporting FFSC in its mission and to our wider goal of helping older youth into respectful employment.

Phil MacLaurin, Premier Oil Country Manager, Vietnam

### Employee volunteering

Premier employees, contractors and spouses continue to support the FFSC and SCC organisations in their personal capacity. Some sponsor children through school, others teach English language or help at events for disabled and street children such as the annual summer camp and circus. This year Premier employees helped organise “Let’s Sing Together”, an English-language singing competition for disadvantaged young people held over several evenings. The event involved more than 40 students competing through a series of heats to secure a place in the Grand Final. Its main objective was to raise confidence through the fun of performing, and to build an awareness of English language as a tool for personal advancement.

### Planned activities for 2012

Our work in 2012 will continue to focus on the development of young people in Vietnam. This will be done mainly through the provision of scholarships, school buildings, our ongoing commitment to the Binh Tho Development Centre, and our vocational training directory and career support programme. We also expect to initiate work on our coastal protection mangrove plantation project that will enhance the natural ecology of inter-tidal zones and improve the livelihoods of coastal populations. Premier has already established a partnership with Vietnam Red Cross to plant 30,000 mangrove trees over 5 hectares of coastal habitat in Soc Trang Province. This new initiative has been selected because of the high potential to engage wider community stakeholders and possibly even to implement a future carbon offset project. The latter would deliver sustainable economic and environmental benefits to a poor community living in an area of very high environmental sensitivity.

www.ffscvn.org

www.saigonchildren.com

“Your kind and generous support is very meaningful for our children who lacked chances to get access to social resources ... your support is also a motivation and encouragement for us to serve the disadvantaged children. We know that we are not alone in achieving our mission, which is to bring better life for disadvantaged children and poor people.

Sister Le Thi Thao, FFSC Executive Director





## HUMAN RESOURCES

### Employment

The 2011 calendar year saw a number of significant developments within the human resources function, to support Premier's continued growth. At the core of this transformation was the launch of our global People Strategy. The strategy is accompanied by a suite of updated tools and processes including formal planning on resourcing (p22), competency and development (p22) as well as succession (p22) and reward (p20-21). These structures are designed to help Premier achieve its goals through its people.

### Our policy

We aim to provide our staff with safe working conditions as well as fair and competitive terms of employment. This means respect for the individual regardless of ethnic origin, creed, age or gender. We are an equal opportunities employer. We aim to recruit, train and promote from within the country of operation. We respect the right of individual employees to join a legitimate trade union. Through training and appraisal, we encourage staff to develop their own professional skills to the mutual advantage of both the individual and the company.

Premier is committed to upholding the principles of the United Nations Global Compact. Its labour standards principles are derived from the International Labour Organization (ILO) Fundamental Principles and Rights at Work. This report provides evidence of our commitment to these principles.

There were no reported violations of our Employment Policy in 2011. There were also no reported incidents of discrimination or formal grievance procedures reported in 2011.

### Policy and handbook reviews

The continued evolution of our business requires ongoing, annual review of our Employment Policy and the associated human resources guidelines contained in our employee handbooks. These handbooks continue to be updated at both corporate level and for each of the business units. This last year saw updates to accommodate the global Code of Conduct (p23) and our compliance with the local legislation and statutory requirements such as the new Bribery Act in the United Kingdom (p23). These handbooks will be further updated in 2012 to accommodate our new People Strategy and associated performance management processes.

### Upgrading our e-learning tools

In 2010, Premier started the implementation of a group-wide human resources information system to enable consistent reporting, accounting and monitoring of employee metrics and statistics.

We also designed and developed an e-learning system. The e-learning system forms part of a multi-year project to implement the new People Strategy and will be progressively rolled-out in 2012 and 2013. This will include mandatory training against the employee handbooks and other relevant human resources policies. It will also include refresher and new starter training on our global Code of Conduct and related content on anti-corruption, fraud and whistle blowing.

### Employee engagement

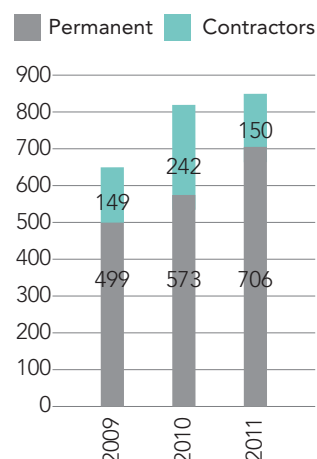
An employee survey of their satisfaction with company employment practices was conducted in 2008. A follow up survey was implemented on an anonymous basis with all employees in 2011; covering employee viewpoints on commitment, compensation, retention, the work environment and other parameters. The survey showed that each business has its own strengths and areas requiring further focus, and generated very positive feedback on pay and benefits, communications, risk management and innovation. Each region has developed its own set of mitigation measures, all of which compliment our wider goal to provide managers with the tools they need to develop individuals and teams and support our growth strategy.

The survey was implemented in addition to the ongoing informal engagement between employees and their line managers as well as local human resources functions. Our policy is to encourage open communication between employees and managers to ensure that questions and problems arising can be aired and where possible resolved quickly and to the satisfaction of all concerned. A formal, confidential grievance procedure is available in local languages where employees feel uncomfortable raising concerns through informal discussion and the normal management channels. Our external whistle blowing hotline (p25) further ensures employees are able to raise such issues without any fear of recrimination.

### Employee numbers

At the end of 2011, Premier had 706 (2010: 573) permanent employees with the majority located in the United Kingdom and Asia. This represents an increase of 23% on 2010 due mainly to the expansion of our operations in Indonesia and the North Sea, with a 32% increase in permanent workers in Indonesia alone. This reflects the significant increase in our exploration, drilling and project development activities and the need for additional skilled employees largely across technical disciplines such as drilling, engineering, geoscience and in offshore roles. This last year saw a significant reduction in contractors at our Indonesian operations (from 121 to 26) as our long-standing construction work was completed at Gajah Baru. Many of these contractors were converted to permanent employees.

**Figure 04: Increased numbers of employees<sup>5</sup>**



<sup>5</sup> The term "contractors" relates to individuals employed directly by Premier but on a fixed term contract often related to project delivery. It does not include contractors hired by suppliers such as those involved in the construction of rigs in Indonesia or Vietnam or cleaning services. Note: all of the above groups are included in our health and safety statistics.

## HUMAN RESOURCES (continued)

**Pay and benefits**

Our strategy is to provide a superior remuneration package in return for superior demonstrated performance. All employees earn more than their respective country's minimum wage, with wage agreements agreed with relevant unions where applicable (p22). All contracts of employment include information on roles and responsibilities, hours of work, conditions of employment, intellectual property stipulations and non-disclosure and confidentiality obligations. The terms of employment are explained to all new employees during the offer of employment process, and on the first day of work during the induction process.

This last year saw the implementation of our new PremierREWARD programme. The programme identifies employee reward as comprising of four main categories: core salary, bonus, benefits and long-term incentives. Our Global Pay and Benefits Policy provides a framework to ensure that pay and benefits for all employees are appropriate for the markets in which we operate. The Remuneration Committee of the Board is responsible for reviewing and approving this policy. The Remuneration Committee is also responsible for implementing the policy for certain senior managers. This includes ensuring that remuneration does not raise environmental, social or governance risks by inadvertently motivating irresponsible behaviour; nor encourage inappropriate operational risk.

**Figure 05: Permanent employees by core country<sup>6</sup>**

Location	2009	Turnover	2010	Turnover	2011	Turnover
Indonesia	304	(23)	327	(35)	433	(35)
Norway	14	(2)	23	(8)	23	(0)
Pakistan	17	(2)	15	(1)	16	(0)
Vietnam	50	(0)	62	(2)	71	(3)
United Kingdom	114	(3)	132	(8)	149	(6)
Singapore	n/a	(n/a)	14	(1)	14	(0)
<b>Total</b>	<b>499</b>	<b>(30)</b>	<b>573</b>	<b>(55)</b>	<b>706</b>	<b>(44)</b>

**Salaries and benefits**

In 2010, Premier carried out a full review of our employee grading, pay and benefits schemes to ensure consistency across all operations, geographies and business units. New bandings and gradings were communicated to employees during 2011. This included ensuring our salary and benefits packages are competitive both locally and globally to attract and retain the right skills for our growing business. We continue to pay top-quartile base salaries in each country of operation where this is supported by individual performance.

Premier provides a set of core benefits to all permanent employees. The precise manner in which these and further benefits are implemented may differ in each country depending on national employment legislation and local circumstances. Benefits provided to both full and part time employees (on a pro rata basis) could include:

- Leave
- Sick leave
- Maternity, paternity and adoption leave
- Medical and dental insurance
- Annual medical assessments
- Medical and emergency assistance
- Pension plans
- Life insurance
- Permanent health insurance
- Business travel insurance
- Personal accident insurance
- Long service awards

In 2011, Premier provided all employees with a total reward statement for the calendar year. The statement includes a detailed breakdown of all payments including base pay and allowances, annual bonus, other benefits as well as long-term bonuses.

<sup>6</sup> Figures in brackets ( ) represent employee turnover.

### Performance management

A performance management and appraisal system is in place for all employees, including regular review against performance targets set at the beginning of each year, and is monitored through regular dialogue and feedback from managers throughout the year. The appraisal system yields an individual performance rating that is normalised and calibrated against group-wide data to inform salary and bonus recommendations.

At the end of the year, performance against targets is assessed and a recommendation on performance made by the line manager. Premier has implemented a training programme for senior managers on how to identify and structure targets for later annual appraisal. Further training will be delivered in 2012 on how these targets might be evaluated and assessed to ensure continuous improvement, employee development and appropriate compensation. At the end of 2011, all of our employees received annual reviews.

### Bonus and Long Term Incentive (LTI) schemes

Premier recognises outstanding performance through its reward programmes. Annual non-pensionable and discretionary bonuses may be paid to all employees based on the extent to which a challenging range of corporate targets set by the Remuneration Committee each year are achieved. The company also offers employees eligibility into Long Term Incentive (LTI) schemes. The plan encourages employee focus on longer term performance and alignment with the objectives of shareholders. The LTI encourages greater individual share ownership by all employees and is the primary incentive vehicle for the company. Further details on bonus and performance related pay schemes are contained in the remuneration section of the Annual Report.

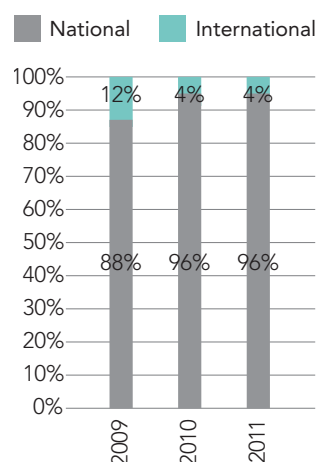
### Developing our workforce

Premier aims to expand its operations globally in three distinct areas of geography: Asia, the Middle East and Africa and the North Sea. Expanding our business in a sustainable way requires us to recruit and develop the best people.

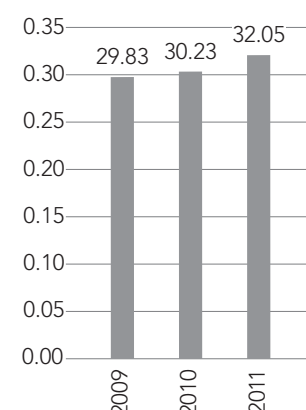
### Local employment

Premier's strategy is to employ nationals wherever they are suitably qualified, and to invest in the development of their skills, knowledge and experience to enhance their effectiveness at all levels within the organisation. Nationals currently occupy senior roles including those of chief accountant, human resource manager, HSE manager, senior drilling engineer, senior geoscientists and project engineers. Premier is also looking to progressively transfer expatriate manager roles (those employed on overseas contracts) to nationals. This process is now being formally tracked as part of our overall recruitment programme, reflecting our ongoing commitment to the nationalisation of various roles within the business units.

**Figure 06: National (local) vs. international (expatriate) employee profile (percentage workforce)**



**Figure 07: Average hours of training per year (per employee)<sup>7</sup>**



<sup>7</sup> Excludes training hour information from the United Kingdom for 2009. Our United Kingdom operations did however spend £120,000 on training in 2009 at an average of £2,263 per person.

## HUMAN RESOURCES (continued)

*Recruiting, developing and retaining talent*

Premier has developed and is implementing a formal recruitment strategy. This includes the roll-out of a recruitment tool-kit for managers and the evaluation of our first annual graduate recruitment drive in 2012. In 2011, we recruited 133 new people into fixed or permanent employment. Around 106 of these were recruited into our Indonesia operations with the remainder mainly in Aberdeen or in Vietnam.

We continue to provide support to all employees in their personal development to enable them to be more productive contributors to the business. This includes mentoring and coaching processes, e-learning, as well as part-time and full-time training courses where relevant and applicable. Average time in training per employee increased slightly from 30.23 hours per year in 2010 to 32.05 hour in 2011. Much of this increase was in Indonesia where it increased from 27 hours to 44 hours per person. We monitor the training provided to employees around a set of individual development objectives. This includes structured internal and external training programmes, short courses, professional qualifications such as MSc and MBA credentials. Tailored programmes will be developed in 2012 based on individual needs.

Further opportunities include specifically tailored leadership and development programmes for those transitioning to general management roles. These are now aligned with our succession management plan. Specialist human resources teams have been hired in Indonesia and at our North Sea operations to focus on the development of key employees.

*Group wide succession management programme*

In 2010, Premier committed to the implementation of a succession management programme for senior managers. This included the identification of potential successors for all key positions. A similar process was rolled out for each business unit in 2011. Our human resources functions are working with each business unit to build ownership of the development process for key individuals and to implement plans for how to recruit, develop and retain key resources. Ongoing progress is reported to and overseen by the Board Nomination Committee.

*Freedom of association and collective bargaining*

Premier employees tend to occupy either administrative office-based or highly technical roles and are paid significantly more than the relevant national minimum wage. We comply with all local legislation regarding collective bargaining with only Indonesia currently having a formal collective labour agreement between the local labour union and the company. The agreement regulates all employee terms and conditions specific to Indonesia including wage scales, working hours, overtime, shift work, national holidays and annual leave, health, safety, medical treatment and training. This agreement was renegotiated in 2011 with the labour union opting to adopt Premier's group salary benchmarking and performance review standards. Indonesia's 433 employees represent around 60% of the total Premier permanent workforce.

Premier provides its employees and their elected representatives (where relevant) with one month's notice regarding any significant operational changes that might affect them.

### Forced labour and child labour

Our commitment to the United Nations Global Compact recognises the need to eliminate all forms of forced and compulsory labour. No incidents of such labour were recorded at our operations in 2011. The United Nations Global Compact also promotes the abolition of child labour. No incidents of child labour were recorded in any of our operations in 2011. None of our operations has been identified as posing potential child labour risks.

### Business ethics

Integrity, honesty and fairness are fundamental to the way we conduct our business. We are committed to transparency in all our dealings. As part of this commitment, we will not engage in any activities that undermine the legitimate business environment, including bribery or corruption in any form.

### Our global Code of Conduct

In June 2011, Premier issued its global Code of Conduct. The Code replaced our old Business Ethics Policy and is available in both English and Bahasa Indonesia for those employees and contractors based at our operations in Indonesia. It is compliant with the Bribery Act (in the United Kingdom) and its evolving guidance and covers the following key issue areas:

- Anti-bribery
- Facilitation payments
- Gifts and hospitality (both given and received)
- Charitable and political donations
- Appointment of intermediaries

The Code applies to all employees, at every level in the business and all those associated with Premier, all of whom are required to behave ethically and with personal integrity. This includes adhering to laws in the countries where we operate, performing our duties in accordance with the Code and disclosing all potential and actual conflicts between personal interests and those of Premier. The Code requires all transactions relating to Premier to be recorded in proper detail and according to applicable accounting standards. It also requires regular training to be conducted for employees and consultants.

The Code includes policies for each of the above areas with which each individual must comply. Any breach of the Code will result in disciplinary action, and in extreme cases may result in instant dismissal. The Audit and Risk Committee assists the Board in monitoring ethical business conduct as well as the effectiveness of the Code and its supporting policies.





### *Dissemination to global operations*

Our Legal team delivered a comprehensive set of presentations on the Code and its requirements to all senior managers at all Premier operations worldwide in 2011. Similar presentations and workshops have been implemented with employees and consultants across the business. All of our business units are analysed for risks relating to corruption with some being more exposed than others depending on geography and area of work. The content of our training was thus also refined to reflect local nuances and cultural norms and better equip local teams to manage business ethics risks. An online training course has been established.

### *Training and monitoring*

Training will be repeated annually and monitored by the human resources department (p18-19). Refreshers are planned for 2012 as a supplement to the 2011 workshops. All new employees are expected to complete the ethics training programme within one month of joining the company. A briefing on the content of the Code is also included in the induction programme for all new employees and consultants. Our plan is to follow up on this implementation in 2012 with an employee survey to understand how well our Code has been understood by employees and is effectively embedded as part of the way we work. We also expect to complete audits at selected business units to test and confirm that the Code and supporting policies are being effectively implemented. The Code will be regularly reviewed based on experience and feedback from our employees as well as external benchmarking.

www.justice.gov.uk/guidance/making-and-reviewing-the-law/bribery.htm

### **Anti-corruption**

Premier prohibits bribery and corruption in any form by all employees and those working for and/or connected with the business. This includes facilitation payments and Premier either giving or accepting hospitality or gifts that might create an obligation or expectation of something in return. All business transactions must be properly recorded and accounted for. We expect the same ethical standards to be applied in all our business relationships in all areas of operation and we promote our Code of Conduct with all our business associates. Employees are required to report bribery or attempted bribery to their direct managers, even if only suspected or attempted. Any allegation of corruption would be investigated immediately and reported to Audit and Risk Committee for review.

Premier sometimes uses intermediaries, agents or other independent parties in its engagements with government, government agencies, other oil and gas companies or third party service providers. These individuals are appointed according to our Intermediaries Policy including due diligence screening procedures relating to anti-corruption and other business ethics issues. This may include third party references, company searches and further investigations when required. Such intermediaries are also formally obliged to adhere to our Code of Conduct and its associated requirements as part of our standard contract clauses, and they will, if appropriate, receive training on the obligations of the policy.

# NO INCIDENTS OF CORRUPTION WERE IDENTIFIED IN 2011

We understand that local, social, political and cultural conditions may present challenges for our business partners to conform to our standards immediately. In such circumstances we will look for evidence of their commitment to work towards such standards. This includes either acceptance of the Premier Code of Conduct, the appropriate anti-corruption and business ethics clauses in contract agreements and/or the existence of their own Code of Conduct and supporting policies and procedures. Premier will withdraw from relationships where no positive progress is made over time.

No incidents of corruption were identified in 2011.

## Suppliers and contractors

Premier's suppliers and contractors play a critical role in our business. We make decisions about the purchase of goods and services not only on the basis of price, quality, delivery, service and reputation, but also on the business ethics, environmental, safety and human rights record of suppliers. Those who work on the selection of suppliers and contractors are required always to make their recommendation on contract award to the appropriate internal body based on merit. They are also required to avoid conflicts of interest, such as personal relationships, inappropriate gifts and entertainment, or any other kind of favouritism that might compromise selection. Our tender process requires those that act as suppliers or contractors to document their compliance with and commitment to our Code of Conduct.

## Public policy and government relations

Premier is transparent in its dealings with government, communities and civil society organisations. This increases trust and leads to the development of enduring, open relationships. Premier does not and did not make any political donations or contributions in 2011.

Premier is a member of a number of local industry bodies, some of which participate in lobbying activities. Examples include the Association of Oil and Gas Producers (OGP), Oil and Gas UK Limited and the Pakistan Petroleum Exploration and Production Companies Association.

## Compliance

Premier has not been subject to any fines or non-monetary sanctions for legal non-compliance, or for any legal actions relating to business ethics or anti-competitive behaviour during 2011.

## Culture of transparency

Premier encourages employees, contractors and agency workers to voice their concerns to line managers if they feel the company or anyone working on behalf of the company has not acted in accordance with our Code of Conduct and associated policies.

Individuals are able to report potential breaches of policy without fear of recrimination and can do so in the knowledge that their report will be promptly and properly investigated. Due regard will be given throughout the investigation to the maintenance of confidentiality.

## Confidential third party hotline

We recognise that in certain circumstances employees might not feel comfortable talking to their line manager, and for these instances Premier provides a confidential and well-publicised third party reporting hotline that is available 24 hours a day, seven days a week. This last year saw a series of reminders to all employees of the existence of our confidential "whistle-blowing" hotline and e-mail facility operated by Safecall, an independent company that allows employees to lodge concerns and questions about business ethics and compliance. No reports were made through this service in 2011 or at any point over the last three years.

www.ogp.org.uk

www.oilandgasuk.co.uk

www.ppepca.com

# 3 | Health, Safety and Environment



## Golden Rules

- RULE NO.1: RISK ASSESSMENT AND MANAGEMENT OF CHANGE
- RULE NO.2: PERMIT TO WORK
- RULE NO.3: ENERGY SOURCE ISOLATION
- RULE NO.4: PREVENTION OF OIL, GAS AND CHEMICAL LEAKS
- RULE NO.5: CONFINED SPACE ENTRY
- RULE NO.6: SAFE LIFTING OPERATIONS
- RULE NO.7: WORKING AT HEIGHT
- RULE NO.8: DROPPED OBJECTS

### THE GOLDEN RULES



NO SHORT CUTS

HEALTH, SAFETY & ENVIRONMENT.  
WE'RE ALL RESPONSIBLE.



IF IT IS UNSAFE OR CAN BE BETTER CONTROLLED, STOP THE JOB.



THIS IS A FUNDAMENTAL EXPECTATION OF EVERYONE.

[www.premier-oil.com](http://www.premier-oil.com)



“

## Message from our Chief Executive Officer

I believe that all injuries are preventable and the rate at which people get hurt in the industry is unacceptable. We must do everything we can to ensure safe work places and strive to achieve our aspiration of no incidents. This document provides some simple guidance to help us get there. Please read and understand the Golden Rules, they are an important part of keeping us all safe.

Strict compliance with the rules is essential to preventing people getting hurt. They are a condition of employment and must be followed at all times – No Shortcuts.

The safety of everyone depends on a common commitment to the highest standards of HSE practice and conduct, at all times and in all circumstances – we should not compromise to meet operational objectives.

As well as commitment it takes courage to stop work as you see something that is being done wrong or that could be done wrong. If you ever feel that safety and operational results are in conflict, you have an obligation to choose safety – your action will always be supported.

I expect everyone to read these rules and act upon them, without exception. It is my job to ensure that Premier keeps the rules fresh in our minds. Please help me by reminding your colleagues as well.

I truly believe these Golden Rules will make a really positive contribution to our safety culture and performance. Most of all, they will help you to work safely and go home safely afterwards.

Simon Lockett, Chief Executive Officer, Premier Oil plc

Extract from our Golden Rules brochure 2011

## Health, Safety and Environment Policy

Premier Oil is committed to operating responsibly and will never knowingly compromise our health, safety or environmental standards to meet our operational objectives.

Our goals are to ensure the safety of everyone involved with our operations and to protect the environment.

To achieve this we will:

- Encourage open and honest communication
- Seek ways to continually improve our performance
- Assess and manage risks
- Provide appropriate resources
- Maintain clean, safe and healthy workplaces
- Investigate and learn from any incidents
- Plan and prepare for potential emergencies
- Maintain high quality documented systems and processes
- Seek external certification of key management systems
- Meet or surpass statutory requirements

It is the responsibility of everybody involved in Premier to comply with our Policies and to assist the Company in their implementation.



## OUR POLICY FRAMEWORK

In 2010, Premier implemented and communicated a new Health, Safety and Environment (HSE) Policy at all operations worldwide. This was accompanied by a significant communications programme across the company that included our Chief Executive officer personally presenting and introducing the new policy to employees in all geographies. In 2011, we introduced and communicated our Golden Rules. These are also endorsed by our Chief Executive Officer. The Golden Rules reinforce our HSE Policy, procedures and standards and have been established to help prevent the most common causes of serious incidents in our industry. Implementation of the Golden Rules represents a significant next step in our continued commitment to excellence in health and safety. A Golden Rules Champion will be appointed in 2012 to introduce, observe, teach and audit safety practices globally.

### Leadership and communication

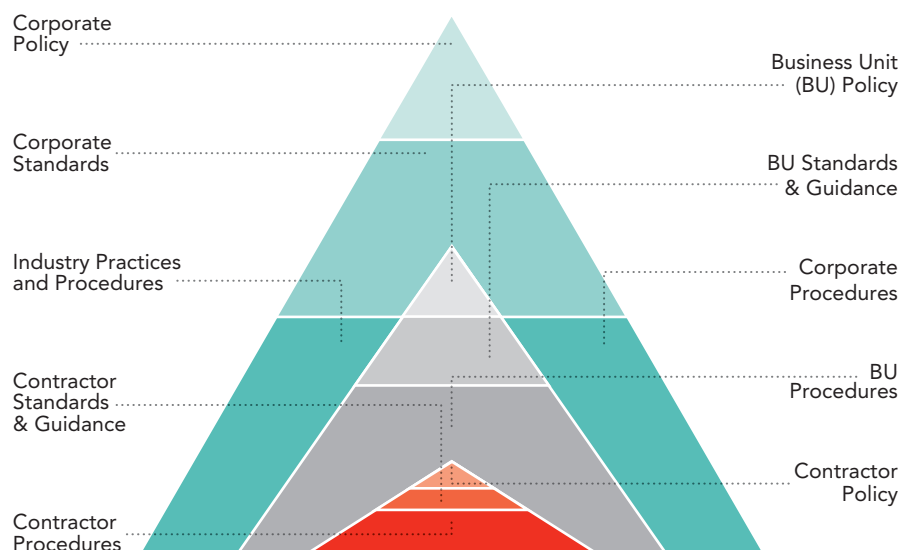
The Chairman and Board are personally committed to achieving excellence in HSE performance and fully support implementation of the HSE Policy, the Golden Rules and our associated HSE management system. A summary of our HSE performance is included and reviewed at each monthly report to the Board and at each weekly / monthly Executive Committee meeting. Further appraisals are presented at our Regional Performance Reviews (RPRs), where there is also opportunity for knowledge-sharing across the business units.

Over 75% of employees are represented in formal joint management-worker health and safety committees. Our drilling and construction operations have Premier HSE advisors supported by safety officers from the workforce. They conduct regular safety meetings to discuss health and safety issues with employees. We also require our employees and contractors working offshore to have a two yearly medical assessment in accordance with Oil and Gas UK Guidelines for Medical Aspects of Fitness for Offshore Work. Together these measures ensure we are continuously reviewing our processes, procedures and practices and are aligned with best practice.

### Our management system

Our HSE management system requires clear assignment of responsibilities, sound risk management and decision making, efficient and cost effective planning, as well as legal compliance at all operations. The system is designed to ensure that every employee, contractor and individual on our operations understands company rules and expectations, and to facilitate continuous improvement in our performance.

**Figure 8: Tiered hierarchy of our HSE management system**



All of these tools are aligned with the industry model prepared by the International Association of Oil and Gas Producers (OGP). Our corporate policy is also supported by a number of internal standards. A total of 20 Premier HSE Standards are aligned with the seven OGP categories of leadership and commitment, policy and strategic objectives, organisation and resources, evaluation and risk management, planning, implementation and monitoring as well as audit and review.

Each area of our business (e.g. drilling, project execution, production, exploration and office facilities) embeds these HSE standards within its core business management system. Premier continues to review and update its HSE management system on an ongoing basis to ensure alignment across the business units, and with the central management system, as new procedures are implemented.

These are further enhanced by regular engagement and sharing of best practice with industry bodies such as OGP, Oil and Gas UK, Step Change as well as the Health and Safety Executive in the United Kingdom.<sup>8</sup>

### Targets and continuous improvement

Our HSE management system ensures resources are available to deliver performance at all operations and that performance is subject to regular review. It also requires the annual review of performance and the setting of targets for the following year, with targets being appraised on an annual basis. The management system prescribes how these targets will be monitored and measured across our global operations. These targets also apply to major contractors working for or on behalf of Premier.

A suite of corporate procedures are set by the HSE department to facilitate the implementation of policy and monitoring of performance. Our HSE management system was also updated in 2011 to include new process safety (p34) and HSE reporting requirements (p31).

This last year has also seen continued upgrading of our Electronic Accident and Incident Reporting System (EARS). This includes the addition of process safety indicators relating to the potential loss of primary containment and enhanced reporting capability on occupational illness. EARS now also permits the segmentation and reporting of incidents based on non-adherence with our Golden Rules. In 2010, Premier also developed a new action tracking system that logs proactive actions arising from inspections, audits and the ongoing identification of risks and events. This Proactive Actions Tracking System (PATs) has now been rolled out to all operations. Premier is currently evaluating the option of using PATs for other functional areas beyond HSE. We expect to further upgrade EARS in 2012 to include additional Golden Rules fields and opportunities for accident investigation.

Premier does not sell oil or gas products to the general public. We sell oil to the market and gas to defined users. Material Safety Data Sheets are prepared for our crude oil, and gas products, where relevant.

<sup>8</sup> Premier also provides education, training and risk-control programmes to assist and prevent employee exposure to disease. This has included risk assessment modules on HIV and AIDS for our previous operations in Africa. We align with the Oil and Gas UK guidance on fitness for work. Premier also has a clear policy prohibiting alcohol and drug use and provides counselling to support individuals that are found to be affected.

## OUR POLICY FRAMEWORK (continued)

**Employee accountability**

Dedicated HSE teams coordinate implementation of the policy, develop and maintain the associated management systems and ensure there is clear line accountability. This includes a group-wide senior manager responsible for addressing HSE issues in all activities. The group HSE manager is further supported by senior level HSE individuals at each operation including in the North Sea and Asia. During 2011, we employed a number of additional HSE support staff in our Asia operations. These teams work closely with our contractor counterparts at each operation.

Team performance contracts are prepared for each operational function and asset team and individual performance contracts are set for individuals whose leadership and commitment is required to influence HSE performance. At an operational level, senior managers and supervisors are tasked with ensuring HSE matters maintain a high profile and that their personal commitment is visible to the workforce. These key people are members of our HSE forum and are supported by regular communication on HSE issues such as company-wide Safety Alerts after each high potential incident.

Every employee is accountable and has a personal responsibility for health, safety and environment. Employees are also expected to "stop the job" if they see or believe something can be better controlled or is unsafe.

**Training**

HSE awareness is part of the induction process for all employees. Employees who work on, or travel to, offshore facilities are also required to complete a basic offshore survival induction and emergency training programme. Every four years they complete a further offshore emergency training refresher. The 2011 period saw the progressive roll-out of our e-learning programme. This includes the integration of content for our Golden Rules (p28). Further use of this system is expected in 2012. Premier is also working to develop a standard training programme for all of our HSE advisors. The addition of these initiatives as well as continued support from the Board, Executive Committee and quarterly regional performance reviews, has helped us to improve on our safety performance from 2010.

**Management, audit and assurance**

As part of the HSE management system, Premier applies an ongoing process of both internal and external review and audit. This includes external audits and certifications to OHSAS 18001 (on health and safety management) and ISO 14001 (on environmental management) for production and drilling.

Premier has been certified to OHSAS 18001 and ISO 14001 since 2004 for global drilling and since 2006 for our Indonesian production operations. In 2011, we completed a number of OHSAS 18001 and ISO 14001 surveillance audits on our production and drilling operations. Drilling, Anoa and Balmoral production retained their certifications. Our production operations in Vietnam (Chim Sáo) and Indonesia (Gajah Baru) are working towards OHSAS 18001 and ISO 14001 certification and Gajah Baru has now completed its stage one audit and is on track to achieve certification in 2012.

Each year we benchmark our operations against OGP's annual safety performance averages to inform the identification of group-wide and function-specific safety targets for the following year. The Board agrees our annual targets and these form part of any employee bonus award. Targets are monitored and measured monthly, reviewed quarterly by the Executive Committee and reported to the Board. All of our safety performance data includes Premier employees and (directly and indirectly employed) contractors on our operations. They also relate to all areas of our business: drilling, construction and production.

## HEALTH AND SAFETY

## Reporting and targets

We began to focus on our Total Recordable Injury Frequency (TRIF) history in 2009. This measure captures all Lost Time Injuries (LTI), Restricted Work Day Cases (RWDC) and less significant Medical Treatment Cases (MTC) per million man-hours. It thus helps benchmark our performance against a more rigorous assessment of performance independent of injury severity.

TRIF was identified as our main safety KPI for the first time in 2011. The decision to use TRIF was prompted largely by the significant changes in our business over the last 3-5 years, from a single asset focus to the point where we now operate four oil and gas installations and require corporate targets. The use of industry standard reporting metrics would also enable ongoing comparison with other OGP companies. Our target of 2.0 injuries per million man-hours for 2011 was drawn from the OGP median for the previous year. A stretch target of OGP top quartile was also identified. Our new TRIF target for 2012 remains at less than 2.0.

At present we measure process safety performance in terms of high potential incidents. In 2007, we began to look more closely at near miss incidents that had High Potential (HIPO) or could cause multiple fatalities.<sup>9</sup> Building on this work, in 2008 we set our first Key Performance Indicator (KPI) for their frequency. This new High Potential Incident Frequency (HIPOF) target is now measured monthly. We also report Tier 1, 2 and 3 Loss of Primary Containment (LOPC) events in accordance with API guidelines and recognise that further work is needed on process safety indicators. We are working with OGP as a member of its process safety sub-committee to develop an industry approach to process safety indicators and reporting, that will include proactive metrics.

We also monitor all incidents of occupational illness. In 2011, there was one incident of occupational illness where seven employees suffered food poisoning as a result of a celebratory dinner at a construction yard in Asia.

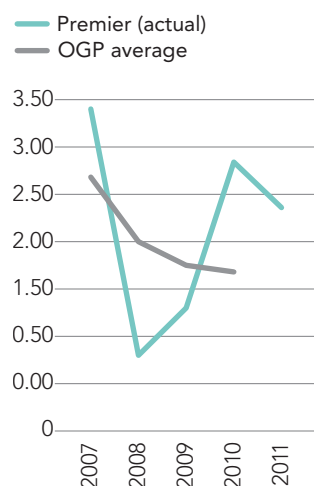
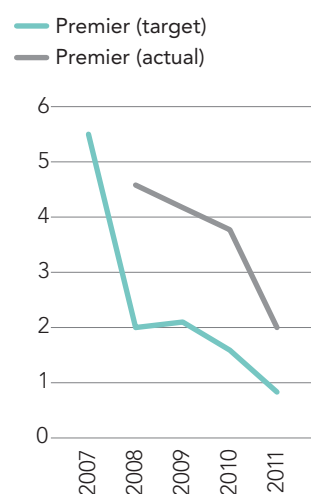
### Occupational health and safety performance

In 2011, we worked 7.2 million man-hours (2010: 8.8 million man-hours) with 1.7 in drilling (2010: 0.7 million in drilling). This represents an 18.4% decrease on the previous year mainly due to the completion of construction at our Gajah Baru and Chim São facilities in Indonesia and Vietnam respectively. There was however a significant increase in development drilling. In 2011, we drilled more than 20 wells making it our busiest year ever. Most of these man hours (5.9 million vs. 7.7 million in 2010) were worked by contractors on our operations.

Our overall TRIF performance improved significantly from 2.84 in 2010 to 2.36 in 2011, but did not meet our 2.0 target. TRIF performance at our drilling operations was exceptional at 0.00, excellent in construction at 1.80, but poor in our production operations at 6.10. The overall higher than anticipated TRIF score was attributed to mostly minor accidents including slips, falls and finger injuries in our production operations. Many of these occurred at our Balmoral operation in the North Sea (with a frequency of 9.42) where performance was unacceptable and is subject to new site-specific safety initiatives. Facilities in Asia performed much better with a TRIF score of 1.48. The continued roll-out of our Golden Rules programme, that reinforces personal responsibility and the ability to "stop the job" if employees see or believe something can be better controlled or is unsafe, is expected to help reduce similar future incidents.

<sup>9</sup> A HIPO includes any event that might lead to significant personal, environmental, security or other incident; where medical HIPOs would typically have the potential to cause one or more fatalities.

## HEALTH AND SAFETY (continued)

**Figure 9: Total Recordable Injury (TRI) frequency benchmarking<sup>10</sup>****Figure 10: High Potential Incident (HIPO) frequency**

This last year also saw one very unfortunate and unrelated diving fatality at Balmoral in the North Sea. At the time this report was written, the incident was still under investigation by Premier / diving contractor, the police and the Health and Safety Executive (HSE). Our fatal accident rate for 2011 was 0.14 (2010: 0.11).

**Process safety performance**

We currently measure our process safety performance by focusing on high potential incidents i.e. those events where there is a potential risk of incident but where such incidents have not yet occurred. We believe these HIPOs act as a leading indicator of potential injury and compliment well the continued testing of asset integrity through our Project Safety Review (PSR) and safety case processes.

**High potential incidents**

This last year saw a significant reduction in high potential incidents per million man-hours from 1.59 in 2010 to 0.83. This again was led by exceptional performance at our drilling and construction operations with annual frequencies of 0.00 and 0.36 respectively. Our production operations achieved an annual frequency of 2.44. Together this overall reduction in frequency allowed the achievement of our 2.0 target. Six HIPOs identified in 2011 led to in-depth investigations, the tracking of corrective actions and finally the production of Safety Alerts to all employees in order to share learning across the group. Safety Alerts are mandatory for all HIPOs but may also be issued where there are incidents or events that require heightened awareness and caution. Our HIPO frequency target for 2012 is 2.0.

**Loss of primary containment**

During 2011, there were no reported loss of primary containment (LOPC) events of "greater consequence" (as defined in IPIECA 2011). Such incidents are characterised as unintended process safety events with severe consequences. These can include multiple fatalities, widespread environmental impact and/or significant property damage. There was one Tier 1 event and 35 LOPC events of "lesser consequence" reported (2010: 18). This includes a single crude oil spill in the pump room (classified as Tier 1), 15 gas leaks (2010: five) or contained spills that did not reach the environment and 20 minor spills (2010: 13) as described in the Environment section (p43). Refinements are being made to our incident reporting system in order to allow more accurate reporting on all LOPC event quantities (p29).

<sup>10</sup> OGP averages for 2010 are calculated in May of each following year and subsequent to the production of this report.

**Figure 11: Key safety parameters and indicators**

Parameter	2007	2008	2009	2010	2011
Man-hours	3,841,305	2,528,806	3,803,876	8,817,234	7,191,107
Fatalities	1	0	0	1	1
Lost Time Injuries (LTI)	2	3	3	5	8
Restricted Work Day Cases (RWDC)	4	0	0	9	3
Medical Treatment Cases (MTC)	9	2	3	10	5
High Potential Incidents (HIPO)	21	7	8	14	6
<b>Key Performance Indicators (KPIs)</b>					
Target LTI/RWDC Frequency (per million man-hours)	1.90	1.72	1.55	1.40	n/a
Actual LTI/RWDC Frequency (per million man-hours)	1.82	0.40	0.53	1.70	1.67
Target High Potential Incident (HIPO) Frequency (per million man-hours)	n/a	4.58	4.15	3.77	2.0
Actual High Potential Incident (HIPO) Frequency (per million man-hours)	5.50	2.00	2.10	1.59	0.83
Target Recordable Injuries (TRI) Frequency (per million man-hours)	n/a	n/a	n/a	n/a	2.0
Actual Recordable Injuries (TRI) Frequency (per million man-hours)	3.40	0.80	1.30	2.84	2.36

Notes: All safety statistics include both Premier employees and contractors. Premier uses the same definition for LTI, RWDC and MTC as the OGP where LTIs are identified as "a fatality or lost workday case and the number of LTIs is the sum of fatalities and lost workday cases."<sup>11</sup> OGP defines RWDCs as "any work-related injury other than a fatality or lost work day case which results in a person being unfit for full performance of the regular job on any day after the occupational injury" and where individuals might be assigned to other work or perform a restricted set of duties. MTCs are "cases that are not severe enough to be reported as fatalities or lost work day cases or restricted work day cases but are more severe than requiring simple first aid treatment."

## Process safety

Process safety focuses on the design and engineering of facilities to prevent fires, explosions or accidental chemical releases, as well as their maintenance and operation. This includes the prevention, detection, control and mitigation of hydrocarbon and other leaks, oil spills, equipment malfunction, over-pressures, over-temperatures, corrosion, metal fatigue and similar conditions. Managing these risks requires a robust planning process, effective safety cases and the ongoing monitoring/management of asset integrity.

<sup>11</sup> OGP defines a Lost Workday Case (LWDC) as "any work related injury other than a fatality which results in a person being unfit for work on any day after the day of occurrence of the occupational injury. "Any day" includes rest days, leave days, public holidays or days after ceasing employment".

## HEALTH AND SAFETY (continued)

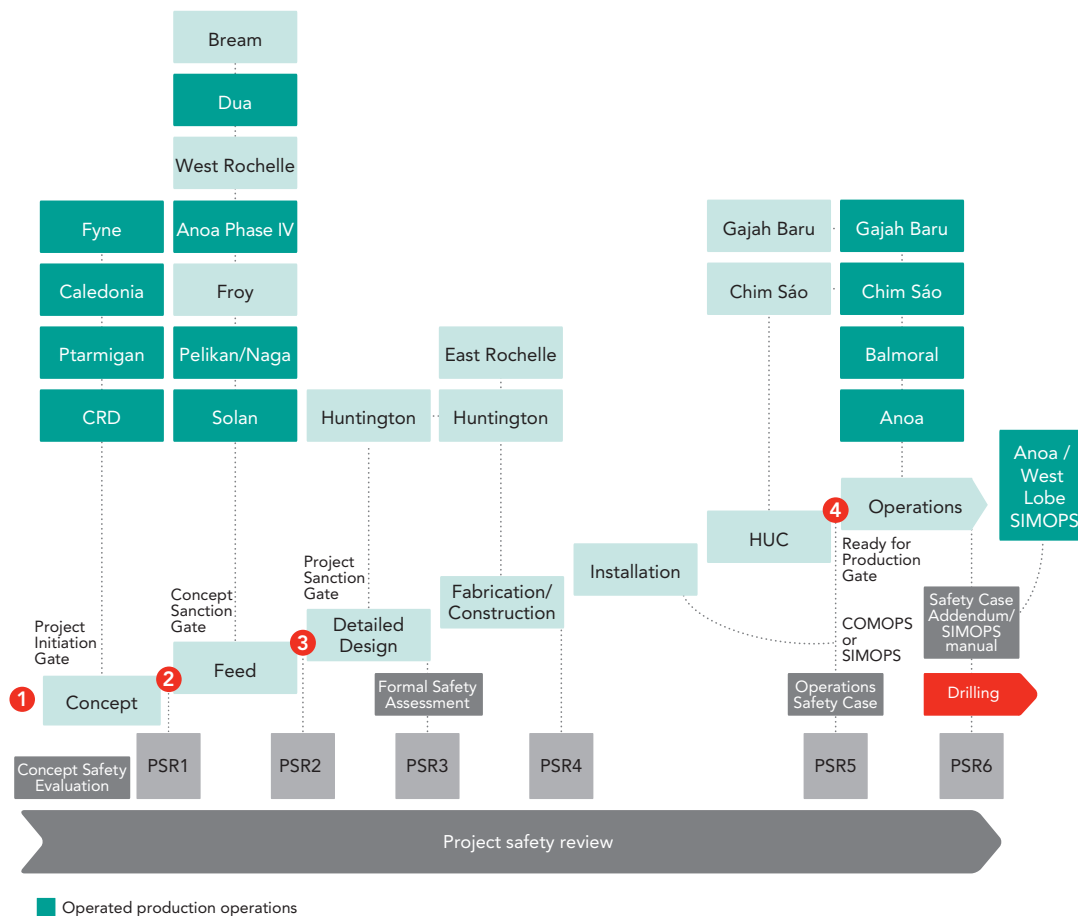
**Project Safety Reviews**

Premier integrates process safety protocols into the Project Safety Reviews (PSRs) of all its projects. These reviews provide assurance that material HSE issues have been identified and are being effectively managed throughout the project lifecycle. A typical project lifecycle will require six strategic reviews as a project moves from concept to construction and to operation. These PSRs align closely with our project sanction gates, at which time strategic decisions are made to either progress a project further towards the "operations" stage or to delay or divest. Achieving the PSR requirement is a critical part of any sanction gate decision-making. PSR3, PSR4 and PSR5 are the most significant as they mark key financial milestones in the project lifecycle. In 2011, we implemented a structured PSR procedure to ensure consistent and clear application of these gates at all operations.

**Safety cases and asset integrity**

Safety cases are in place at all of our operated installations. This safety case regime is aligned with the regulated standards in the United Kingdom. We believe this represents best practice and are committed to implementing such cases at all of our operated production facilities worldwide, even when not required by the local regulatory regime. Safety cases are developed during the project and become more detailed as a project nears the operation stage. Safety cases must be in place before production commences.

**Figure 12: Project Safety Reviews continue at all stages of the project pipeline**



Notes: FEED = Front End Engineering Design; IHUC = Installation Hook Up and Commissioning; SIMOPS = Simultaneous Operations; COMOPS =

Each case includes a review and impact assessment of the relevant process safety risks, the requirement to meet established safety benchmarks and the adoption of further steps to reduce risks as far as is reasonably practical (the ALARP principle). For the Gajah Baru and Chim São developments, we have used our established project safety review process to ensure that appropriate criteria and safety standards were achieved before start-up. For our operating assets these are reviewed every five years to ensure continued compliance with our standards. Safety cases are reviewed by either the local regulatory authority (such as the Health and Safety Executive (HSE) in the case of the United Kingdom) or a competent independent third party to assure compliance with our standard.

We actively encourage drilling contractors to adopt the International Association of Drilling Contractors HSE Case for all drilling operations, although this is not always possible in some of the regions in which we operate. In all cases, we ensure the integrity of our contracted drilling rigs at three stages before drilling commences. Initially we conduct a high level review during the bidding stage to ensure the rig technical specifications meet our requirements. After selecting a rig we conduct a pre-hire audit. Before commencing drilling we conduct a drilling preparedness review, which includes a more in-depth assessment of crew competence, maintenance management systems and the integrity of safety (e.g. blowout preventer) and environmental critical equipment.

#### Asset integrity and maintenance management

Premier is developing an asset integrity and maintenance management process based on the Asset Integrity Toolkit standard produced by Oil and Gas UK. The process will apply to all of our installations and is intended to ensure the requirements set out in our Performance Standard for Safety Critical Elements are met and maintained. It provides assurance that an installation meets our specified safety and integrity requirements.

#### Well integrity

The Premier Well Examination Scheme (WES) was developed for all well operations we conduct on the United Kingdom continental shelf to meet the requirements of the Offshore Installations and Wells (Design and Construction) Regulations (DCR) 1996, SI 1996/913. This legislation requires the well operator to have a written scheme of examination in place to ensure that wells are designed, operated, suspended and decommissioned in such a way as to ensure that as far as is reasonably practical there will be no unplanned escape of fluids and that the risk to the health and safety of persons is as low as reasonably practicable. All of our well examinations are conducted by an independent competent person to ensure that appropriate measures have been employed to reduce risks to a level that is as low as reasonably practicable (ALARP).

The examination is subject to annual review and revised as appropriate. Each examination records all areas of risk, any recommendations regarding action to further mitigate risk as well as what changes were implemented.

### Emergency preparedness

All of our operations have emergency response plans which are continually reviewed. In 2011, we conducted a number of exercises to test their effectiveness. These included emergency response exercises at Chim São and Gajah Baru and for each well drilled last year.

#### Simultaneous operations

Emergency preparedness is especially important with simultaneous operations (SIMOPS) where a drilling rig is working next to or over a production installation. In 2011, we had SIMOPS at Chim São and ANOA. For these operations, bridging documents were prepared that define which elements of each installation's management system are to be used in an emergency. These are fully tested before moving on to location and operations commence. All SIMOPS in 2011 were carried out safely.



## HEALTH AND SAFETY (continued)

### Universal well capping device

Premier also supports work currently being undertaken by the Oil Spill Prevention and Response Advisory Group (OSPRAG); that is reviewing industry practice in the United Kingdom in the light of conclusions from the Gulf of Mexico incident. In November 2010, Oil and Gas UK (through OSPRAG) took the decision to proceed with the development of a universal well capping device that could close off a well in the event of a major incident, thus enhancing United Kingdom capability to respond to a major, sustained release of oil. The device was commissioned by Oil Spill Response Ltd, assembled with industry partners, tested during the summer and unveiled at Offshore Europe 2011 in September. As an associate member of Oil Spill Response Ltd, Premier is entitled to call on this equipment if needed to assist in the management of an oil spill at any of our operations worldwide.

### Business continuity

We continue to enhance and test our business continuity plans. In 2011, we conducted a business continuity exercise at our Islamabad office in Pakistan. This follows a similar exercise completed at our London office in 2010. Similar exercises are scheduled for our Indonesia and Vietnam offices in 2012.

## Security

Evaluations of security risks for our employees are driven by on-the-ground events in those countries where we operate, explore and travel. Premier has a clear travel risk assessment process in place for all its employees and is a member of International SOS that provides medical assistance, international healthcare and security services as well as updates on health related risks in countries. These are assessed by our team and presented to employees as travel warnings where relevant. This last year saw continued uncertainty in Egypt that warranted special travel risk assessments and the inclusion of emergency air evacuation capability.

There were no significant security incidents in 2011 involving Premier staff.

The bulk of our current exploration, drilling and production activity occurs offshore and away from local communities. This offshore focus means Premier does not currently employ or contract security personnel. The only security personnel associated with our activities are those provided by the landlords at our office locations. All employees and contractors are explicitly required to uphold our own Human Rights Policy, where such requirements would also be included in relevant invitations to tender issued to all eligible external providers.



## ENVIRONMENT

### Environmental performance

Environmental assessment, management and reporting forms a major part of Premier's HSE risk management process. We conduct baseline surveys and Environmental and Social Impact Assessments (ESIAs) for each new operated activity. This involves an assessment of the physical, socio-economic and biological environments including biodiversity.<sup>12</sup> We measure and review each impact in turn and gauge both its significance and how it can be reduced to as low as reasonably practicable by adopting Best Available Techniques (BAT), in line with our internal environmental ALARP process. Potential actions to improve environmental performance are screened based on cost, duration and impact to determine which are feasible for implementation. We periodically review these environmental impacts and actions for our existing facilities to ensure we comply with our policy of continuous improvement.

#### Using best available techniques

Results of ESIAs and BAT assessments are integrated into facility specific management and monitoring plans. The implementation of these plans is externally reviewed as part of our ongoing ISO 14001 certification process. We have applied this process to our Anoa production operations in Indonesia as well as our Chim Sáo project in Vietnam and Gajah Baru in Indonesia.

#### ALARP ensures continuous improvement

Our ambition is to reduce our impact year on year in line with our stated policy of continuous improvement to as low as reasonably practicable.<sup>13</sup> We conduct periodic reviews of operation performance and identify where improvements can be made. Energy use on offshore production facilities and drilling rigs is generally driven by the original design of the facilities. New facilities are designed with the best technology available at the time. This includes the use of more environment-friendly dry low emissions turbines and minimal routine flaring. As a field matures, production decreases and fluid handling increases due to an increase in produced water leading to an inevitable rise in the intensity of emissions and discharges. The rapidly changing mix in age of our facilities as we invest in and commission new developments and acquire older facilities, has inhibited us from setting a corporate environmental intensity or emissions intensity improvement target year on year. Our current profile of only four producing facilities (Anoa, Gajah Baru, Chim Sáo and Balmoral) means that any exceptions or changes at any of these facilities will have a very significant impact on our reporting and on the attainment of any targets.

<sup>12</sup> Whilst previous Social Performance Reports included detailed reporting on biodiversity, this Report does not include such detailed data as baseline surveys and ESIAs have found none of our existing operations to have significant impacts on the biological environment. A number of our community investment programmes in Indonesia (p9-11) and Pakistan (p13-15) actively support biodiversity protection and rehabilitation. Our offshore seismic surveys are compliant with all marine mammal standards and requirements.

<sup>13</sup> Reasonably practicable implies that a computation is made in which the quantum of risk is placed on one scale and the sacrifice whether in money, time or trouble involved in the measures necessary to avert the risk is placed in the other. If it can be shown that there is a significant disproportion between them and that the risk is insignificant in relation to the resource required, then Premier as the duty holder discharges the burden of proving that compliance was not reasonably practicable.



## ENVIRONMENT (continued)

**Reporting on our environmental performance**

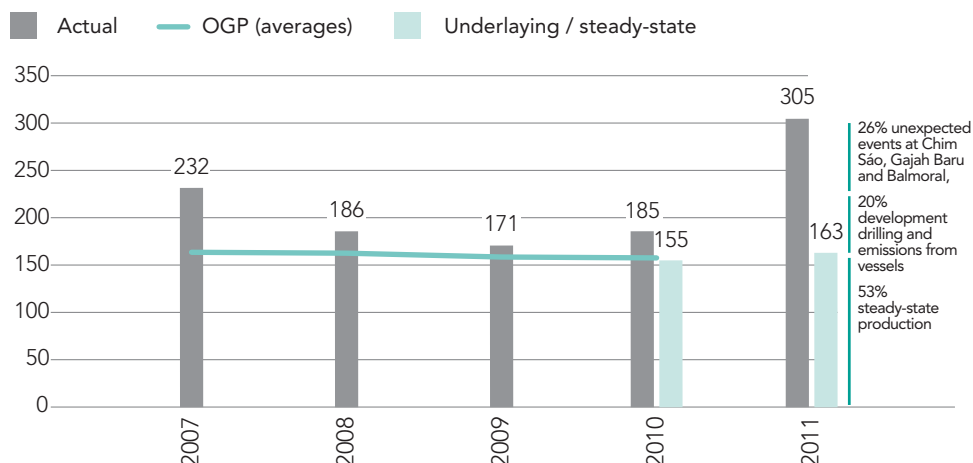
We report our environmental performance in line with the International Petroleum Industry Environmental Conservation Association (IPIECA) Oil and Gas Industry Guidance on Voluntary Sustainability Reporting 2010 (p50). We then benchmark our performance by contributing our data to an industry database compiled and published by the OGP. As an oil company with production facilities in the North Sea, we also comply with the European Union Emissions Trading Scheme (ETS) and submit an annual, externally verified report on our emissions profile to the Department of Energy and Climate Change (DECC). We also participate in the Carbon Disclosure Project (CDP) where we achieved a carbon disclosure score of 66 in 2011 (2010: 74).

**Figure 13: Key environmental parameters and indicators**

Parameter	2009	2010	2011
CO <sub>2</sub> (tonnes)	271,435	327,607	543,545
CO (tonnes)	714	995	1,924
N <sub>2</sub> O (tonnes)	17	21	31
CH <sub>4</sub> (tonnes)	1,219	1,086	2,923
VOCs (tonnes)	542	513	1,350
NO <sub>x</sub> (tonnes)	1,427	2,563	4,449
SO <sub>x</sub> (tonnes)	121	247	455
GHG (thousand tonnes)	300,440	350,421	614,507
GHG (per thousand tonnes production)	171	185	305
Flared gas (tonnes) <sup>14</sup>	34,650	30,260	82,571

<sup>14</sup> Includes total mass of hydrocarbon gas sent to operational flare systems at our facilities.

**Figure 14: Actual and underlying greenhouse gas emissions per unit of production (tonnes per 1,000 tonnes)**



## Climate change and greenhouse gas emissions

We manage our operations in accordance with our policy of reducing our impact (including greenhouse gas emissions from transport, power generation, flaring and venting) to as low as reasonably practicable. This includes a focus on effective design (including the adoption of new technologies where practicable), efficient operation, and responsible energy use.

### Direct emissions<sup>15</sup>

This last year has seen a number of changes to our emissions profile. This is mainly due to the continued development of assets as well as the significant number of development wells drilled last year. Our greenhouse gas accounting over this same period has thus sought to represent both the full scope of our initially higher total emissions as well as an underlying or "like-for-like" comparison with previous years which were essentially steady-state production operations. This is to better understand the impact of wider drilling and development project activities on our stated emissions reduction ambition (p41) and ALARP commitment. We expect these initially higher emissions associated with bringing on new operations to diminish once steady-state production is achieved.

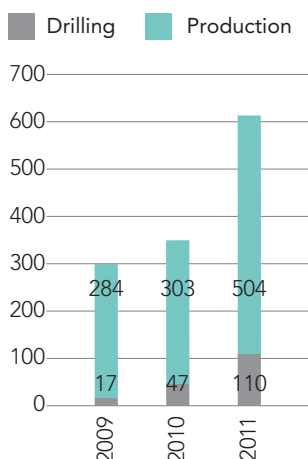
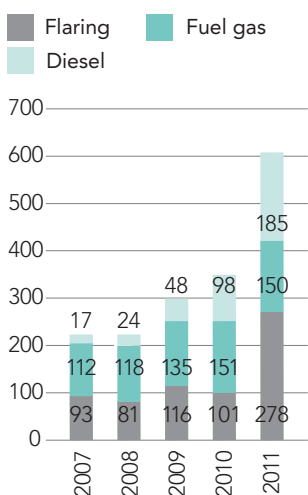
### Our greenhouse gas intensity

Our operated emissions intensity also increased from 185 tonnes per 1,000 tonnes of production in 2010 to 305 tonnes in 2011. This is mainly due to additional development drilling activity as well as a series of unexpected events. The latter include flaring at Chim São due to prolonged commissioning issues as well as three months of no production at our Balmoral facility in the North Sea. If these unexpected events are excluded, our underlying steady-state emissions intensity figure is 163 tonnes per 1,000 tonnes production. This is due mainly to the very good performance of our Anoa facility in Indonesia that recorded an average intensity of 139 tonnes per 1,000 tonnes of production. This performance at Anoa is significantly lower than the 158 tonnes industry average published by OGP.

We calculate our greenhouse gas (CO<sub>2</sub> equivalent or CO<sub>2</sub>e) emissions both for operated assets and on an equity basis for production across our global portfolio. Greenhouse gas emissions from flaring and fuel gas combustion associated with our full equity portfolio amounted to 172 tonnes per 1,000 tonnes production (2010: 155 tonnes per 1,000 tonnes production).

<sup>15</sup> Our greenhouse gas accounting has in the past used a standard set of OGP conversion factors for all operations. We are currently improving our accounting to utilise installation specific factors. These values have been used for our Balmoral facility in 2011 and will be extended to all operations for the 2012 report.

## ENVIRONMENT (continued)

**Figure 15: Greenhouse gas emissions per function (1,000 tonnes)****Figure 16: Total operated greenhouse gas emissions (1,000 tonnes)<sup>16</sup>****Our total greenhouse gas emissions**

The total greenhouse gas emissions associated with hydrocarbon combustion at our operations amounted to 614,507 tonnes in 2011 (2010: 350,421 tonnes). This increase in total emissions from 2010 was largely due to a significant increase in development drilling activity and associated diesel consumption as well as the start-up of our Gajah Baru and Chim São operations in Asia. A number of technical challenges at Chim São during an extended commissioning required us to implement a longer period of gas flaring that was beyond our initial expectations.

**Indirect emissions**

We are continuously making efforts to improve our indirect emissions performance. This includes emissions not associated with our machinery, but those associated with, for example, purchased electricity at our operations and in our offices. At our London Head Office, all electricity is supplied from renewable sources. We have also implemented light sensors and the automatic night time shut down of air conditioning systems to reduce energy consumption. Additional energy savings features for laptops are currently being evaluated by our IT function. We try to minimise the volume of "hard copy" company information (including the Annual Report) sent out to shareholders and stakeholders by encouraging them to receive this information electronically. We continue to donate £1 to Climate Care for every shareholder that registers for e-communication. Climate Care is a not-for-profit organisation that funds global sustainable energy and forest restoration projects aimed at reducing greenhouse gases.

**Emissions forecasting**

Our forecast growth over the next few years is likely to result in increased total emissions from the 2010 figure as we continue to expand our operations. This last year saw the development and implementation of a new production forecasting methodology that enables us to forecast our production operations emissions and enhances our understanding of future emissions performance. By the end of 2012 we expect to be running at around 163 tonnes per 1,000 tonnes production daily emissions intensity. This forecast is based on our operations running at capacity with gas export plans in place and functioning i.e. steady-state. Premier is also looking to integrate emissions requirements into our engagements with production operations contractors, to better incentivise energy efficiency at our operations. All projects also undertake environmental ALARP assessments; which reflects our commitment to search continuously for ways in which we might reduce emissions to as low as reasonably practicable.

<sup>16</sup> Represents our total Scope 1 emissions including combustion emissions; flaring and venting; significant stationary and mobile sources.

### Emissions reductions targets

Our analysis of the oil and gas sector for our peer companies suggests that greenhouse gas emissions reduction targets are limited in number, with around 25% of companies having published specific commitments. Within the FTSE350 there are 14 oil and gas companies including Premier. Four of these have targets (29%). All of the companies in FTSE4Good have emissions reduction targets.

Those targets that have been published by oil and gas companies include absolute emissions reductions, reductions for flaring, production efficiency commitments as well as targets for individual facilities. The time periods over which these targets are to be delivered are also highly variable, with some being annual commitments and others extending over longer time frames; thus showing enormous inconsistency.

Premier believes that all targets should be SMART (specific, measurable, attainable, relevant and timely) and as such will not commit to an artificial target that cannot be realistically achieved. We strive to reduce our impact year on year and conduct environmental ALARP studies for every project.<sup>17</sup> Our ambition is to achieve a greenhouse gas emissions intensity for steady-state production operations in line with the industry median (as published annually by OGP) and a stretch target of upper quartile performance. In 2010, the OGP published average was 158 tonnes per 1,000 tonnes production.

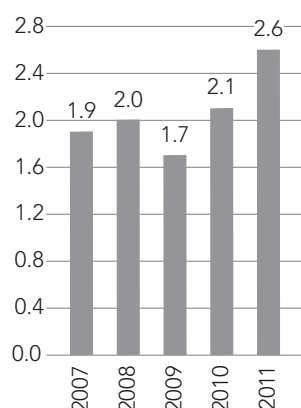
In 2011, our emissions for production operations was 243 tonnes per 1,000 tonnes production. Our expectation by the end of 2012 is to achieve a daily emissions intensity of 163 tonnes per 1,000 tonnes production.

### The impacts of climate change on our operations

Premier operates in countries that may be impacted by climate change. We have undertaken a review of the impact this might have on our operations. The process considered rising sea levels and the increased frequency of unpredictable weather events. The review found that given our facilities are already designed to withstand once in 50 years and once in 100 years storm cases, a possible increase in the frequency of such storms would not present additional operational risks. Floating facilities such as the Balmoral platform rise and fall with the sea, so the risks posed by changing sea levels are limited.

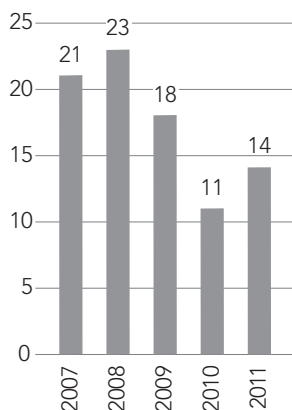
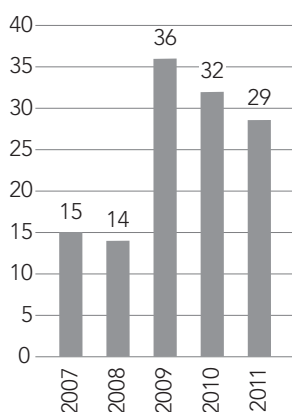
Our Project Risk Assessment Process now considers climate change risks such as extreme weather events and sea level changes. For example, a study of such risks was carried out during the design process of the steel legs ("jackets") and moorings for Chim Sáo in Vietnam. Meteorological and oceanographic studies are also carried out for all new projects. These include hind-casting and analysis of data on wind, currents and wave height over 1,000 years.

**Figure 17: Energy use (GJ) per tonne of production**



<sup>17</sup> OGP figures actually show a slight increase in emissions from 153 tonnes per 1,000 tonnes production in 2004 to 158 tonnes per 1,000 tonnes production in 2010.

## ENVIRONMENT (continued)

**Figure 18: Oil in produced water (ppm-wt)****Figure 19: Oil in produced water (tonnes)****Energy consumption**

Energy consumption in 2011 was 5,224,245 GJ (2010: 4,009,750). Energy consumption per unit of production increased from 2.1 GJ per tonne in 2010 to 2.6 GJ per tonne in 2011. This increased use of energy between 2010 and 2011 was mainly due to a vastly increased drilling programme, continued use of diesel at Balmoral during the shut-down and the progressive inclusion of Gajah Baru and Chim São into our energy accounting. About 45% of our total energy consumption occurred at the Anoa Field in Indonesia mainly in the form of fuel gas combustion, diesel used by the platform and vessels, and helicopter fuel. This is a marked reduction from the 60% in 2010 and is largely due to the significantly increased size of our portfolio and ongoing exploration. Our drilling activities this year accounted for around 28% of all energy consumed at our operations.

Our ALARP process and ISO 14001 certification ensure Premier is constantly working to improve energy efficiency at its operations. Whilst this is difficult for larger items of equipment, we continue to identify small projects that might reduce our carbon footprint. This includes more efficient travel (e.g. ensuring helicopters travel with the maximum number of passengers to reduce flights), energy efficient lighting at our London offices etc. Larger projects such as the selling of excess gas (rather than flaring) are also investigated where appropriate.

**Other gaseous emissions**

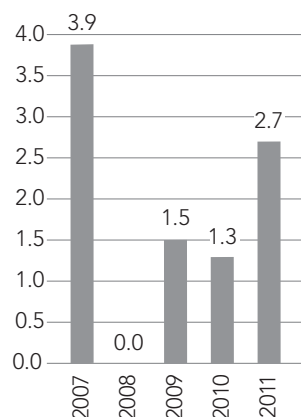
SO<sub>x</sub> (sulphur oxides) emissions amounted to 455 tonnes in 2011 (2010: 247 tonnes). The majority of these emissions resulted from our production facilities and were mainly a consequence of energy use and flaring. The year-on-year increase was again due mainly to flaring at our Chim São operation. NO<sub>x</sub> (nitrogen oxides) emissions amounted to 4,445 tonnes in 2011 (2010: 2,563 tonnes). About 50% of these emissions resulted from our production facilities, with the remainder from diesel use during drilling. This is a significant reduction on the 75% reported for 2010, and is mainly due to the increased use of diesel at our drilling operations.

**Pollution prevention****Planned discharges**

The total volume of produced water discharged from our operations in 2011 amounted to 2,055,878 tonnes (2010: 2,922,707 tonnes). This decrease was largely due to the shut-down of our North Sea operations for three months of the calendar year.

The average oil in produced water increased slightly from 11 ppm-wt in 2010 to 14 ppm-wt in 2011. This increase in the oil concentration of produced water was mainly due to an increase at Balmoral that averaged 14 ppm-wt (2010: 10.4 ppm-wt). The average concentration of oil in produced water discharged by our Anoa facility reduced significantly to 13 ppm-wt (2010: 17.7 ppm-wt).

**Figure 20: Hydrocarbon spills to the environment (tonnes)**



### Unplanned discharges

Premier has a zero significant spills per annum target, where "significant" is defined as any spill over one barrel of oil. In 2011, there were 20 spills to the environment (2010: 13). Sixteen of these were hydrocarbon spills (2010: seven). Four of these hydrocarbon spills were greater than one barrel with the remainder being minor in nature. The largest of these was 5.4 barrels. The total volume amounted to 2.7 tonnes (2010: 1.3 tonnes). About 90% (2.4 tonnes) of this total was associated with the 13 spills at our production operations, and 0.3 tonnes with the three hydrocarbon spills at our drilling activities. We maintain oil spill contingency plans for each of our operations and have ongoing contracts with oil spill response specialists to provide support in the unlikely event of a major incident. Four other chemical spills occurred at our production operations in 2011 (2010: six) totalling 1.3 tonnes (2010: 6.9 tonnes).

### Waste management

In 2011, approximately 1,021 tonnes of waste materials (2010: 1,880 tonnes) were collected from our global drilling and production operations and returned to shore for disposal; 184 tonnes (2010: 539 tonnes) was hazardous waste, 836 tonnes (2010: 688 tonnes) was non-hazardous waste e.g. scrap metal, wood, plastic, etc. and 474 tonnes (2010: 653 tonnes) consisted of drill cuttings that were shipped to shore and processed through certified waste handling contractors. We attempt to segregate and recycle as much of our waste as possible, although in countries with poor infrastructure this can pose a challenge. In 2011, around 130 tonnes (2010: 458 tonnes) was sent back to shore for recycling.



# 4 | Finance



**Figure 21: Five year summary of financial performance**

## Financials

Sales revenues

Profit before tax

Net profit for the year after tax

Cash flow from operating activities

Shareholders' funds

Net (debt)/cash

## Per share statistics

Revenue per share

Earnings per share – basic

Earnings per share – diluted

Cash flow from operating activities per share

Reserves per share – year-end

Issued Ordinary Shares - average

## Operations

Production (working interest basis)

Proved and probable reserves (working interest basis)

Employees – United Kingdom

– Overseas

## Key Indices

Realised average oil price

Average exchange rates

Closing exchange rates

	2011	2010	2009	2008	2007
(US\$ million)	<b>826.8</b>	763.6	621.1	655.2	578.2
(US\$ million)	<b>141.5</b>	100.8	79.9	277.6	147.0
(US\$ million)	<b>171.2</b>	129.8	113.0	98.3	39.0
(US\$ million)	<b>485.9</b>	436.0	347.7	352.3	269.5
(US\$ million)	<b>1,323.6</b>	1,130.2	971.3	598.9	552.9
(US\$ million)	<b>(744.0)</b>	(405.7)	(315.6)	117.3	79.0
(cents/share)	<b>176.9</b>	164.6 <sup>2</sup>	571.9	659.8 <sup>3</sup>	705.1
(cents/share)	<b>36.6</b>	28.0 <sup>2</sup>	104.1	99.0 <sup>3</sup>	47.6
(cents/share)	<b>31.5</b>	25.8 <sup>2</sup>	103.9	98.2 <sup>3</sup>	46.9
(cents/share)	<b>104.0</b>	94.0 <sup>2</sup>	320.2	354.8 <sup>3</sup>	328.7
(boe/share)	<b>0.63<sup>1</sup></b>	0.56 <sup>2</sup>	2.35	2.29 <sup>3</sup>	2.58
(million)	<b>467.4<sup>1</sup></b>	464.0 <sup>2</sup>	108.6	99.3 <sup>3</sup>	82.0
(kboepd)	<b>40.4</b>	42.8	44.2	36.5	35.8
(mmbœ)	<b>296.3</b>	260.8	255.2	227.5	211.5
(number)	<b>136</b>	119	110	62	60
(number)	<b>5.02</b>	442	398	406 <sup>4</sup>	300
(US\$/bbl)	<b>111.90</b>	79.70	66.30	94.50	72.30
(US\$/£)	<b>1.60</b>	1.55	1.57	1.85	2.00
(US\$/£)	<b>1.55</b>	1.56	1.62	1.46	1.98

## Notes:

- 1 The working interest reserves for 2011 are proforma reserves which include the reserves acquired from the acquisition of EnCore Oil plc, excluding Cladhan. This acquisition was completed in January 2012.
- 2 The average issued Ordinary Shares for 2010 have been adjusted to reflect the 4:1 share split that occurred in May 2011. The 2010 'per share statistics' have been restated accordingly. The 'per share statistics' for 2009, 2008 and 2007 have not been adjusted for the 4:1 share split.
- 3 The average issued Ordinary Shares for 2008 have been adjusted to reflect the bonus element related to the rights issue in 2009. The 2008 'per share statistics' have been restated accordingly. The 'per share statistics' for 2007 are as reported.
- 4 The 2008 overseas employee numbers have been restated to reflect a reclassification of employee categories during 2009 and the inclusion of offshore staff. The numbers for 2007 are as reported.

## External Review of Reported Social Performance

### Scope and objectives

Maplecroft was commissioned by Premier Oil to:

- Confirm the accuracy of all policy and social performance statements presented in this report
- Confirm the Global Reporting Initiative (GRI) G3 application level claim stated by Premier Oil on p4

Maplecroft recognises that it is not an independent party due to its role as an advisor to Premier Oil on previous engagements. Maplecroft did not verify any of the data relating to Health, Safety and Environment (HSE) or economic performance. It did however confirm the existence of HSE policy statements and actions as well as management systems, the rigour of internal reporting / review processes and plans for 2012.

### Methodology

Our review of Premier Oil social performance policies and activities involved the following activities over the period of 14 weeks in early 2012, during which we worked together with the company at its London offices:

- **Review of standards:** including the United Nations Global Compact, Global Reporting Initiative (GRI), International Petroleum Industry Environmental Conservation Association (IPIECA), FTSE4Good requirements and Equator Principles. This included engagement with Premier Oil on the potential for further public reporting to meet emerging investor and stakeholders expectations
- **Gap analysis:** this evolving scope was used to identify and where feasible to address and evaluate gaps in existing Premier Oil reporting. It also informed our review of existing policies and procedures, the Premier Oil Business Management System (BMS) as well as further evidentiary documentation including previous annual and sustainability reports, online materials and internal company documents / training / management briefings that support the delivery of key programmes such as the Code of Conduct roll-out and the new global People Strategy
- **Social Performance Report:** this report is again an advance on the equivalent report from 2010 in that it (a) reports on progress to address the gaps and commitments made in previous reports and (b) provides enhanced disclosures / transparency on work in progress including on issues relevant and material to investors

### Materiality and completeness

Maplecroft is satisfied that the narrative content presented in this report is an accurate representation of current Premier Oil processes and activities. We also believe the Premier Oil statement that it has applied the GRI G3 guidelines at B+ level is fairly stated. Premier Oil has reported on its management approaches and on more than 20 of the GRI core/additional performance indicators. It has not reported on all core performance indicators, as is required for A+ compliance. We look forward to future reports and insight into Premier Oil's continuous improvements in non-financial reporting.

### Recommendations

Premier Oil might consider the following suggestions as it progressively enhances and refines its social performance management / reporting disclosures:

- A more structured annual review / appraisal of community investment activities for each of the regions / business units. This would include the preparation and submission of an annual report on progress / impacts and a budget / plan for the forthcoming year to group ExCo for sign-off. Interim progress reports would also be discussed with local managers on a regular basis. This more structured / centralised process (building on the existing CSR management system) would enable (a) clear alignment of local projects with corporate objectives and commitments to host governments (b) corporate overview of spend / impacts and how these might be enhanced to further deliver on Premier's policy and contribution to sustainable development
- Further reporting on the continued implementation of Premier's new global People Strategy, including regional variations in talent attraction, management and development. Such issues will be increasingly important as Premier continues to grow and as access to skilled workers, especially in new growth economies (e.g. Indonesia and Vietnam) becomes more competitive
- Additional reporting and statistics on the implementation of Premier's new Code of Conduct. This would include (a) more in-depth statistics on the delivery of training programmes for relevant functional areas e.g. % of employees in each country that have received training and (b) insight into results of the forthcoming employee survey that will explore how much of the Code has been understood by employees and whether it is effectively embedded

We commend Premier for excellent work in progress and continued improvements in reporting at a time of significant business growth.

Alyson Warhurst

Kevin Franklin

Professor Alyson Warhurst and Dr Kevin Franklin  
2 April 2011

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## Independent Review of Reported, Health, Safety and Environmental Performance

ERM Certification and Verification Services Limited (ERM CVS) was commissioned by Premier Oil to review processes in place at Corporate level to collate and report on environment, health and safety information (HSE) provided in the 2011 Social Performance Report. The objective of the review was to determine whether these processes provided an appropriate basis for reporting information and data on Premier Oil's HSE performance during 2011 and subsequent claims made related to those data. Premier Oil reported its HSE performance using the following HSE reporting guidelines:

- International Petroleum Industry Environmental Conservation Association (IPIECA) – Oil & Gas Industry Guidance on Voluntary Sustainability Reporting, 2010
- Global Reporting Initiative (GRI) – G3

We have not verified data or claims related to social or economic performance or financial data and we were not commissioned to provide an opinion on GRI G3 application level claims.

### Respective responsibilities and independence

Premier Oil is responsible for preparing the Report and the information contained within it. ERM CVS, a member of the ERM Group, is responsible for reporting to Premier Oil on its conclusions. ERM CVS undertakes 3rd party certification for Premier Oil of the following:

- ISO 14001 and OHSAS 18001 for the global operations of the drilling function for Premier Oil Plc
- ISO 14001 and OHSAS 18001 for the oil and gas production operations associated with Premier Oil Natuna Sea BV based in Indonesia and for Premier Oil North Sea Limited's operations.
- ISO 14001 and OHSAS 18001 pre-operational pre-assessments for the Vietnam Chim-Sao operations, and
- Stage 1 ISO 14001 and OHSAS 18001 Assessment of the Indonesian Gajah Baru production operations with a view to inclusion in an extended scope of certification to cover all Indonesian operations

ERM CVS also provides independent verification of mandatory emissions reporting for Balmoral under the EU Emissions Trading Scheme.

The work that ERM CVS conducts for clients is restricted to independent assurance activities and training programmes related to auditing techniques and approaches. Our processes are designed to ensure that our work is free from bias and conflict of interest. ERM CVS and the staff that have undertaken work on this assurance exercise provide no other services to Premier Oil in any respect.

### Assurance approach and limitations

We based our work on Premier's internal guidance and definitions for the reported metrics. Our approach was developed with reference to the International Standard for Assurance engagements 3000: Assurance Engagements other than Audits or Reviews of Historical Information issued by the International Auditing and Assurance Standards Board (ISAE 3000), ISO 14064-3:2006, Specification with Guidance for the Validation and Verification of Greenhouse Gas Assertions as well as principles that ERM CVS has developed and refined for report assurance assessments.

Our verification approach is customised for each client and involves detailed challenge of principles, selected document review, and testing of consolidated data processes and techniques.

During February and March 2012 we undertook a review of the

HSE data and reporting systems employed by Premier Oil to direct, manage and collate HSE data. This included:

- testing and review of data management processes, controls in place and internal assurance activities
- interviews with the personnel responsible for collecting, reviewing and interpreting the data and information for representation in the Report.
- Source data verification, which was limited to the Balmoral installation's EUETS data and forms a sub-set of the overall corporate data set.

### Opinion

Based on the review activities undertaken, we conclude that appropriate processes are in place to report Premier Oil's environmental, health and safety performance and that the associated data are an appropriate presentation of the company's performance during 2011. Our work did not identify any material errors, omissions or misstatements in relation to the collection and aggregation of the information.

### Key Findings

Our review identified the following highlights

- A clear intention to fully report all EHS performance data within the scope of Premier Oil's operations and to identify and rectify any gaps in that completeness
- Full implementation of the internal reporting mechanisms POEMS and EARS has been achieved during 2011
- Clear management commitment to improving EHS performance by a variety of mechanisms including the setting of challenging performance improvement targets with reference to their peers

### Recommendations

As a result of our review our key recommendations are:

- Adoption of a consistent basis for reporting of data from the separate business units, preferably in metric mass based units. This would reduce the scope for errors induced by multiple data manipulation.
- Use of installation specific emission factors, compositional information, density and other gas and fluid properties rather than OGP standard factors.
- That Premier Oil should carry out a full analysis of its EHS data reporting data chain in order to understand fully the data routes, manipulations and risk factors that may affect the quality of the consolidated data.
- Review of incident data capture to allow Premier Oil to classify LOPC events more accurately against the Tier 1 and Tier 2 criteria for process safety events as per the relevant IPIECA clause
- Review the basis of internal waste data reporting to allow a more accurate breakdown and estimation of waste recycling

Additional detail of these recommendations has been provided to Premier Oil separately



Leigh Lloyd, Managing Director  
30<sup>th</sup> March 2012

ERM Certification and Verification Services, London

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# Global Reporting Initiative

Global Reporting Initiative: Sustainability reporting guidelines (G3) (core indicators)		Page	Extent
<b>Environmental performance indicators (management)</b>			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations, retained earnings etc.	44-45, Annual Report 2011	Partial
EC2	Financial implications and risks/opportunities to the organisation's activities due to climate change	39-41	Full
EC3	Coverage of the organisation's defined benefit pension plan obligations	20	Partial
EC4	Significant financial assistance received from government		Not reported
EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations		Not reported
EC7	Procedures for local hiring and proportion of senior management hired from the local community	21	Partial
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement	7-17	Full
<b>Environmental performance indicators (management)</b>			
EN1	Materials used by weight or volume	43	Partial
EN2	Percentage of materials used that are recycled input materials	43	Partial
EN3	Direct energy consumption by primary energy source	37-42	Full
EN4	Indirect energy consumption by primary energy source	37-42	Full
EN8	Total water withdrawal by source		n/a
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		n/a
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	37	Partial
EN16	Total direct and indirect greenhouse gas emissions by weight	38-41	Full
EN17	Other relevant indirect greenhouse gas emissions by weight	38-41	Full
EN19	Emissions of ozone-depleting substances by weight	38-41	Full
EN20	NO, SO, and other significant air emissions by type and weight	38, 42	Full
EN21	Total water discharge by quality and destination	42-43	Full
EN22	Total weight of waste by type and disposal method	43	Full
EN23	Total number and volume of significant spills	43	Full
EN26	Initiatives to mitigate environmental impacts of products and services and extent of mitigation	42-43	Full
EN27	Percentage of products sold and their packaging materials that are reclaimed by category		n/a
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	25	Partial

Global Reporting Initiative: Sustainability reporting guidelines (G3) (core indicators)		Page	Extent
<b>Social performance: labour practices indicators (management)</b>			
LA1	Total workforce by employment type, employment contract and region	19	Full
LA2	Total number and rate of employee turnover by age group, gender and region	20	Partial
LA4	Percentage of employees covered by collective bargaining agreements	22	Full
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	22	Partial
LA7	Rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities by region	33	Partial
LA8	Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families or community members regarding serious diseases	33-36	Partial
LA10	Average hours of training per year per employee by employee category	21-22	Partial
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	20, Annual Report 2011	Partial
LA14	Ratio of basic salary of men to women by employee category		Not reported
<b>Social performance: human rights indicators (management)</b>			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	25	Partial
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	25	Partial
HR4	Total number of incidents of discrimination and actions taken	18	Full
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken	22	Partial
HR6	Operations identified as having significant risk for incidents of child labour and measures taken to contribute to the elimination of child labour	23	Full
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour and measures to contribute to the elimination of forced or compulsory labour	23	Partial
<b>Social performance: society performance indicators (management)</b>			
SO1	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	7-8, 28-30, 36	Full
SO2	Percentage and total number of business units analysed for risks related to corruption	24-25	Full
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	24	Full
SO4	Actions taken in response to incidents of corruption	24-25	Full
SO5	Public policy positions and participation in public policy development and lobbying	25	Full
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	25	Full
<b>Social performance: product responsibility indicators (management)</b>			
PR1	Life cycle stages in which health and safety impacts of products/services are assessed for improvement	32-36	Full
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	29	Partial
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications		n/a
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	25	Full

# IPIECA

IPIECA: Oil and gas industry guidance on voluntary sustainability reporting (2011)		Page	Status
<b>Environmental indicators</b>			
E1	Greenhouse gas (GHG) emissions	39-41	Reported
E2	Energy use	42	Reported
E3	Alternative energy sources	42	Reported
E4	Flared gas	38	Reported
E5	Biodiversity and ecosystem services	37	Reported
E6	Fresh water		Not reported
E7	Other air emissions	38, 42	Reported
E8	Spills to the environment	42-43	Reported
E9	Discharges to water	43	Reported
E10	Waste	43	Reported
<b>Health and safety indicators</b>			
HS1	Workforce participation	28-30	Reported
HS2	Workforce health	26-33	Reported
HS3	Occupational injury and illness incidents	31-33	Reported
HS4	Product stewardship		Not reported
HS5	Process safety	33-36	Reported
<b>Social and economic indicators</b>			
SE1	Local community impacts and engagement	7-17, 36	Reported
SE2	Indigenous peoples	4	Reported
SE3	Involuntary resettlement		Not reported
SE4	Social investment	7-17	Reported
SE5	Local content practices		Not reported
SE6	Local hiring practices	21	Reported
SE7	Local procurement and supplier development	25	Reported
SE8	Human rights due diligence		Not reported
SE9	Human rights and suppliers	25	Reported
SE10	Security and human rights	36	Reported
SE11	Preventing corruption	24-25	Reported
SE12	Preventing corruption involving business partners	24-25	Reported
SE13	Transparency of payments to host governments	24-25	Reported
SE14	Public advocacy and lobbying	25	Reported
SE15	Workforce diversity and inclusion	18	Reported
SE16	Workforce engagement	19	Reported
SE17	Workforce training and development	18-22	Reported
SE18	Non-retaliation and grievance mechanism	25	Reported

# FTSE4Good

United Nations Global Compact: Our Communication on Progress (CoP) against the Ten Principles		Page	Status
<b>Human rights</b>			
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights	4, 7, 19, 25, 36	Communicated
Principle 2	Businesses should make sure they are not complicit in human rights abuses	Online policy	Communicated
<b>Labour</b>			
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	22	Communicated
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labour	23	Communicated
Principle 5	Businesses should uphold the effective abolition of child labour	23	Communicated
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation	18-24	Communicated
<b>Environment</b>			
Principle 7	Businesses should support a precautionary approach to environmental challenges	37-43	Communicated
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility	37-43	Communicated
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies	37-43	Communicated
<b>Anti-corruption</b>			
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery	24-25	Communicated

FTSE4Good: Sustainability criteria		Page	Status
<b>Environmental criteria</b>			
Policy		Online policy	Compliant
Management		37-43	Compliant
Reporting		4, 37-43	Compliant
<b>Social and stakeholder criteria</b>			
Policy		4	Compliant
Management		6-17	Compliant
Reporting		4, 6-17	Compliant
<b>Human rights criteria</b>			
Policy		Online policy	Compliant
Management		4, 7, 19, 25, 36	Compliant
Reporting		4, 7, 19, 25, 36	Compliant
<b>Supply chain labour standards criteria</b>			
Policy		25	Compliant
Management		25	Compliant
Reporting		4, 25	Compliant
<b>Countering bribery criteria</b>			
Policy		4, 24-25	Compliant
Management		4, 19, 23-25	Compliant
Reporting		4, 24-25	Compliant

## EXTERNAL RECOGNITION



## WHISTLE BLOWING HOTLINE

United Kingdom: 0800 915 1571

Vietnam: 1800 545411

Indonesia: 001 803 440 884

Singapore: 001 800 7233 2255

Norway: 00 800 7233 2255

Pakistan: 00 800 900 44 036

United Emirates: 8000 441 3376

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## DISCLAIMER

This report contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil and gas exploration and production business. Whilst the group believes the expectations reflected herein to be reasonable in light of the information available to it at this time, the actual outcome may be materially difference owing to factors beyond the group's control or otherwise within the group's control but where, for example, the group decides on a change of plan or strategy. Accordingly, no reliance may be placed on the figures contained in such forward-looking statements.

Note: Environmental data used for this report is subject to a degree of uncertainty caused by limitations in measurement and estimation. Premier has in some cases been obliged to make estimates or use different approaches to data calculation to ensure all data covers the same scope. Data presented in this report include our office, production and drilling operations; but not the sub-contracted construction entities. The exception is our health and safety statistics that also include these construction entities.



**NO SHORT CUTS:** WE HAVE A DUTY TO DO THINGS IN THE RIGHT WAY. WE ASSESS AND MANAGE ALL RISKS. WE ALWAYS FOLLOW PROCEDURES. IT'S A PERSONAL RESPONSIBILITY, IT'S YOUR SAFETY.

HEALTH, SAFETY  
& ENVIRONMENT.  
WE'RE ALL RESPONSIBLE.



**NO EXCEPTIONS:** WE ARE ALL ACCOUNTABLE. WE SHARE A RESPONSIBILITY FOR HEALTH, SAFETY & ENVIRONMENT. IF YOU SEE SOMETHING UNSAFE, SAY SO. IT'S YOUR JOB. WE ARE SAFER WORKING TOGETHER.

HEALTH, SAFETY  
& ENVIRONMENT.  
WE'RE ALL RESPONSIBLE.



**NO INCIDENTS:** WE HAVE A RESPONSIBILITY TO ENSURE THAT OUR OPERATIONS CAUSE NO HARM TO PEOPLE OR THE ENVIRONMENT. THIS IS A PRIORITY. WE EACH HAVE A ROLE TO PLAY.

HEALTH, SAFETY  
& ENVIRONMENT.  
WE'RE ALL RESPONSIBLE.



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*all responsible*

HEALTH  
SAFETY  
ENV  
We