



Premier Oil plc 2008 Communication on Progress for the UN Global Compact

November 2008

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Note about this report:

This report is intended to be read on-screen - it contains hyperlinks (in blue text) to relevant policy documentation and other information supplied on our website. Please consider the environment before printing it.

Background information

Company name:	Premier Oil plc
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Web address:	http://www.premier-oil.com
Submission date:	November 2008
Membership date:	2003
Number of employees:	c. 360 employees and long-term contractors
Sector:	Oil & Gas
Contact name:	Paul Dennis
Contact position:	Group HSE & Security Manager

Nature of business

Premier Oil plc is a leading independent oil and gas company with operated producing interests in Indonesia and joint venture production in the UK, Indonesia, Pakistan and Mauritania. Exploration and appraisal is ongoing in the North Sea, Middle East, Asia and West Africa. Premier is independent, has a strong balance sheet, and is seeking to grow through organic production growth, high impact exploration, and acquisitions in the areas we know well.

- Production stands at 35.8 thousand barrels of oil equivalent (boe) per day, up from 33.0 thousand in 2006.
- Reserves stand at 212 million boe
- Our reserve replacement ratio is 460 per cent

We have offices in India, Indonesia, Norway, Pakistan, Singapore, the UK and Vietnam. Our production, development and exploration operations cover the UK, Norway, SADR, Mauritania, Egypt, Pakistan, India, Vietnam, the Philippines, Indonesia and Congo.

Statement in support of the Global Compact

Premier signed up to the United Nations Global Compact Principles in 2003. As a signatory the company is committed to reporting yearly on the activities under each principle, and I am pleased to introduce this detailed report on our activity in 2007 which supplements the COP already submitted in the form of our 2007 Social Performance Report. I invite you to read both to get the full picture of all our responsible activity.

I continue to believe that the UNGC Principles are of the utmost importance to the company's future sustainability goals and targets. Not only this, but the communication of progress or otherwise against the 10 principles is key in demonstrating our openness and accountability.

I continue to use my influence to drive our endeavours in improving our performance against the principles.

Simon Lockett
Chef Executive

PRINCIPLE 1: Businesses should support and respect the protection of internationally proclaimed human rights

Policies

[Human Rights Policy](#)

[Health, Safety, Environment and Security Policy](#)

Our commitment

Premier Oil plc is committed to the protection and promotion of fundamental human rights.

We will always comply with local laws – including those relating to human rights – and make representations to the relevant authorities if we believe that policies and practices of host governments undermine our Business Principles.

Systems

In the workplace

The scope of Premier's Human Rights Policy includes the rights of our employees – their health and safety as well as their security arrangements and working conditions – and the development rights of our external stakeholders, in particular local communities. These policies are based on the Universal Declaration of Human Rights (UDHR), the International Labour Organization (ILO) core labour standards and the Rio Declaration on Environment and Development.

Premier also has a specific Health, Safety, Environment and Security ('HSES') Policy, which is focused on leadership, the setting of policy and strategic objectives, risk evaluation and management, planning, monitoring and implementation, and audit and review. Further details can be found [here](#).

Our integrated HSES Management System is based on the industry model prepared by the Association of Oil and Gas Producers (OGP) and complies with the ISO 14001 and OHSAS 18001 international standards. This includes a Process Safety Management System, under which we carry out special engineering safety audits at key stages of a project's lifecycle. Further details can be found [here](#).

All exploration, drilling, development or production operations follow a structured HSES Risk Assessment Process, which addresses compliance with OHSAS 18001, ISO 14001, as well as the Equator Principles and is subject to external monitoring. Further details can be found [here](#).

In the community

Our Social Performance Management System aims to enable every function and business unit to play a responsible role in the communities in which they operate by screening for social impacts through social and environmental impact assessments, building understanding with stakeholders, minimising negative impacts, forging community partnerships, and formulating plans to achieve our objectives.

As noted above, all exploration, drilling, development or production operations are subject to our HSES Risk Assessment Process – including the identification, assessment and management of impacts on local communities.

We report on our sustainability performance – including, where relevant, our human rights performance – every other year via our [Social Performance Report](#), which is based on the requirements of the Global Reporting Initiative G3 Reporting Framework, IPIECA Oil and Gas Industry Guidance on Voluntary Sustainability Reporting (2005), the UN Global Compact and the FTSE4Good Index (of which Premier is a member).

Actions

In the workplace

Premier underwent a series of OHSAS 18001 assessments and surveillance audits on our drilling and production operations in 2006 and 2007. In 2007, we decided to focus on high potential incidents (i.e. near miss or minor

incidents that could have had potentially serious consequences). Incidents of this nature require senior management to review and sign off the conclusions from the incident investigation, ensure corrective actions are implemented and issue a safety alert focusing on lessons learnt.

In 2006, we embedded security threat assessments into our risk management process and integrated our security, business continuity, disaster recovery, and emergency response processes. We also carried out specialist training in emergency preparedness for our corporate response team in London and regularly tested our emergency response plans throughout the year.

In February 2008, we commissioned Maplecroft to conduct an independent Employee Survey covering all aspects of our HSES and social performance – including human rights.

In the community

Our community development activities are strongest in Indonesia, which hosts our only operated production activities. Projects include funding for kindergartens, sponsored training of pre-school teachers, the construction of village halls, a fresh water supply project, cultural training programmes, and an ongoing capacity building programme for local officials. In Vietnam, we funded the construction of an elementary school in 2006, sponsored 28 elementary students, contributed to post-Typhoon reconstruction of the Vung Ta'u area, and funded the construction of four bridges. Actions in India include support of a number of charities, a fish farming development, the funding of improvements to drinking water facilities and sanitary facilities in local villages, and the provision of emergency supplies and help in response to flooding around our well sites in 2007.

Further details can be found in our [Social Performance Report 2007](#).

Performance

In the workplace

Our occupational health and safety performance for 2006/7 is set out below (per million exposure hours worked):

	2006	2007
Lost Time Injuries (LTI)	4	3
Restricted Workday Cases (RDWC)	0	4
Million Exposure Hours	3.16	3.84
Target LTI+RDWC Frequency	2.10	1.90
Actual LTI+RDWC Frequency	1.27	1.82
High Potential Incidents	11	21

Figures for 2007 included one fatality on a drilling rig contracted offshore Indonesia. We have set ourselves a target of reducing significant occupational health and safety incidents by 10 percent year on year – and have succeeded in bettering targets since 2004. We are aiming to cut these incidents by a further 10 percent in 2008.

As a result of our OHSAS 18001 assessments and surveillance audits in 2006 and 2007, our global drilling function retained its certification, though our Indonesian production facility was recommended for further assessment. Efforts are underway to regain certification in Indonesia as soon as possible.

In the community

Premier's social projects, including those described above, have resulted in tangible benefits for local communities in terms of health, education and the protection of economic livelihoods. Further details can be found in our [Social Performance Report 2007](#).

In-line with our 2008 Action Plan (which is derived from our latest Employee Survey), over the course of the next year we are planning to:

- Prepare a training syllabus for human rights awareness
- Roll out to all Premier Oil business units



Premier has not been subject to any formal complaints or legal claims relating to our human rights performance over the period covered by this Communication on Progress.

PRINCIPLE 2: Businesses should make sure that they are not complicit in human rights abuses

Policies

[Human Rights Policy](#)

[Health, Safety, Environment and Security Policy](#)

Our commitment

Premier Oil plc is committed not only to the active protection and promotion of human rights but also seeks to ensure that the company is not considered complicit in human rights violations. We will apply this commitment to our own operations and in our relations with both business and local community partners. We will also use our legitimate influence to promote the protection of human rights outside of our areas of operation.

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

Systems

Our policy of ensuring non-complicity in human rights violations factors into our Social Performance Management System, our integrated HSES Management System and our HSES Risk Assessment Process. For example, Premier has adopted the OGP Guidance on 'Firearms & the Use of Force', based on the UN guidelines: Basic Principles of the Use of Force and Firearms by Law Enforcement Officials and Code of Conduct for Law Enforcement Officials and International Human Rights Standard for Law Enforcement.

Actions

In February 2008, we commissioned Maplecroft to conduct an independent Employee Survey covering all aspects of our HSES and social performance – including human rights.

Following a fatality in May 2007 on one of our contracted drilling rigs, we started requiring contracted rigs to identify all safety critical equipment and processes, and to convince us that they are properly maintained and that their people are competent to use them.

Performance

In line with our 2008 Action Plan (which is derived from our latest Employee Survey), over the course of the next year we are planning to:

- Prepare a training syllabus for human rights abuse awareness
- Roll out to all Premier Oil business units

The company has not been subject to any formal complaints or legal actions relating to its potential complicity in human rights violations for the period covered by this Communication on Progress.

PRINCIPLE 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

Policies

[Human Rights Policy](#)

[Employment Policy](#)

Our commitment

Premier Oil plc is committed, where local legislation permits, to its employees' right to:

- Freely join legitimate associations of their own choice (for the purposes of rule formation, administration and the election of representatives); and
- Undertake collective bargaining.

We will always comply with local laws – including those relating to freedom of association and collective bargaining – and make representations to the relevant authorities if we believe that policies and practices of host governments undermine our Business Principles.

Systems

Our Employment Policy explicitly states our commitment to respect the right of individual employees to join a legitimate trade union, whilst our Human Rights Policy protects and promotes the rights enshrined in the UDHR (including Article 23(4)) and the ILO core labour standards (including Conventions 87 and 98) relating to freedom of association and collective bargaining.

In addition, Premier has a system in place whereby employees can nominate representatives on a country by country basis for the purposes of raising concerns with management – including pay and working conditions. This system is not exclusive of employee's freedom of association and right to bargain on a collective basis – though the company does not currently have a formal system in place for the protection of these rights other than compliance with local legal obligations.

Actions

In February 2008, we commissioned Maplecroft to conduct an independent Employee Survey covering all aspects of our HSES and social performance – including access to workers representatives, human rights and labour standards.

Performance

In line with our 2008 Action Plan (which is derived from our latest Employee Survey), over the course of the next year we are planning to:

- Prepare a training syllabus for freedom of association and collective bargaining
- Roll out to all Premier Oil business units

The company has not been subject to any formal complaints or legal actions relating to employees' rights to organise for the purposes of collective bargaining for the period covered by this Communication on Progress.

PRINCIPLE 4: Businesses should uphold the elimination of all forms of forced and compulsory labour

Policies

[Human Rights Policy](#)

Our commitment

Premier is against all forms of forced and compulsory labour. We will apply this commitment to our own operations and in our relations with both business and local community partners. We will also use our legitimate influence to promote the protection of human rights outside of our areas of operation.

Systems

Our Employment Policy states our explicit commitment to providing our staff with just and competitive conditions and terms of employment, whilst our Human Rights Policy protects and promotes the rights enshrined in the UDHR (including Articles 4 and 23(1)) and the ILO core labour standards (including Conventions 29 and 105) relating to forced and compulsory labour.

Similarly, the issue of forced or compulsory labour would – where relevant – be addressed through our Social Performance Management System. Further details can be found [here](#).

Actions

In February 2008, we commissioned Maplecroft to conduct an independent Employee Survey covering all aspects of our HSES and social performance – including human rights and labour standards.

Performance

In line with our 2008 Action Plan (which is derived from our latest Employee Survey), over the course of the next year we are planning to:

- Prepare a training syllabus for identification of forced and compulsory labour and its elimination
- Roll out to all Premier Oil business units

The company has not been subject to any formal complaints or legal actions relating to forced and compulsory labour during the period covered by this Communication on Progress.

PRINCIPLE 5: Businesses should uphold the effective abolition of child labour

Policies

[Human Rights Policy](#)

Our commitment

Premier Oil plc is committed to the effective abolition of child labour. We will apply this commitment to our own operations and in our relations with both business and local community partners. We will also use our legitimate influence to promote the protection of human rights outside of our areas of operation.

Systems

Our Human Rights Policy protects and promotes the rights enshrined in the ILO core labour standards (including Conventions 138 and 182) relating to forced and compulsory labour.

This issue would – where relevant – be addressed through our Social Performance Management System. Further details can be found [here](#).

Actions

In February 2008, we commissioned Maplecroft to conduct an independent Employee Survey covering all aspects of our HSES and social performance – including labour standards.

Performance

In line with our 2008 Action Plan (which is derived from our latest Employee Survey), over the course of the next year we are planning to:

- Prepare a training syllabus for identification of child labour and its abolition
- Roll out to all Premier Oil business units

The company has not been subject to any formal complaints or legal actions relating to child labour during the period covered by this Communication on Progress.

PRINCIPLE 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation

Policies

[Human Rights Policy](#)

[Employment Policy](#)

Our commitment

Premier Oil plc is committed to ensuring equal opportunities for all of its employees.

We will always comply with local laws – including those relating to discrimination – and make representations to the relevant authorities if we believe that policies and practices of host governments undermine our Business Principles.

Systems

Our Employment Policy explicitly states our commitment to respect individuals, regardless of ethnic origin, creed, age or gender, our status as an equal opportunities employer and our intention to try to recruit, train and promote from within our countries of operation. Pay reviews are undertaken on an annual basis to ensure that remuneration takes place in accordance with our policy. We also constantly monitor the skills required to manage our activities and the balance of skilled, experienced, expatriate and local labour.

Externally, discrimination falls under our Social Performance Management System. Further details can be found [here](#).

Actions

In late 2007, we introduced a universal remuneration policy, which included an intention to remunerate employees at top quartile rates for the sector at their employment location. Pay reviews are undertaken annually, whilst part-time employees have pay and benefits equal (on a pro rata basis) to full time staff.

In February 2008, we commissioned Maplecroft to conduct an independent Employee Survey covering all aspects of our HSES and social performance – including recruitment practices, the provision of local employment opportunities, workplace discrimination and labour standards.

Performance

A particularly high number of respondents to our Employee Survey agreed that there is no workplace discrimination and all employees enjoy equal opportunities, whilst a clear majority also agreed that the company has fair recruitment practices. Nonetheless, as part of our 2008 Action Plan and in the spirit of continuous improvement, we are planning to:

- Prepare a training syllabus for employment and occupational discrimination and its elimination
- Roll out to all Premier Oil business units

The company has not been subject to any formal complaints or legal actions relating to discrimination the period covered by this Communication on Progress.

PRINCIPLE 7: Businesses should support a precautionary approach to environmental challenges

Policies

[Health, Safety, Environment and Security Policy](#)

Our commitment

Premier Oil plc believes that effective environmental performance is a key objective and we adhere to the 'precautionary approach' outlined in the UN Global Compact.

In terms of climate change, we believe that we should continue to look for ways in which we can help address global concerns about this issue, at the same time as striving to meet the world's growing demand for energy.

Systems

Our HSES Policy is focused on the setting of policy and strategic objectives, organisational structure, risk evaluation and management, planning, monitoring and implementation, and audit and review. Our policy commits us to the establishment of an organisational structure for the effective management of environmental issues, full definition of the responsibilities of each function, and the appointment of management representatives responsible for implementation of our environmental policy. A key element of our policy is our focus on ensuring our environmental emissions and discharges are 'as low as reasonably practicable' ('ALARP'). Further details can be found [here](#).

Our HSES Management System ensures that our policies are systematically applied, and that best industry practice is adopted within all operations. It is based on the industry model prepared by the OGP and fully complies with the ISO 14001 standard. Further details can be found [here](#).

All exploration, drilling, development or production operations follow a structured HSES Risk Assessment Process. This process addresses compliance with ISO 14001 and the Equator Principles, whilst biodiversity issues are managed in accordance with international standards set by World Bank Guidelines (Environmental Assessment Sourcebook) and recommendations from the Energy Biodiversity Initiative. Further details can be found [here](#).

We report on our sustainability performance – including our environmental performance – every other year via our [Social Performance Report](#), which is based on the requirements of the Global Reporting Initiative G3 Reporting Framework, IPIECA Oil and Gas Industry Guidance on Voluntary Sustainability Reporting (2005), the UN Global Compact, the FTSE4Good Index (of which Premier is a member) and the World Resource Institute Greenhouse Gas Protocol.

Actions

We have set ourselves a target to conduct assessments for each operated project/activity in order to ensure the environmental impacts are as low as reasonably practicable. The results of these assessments will be included in our ISO 14001 certification process.

In February 2008, we commissioned Maplecroft to conduct an independent Employee Survey covering all aspects of our HSES and social performance – including the environment.

Performance

Our energy use and carbon emissions are falling, as shown below:

	2006	2007
Greenhouse gases (CO₂ eq., 1,000 tonnes)	297	222
Greenhouse gases (CO₂ eq., tonnes per 1,000 tonnes of production)	232	171
Energy use (GJ per tonne of production)	1.9	1.8

Our reduction in greenhouse gas emissions was largely as a result of efforts to improve gas compressor reliability at our production facilities and a subsequent reduction in flaring. In line with industry practices, most of our environmental data is only reported for operated assets. However, we have now decided to report on our greenhouse gas emissions from non-operated assets on an equity share basis. In 2007, these amounted to 238,458 tonnes – or 156 tonnes per thousand tonnes of production.

In line with our 2008 Action Plan (which is derived from our latest Employee Survey), over the course of the next year we are planning to:

- Prepare a training syllabus on a precautionary approach to environmental challenges
- Roll out to all Premier Oil business units

The company has not been subject to any formal complaints or legal actions relating to its approach towards environmental sustainability for the period covered by this Communication on Progress.

PRINCIPLE 8: Businesses should undertake initiatives to promote environmental responsibility

Policies

[Health, Safety, Environment and Security Policy](#)

Our commitment

As noted above, we are committed to ensuring our environmental emissions and discharges are ALARP. Premier Oil plc will ensure that all employees and contractors have adequate environmental awareness, skills and competence, that contractors are selected and managed to ensure their environmental performance meets the company's requirements and that appropriate environmental documentation is maintained.

Systems

Our HSES Management System ensures that our policies are systematically applied, and that best industry practice is adopted within all operations. It is based on the industry model prepared by the OGP and fully complies with the ISO 14001 standard. Further details can be found [here](#).

We monitor, measure and report our carbon emissions, and contribute environmental data to the OGP. We aim to manage these emissions in accordance with our policy of minimising the release of hydrocarbon gases through venting and flaring, as far as reasonably practicable.

In line with the International Petroleum Industry Environmental Conservation Association (IPIECA) Oil and Gas Industry Guidance on Voluntary Sustainability Reporting we report environmental performance in the four core areas of oil in produced water; oil spills, greenhouse gas emissions and energy use.

Actions

In 2006 and 2007, we underwent a number of ISO14001 assessments and surveillance audits on our drilling and production operations.

Furthermore, we implemented a new audit system aimed at minimising future spills – Pollution Prevention Workplace Inspection – covering all of our rigs. We have also expanded our efforts under our Oil Spill Responses Strategy (which previously focused on planning) to include proactive training and active drills.

Performance

Our performance in the four core areas identified in the IPIECA reporting guidance are set out below:

	2006	2007
Hydrocarbon spills (number)	4	3
Hydrocarbon spills (tonnes)	3.9	13.7
Oil in produced water (tonnes)	15	14
Oil in produced water (parts per million)	21	20

Our global drilling function retained ISO 14001 certification, but the Indonesian production facility had its certification suspended by auditors. We are resolving the issues raised, so certification can be reinstated in 2008.

In-line with our 2008 Action Plan (which is derived from our latest Employee Survey), over the course of the next year we are planning to:

- Prepare a training syllabus on undertaking environmental initiatives
- Roll out to all Premier Oil business units

The company has not been subject to any formal complaints or legal actions relating to the environmental aspects of its operations for the period covered by this Communication on Progress.

PRINCIPLE 9: Businesses should encourage the development and diffusion of environmentally friendly technologies

Policies

[Health, Safety, Environment and Security Policy](#)

Our commitment

Premier Oil plc is committed to the development and diffusion of environmentally friendly technologies.

Systems

As noted above, our HSES Policy commits us to the ALARP environmental principle, which is reflected in our use and selection of technology – as well as industry best practice.

We have set ourselves a target to conduct an ALARP assessment for each operated project/activity as part of its environmental aspects analysis – including the selection and use of the best possible technology. The results of these assessments are included in our ISO 14001 certification process.

Actions

We have improved the reliability of our gas compressor facilities in order to reduce natural gas flaring.

Performance

Largely as a result of improved gas compressor reliability our daily average flaring figures in million standard cubic feet per day (MMSCFD) fell from 5.8 MMSCFD in 2006 to 3.4 MMSCFD in 2007 – with a resultant fall in our carbon emissions (see Principle 7).

In-line with our 2008 Action Plan (which is derived from our latest Employee Survey), over the course of the next year we are planning to:

- Prepare a training syllabus on reducing environmental impacts to as low as reasonably practicable
- Roll out to all Premier Oil business units

PRINCIPLE 10: Businesses should work against corruption in all its forms, including extortion and bribery

Policies

[Business Integrity Policy](#)

Our commitment

Premier Oil plc believes that integrity, honesty and fairness are fundamental to the way we conduct our business. We expect the same ethical standards to be applied in all our business relationships in all areas of operation and we will promote our Business Principles with all our business associates.

We will always comply with local laws – including those relating to corruption – and make representations to the relevant authorities if we believe that policies and practices of host governments undermine our Business Principles.

Systems

Our Business Principles address the principles outlined in the OECD Convention on Combating Bribery and confidential 'hot lines' are in place to reassure employees that any reported transgression of Premier principles in this regard will be followed up without redress. We expect our employees and agents to:

- adhere to principles of honesty, integrity, openness and fairness in the conduct of Premier's business;
- respect all applicable laws;
- reflect all business transactions on behalf of Premier accurately and fairly in the accounts of the company and make them subject to audit;
- report any breaches of our policy;
- not put themselves in a situation where there is a conflict between their role within Premier and their own personal and financial situation;
- refrain from giving gifts in order to influence a third party to give any advantage to Premier; and
- reject gifts from third parties in the context of their employment with Premier.

We expect our contractors, suppliers, joint venture and alliance partners to respect these principles. Their concurrence is an important factor in our decision to form or remain in a relationship with them.

Actions

In February 2008, we commissioned Maplecroft to conduct an independent Employee Survey covering all aspects of our HSES and social performance – including anti-corruption and ethics.

Performance

The results of our Employee Survey show that the proportion of respondents who say they understand Premier's anti-corruption and ethics policies and guidance is relatively high. Nonetheless, the largest proportion said that they are only aware of such policies and guidance. As part of our 2008 Action Plan and in the spirit of continuous improvement, we are planning to:

In-line with our 2008 Action Plan (which is derived from our latest Employee Survey), over the course of the next year we are planning to:

- Prepare a training syllabus on working against corruption
- Roll out to all Premier Oil business units

The company has not been subject to any formal complaints or legal actions relating to corruption or business ethics for the period covered by this Communication on Progress. Similarly, standard financial auditing has not identified any significant issues in this respect.