



# Oil Search





There are over 3,000 known species of orchids in Papua New Guinea, many of which are found nowhere else in the world. This makes Papua New Guinea home to one of the largest variety of orchid species globally, with many new species likely still to be discovered.

A vertical stem of a green orchid with several yellow and red flowers against a black background. The flowers are arranged in a cluster, with some fully open and others as buds. The petals are a pale yellow-green, and the centers of the flowers are a vibrant red with some yellow accents. The stem is thin and green, with a few long, narrow leaves extending from it. The overall composition is simple and elegant, focusing on the natural beauty of the orchid.

TRANSFORMATION

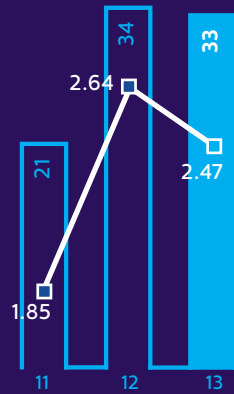


## A YEAR OF TRANSFORMATION

SUCCESSFUL COMPLETION OF THE US\$19 BILLION PNG LNG PROJECT IN 2014 WILL SEE OIL SEARCH TRANSFORM INTO A SIGNIFICANT LNG EXPORTER. WITH A MAJOR NEW REVENUE STREAM AND MATERIAL EXPANSION OPPORTUNITIES ON THE HORIZON, OUR AIM IS TO DELIVER BOTH GROWTH AND HIGHER DIVIDENDS TO SHAREHOLDERS, ENSURING CONTINUED TOP QUARTILE RETURNS IN THE YEARS AHEAD.

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## 2013 PERFORMANCE AT A GLANCE



### SAFETY

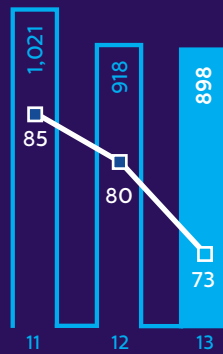
- TOTAL RECORDABLE INJURIES
- TOTAL RECORDABLE INJURY RATE

# 10<sup>th</sup> YEAR

OIL SEARCH HAS OPERATED ALL OF PNG'S OIL FIELDS

# 85 YEARS

SINCE OIL SEARCH WAS FOUNDED IN PNG



### GREENHOUSE GAS (GHG) EMISSIONS (ktCO<sub>2</sub>-e/MMBOE)

- GHG
- GHG INTENSITY

# NEW

HEALTH, SAFETY & SUSTAINABILITY BOARD COMMITTEE ESTABLISHED

**US\$10.7M**

SPENT ON PNG TAX CREDIT  
SCHEME PROJECTS IN 2013 INCLUDING  
TWO PROJECTS IN PORT MORESBY  
UNDER THE NATIONAL INFRASTRUCTURE  
TAX CREDIT SCHEME

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**6.74**<sub>MMBOE</sub>

**OIL AND GAS  
PRODUCED IN 2013**

**6% INCREASE  
FROM 2012**

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**US\$  
249.1M**

PAID BY OIL SEARCH TO THE PNG,  
KURDISH, YEMENI AND TUNISIAN  
GOVERNMENTS IN 2013 AS ROYALTIES,  
TAXES, DIVIDENDS, LEVIES AND  
OTHER FEES AND CHARGES

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**US\$8.2M**

INVESTED IN COMMUNITY  
DEVELOPMENT INCLUDING A US\$5.8M  
DONATION TO OIL SEARCH HEALTH  
FOUNDATION

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**OIL SEARCH INCLUDED  
IN DOW JONES  
SUSTAINABILITY INDEX  
(DJSI) AUSTRALIA  
FOR THE FIRST TIME**

**US\$86M**

PAID FOR WORK CONTRACTED  
WITH LANDOWNER COMPANIES  
IN 2013





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IN 2013, OIL SEARCH LOOKED TO THE PAST AND TO THE FUTURE. WE CELEBRATED 10 YEARS AS THE OPERATOR OF ALL OF PAPUA NEW GUINEA'S OIL FIELDS. WE ALSO CONSOLIDATED THE COMPANY'S SUSTAINABILITY PLATFORM IN READINESS FOR GROWTH IN 2014.

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## LETTER FROM THE MANAGING DIRECTOR

Overall, 2013 was a year of solid progress against the objectives of Oil Search's multi-year Sustainability Strategy. A highlight was our inclusion in the prestigious Dow Jones Sustainability Index (DJSI) for the first time. This achievement acknowledges Oil Search's long-term commitment to improving sustainability performance and recognises the Company as a strong sustainability performer in our industry.

Oil Search is committed to using the Company's resources, skills and knowledge to support regulatory change and sustainable development. During Oil Search's ten years as an operator in PNG, more than 320,000 patients have been treated at medical centres we support and nearly 805 tertiary students undertook further study with an Oil Search sponsorship. Since 2009, local land owner companies received US\$314 million in seed capital and contracts with Oil Search. As well as helping to manage operating risks, this approach is the right thing to do and is ingrained in our business model.

During 2013, Oil Search's programme of activities addressed key sustainability issues, notably transparency, good governance, community development and health care. For example we made significant progress in demonstrating and encouraging the adoption of the principles of the Extractive Industries Transparency Initiative (EITI) in PNG. We remained committed to embedding the principles of the United Nations Global Compact (UNGC) and continued our active participation in the Australian Global Compact Network. The Oil Search Health Foundation continued to grow, in particular the reach of the HIV programme. Continuing to advocate for change in these areas is an industry responsibility and we endeavour to lead by example and work cooperatively with several of our peers. I encourage others to join us.

We kept the market informed about Oil Search's approach to material non-financial issues at our first Investor Sustainability Briefing in September 2013. The response was positive and we intend to make it an annual event.

With further business growth ahead, strengthening our safety function remained a top priority and pleasingly our safety performance improved during the year. The new Health, Safety and Sustainability Board Committee will support Oil Search's strategic planning and performance in these core areas to meet stakeholder and Company expectations.

A significantly reorganised Commercial function will oversee future strategic and commercial activities and in 2014 will lead the Company through a company-wide Strategic Review that will outline Oil Search's direction for the next five years. As in 2013, progress on some sustainability projects may temporarily slow down until the outcomes from this review are available to align and embed our sustainability direction and activities with Oil Search's new corporate objectives.

With 2014 shaping up to be a watershed year, we also decided to introduce a fresh new look. The updated Oil Search logo is a visual representation of the way our Company has evolved and our commitment to future growth. We have also moved to greener offices in Sydney and Brisbane, with Port Moresby's move scheduled for later this year.

These are exciting times for Oil Search and our stakeholders. Staying true to our sustainability principles will play an important role in our ability to deliver future shareholder value and I look forward to sharing our progress with you.



PETER BOTTEN  
MANAGING DIRECTOR

# LETTER FROM THE HEALTH, SAFETY AND SUSTAINABILITY COMMITTEE CHAIR

With PNG LNG Project revenues beginning to flow in 2014, a new period of growth and transformation lies ahead for Oil Search. The new Health, Safety and Sustainability (HSS) Committee will further support Oil Search's commitment to sustainability, guiding the Company's strategic and operational activities during this time of fundamental change and beyond.

In line with the Committee's charter, our activities have a strong risk focus. Proactively managing the operating risks presented by social, economic and environmental issues not only helps Oil Search to drive business value, it creates a long-term legacy of national and local improvement wherever we operate. This values-driven approach is an essential part of who we are as a company and differentiates Oil Search.

A major objective in 2013 was clarifying the most material sustainability issues in support of our growth plans so we could put in place activities and plans to manage them.

Oil Search's international expansion strategy includes further exploration and drilling in the Taza block in the Kurdistan Region of Iraq. As we expand into new regions, we look to build on our current strengths in stakeholder engagement and environmental and social risk management to benefit investors, host communities and governments. As part of preliminary risk activities for Taza in 2013, we undertook reviews to ensure we understand sustainability risks, have the right information and are well positioned for likely further expansion in the area during 2014 and beyond.

In 2013, Oil Search made steady progress in more effectively understanding our potential human rights risks. A legal review of relevant local legislation and security agreements was completed and a current practices review commenced. These are early steps in a comprehensive process which will continue to be developed in 2014.

The outcomes of these activities will be considered in the corporate sustainability aspects of the management system review, being conducted by the business during 2014.

This Sustainability Report contains a succinct overview of our performance and activities in 2013 and references information contained in other reports, including our Transparency Report, Sustainability Data Book or the PNG Perspective In-Country Sustainability Report.

With Oil Search entering a major new phase of growth in 2014 and the upcoming Strategic Review, 2014 will be a busy year for the HSS Committee. I hope to report significant progress against our sustainability objectives in next year's Sustainability Report.



KEITH SPENCE  
HSS COMMITTEE CHAIR



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HEALTH, SAFETY AND SUSTAINABILITY (HSS) UNDERPIN OIL SEARCH'S SOCIAL LICENCE TO OPERATE. THE NEW HSS COMMITTEE IS REINFORCING THE BOARD'S COMMITMENT TO OVERSEEING A CONTINUED FOCUS ON THESE KEY RESPONSIBILITIES AND RISK AREAS DURING A TIME OF EXTENSIVE CHANGE.

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# OPERATIONAL OVERVIEW

## OIL SEARCH LIMITED

Oil Search closed 2013 positively, with strong second half production resulting in full-year production above guidance. The PNG LNG Project, which will transform Oil Search into a major LNG producer in 2014, is nearing completion. LNG sales are likely to begin in mid-2014. Significant progress on discovery and appraisal at Taza (Kurdistan Region of Iraq) presents further growth opportunities. With a substantial and long-term cash flow stream from the PNG LNG Project expected to commence in 2014, Oil Search continues to actively evaluate expansion opportunities, capable of delivering growth beyond 2015.

OIL SEARCH	2013
Production (MMBOE)	6.74
Sales revenue (US\$ million)	766.3
No. licences held	42
Total liquid reserves and resources (2C & 2P) (mmbbls)	179.0
Total gas reserves and resources (2C & 2P) (bscf)	4,667.5
Total Recordable Injury Rate	2.47
No. employees	1,287

## MIDDLE EAST & NORTH AFRICA (MENA)\*

In the Kurdistan Region of Iraq, Oil Search's view is that there is sizeable upside potential to the Taza Production Sharing Contract (PSC). Following the discovery of oil at Taza 1, drilling on Taza 2 began in December 2013. Taza 2 is the first of up to five wells on this block; the acquisition of up to 500 km<sup>2</sup> of 3D seismic data, which is expected to commence in early 2014, will further support our expansion strategy in this region. The Semda 1 exploration well in Tunisia reached total depth with no indication of hydrocarbons. Further 2D seismic in the south of the Tajerouine PSC is planned mid-2014. Oil Search's Block 7 in Yemen remained in a state of *force majeure* throughout 2013.

MIDDLE EAST & NORTH AFRICA*	2013
Production (MMBOE)	–
Sales revenue (US\$ million)	–
No. licences held	3
Total liquid reserves and resources (2C & 2P) (mmbbls)	53.1
Total gas reserves and resources (2C & 2P) (bscf)	134.9
Total Recordable Injury Rate	5.28
No. employees	55

\* MENA includes the Kurdistan Region of Iraq, Tunisia and Yemen

## PAPUA NEW GUINEA

With construction of the PNG LNG Project nearing completion in 2013 and gas sales likely to begin in mid-2014, Oil Search is aggregating potential gas resources in PNG for further LNG development. In February 2014, the Company added to these gas resources with the acquisition of a 22.835% interest in PRL15. Located in the onshore Papuan Basin, the licence contains the Elk/Antelope gas discoveries, the largest undeveloped gas resource in PNG. In 2013, Oil Search achieved total oil and gas production of 6.74 mmbbl, 6% higher than in 2012. This performance reflected strong contributions from new wells and active field management, focused on optimising existing wells and facilities.

PAPUA NEW GUINEA	2013
Production (MMBOE)	6.74
Sales revenue (US\$ million)	766.3
No. licences held	39
Total liquid reserves and resources (2C & 2P) (mmbbls)	125.9
Total gas reserves and resources (2C & 2P) (bscf)	4,532.6
Total Recordable Injury Rate	2.27
No. employees	976

## 2013 MATERIAL SUSTAINABILITY ISSUES



Children fishing on the Kikori River, Gulf Province.

Identifying, understanding and agreeing on the most material sustainability issues for Oil Search and its stakeholders is an essential part of a strategic sustainability approach and the way we respond to stakeholders. In 2013, the significance of the issues identified in the 2012 materiality process was re-confirmed.

A review of the material issues identified in 2012 confirmed these remained the most important sustainability issues for the Company. The review considered issues which were:

- covered by Company commitments or policies
- consistently reported by industry peers
- covered by the media
- highlighted in other stakeholder feedback such as the annual employee survey.

As the business grows and changes, Oil Search will continue to evolve how it identifies its material sustainability issues to ensure this process is clearly linked to, and supports, the business's overall strategic objectives. To find out more about Oil Search's materiality determination process, go to [www.oilsearch.com/Sustainability/Our-Approach.html](http://www.oilsearch.com/Sustainability/Our-Approach.html).

Oil Search's material sustainability issues are listed below in alphabetical order.

### Combatting corruption

With most of the countries where Oil Search does business ranked in the bottom quartile of Transparency International's 2013 Corruption Perceptions Index, Oil Search is committed to combatting corruption across the Company's operations. In accordance with the principle of operating with integrity, Oil Search has a zero tolerance approach to corruption. This approach is embedded in the new Corruption Prevention Framework and the Company's Code of Conduct, which is regularly reviewed. For further information, see p 16-17.



### Environmental risk management and compliance

The countries where Oil Search operates are predominantly pristine environments where communities are subsistence-based and have strong cultural ties to the land. As part of our social licence to operate, Oil Search mitigates the environmental impact of the Company's operations via a thorough risk management process. Oil Search's production operations in PNG have an ISO 14001 accredited environmental management system. The robust structure of management, oversight and governance includes the Sustainability Operations Group (SOG), Sustainability Steering Group (SSG) and the new Health, Safety and Sustainability (HSS) Board Committee. For further information, see p 28-33.

### Managing sovereign risk

Oil Search operates in locations where there is heightened geo-political risk and Government uncertainty. To help maintain the Company's independence and commitment to operating with integrity, we seek out opportunities to work with our Government partners to build their capabilities and capacity. In PNG, Oil Search is an active advocate for continuous improvement in: benefits distribution; Government oil and gas institutions; payments transparency; climate change legislation; and Government project delivery. Our External Affairs team in PNG plays a critical role in maintaining strong relationships with key contacts across all levels of Government. In Iraq, we monitor changes in the relationship between Iraq and the Kurdistan Region of Iraq particularly as it relates to the oil and gas industry.

### Natural resource management

Oil Search and our contractors are aware that in the areas where the Company operates, we are sharing natural resources with local communities and that sensitive management is required to minimise potential environmental and social impacts. Where social and environmental objectives intersect, Oil Search focuses on risk mitigation, community collaboration and a commitment to continuous learning. These are the platform principles for the Company's approach to managing natural resources, and complement a precautionary approach that aims to minimise the impact of our operations. For further information, see p 28-33.

### Safety

Oil and gas exploration and production have inherent hazards and are often conducted in remote locations that are difficult to access and have poor local health facilities. Oil Search's duty of care to employees, contractors and local communities means that safety is the first and foremost consideration in everything we do. The Company's safety strategy includes: rigorous evaluation and reporting of risks, threats, hazards and impacts to operations; safety communications and behaviour modelling; contractor performance monitoring; specialist in-house capabilities; training; system upgrades and enhancements; and a continuous improvement programme. For further information, see p 19-20.

### Stakeholder engagement

Oil Search believes that strong relationships with stakeholders are essential to operate and grow successfully and sustainably. Where possible, the Company engages with stakeholders directly, rather than use third parties or intermediaries. Strong, mutually beneficial and respectful relationships with local communities, organisations, employees, businesses and governments form the basis of the Company's social licence to operate, one of the key principles in the Sustainability Policy. Oil Search's stakeholder interactions vary according to their needs and expectations. For further information, see p 10-11.

### Sustainable development

Wherever Oil Search explores and operates, our goal is to leave a positive legacy by contributing to economic growth, community development and environmental protection. By generating shared value through programmes that are mutually beneficial to Oil Search and the local community, the Company helps to make the most of the sustainable development opportunities presented by our presence. Sustainable development is a core component of Oil Search's sustainability vision and social licence to operate and in 2013, our employees ranked it as the most important sustainability issue. For further information, see p 21-27 or visit [www.oilsearch.com/Sustainability/Generating-Shared-Value.html](http://www.oilsearch.com/Sustainability/Generating-Shared-Value.html).

# 2013 STAKEHOLDER ENGAGEMENT AT A GLANCE

Securing local support and understanding for our business operations is fundamental to the Oil Search way of doing business. It forms an important part of Oil Search's operating strategy as it builds and maintains the Company's social licence to operate.

A critical part of our community engagement approach is creating shared value and community development. Our people work hard to form strong relationships built on mutual respect, high levels of direct engagement and continuous improvement. After two years of development, Oil Search will pilot a PNG stakeholder management framework in 2014 that supports a more strategic approach to strengthening key relationships.

For further information on Oil Search's stakeholders and engagement activities, go to: [www.oilsearch.com/Sustainability/Enhancing-Our-Social-Licence/Stakeholder-Engagement.html](http://www.oilsearch.com/Sustainability/Enhancing-Our-Social-Licence/Stakeholder-Engagement.html).

**STAKEHOLDERS ARE:  
GROUPS OF PEOPLE THAT  
OIL SEARCH HAS THE ABILITY  
TO IMPACT OR INFLUENCE  
AND WHO CAN IMPACT  
OR INFLUENCE THE COMPANY.**

**STAKEHOLDERS INCLUDE:  
LENDERS, COMMUNITIES,  
EMPLOYEES, GOVERNMENTS,  
NON-GOVERNMENT  
ORGANISATIONS, COMMERCIAL  
ORGANISATIONS, BUSINESS  
PARTNERS, SUPPLIERS  
AND CONTRACTORS.**



## FIRST INVESTOR SUSTAINABILITY BRIEFING

As a publicly listed company, keeping investors informed about key strategic decisions – including those that are non-financial – is vital to Oil Search's market performance. In September 2013, Oil Search briefed a number of investors and analysts on the Company's approach to managing these sustainability issues. A podcast of the briefing is available at [www.oilsearch.com/Investor-Centre/ASX-Releases/Presentations-and-Webcasts.html](http://www.oilsearch.com/Investor-Centre/ASX-Releases/Presentations-and-Webcasts.html)



## LEADING BY EXAMPLE ON TRANSPARENCY

In 2013, Oil Search became a Supporting Company for the Extractive Industries Transparency Initiative (EITI), which sets a global standard for transparency reporting in the oil, gas and mining sectors.

In May 2013, Oil Search presented at the global EITI conference in Sydney, and in November 2013, the Company was appointed to the formal PNG EITI Multi-Stakeholder Group. Oil Search is committed to increasing the transparency of our payments to Governments as demonstrated by the release of Oil Search's 2013 Transparency Report.





### ADVOCATING FOR A STRONGER INDUSTRY BODY IN PNG

As our industry continues to grow in PNG, Oil Search has been working alongside industry peers and other stakeholders to advocate for the transformation of PNG's Department of Petroleum and Energy (DPE) into a statutory authority to improve its functionality. We actively participated in opportunities to provide input into how the new regulator should work. In May 2013, the PNG National Executive Council approved the transformation of the DPE into the National Petroleum Authority.



School students at Oil Search's Climate Change Open Day booth, Port Moresby. PHOTO: CELESTINE OVE



### ACTIVE PARTICIPATION IN GCNA

Demonstrating our commitment to the adoption and application of United Nations Global Compact (UNGC) principles, in Australia we hosted bi-monthly United National Global Compact Network Australia (GCNA) Board meetings. Additional support provided includes having a senior Oil Search manager on the GCNA Board and participation in leadership groups on human rights, anti-corruption and environment.



### ENGAGING ON CLIMATE CHANGE IN PNG

Oil Search is actively engaged in several PNG Office of Climate Change and Development (OCCD) technical working groups and stakeholder engagement groups, including those for the PNG Climate Change Policy. In August 2013, Oil Search sponsored and participated in the OCCD's first Climate Change Open Day, which aimed to inform the public about climate change and the actions being undertaken across PNG. Held in Port Moresby, the event was attended by over 2,000 people.



### SECOND ANNUAL SUSTAINABILITY EMPLOYEE SURVEY

Oil Search's second annual employee sustainability survey was conducted in late 2013. This survey provides Oil Search's workforce with the opportunity to share their sustainability priorities and the results inform ongoing engagement efforts to further embed sustainability. Awareness of Oil Search's sustainability approach and priorities increased, whilst sustainability priorities, including protecting the environment and community development, remained unchanged.





# SUSTAINABILITY STRATEGY

Oil Search is currently undergoing an exciting period of change and growth. To support this growth, it is vital to have a robust, sophisticated Sustainability Strategy that is embedded in day-to-day operations.

2013 marked the mid-way point for Oil Search's 2011 multi-year Sustainability Strategy. The objective of this strategy is to ensure the appropriate fundamentals are in place to support the Company's next phase of growth.

In 2014, the focus will continue to be to:

- Ensure Oil Search's sustainability platform supports our business strategy and is able to respond to changing expectations of stakeholders.
- Embed sustainability more effectively within 'business as usual'.

## Strengthening the Sustainability System

In 2013 Oil Search continued to build a robust understanding of and response to key current and emerging sustainability risks that have the potential to impact Oil Search's ability to deliver against business performance targets.

Work was undertaken in four key areas following a preliminary risk review:

- Existing environmental and social management information, as well as availability of competent environmental and social professional services in the Kurdistan Region of Iraq.
- Oil Search's potential human rights impact and risks.
- Strategic biodiversity risks and opportunities, including a comprehensive field survey of invasive species.
- Aligning our current systems with global practices for social and environment management.

These initiatives have informed an internal audit programme for 2014, and will form part of a broader enterprise management system review.

## Navigating the transformation

Oil Search is changing a number of systems and processes across the business to find the correct balance between flexibility and discipline to support further growth as an international oil and gas company. Changes include:

- Reviewing the Company-wide enterprise management system to address changing operational requirements and stakeholder expectations and to improve corporate governance.
- Conducting Oil Search's next Strategic Review, scheduled for mid-2014, which will provide further clarity around how and when these changes will take place.

For a summary of the activities which occurred during the year towards the 2013 sustainability objectives, and to see Oil Search's 2014 sustainability objectives, refer to the performance tables on p 14-15.

**OIL SEARCH WILL BE  
A LEADER IN DELIVERING  
SUSTAINABILITY, DRIVEN  
BY INTEGRITY, INNOVATION  
AND PARTNERSHIPS  
WITH GOVERNMENTS  
AND THE COMMUNITIES  
WITH WHOM WE WORK.**

– OIL SEARCH  
SUSTAINABILITY  
VISION



### **Operating with Integrity**

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



### **Enhancing Social Licence to Operate**

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



### **Generating Shared Value**

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



### **Managing Resources Responsibly**

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



### **Continuous Performance Improvement**

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



## PROGRESS AGAINST OBJECTIVES

Oil Search's sustainability objectives are designed to support the broader business strategy and good progress was made against some key objectives in 2013. With a comprehensive review of Oil Search's overall strategic direction, systems and policies now underway, work on other sustainability objectives was temporarily delayed to ensure the outcomes align with the objectives of the new business strategy. However, exciting growth opportunities in PNG and the Kurdistan Region of Iraq enabled the application of key sustainability principles to new projects.

2013 OBJECTIVES	STATUS	ACTION TAKEN
1. Have Company-wide sustainability aspirations or targets in place	Ongoing	<ul style="list-style-type: none"> <li>▷ The aspirations advanced significantly in 2013; however these will not be finalised until after the broader enterprise management system review is completed.</li> </ul>
2. Roll out Sustainability Employee Engagement Plan	Ongoing	<ul style="list-style-type: none"> <li>▷ Directly promoted Oil Search's sustainability principles to the workforce through a number of initiatives, such as local language posters, intranet updates, education materials, branding and promotional materials.</li> <li>▷ Conducted annual employee sustainability survey.</li> </ul>
3. Develop a Sustainable Supply Chain Strategy	Not met	<ul style="list-style-type: none"> <li>▷ Preliminary activities undertaken to identify key supply chain opportunities for evaluation.</li> <li>▷ Strategy development deferred to 2014 due to resource refocus in 2013 on new business opportunities.</li> </ul>
4. Obtain Sustainability Steering Group approval for Greenhouse Gas Abatement Strategy	Achieved	<ul style="list-style-type: none"> <li>▷ Oil Search's approach to greenhouse gas abatement confirmed by the Sustainability Steering Group.</li> </ul>
5. Undertake comprehensive corporate functional sustainability risk review	Ongoing	<ul style="list-style-type: none"> <li>▷ Risk reviews and analysis conducted on: internal and external environment and social competencies in Kurdistan; human rights (risks and impacts); biodiversity; and performance against global social and environmental frameworks.</li> </ul>
6. Continue systems, standards and procedures review	Ongoing	<ul style="list-style-type: none"> <li>▷ Informed by risk review outcomes.</li> <li>▷ Slowed due to the enterprise management system review scheduled for 2014.</li> </ul>
7. Develop position statements on material sustainability issues	No longer required	<ul style="list-style-type: none"> <li>▷ The position statements did not advance in 2013 as the purpose of these documents will now be addressed by the sustainability aspects of the enterprise management system review scheduled for 2014.</li> </ul>







## 2014 OBJECTIVES

In 2014 Oil Search will continue to roll out sustainability initiatives that provide a robust platform for ongoing business growth and embedding them across the business. Therefore, the focus will be building capability, systems and processes. With the Company currently pursuing a number of expansion opportunities in PNG and Kurdistan, these activities will be undertaken in a measured way until the cash flow streams from the PNG LNG Project begins.

AREA	PLANNED ACTIONS
<b>1. Corporate sustainability risk review</b>	<ul style="list-style-type: none"><li>▶ Continue risk and impact assessment and implementation of approved Human Rights Due Diligence processes.</li><li>▶ Finalise development of Environment and Social Management System documentation at corporate level as part of new Enterprise Management System.</li><li>▶ Implement biodiversity-related improvements in PNG.</li></ul>
<b>2. Sustainable supply chain management</b>	<ul style="list-style-type: none"><li>▶ Complete sustainable supply chain risk and opportunity analysis.</li><li>▶ Develop and commence implementation of sustainable supply chain strategy.</li></ul>
<b>3. Embed sustainability in business-as-usual</b>	<ul style="list-style-type: none"><li>▶ Ongoing engagement, education, communication and cultural change plan to continue to embed sustainability into everyday operational activities.</li></ul>
<b>4. Effective sustainable development planning and measurement</b>	<ul style="list-style-type: none"><li>▶ Continue monitoring and measurement improvement programmes for Oil Search community projects.</li></ul>
<b>5. Continuous performance improvement</b>	<ul style="list-style-type: none"><li>▶ Review and update Sustainability Strategy as part of the organisational Strategy Review process.</li></ul>



## OPERATING WITH INTEGRITY



Oil Search Village Liaison Officer, Gulesa, Hela Province.

Operating with integrity means adopting and advocating principles, practices and standards that respect diversity, local culture and laws, human rights, labour rights and the environment, and which help to combat corruption. As an industry leader operating in developing countries, conducting business ethically at all times is integral to the sustainability of Oil Search's business. It underpins the Company's ability to tackle all material issues particularly combatting corruption, and is an essential part of good governance.

### Board Committee structure refined

Changes were made to the Board Committee structure in 2013 to ensure the Oil Search Board considers a broad cross-section of operational and financial issues. Changes included:

- Expansion of the Audit Committee charter to address financial risk management previously under the discontinued Finance and Risk Management Committee.
- Commencement of a new Health, Safety and Sustainability (HSS) Committee which met for the first time in October 2013. This Committee assists the Board with monitoring and reviewing the Company's risks, compliance and performance in these important operational aspects.

Oil Search Directors were included in the management certification process at the end of 2013 and asked to confirm compliance with key internal controls and financial reporting disclosures.

### Continual improvements to corruption prevention measures

During the year a number of steps were taken to strengthen corruption prevention measures and ensure awareness of corruption risks and how to respond in accordance with Oil Search's corruption prevention standards. These included:

- Training for members of the Board and Executive Management Team on anti-corruption laws and compliance requirements in all jurisdictions in which Oil Search operates.
- Approval by the Board of the Corruption Prevention Framework.

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**THE NEW HEALTH, SAFETY AND SUSTAINABILITY (HSS) BOARD COMMITTEE MET FOR THE FIRST TIME IN OCTOBER 2013.**

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**CORRUPTION PREVENTION FRAMEWORK APPROVED BY THE BOARD.**

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In 2014, the Board, the Executive Management Team and other key staff will attend training on the Corruption Prevention Framework while all remaining staff will be required to complete training online.

### Support for EITI formalised in PNG

Over the last two years the Company has advocated for the PNG Government to adopt the Extractive Industries Transparency Initiative (EITI) and during 2013 there were a number of achievements:

- **January:** Oil Search became an EITI Supporting Company.
- **April:** Oil Search published its first Transparency Report (for the 2012 year) including a comprehensive summary of payments made to governments.
- **May:** the PNG Government announced it intended to adopt EITI and EITI launched a new reporting standard.
- **November:** the PNG Government and various society and industry representatives, including Oil Search, were invited to form PNG's formal Multi-Stakeholder Group (MSG) to support implementation of the EITI in PNG. Oil Search is one of six extractive representatives on the MSG and in 2014 will provide input into the MSG work plan.

Work on a PNG industry payments report continued in 2013 through the Chamber of Mines and Petroleum. This work is likely to converge with that of the MSG in 2014. Oil Search's own Transparency Report for 2013 responds to the requirements of the new EITI standard.

# US\$249.1M

**PAID BY OIL SEARCH TO THE PNG, KURDISH, YEMENI AND TUNISIAN GOVERNMENTS IN 2013 AS ROYALTIES, TAXES, DIVIDENDS, LEVIES AND OTHER FEES AND CHARGES**

For further data and information on Government payments made by Oil Search, see the 2013 Transparency Report.

### Code of Conduct breaches

In 2013, Oil Search dealt with 18 breaches of the Company's Code of Conduct by employees and contractors:

- The investigation into one incident of corruption from 2012 was completed in 2013. The staff member investigated was suspended and subsequently resigned.
- An additional investigation has been opened as a result of information uncovered in the 2012 incident. This is ongoing and has been reported to the Board.

- Two minor cases of fraud were reported and investigated during the year. Both were referred to the police and are still under investigation.
- Five minor breaches of the Code of Conduct were raised. In each case, disciplinary action was internal including four warning letters and one record of discussion.
- An audit of share transactions since 2011 identified nine employees had breached Oil Search's Share Trading Policy. Each employee was issued with a formal warning letter. While these cases breached policy, none of them was considered to have breached legal or regulatory requirements.

A confidential, multilingual whistle-blower hotline is available in all areas of operation. There were no whistle-blower hotline calls during 2013.



Security at the main gate, Iagifu Ridge Camp, Southern Highlands Province.

### Human rights risk review ongoing

During the year, solid progress was made towards more effectively understanding Oil Search's potential human rights risks and impacts. Actions taken include:

- A legal and regulatory review, that identified gaps in local legislation and risks to the business, and a review of security agreements.
- Commencement of a current practice review.
- Mapping of Oil Search's possible human rights impact and risk identification process commenced.

This process aligns with the United Nations' Guiding Principles on Business and Human Rights and its Protect, Respect and Remedy framework. Oil Search remains committed to developing a clear human rights position and building this framework will continue in 2014.

## ENHANCING OUR SOCIAL LICENCE TO OPERATE



Building a new church, Gulesa, Hela Province.

Oil Search can only conduct day-to-day operations and expansion activities with the support and acceptance of local people and communities. Strong community and Government relationships are vital for sustainable business success wherever Oil Search operates and underpin the Company's social licence to operate.

### Improving PNG LNG Project benefits management

Since 2010, Oil Search has worked alongside ExxonMobil PNG Limited and representatives from various levels of Government to develop the Shared Responsibility Model (SRM). This is a mechanism for ensuring that infrastructure projects inside the project area committed to by the Government are implemented. The initial version of the SRM (since revised) was approved by the PNG National Executive Council in September 2013. It aims to improve the execution of Government infrastructure commitments included in legacy oil Memorandum of Agreements and the PNG LNG Project-related umbrella benefits sharing agreement (UBSA).



“  
**NEW BENEFITS  
 MANAGEMENT  
 MODEL APPROVED  
 BY THE NATIONAL  
 EXECUTIVE  
 COUNCIL.**

”



### ENSURING SOCIAL LICENCE IN NEW AREAS

In 2013, Oil Search undertook a strategically important seismic, exploration and drilling programme in Mananda in the Hela Province. The remote location is only accessible by helicopter so to ensure any community concerns were resolved quickly, an Oil Search Community Affairs team member and local Village Liaison Officer were always on-site. The land belongs to multiple clans so a Mananda Village Liaison Committee was formed as a day-to-day intermediary and a forum in which to resolve any landowner disputes.





Oil Search supported the PNG LNG Project Operator, ExxonMobil PNG, to provide logistical and advisory assistance to the Department of Petroleum and Energy's (DPE) benefits-related clan vetting programme. Due to be completed in mid-2014, the clan vetting programme will continue to be a focus for Oil Search, the PNG LNG Project Operator, ExxonMobil PNG Limited and the DPE.

### Developing local landowner businesses

Supporting the growth of local landowner businesses (Lancos) in PNG is an ongoing priority for Oil Search. As well as ensuring an adequate supply of goods and services, it provides an important source of income for local community shareholders and is a key factor in mitigating landowner-related problems.

During 2013, the Company continued to work with KutMor Limited, an umbrella Lanco which Oil Search helped to establish in 2012. KutMor represents community members from the Kutubu and Moran areas of PNG. Oil Search provided advice and seconded a Company staff member to KutMor's management team to assist with building capacity. During the year, KutMor provided Oil Search with labour, vehicle and equipment hire services and undertook minor civil works. By the end of 2013, the KutMor workforce had grown from 60 at the end of 2012 to 235.

## HEALTH AND SAFETY

### Revitalising the safety team

In 2012 Oil Search broadened the Company's measures for safety performance. This included introducing high potential incidents as a component in the Short-Term Incentive programme. Tracking measures for the execution of safety intervention tools were monitored throughout the organisation in 2013, delivering a significant increase in participation rates. This year, a revitalised corporate safety function conducted a safety system review and benchmarked performance data, allowing us to make better use of safety resources.

In 2014, we will further simplify company safety systems, strengthen the safety function across Oil Search and ensure internal measures for process and personal safety align with global oil and gas producers' (OGP) measures. Implementation of the new incident management system progressed in 2013 however, roll out has been delayed to early 2014 to ensure it properly serves new and evolving business requirements.

### Taking action to improve safety behaviour

To understand the deeper cultural drivers behind some of Oil Search's process safety events, an independent expert conducted a detailed survey of key staff. The outcomes of this review have been shared with the organisation and a multi-year action plan developed and executed to address cultural and physical improvements. Some immediate actions taken included:

- strengthening technical and operating support resources
- conducting a hands-on safety leadership training course, supported by one-on-one coaching
- the introduction of a framework for managing workplace behaviours that recognises the role supervision plays in ensuring compliance and addressing habitual safety violations
- developing and implementing a Process Safety Improvement Plan.

### New asset integrity management system

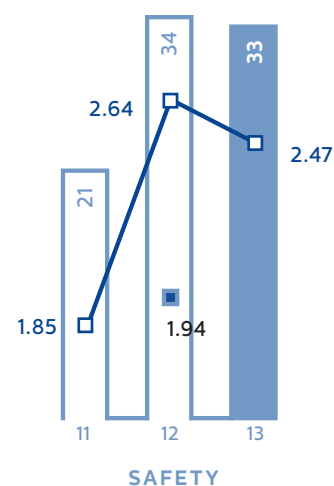
Designed to ensure adequate controls are in place to manage the technical safety risks associated with achieving Oil Search's growth objectives, the new Asset Integrity Management System (AIMS) went live in early 2013. All assets in AIMS have maintenance management strategies in place. Further improvements in 2013 included updates to pipeline integrity management. A number of standards are under review to reflect the Company's transition from oil field operator to gas producer. As part of this review process, major risks have been identified and mitigation plans put in place for the transition.

# \$86M

PAID FOR WORK CONTRACTS  
IN 2013 WITH LOCAL  
LANDOWNER BUSINESSES

# 34

LANCO REPRESENTATIVES  
COMPLETED DIRECTORS  
TRAINING IN 2013



□ TOTAL RECORDABLE INJURIES  
□ TRIR  
■ OGP AVERAGE TRIR

Despite a busy year of drilling and exploration activity in PNG and the Kurdistan Region of Iraq, which increased exposure hours by approximately 5% over the previous year, the number of injuries reduced. The severity of the injuries remained stable.

For further data and information on Oil Search's safety performance, refer to p 5 in Oil Search's 2013 Sustainability Data Book.

# ENHANCING OUR SOCIAL LICENCE TO OPERATE (CONT'D)

## Process safety plan and governance in place

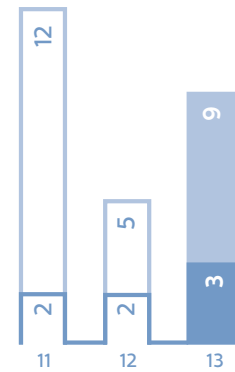
A detailed process safety plan has been developed and resourced to ensure the 'case for safety' is clearly made for each producing asset in PNG. The plan includes process design, facility operation and operational competency. From 2014, a Process Safety Operating Committee will ensure the plan is delivered, while a new executive-led Process Safety Steering Group will provide governance for future process safety improvements.

## Improving workforce and community health care

Given the frequent absence of health care facilities within the areas in which the Company operates, Oil Search looks for opportunities to improve health care services for our local communities and workforce. Oil Search has six permanent medical clinics at its operations in PNG which are supported by temporary clinics set up to meet operational requirements. In some locations, Oil Search clinics are the only community health care facilities available. In 2013, 24,554 members of the workforce and 5,678 community patients were treated at one of these clinics in PNG and MENA, with 110 community patients in PNG evacuated by Oil Search to other health facilities for further care.

The health data collated by the Oil Search health service is being improved. The Company's occupational health disclosures will be improved by the new incident management system, due early 2014.

The information above relates largely to the workforce and community health work done by Oil Search's Medical and Occupational Health team. Information on 2013 Oil Search Health Foundation activities in PNG is contained on p 24 of this report.



### PROCESS SAFETY

- TIER 1 RELEASES
- TIER 2 RELEASES

2013 was a disappointing year for process safety performance, with results similar to 2011. Significant work has been completed to identify the systemic causes of the performance in 2013 and a comprehensive plan is in place to address them in 2014 and beyond.

For further data and information on Oil Search's process safety performance, refer to p 5 in Oil Search's 2013 Sustainability Data Book



**ALL OIL SEARCH MEDICAL CLINICS IN PNG ARE REGISTERED WITH THE NATIONAL DEPARTMENT OF HEALTH**



Dr Gary Nou.  
PHOTO: SARAH BRAUDE



### DEVELOPING SPECIALIST EXPERTISE THROUGH WORK PLACEMENTS

In partnership with the University of PNG, Oil Search offers placements at Company clinics to Papua New Guinean Doctors training in Emergency Medicine. This provides them the opportunity to work alongside medical professionals with a range of international and specialist experience.

As part of his Masters in Emergency Medicine, Dr Gary Nou recently completed one year as a Clinical Supervisor at Oil Search's Moro Clinic. During his time with Oil Search Gary developed his emergency response skills and gained valuable experience with medical evacuations – opportunities not often available in PNG public hospitals. Gary now applies the new skills he gathered with Oil Search back at the Port Moresby General Hospital Emergency Department.

For further examples of Oil Search's approach to sustainable development, go to: [www.oilsearch.com/sustainability/case-studies.html](http://www.oilsearch.com/sustainability/case-studies.html)





## GENERATING SHARED VALUE



Making sago, a starchy staple food, Veraibari, Gulf Province.

Ensuring development activities generate shared value is a critical component of Oil Search's sustainable development approach. To achieve this outcome, Oil Search is: trialling new delivery models for development projects; collaborating with industry peers and local Governments to amplify each project's impact; collecting robust performance data; and working closely with communities to align programmes with local needs.

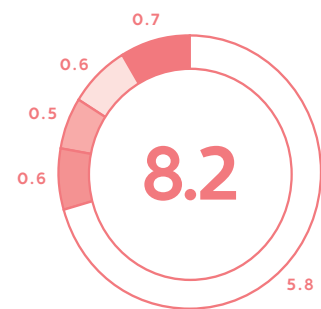
### Developing skills for food security in PNG

The Company helps to support PNG communities meet their food requirements by applying new skills and techniques to traditional practices. Improving food security is a sustainable development priority for Oil Search in PNG and in 2013, two key projects progressed.

During the year, Oil Search committed US\$0.7 million, to assist the Business for Millennium Development (B4MD) investigate the viability of establishing a piggery in the Highlands. Trials focussed on identifying the optimal diet for pig growth and appropriate husbandry techniques for village application commenced in Port Moresby in September. If the trials are successful and demonstrate a commercially viable approach, a purpose-built landowner company, will manage and grow the enterprise - providing a market and income earning opportunity for village pig producers in the Highlands.

In 2012, Oil Search and the PNG National Agricultural Research Institute (NARI) commenced a programme to diversify and improve the number of protein sources available for communities in the Lake Kutubu area. In 2013, 21 farmers received training on animal husbandry and 270 ducks and chickens were distributed as starting stock. To improve the effectiveness and ensure the sustainability of the programme, the roll out approach will be amended in 2014 and a new group of farmers will receive training and livestock.

OUR SUSTAINABLE DEVELOPMENT PRIORITIES IN PNG ARE: HEALTH CARE; FOOD SECURITY; WOMEN'S EMPOWERMENT; EDUCATION; AND WATER ACCESS AND SANITATION.



### SUSTAINABLE DEVELOPMENT INVESTMENT (US\$ MILLION)

- OIL SEARCH HEALTH FOUNDATION DONATION
- OTHER DONATIONS AND SPONSORSHIPS
- DIRECT PROJECTS (PNG AND MENA)
- PARTNERSHIPS
- OTHER

This includes a US\$5.8M donation to the Oil Search Health Foundation, investment in community projects in PNG and MENA, community development partners in PNG, and start-up loans for community enterprises.

For further data and information on Oil Search's efforts to generate shared value, refer to p 6 in Oil Search's 2013 Sustainability Data Book.

# GENERATING SHARED VALUE

(CONT'D)



Oil Search water supply community project, Taza licence area, Kurdistan.  
PHOTO: JOHN BROOKSBANK

## 2013 community development projects

Each year Oil Search undertakes many smaller community projects in collaboration with communities. These projects address the dual aim of improving sustainable development outcomes and building local community relationships.

Our 2013 activities included:

- Completing 13 Community Area Planning (CAP) projects with input from the recipient communities to improve sporting, educational, or cultural infrastructure.
- Supporting five local community rice or vegetable co-operatives.
- Supporting 24 students (including nine women) to obtain a tertiary qualification.
- Supporting 70 community members (including 50 women) to complete agricultural training covering rice, free-range poultry and vegetable farming.
- Installing eight water tanks.
- Completing 12 water supply and school improvement projects in Kurdistan.

For further information on Oil Search's community investment types, see [www.oilsearch.com/Sustainability/Generating-Shared-Value.html](http://www.oilsearch.com/Sustainability/Generating-Shared-Value.html)

## Targeted donations support community institutions

All of Oil Search's areas of operation have a donations programme tailored to local requirements. The PNG Sponsorships and Donations Committee oversees the Company's community donations programme in Port Moresby, providing funding to local health, women's and cultural institutions. Our field operations team distributes useful items such as wheelbarrows, milling machines and sewing machines to help local co-operatives and institutions improve their effectiveness. In 2013, Oil Search and other members of the oil and gas industry in Kurdistan were asked by the Ministry of Natural Resources, to support the Kurdish Governments' efforts to provide humanitarian assistance to tens of thousands of Syrian citizens displaced by civil war. Oil Search has committed to donating US\$75,000 to the effort.



## A SUSTAINABLE PNG ENERGY SUPPLY OPTION

In 2013, Oil Search submitted a formal proposal to PNG Power to develop and operate an independent, integrated biomass plantation and 40MW biomass-fuelled power plant to supply sustainable, long-term base load power to the Lae region. The proposal highlighted the significant economic, social and environmental benefits to PNG Power, the Lae region and the PNG economy. Discussions with the relevant parties in PNG are ongoing.



PHOTO: CELESTINE OVE

## CELEBRATING CULTURAL PRIDE

For the third year, Oil Search supported the annual Kundu (drum) and Digaso (tree oil) Cultural Festival, which showcases and celebrates the area's unique cultural diversity. For examples of other events and initiatives Oil Search supported in 2013, go to p 10-11, Stakeholder Engagement.

# US\$10.7M

## SPENT ON PNG TAX CREDIT SCHEME PROJECTS IN 2013

This amount is almost double that spent in 2012 and relates to work undertaken on eight community infrastructure Tax Credit Scheme projects throughout PNG, one of which was completed by year end.

### Supporting PNG infrastructure development

Since Oil Search began operating in PNG in 2003 we have delivered 113 public infrastructure projects under the PNG Government's voluntary Tax Credit Scheme (TCS). The TCS allows Oil Search to apply project management expertise to infrastructure delivery projects in communities throughout PNG. In 2013, work was undertaken on eight projects throughout the Southern Highlands and Port Moresby, almost double that undertaken in 2012. Part of this increase is due to work commencing on two of three projects in Port Moresby funded under the new National Infrastructure Tax Credit Scheme.

“

**TRAINING ON THE NEW SOCIAL IMPACT MEASUREMENT TOOL BEGAN IN NOVEMBER 2013 AND WILL BE COMPLETED IN 2014.**

”

### Improving social impact measurement

During 2013, a new project planning and measurement tool developed in 2012 was piloted on select community projects. The results were incorporated into a new PNG impact measurement and planning procedure and project database. Training on the new tool began in late 2013 and will be completed by all community project managers in early 2014. The database will enable better performance analysis and help with communicating outcomes to community participants.

In 2014, Oil Search's social impact monitoring and measurement activities will be expanded to more effectively communicate the impact our presence and community programmes have on local communities.

The biennial Social and Economic Survey planned for late 2013 was delayed due to unrest caused by local elections; it will take place as soon as possible in 2014.

To ensure an appropriate environmental and social baseline is captured around Oil Search's current and future operations in the Kurdistan Region of Iraq, during 2013 a review of work undertaken so far was conducted as part of the risk review process. The review identified opportunities for improvement.



Timon Ifame.  
PHOTO: SARAH BRAUDE



### TERTIARY SPONSORSHIP BUILDING CAREER OPPORTUNITIES

In 2013, 24 PNG students completed a tertiary qualification backed by an Oil Search sponsorship.

Our philosophy is that education creates opportunity, and Timon Ifame from Oil Search's Safety and Risk team agrees. He believes that, without Oil Search's support, he would not have progressed his career so far.

Timon was in danger of not finishing high school owing to financial pressures on his parents; however being eligible for an Oil Search high school fees assistance package, because his uncle worked at Oil Search, ensured he could.

Wanting to make a difference in his community, Timon applied to nursing college after leaving school. This time a two-year Oil Search tertiary education sponsorship covered his fees, accommodation, food and travel costs.

Both sponsorships meant Timon's parents could redirect funds to his siblings so they too could continue their education.

After graduating, Timon worked with his local community at the Pimaga Central Hospital then as a registered nurse with Oil Search and other companies. Gradually, he moved from nursing to training.

Timon is now a safety and risk trainer at Oil Search's Ridge Camp in PNG's Southern Highlands, running safety inductions and training courses for new site members that help prevent the injuries he saw as a nurse.

For further examples of Oil Search's approach to sustainable development, go to: [www.oilsearch.com/sustainability/case-studies.html](http://www.oilsearch.com/sustainability/case-studies.html)







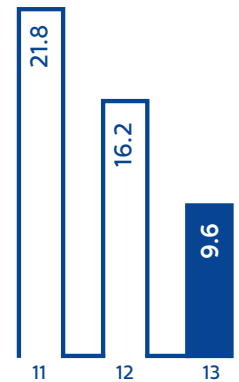
Oil Search Managing Director Peter Botton with staff from Foundation (HIV) supported Fugara Health Centre, Hela Province.

The Oil Search Health Foundation aspires to become an internationally recognised non-profit organisation that supports the PNG Government by establishing public-private partnerships that build national capacity for delivering safe and effective health care in one of the world's most challenging environments.

The Foundation's goals complement Oil Search's broader sustainability approach and form a pivotal part of the Company's desire to leave a positive, lasting legacy. The health and wellbeing of the people of PNG is critical to the development of the country, contributing to long-term stability and strengthening Oil Search's operating environment and broader social licence.

In 2013, the Foundation focused on reviewing its leadership and organisational structure to ensure the programmes are fit for purpose, scalable and sustainable.

The ongoing development of programme data reporting systems that commenced in 2012 was largely completed in 2013. The programme data generated by nearly 100 Foundation staff working in six PNG provinces is now available for more in-depth analysis. This has enabled the Foundation's teams to target resources and activities towards the communities that need the most support as well as share publicly the successes of the Foundation's outcomes and impact.



**MALARIA**

% OF SLIDES AND RAPID DIAGNOSTIC TESTS FOUND POSITIVE

Technical and logistical support provided to 40 clinical and non-clinical sites saw over 4,000 malaria tests being performed in the Southern Highlands and Morobe Provinces in 2013. More than 33,000 tests have been conducted since 2005.





Ruth Peter, Medicine Store Keeper, Gesege, Southern Highlands Province.

### COMBATting MALARIA

Oil Search supported 12 Medicine Store Keepers (MSKs) in the Southern Highlands in 2013, all of whom sold basic hygiene products as well as malarial medicine and treatment.

Funded by Morobe Mining Joint Ventures (MMJV), the malaria programme in Morobe completed a baseline prevalence survey of malaria in the MMJV surrounding areas, along with a comprehensive training programme to improve malaria case management. Unfortunately, further programme implementation was halted in September 2013 by MMJV.





# OIL SEARCH HEALTH FOUNDATION

CONT'D



Community marital relationship training *Tokaut na Tokstret*, Situm, Morobe Province.

## HIV testing and education

In early 2013, the HIV team launched an HIV Strategy that is closely aligned with PNG's National HIV Strategy. It will continue to steer the Foundation's efforts in reducing the transmission of HIV and increasing HIV testing, treatment, care and support.

The Foundation began supporting community clinics to increase HIV testing in early 2008. Support for 35 additional health facilities commenced in 2013, bringing the total number of health facilities supported by the Foundation to 66 across five provinces. The areas where the Foundation works are challenging as they are often very remote and the communities are subject to frequent and unpredictable local clan hostilities. Foundation staff travel by road, river, sea and air to reach the clinics they support.

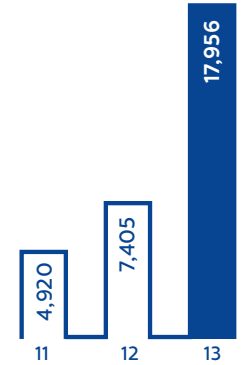
The Foundation's prevention efforts continued in 2013, both across the Oil Search workforce and in the community. In the Hela and Morobe Provinces, 24 *Tokaut na Tokstret* (Talk Out and Talk Straight) community awareness workshops were delivered to over 1,200 people. The workshops aim to decrease the proportion of people who have multiple, concurrent sexual partnerships and increase the proportion of sexually-active men who consistently use condoms with their non-cohabitating partners.

In order to build the confidence and competence of school teachers to deliver quality personal development education, the Foundation ran seven teacher training workshops for 40 teachers during 2013. The topics included sexual and reproductive health, HIV and gender-based violence. In-class mentorship provided ongoing support to these teachers.

## Maternal and child health care

The Foundation's Maternal and Child Health (MCH) Strategy 2014-2017, which was released in December 2013, closely aligns with PNG's National Health Plan and associated MCH strategic intentions.

In 2013, the Foundation's MCH care team administered 22,801 vaccinations in Oil Search's operating areas, an increase of 77% from the same period in 2012. This brings the total number of vaccinations administered since 2011 to over 39,000.



## HIV

NUMBER OF PEOPLE WHO RECEIVED AN HIV TEST IN THE PAST 12 MONTHS AND WHO KNOW THEIR RESULTS

In 2013, 17,956 HIV tests were captured from four provinces, a 142% increase from 7,405 in 2012. 1.4% of these were HIV positive. This brings the total number of tests undertaken with Oil Search's support since 2008 to nearly 40,000.

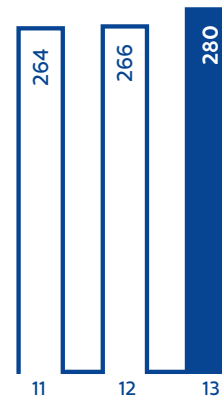
To improve provincial front-line health educators, the PNG Reproductive Health Training Unit (a five-year public-private partnership between the Health Foundation, the PNG National Department of Health and the Australian Department of Foreign Affairs and Trade) was officially launched in 2013. Now fully operational it has enabled over 342 front-line health care workers to complete training in emergency and essential obstetric care.

In Milne Bay, the Foundation partnered with St Barnabas School of Nursing to build the capacity and competence of teaching staff to deliver better quality teaching.

In June 2013, the Foundation mobilised a team to expand the Maternal and Child Health programme to 16 communities around Lake Murray in Western Province. Unfortunately the funding stream for this project (the PNG Sustainable Development Programme) was terminated by the PNG Government and the programme suspended its activities. In the short life of the project, improvements in healthcare included the administration of 8,490 vaccinations to prevent childhood illness and 803 Depo Provera injections to prevent unwanted pregnancies.

For further data on the Oil Search Foundation's performance in 2013, see p 7 in Oil Search's 2013 Sustainability Data Book and the Oil Search Foundation Annual Report 2013.

For more information on the Foundation, visit [www.oilsearchhealthfoundation.org/](http://www.oilsearchhealthfoundation.org/)



### MATERNAL AND CHILD HEALTH

#### TOTAL NUMBER OF BIRTHS ATTENDED BY SKILLED HEALTH WORKERS

The MCH care team conducts more than 120 clinical support visits to remote health facilities each year, increasing supervised births each year and helping local healthcare staff administer more than 5,600 contraceptive injections since 2011.



The 'Crying Meri' exhibition by Vlad Sokhin, Moro, Kutubu, Southern Highlands Province.



### SUPPORTING EFFORTS TO ELIMINATE VIOLENCE AGAINST WOMEN

As part of the Foundation's commitment to support efforts to end violence against women, the MCH team held several activities at Oil Search's Ridge and Moro camps in the Southern Highlands in the lead up to the United Nation's International Day for the Elimination of Violence Against Women. Awareness presentations were held during 'Women's Nights', when some of the broader issues around violence and women's health were addressed.



## MANAGING RESOURCES RESPONSIBLY



Lake Kutubu, Southern Highlands Province.

Oil Search is an oil and gas company working in environmentally sensitive regions. Natural resource management is therefore a material sustainability issue and we have invested substantially in this area. The Company's responsibility to mitigate the environmental impacts of operational activities will only increase as the business expands and evolves. 2013 was a busy year which saw the delivery of many environmental projects and updated processes to support the Company's transformation.

### Continuously improving data and reporting capability

Oil Search's PNG operations have been ISO 14001 certified since 2009 and performance continues to improve. In 2013, 70% of previously issued minor non-conformances were closed out and no new non-conformances were raised by our external auditor. This significant achievement is attributed to an enhanced focus on integrating accountability for environmental management within our business operations.

The performance metrics used to monitor environmental performance were updated in 2013 and there is now a stronger, more consistent basis for reporting environmental performance measurement and management.

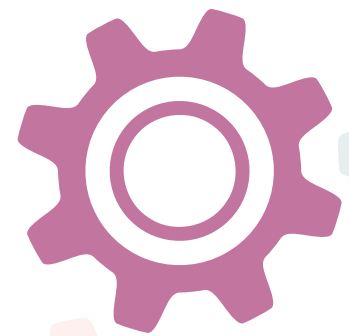
This was supported in 2013 by the development of a dedicated environmental data management system which provides performance data for use both in the field and corporately. As part of our efforts to continuously improve data and reporting processes, the new system will be supported in 2014 by an updated suite of data collection protocols.

### Understanding biodiversity in PNG

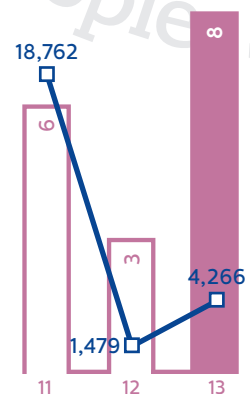
Having operated in an area of high biodiversity value for 10 years, Oil Search has long been dedicated to mitigating our impacts and ensuring the beneficial uses the natural environment offers remain for local people. In 2012, Oil Search committed to improving our understanding of biodiversity risks and opportunities.

In 2013, the Company undertook a:

- Strategic biodiversity risk and opportunity analysis to help improve the integration of biodiversity management throughout the Company's operations
- Comprehensive field survey of invasive flora and fauna species across Oil Search's area of operations.



“  
2013 WAS A BUSY YEAR WHICH SAW THE DELIVERY OF MANY ENVIRONMENTAL PROJECTS AND UPDATED PROCESSES TO SUPPORT THE COMPANY'S TRANSFORMATION.  
”



SPILLS >1BBL THAT REACHED THE ENVIRONMENT (L)

□ NUMBER OF SPILLS  
■ VOLUME SPILLS

The new incident management system to be implemented in 2014 will support greater analysis of spill information. In preparation for the transition to the new system the consistency of our reporting methods is being improved. Prior year spill data has been adjusted in line with these improvements.

For further data and information on Oil Search's environmental performance, see p 8 in Oil Search's 2013 Sustainability Data Book.



The results of the risk analysis and field survey will be used to inform further biodiversity improvements in 2014.

In early 2013, the PNG Department of Environment and Conservation (DEC) conducted an investigation into a community grievance from late 2012, relating to concerns about fish dying in Lake Kutubu. The results of this investigation were not known at the time of publication. Efforts by Oil Search to build the capacity of the Wildlife Management Area (WMA) Committee (a group of Lake Kutubu community leader representatives) and update the Lake Kutubu Catchment Management Plan have been delayed until the investigation results have been finalised.

To ensure Oil Search is prepared for new biodiversity or other regulatory changes, the Company maintains an ongoing dialogue with the DEC.

### Water monitoring capability improved

In 2013 a number of improvements were made to Oil Search's water monitoring capabilities in PNG:

- New sampling devices were purchased, including multi-parameter water quality meters as well as other monitoring equipment. The new sampling devices will improve the efficiency and reach of Oil Search's water monitoring programme in 2014.
- To improve water consumption data accuracy, water meters were installed at our drilling operations, and Oil Search's two largest water consuming sites, Moro and the Ridge Camps.

As a result of these improvements, Oil Search anticipates being able to report water consumption data in 2014.

For information on Oil Search's activity and performance with regard to waste, greenhouse gas and energy, see p 30, Continuous Performance Improvement.



Transporting water samples for further testing, Moro, Kutubu, Southern Highlands Province.

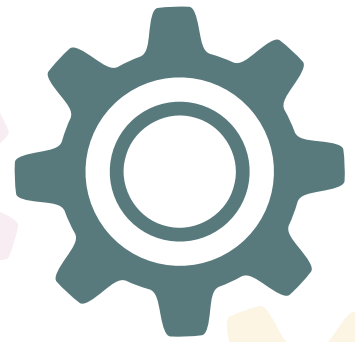


### ON-SITE LABORATORY ISO 17025 ACCREDITED

The Oil Search on-site laboratory was accredited to ISO 17025 standard in March 2013. The accreditation greatly improves the Company's capacity to analyse field water samples in PNG and respond quickly to results.



# CONTINUOUS PERFORMANCE IMPROVEMENT



River traffic and houses, Kikori River, Gulf Province.

“ OIL SEARCH REMAINS ON TRACK TO MEET ITS TARGET TO REDUCE EMISSION INTENSITY ACROSS EXISTING OPERATIONS BY 12% BY 2016 AGAINST A 2009 BASELINE. ”

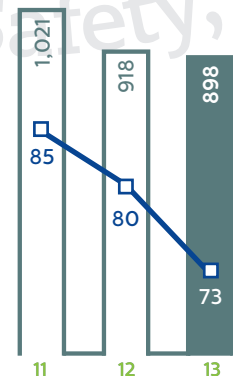
The ability to continuously innovate and evolve our approach is an important component of Oil Search’s commitment to operating sustainably. The ongoing monitoring, assessment and enhancement of the systems, policies and processes that underpin the strategy ensures our sustainability platform aligns with the Company’s growth strategy. This creates value for all stakeholders by increasing Oil Search’s ability to deliver results, improve performance and increase efficiency.

### Performance against greenhouse gas emissions target on track

Work continued throughout 2013 on investigating emissions reduction opportunities. The work highlighted that the highest value emissions reduction opportunities lie in new asset and project developments. This will become a primary focus of Oil Search’s approach to reducing greenhouse gas emissions. The steps over the next few years will be to refine the Company’s internal processes to properly embed energy efficiency and emissions reduction opportunities into new projects.

Oil Search remains on track to meet its target to reduce emission intensity across existing operations by 12% by 2016 against a 2009 baseline. During 2013, the baseline data was finalised so progress on reducing emissions directly against this target can now be reported. Also during 2013, work commenced on the installation of a carbon dioxide reduction unit to process and treat carbon dioxide from some of the Company’s new production wells.

In September 2013, the United Nations Framework Convention on Climate Change (UNFCCC) approved Oil Search’s flare and vent gas conservation project for registration. Early stage engineering has progressed.



**GREENHOUSE GAS (GHG) EMISSIONS**  
(ktCO<sub>2</sub>-e/MMBOE)

■ GHG  
■ GHG INTENSITY

In 2013, total emissions declined from previous years, primarily due to slightly lower flaring and liquid fuel consumption from the prior year. This lower total, coupled with increased production lowered our emissions intensity.

For further data and information on Oil Search’s greenhouse gas emissions, refer to p 8 in Oil Search’s 2013 Sustainability Data Book.

### Managing supply chain risks and targeting value

Supply chain management is a critical driver for any company due to its role in ensuring smooth operations, and its ability to mitigate possible supplier issues which could have a negative financial impact and damage Oil Search's reputation. It is also a mechanism through which companies like Oil Search may exert significant social, economic and environmental influence.

During 2013, Oil Search continued to focus on improving supplier management processes by:

- broadening and formalising stakeholder engagement and risk assessment processes for contracts
- improving internal awareness of the contracting process and contract owner roles and responsibilities.

The ongoing transition of major spend categories to fixed price agreements continued, with 13 more agreements finalised in 2013. There are now 16 fixed price agreements in place, with a further five scheduled to be completed in 2014. Coupled with a new automated purchasing function, this provides Oil Search with a simpler procurement process with greater visibility. The programme of improvements will continue in 2014.

### Sustainable supply chain strategy under development

Oil Search's ability to manage ethical, environmental and human rights considerations within the supply chain is an important consideration from risk management, sustainable development and continuous improvement perspectives.

In 2012, sustainable supply chain management was identified as an issue of stakeholder interest, and the objective in 2013 was to develop a sustainable supply chain strategy. During the year the Company took some important initial steps, including bringing together Procurement, Assurance and Compliance and Sustainability personnel to identify potential priority areas to focus on in 2014. To suit the varying complexity of local businesses' needs, this will be a multi-year plan, developed and implemented with input from stakeholders across the Company and within the supply chain.

During 2013, eight supplier audits were conducted, covering the safety management and performance of Oil Search's aviation service providers. In 2014, the supplier audit programme will be expanded to include bribery and corruption management.

“

**OIL SEARCH (PNG) LIMITED IS THE ONLY PNG COMPANY CERTIFIED BY THE CHARTERED INSTITUTE OF PURCHASING AUSTRALASIA (CIPSA).**

”



Local produce for sale, Kikori markets, Gulf Province.

# 32%

**OF PNG SUPPLIER CONTRACT EXPENDITURE IN 2013 WAS PAID TO LOCAL SUPPLIERS**

Local suppliers include all suppliers paid in PNG Kina. See p 4 of the 2013 Sustainability Data Book for further supplier information.





New 'Hot Rot' composting unit and coloured bins to segregate waste, Iagifu Ridge Camp, Kutubu, Southern Highlands Province.



#### PNG WASTE IMPROVEMENT PROGRAMME DELIVERED

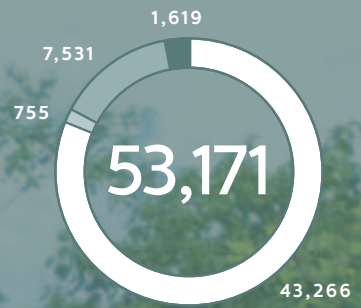
Being able to process and dispose of waste is an ongoing challenge in countries such as PNG, where operations are remote and government waste infrastructure and associated services are underdeveloped. As a result, the responsible management of waste is an important consideration.

To drive resource recovery and re-use in PNG, Oil Search made substantial progress in the delivery of waste management solutions in 2013. The following innovations were implemented in late 2013.

- **Installation of a composting unit:** A 'Hot Rot' composting unit was installed at the Ridge Camp's waste management area to reduce incinerator load. All food waste from the Ridge, Moro and Fofari camp kitchens, along with wood-based waste, is being processed by the unit. It is anticipated that 730 tonnes of food waste a year will be composted, delivering greater incinerator efficiency and improving local air quality. The composted material is utilised across camp gardens and rehabilitation areas requiring soil.
- **Sludge waste oil reprocessing and disposal:** A centrifuge was installed to process sludge into re-usable crude and waste. This reduced the volume of potentially hazardous material stored on-site, and resulted in reduced incinerator load, improved air quality, and recovered approximately 2,140 bbls or US\$0.2M worth of crude.
- **Junk chemicals removal:** The management of chemicals is an important component of Oil Search's Environmental Management System. The risks to people and the environment can be reduced by improved logistics and storing and disposing of chemicals safely. Previously, the Company had more than 980 tonnes of chemical waste stored on-site, most of which was already present when Oil Search took over as operator in PNG in 2003. After consolidating the waste, 750 tonnes of non-hazardous material was disposed of in a new landfill containment cell on-site. The remaining 230 tonnes of hazardous waste has been shipped to Australia in accordance with the Basel Convention. This programme removes the potential for previously stored chemicals to enter or contaminate the environment and minimises risks to the health and safety of the local workforce.
- **Segregated waste streams:** Bins to segregate kitchen, paper, cardboard, plastic, metal and general waste are being adopted across sites in PNG. The segregation of kitchen waste commenced in 2013 at three camps, with materials now being processed by the composting unit. Metal recycling also began in 2013, with 14 containers sent for reprocessing and sale.







**WASTE DISPOSED**  
(M<sup>3</sup>)

- INCINERATION
- ON-SITE STORAGE
- LANDFILL
- RECYCLING

The data reported relates to field operations in PNG only. For further data and information on Oil Search's environmental performance, see p 8 in Oil Search's 2013 Sustainability Data Book.



# PEOPLE



Obtaining seismic data in the greater Juha area.

Oil Search's team members and people culture are core elements of the Company's business success and future growth plans. We will continue to develop the Oil Search workforce into a strong team with the right technical competencies and leadership skills to ensure both safe, reliable operations and the continuing professional and personal growth of our employees.

### Competency Assurance Management System (CAMS)

To ensure Oil Search has an appropriately skilled workforce as operational complexity increases, in 2013 work on the Competency Assurance Management System continued. The technical competencies required for safety-critical roles were defined and used to assess each employee's competence. Any gaps identified were addressed. In 2014 the same principles will be applied to other employees to identify and close capability gaps through the application of individual development plans.

### New Learning Management System implemented

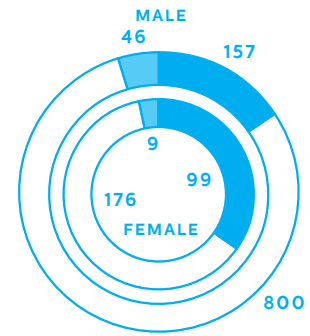
In 2013, a significant achievement in workforce development during the year was the implementation of a new Learning Management System. This system allows employees and their supervisors greater visibility and control over all of their on-going training and development requirements.

### Leadership framework development commenced

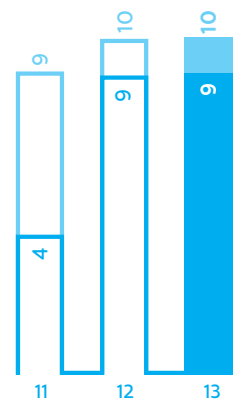
In 2013, Oil Search conducted an extensive review of the leadership competencies required to support Oil Search's growing business and future success. Workshops attended by senior management and a cross section of other staff were conducted to define what key competencies and behaviours Oil Search now requires in its future leaders. These competencies will be embedded into future recruitment processes, leadership development programmes and succession planning approaches in 2014.

### Employee development opportunities increased

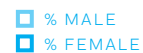
In 2013, 124 employees completed the revised 'Leading the Oil Search Way' leadership programme for first time leaders in Oil Search. All employees and contractors in PNG were provided the opportunity to improve their confidence and experience public speaking at one of two new public speaking groups established on site. Also during the



### WORKFORCE

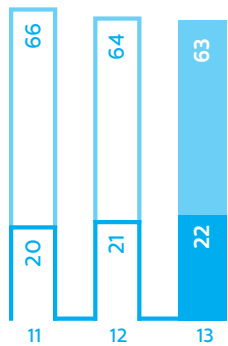


### 12 MONTH TURNOVER RATE



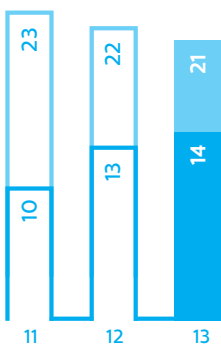
The Oil Search workforce once again grew in 2013, up 7% from 2012, with most of the new roles being based in PNG. Turnover has remained consistent despite the continuing tight employment market and competition for skilled talent where Oil Search operates.

For further data and information on Oil Search's workforce, refer to p 9 in Oil Search's 2013 Sustainability Data Book.



### TOTAL WORKFORCE DIVERSITY

■ % PNG NATIONALS  
■ % FEMALE



### SENIOR MANAGEMENT DIVERSITY

■ % PNG NATIONALS  
■ % FEMALE

In 2013, there were 30 more females in the Oil Search workforce than in 2012, leading to a slight increase in the overall percentage of female employees and the percentage of women in senior management. Although the number of PNG nationals employed also increased in 2013, the overall percentage declined due to growth in other geographic areas.

To frame Oil Search's 2014 diversity objectives, a diversity workshop and series of interviews with senior management were facilitated by an external consultant. No instances of discrimination were reported in 2013.

For further data and information on diversity at Oil Search, refer to p 10 in Oil Search's 2013 Sustainability Data Book and p 51-52 in the 2013 Annual Report.

year, members of the senior management team and other selected employees participated in a range of external technical and leadership development programmes. The revised Leadership Framework will inform further leadership programmes for 2014 and 2015.

### Talent and succession management

A number of formal talent and succession reviews were conducted during 2013 which focussed on potential leaders, key technical staff and other emerging talent. Aimed at building leadership and technical talent, a number of development assignments and staff transfers resulted from the reviews. In some cases external recruitment was used to supplement internal talent and to address specific capability gaps. In 2014, an Advanced Leadership Development programme for selected key staff will be piloted and a new annual talent and succession forum will commence.

### Graduate development programme expanded

In 2013 Oil Search had 95 graduates and apprentices in development programmes. In 2014, an additional 12 graduates will participate in the programme which will include rotational learning opportunities to provide a broader development focus and will be global. Further refinement of the graduate forecasting, recruitment and development programme is planned for the 2014/15 intake.



OWN clothing donation delivery, Gulesa, Hela Province.



### OIL SEARCH WOMEN'S NETWORK EXPANDED

The new Oil Search Women's Network (OWN) Australia was established in 2013 based on the model established in PNG many years ago. OWN Australia will help women to expand their business networks, share knowledge and build their work capabilities and prospects. OWN groups are on-site in Port Moresby and other PNG locations, with another planned in MENA. During 2013, OWN Australia and PNG supported several workplace community initiatives, including distributing over 30 boxes of clothing, household goods and toys donated by staff to villages and community organisations in Port Moresby.



# GLOSSARY

## 2C

Best estimate of contingent resources

## 2P

Proven and probable reserves

## AGRP

Associated Gas Related Project

## APF

Agogo Production Facility

## API

American Petroleum Institute

## BASEL CONVENTION

An international convention on the control of transboundary movements of hazardous wastes and their disposal.

## BBL/BARREL

The standard unit of measurement for all production and sales – one barrel equals 159 litres or 35 Imperial gallons.

## BSCF/BCF

Billion standard cubic feet where a billion is defined as 10<sup>9</sup>

## BOE

Barrels of oil equivalent – the factor used to convert volumes of different hydrocarbon production to barrels of oil equivalent.

Conversion rate used by Oil Search is 6,000 cubic feet of gas is equivalent to 1 barrel of oil

## CAP PROGRAMME

Community Area Planning Programme

## CDI FOUNDATION

Community Development Initiative (a PNG NGO)

## CDM

Clean Development Mechanism

## CDP

Carbon Disclosure Project

## CER

Certified Emissions Reduction

## CPF

Central Production Facility in Kutubu

## DEC

PNG Department of Environment and Conservation

## DEPI

Diploma in Primary Education In-Service

## DPE

PNG Department of Petroleum and Energy

## EITI

Extractive Industries Transparency Initiative

## GHG

Greenhouse Gas

## GPF

Gobe Production Facility

## GRI

Global Reporting Initiative

## HSS

Health, Safety and Sustainability

## HR

Human Resources

## ISO

International Organisation for Standardisation

## IPIECA

International Petroleum Industry Environmental

Conservation Association

## LANCOs

PNG Landowner Companies

## LNG

Liquefied Natural Gas

## MDGs

Millennium Development Goals

## MENA

Middle East North Africa

## MMBBL

Million barrels

## MMBOE

Million barrels of oil equivalent

## MOA

Memorandum of Agreement

## MRDC

Mineral Resources Development Company

## NARI

National Agricultural Resources Institute

## OGP

International Association of Oil and Gas Producers

## PDL

Petroleum Development Licence

## PL2 LE

Pipeline Life Extension Project

## PNG

Papua New Guinea

## PROCESS SAFETY

A framework for managing the integrity of operating systems by applying good design principles, engineering, and operating and maintenance practices. It deals with the prevention and control of events with the potential to release hazardous materials and energy.

## PPP

Public Private Partnership

## SEISMIC SURVEY

A survey used to gain an understanding of rock formations beneath the earth's surface.

## STAKEHOLDER MANAGEMENT

The process of managing the expectations of those who have an interest in a project or who will be affected by its activities, outputs or deliverables.

## SDCG

Sustainable Development Coordination Group

## SOG

Sustainability Operations Group

## SOVEREIGN RISK

The risk a Government or Central Bank refuses to comply with an agreement or changes a law or regulation resulting in financial loss.

## SSG

Sustainability Steering Group

## SUSTAINABLE DEVELOPMENT

Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

## TAX CREDIT SCHEME

Under this voluntary PNG National Government scheme, a percentage of gross assessable income can be applied to approved infrastructure construction and maintenance by the operator.

## TRIR

Total Recordable Injury Rate, defined as total recordable injuries per million staff-hours worked.

## TOK PISIN

Official language of Papua New Guinea

## UBSA

Umbrella Benefits Sharing Agreement

## UN

United Nations

## UNFCCC

United Nations Framework for Climate Change

## UNGC

United Nations Global Compact

## UNGCNA

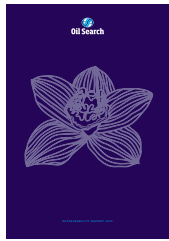
United Nations Global Compact Network Australia

## WHO

World Health Organization



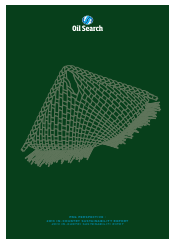
# 2013 SUSTAINABILITY REPORTS



Sustainability Report



Transparency Report



PNG Perspective  
In-Country Report



Sustainability Data Book

This Sustainability Report covers the performance and activities over which Oil Search Limited had operational control during the 2013 financial year (year end 31 December 2013). It covers Oil Search's exploration and production activities in Papua New Guinea and, where noted, our operations in the Kurdistan Region of Iraq, Yemen and Tunisia. It does not cover the PNG LNG Project as operational control for this rests with ExxonMobil PNG Limited ([www.pnglng.com](http://www.pnglng.com)).

All financial figures in this report are quoted in US dollars (US\$) unless otherwise indicated.

The Oil Search Health Foundation is a non-profit charitable trust. The trustee – Oil Search Health Foundation Limited – is a wholly owned subsidiary of Oil Search Limited. Health activities undertaken by Oil Search Health Foundation staff and Oil Search Medical and Occupational Health Team staff with the funding of Oil Search and its partners are reflected in the Enhancing our Social Licence to Operate section of this report (p 20). Health Foundation activities undertaken with funding from the Global Fund to Fight AIDS, Tuberculosis and Malaria and other donors, are reflected in the Health Foundation section of the report (p 24).

The sustainability report suite is prepared to application level C+ of the Global Reporting Initiative's G3.1 Sustainability Reporting Guidelines and Oil and Gas Sector Supplement (GRI Guidelines). Deloitte has provided independent limited assurance over Oil Search's self-declaration of having applied the GRI Guidelines at application level C+ using the Australian Standard on Assurance Engagements 3000.

To download a copy of Oil Search's 2013 sustainability reports, the GRI content index and the Assurance Statement from Deloitte, go to [www.oilsearch.com/sustainability/sustainability-reporting.html](http://www.oilsearch.com/sustainability/sustainability-reporting.html).

Enquiries and feedback on our reporting and performance are welcome. Please contact the Oil Search sustainability team on [sustainability@oilsearch.com](mailto:sustainability@oilsearch.com).



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