




This report shows our commitment to managing and communicating our Corporate Responsibility (CR) activities in an inclusive, responsive and transparent way.

It details how we conducted our operations and activities in 2013, in line with our core Business Principles of building respect, nurturing relationships and acting responsibly (the 3Rs).

### 2013 performance highlights

0   
Security Incidents

100%   
of investment proposals covered the results of CR due diligence

Zero   
Spills to the environment  
 Within KPMG's limited assurance scope –

### 2013 CR reporting

-  Download our summary CR Report PDF 3.77MB
-  Download Responsibility section of the website which constitutes our full 2013 Corporate Responsibility Report PDF 11.39MB

### CEO statement

Simon Thomson  
Our CEO discusses activities during 2013 and plans for 2014.  
[Read the statement](#)



### Related links

- [Our responsible approach](#)
- [Operations](#)
- [External assurance statement](#)

### Preventing major accidents and spills

Preventing major incidents or spills is paramount, and we apply rigorous risk management across all our activities.



[Read about major accident and spill prevention](#)



## Health, safety and security

In our business, protecting health, safety, security and the wellbeing of people and the environment is emphasised in all our activities.

[Read about health, safety and security](#)



## Governance

We are committed to good governance, robust business ethics, and openness in all aspects of our business.

[Read about governance](#)



## Local communities

Strong relationships based on mutual trust are crucial, and we aim to deliver lasting value to the communities as a result of our activities.

[Read more about communities](#)



## Deep water drilling

Cairn applies the same uncompromising well-design approach, with an emphasis on prevention, to all categories of water, whether shallow or deep.

[Read about deep water drilling](#)



## Operating in the Arctic

Operating in Greenland at the invitation of its government, we recognise our responsibility and put a high priority on risk reduction.

[Read about resource development in the Arctic](#)



**Note:** KPMG LLP were engaged to provide limited assurance over selected information in the Cairn Energy CR Report for the year ended 31 December 2013. This information has been reproduced on the Cairn Energy website and can be identified through reference to the symbols (▲ and +). To view KPMG's full opinion, please [click here](#).



## Our responsible approach

At Cairn, we seek to create value and provide an essential source of energy while, at the same time, safeguarding the environment, and respecting and contributing to the communities we are a part of.

To achieve this, it is essential that Corporate Responsibility (CR) is integrated into the way in which we operate, and not seen as an add-on, or a box that just needs to be ticked. Instead, it is a central part of our business and risk management systems, helping us to effectively manage CR risks and opportunities, and deliver our business strategy.

There is no universally accepted definition for CR, which encompasses social, environmental and governance-related topics. To govern how we operate, we have adopted the ISO 26000 Guidelines for Social Responsibility and their definition of CR:

"Responsibility of an organisation for the impact(s) of its decisions and activities on society and the environment, through transparent and ethical behaviour that contributes to sustainable development, including health and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the organisation and practised in its relationships."

### 3Rs

Our business principles are based on these core values:

#### Building respect

We act with respect for people, their communities, the environment, human rights and the law.

#### Nuturing relationships

We act honestly, transparently and with integrity to develop strong, lasting relationships with all our stakeholders.

#### Acting responsibly

We behave fairly and ethically, and are accountable for our actions. We believe in, and act on, our responsibility to care for people, society and the environment.

"As we embark on this exciting new phase of exploration and appraisal, Cairn will continue to drive continuous improvement and help set the standard for CR in the regions where we operate. By striking the right balance we deliver value – both today and for the future."

Simon Thomson  
Chief Executive Officer

### Related links

- > [Governance](#)
- > [People](#)
- > [Environment](#)





> Communities

> Supply chain

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## CEO statement

### Our approach

Cairn's goal is to contribute towards meeting the world's energy needs. Through a balanced portfolio of exploration and developments, we want to create value while bringing long-term social and economic benefits to the countries and communities we work with.

Our licence to do this hinges on being a safe and responsible operator and trusted partner. Our approach protects not only people, communities and the environment but also our brand and reputation. It is consistent with our core values of building respect, nurturing relationships and acting responsibly.

In our industry, health, safety, security and wellbeing of people and the environment come first. That is why we ensure we have robust processes and systems in place to protect people's health, safety and security, prevent accidents and spills, and respond quickly and effectively in the event of an incident.

Our Corporate Responsibility approach is set out in our Business Principles, CR Policies, Corporate Responsibility Management System (CRMS), and Health, Safety and Environment (HSE) Culture Framework. As well as conducting rigorous due diligence, Cairn works closely with partners, contractors and suppliers to promote and ensure our high standards are always upheld.

### Enhancing CR in 2013

In 2013 our Business Principles and CR Policies were refreshed, an updated CRMS was rolled out, and a 'materiality assessment' was conducted at six-month intervals, to identify and prioritise key CR issues. Our strong business ethics and zero-tolerance stance on bribery and corruption were reinforced through new procedures.

As part of our commitment to raise awareness, a new HSE Culture Framework was rolled out to staff. High-level engagement on HSE expectations was undertaken with strategic contractors, reinforced by senior management tours.

We continue to uphold and support the 10 principles of the United Nations Global Compact and in September 2013 became a Participating Company on the Extractive Industries Transparency Initiative (EITI).

### 2013 operational highlights

For Cairn, 2013 was a year of completing transactions to strengthen the portfolio and operational activity including seismic and site surveys, exploration and appraisal drilling. We contracted rigs for the 2013/14 exploration programme in Morocco, Senegal and Ireland, and embarked on a busy period of operated high-impact wells, commencing with the Fom Draa exploration well in Morocco. Good progress was also made on the non-operated development of the Kraken and Catcher Fields, on non-operated exploration and appraisal wells in the UK and Norway, and on new joint ventures in North West Africa. The Fom Draa exploration well in Morocco has been plugged and abandoned, although we are encouraged that gas shows were encountered in the well and thereby confirmed an active petroleum system. The Juby Maritime well has been plugged and abandoned without testing.

With net cash at the end of 2013 of \$1.3 billion, our strategy continues to focus on frontier and overlooked exploration opportunities which offer material growth potential on appropriate terms, with suitable equity levels reflective of the company size, within a balanced sustainable portfolio.

Business growth, joint ventures and drilling operations in new geographies – including potentially sensitive frontier environments – mean we have focused considerable attention on stringent risk management, due diligence and on-going Environmental and Social Impact Assessment, including on human rights. In the Cap Boujdour permit, for example, where we are partnering with Kosmos, Cairn believes that responsible resource development has the potential to create significant social and economic benefits for the region and its people.

In Senegal, we are collaborating with a specialist ethical business consultancy to put in place anti-bribery and corruption procedures in local languages and to train staff. That ConocoPhillips has farmed into this venture is evidence that our approach is also valued by our business partners. We are also in discussions with representatives of the local EITI committee in Senegal on future transparency on payments.

Cairn's reputation for responsible exploration is founded on our rigorous approach to well design, control, blow-out prevention and response capability, including membership of Oil Spill Response Limited (OSRL). I am very proud of our global track record in preparedness and I'm delighted to report that there were zero spills in 2013.

### Health, safety and environment (HSE)

As three of our four most important material issues relate to protecting people's health, safety and security and preventing major accidents and hydrocarbon spills, embedding HSE was a key priority throughout 2013.

We were concerned that a number of contractor safety incidents occurred during early stages of the Morocco drilling programme at the shore base and on the Transocean-operated Cajun Express drilling unit. Together with the contractor companies we undertook detailed investigations, provided additional HSE resources, strengthened procedures and undertook



specific training. Transocean also conducted a thorough review of the procedures in their planned maintenance system. As a member of the joint Transocean and Cairn senior management team that visited the Cajun Express following these accidents, I was able to see for myself the steps being taken to improve procedures and took the opportunity to personally reinforce my commitment to safe operations. The lessons learned have been included in the preparations for our future shore base operations in Dakar and west of Ireland in 2014. We have worked hard to improve training and management systems used by local contractors who are less experienced in the rigour required when operating for our industry.

Plans for 2014

Cairn plans nine wells in the 2014 exploration programme. Our operated exploration drilling will continue offshore Morocco and Senegal, and appraisal drilling will take place offshore Ireland. Further non-operated exploration and appraisal drilling is planned offshore UK and Norway, while seismic activity and an exploration well are planned on the Cap Boujdour permit.

On CR, our main focus this year will be to further strengthen HSE behaviours in line with our HSE Culture Framework among employees and contractors working for Cairn. Two key objectives are to implement our new HSE Contractor Management Procedures and Strategic Contractors Engagement Plan. Senior management will show continuing leadership to embed and boost the visibility of HSE, with particular emphasis on safety and security on operational drilling programmes. Following completion of our drilling programme, we will review the CRMS implementation to determine the lessons learned and how these can be applied in future operations.

During 2014 we will update our Code of Business Ethics, run anti-bribery and corruption refresher training, and further integrate our procedures to assess and manage human rights in the project delivery process.

As we embark on this exciting new phase of exploration and appraisal, Cairn will continue to drive continuous improvement and help set the standard for CR in the regions where we operate. By striking the right balance we aim to deliver value for all stakeholders both today and for the future.



WE SUPPORT

"Cairn's goal is to contribute towards meeting the world's energy needs. We want to create value while bringing long-term social and economic benefits to the countries and communities we work with."

Simon Thomson  
Chief Executive Officer



## About us

Throughout 2013 we developed our interests in Senegal, the Republic of Ireland, Mauritania, Morocco, Greenland, Spain, the UK and Norway, ahead of a new and busy operational period in 2014. In 2013 we also sold our interests in Albania and closed our office in Nepal.



The table below shows our areas of operation in 2013:

### Frontier basin

#### The Atlantic Margin

Greenland	Site survey Preparation for future drilling Plugging and abandonment of wells
Ireland	Preparation for appraisal drilling
Morocco	Exploration seismic Site survey Exploration drilling
Mauritania	Farmed in as non-operator, assessing existing 3D seismic



Senegal

Site survey  
Preparation for exploration drilling

Mediterranean

Spain

Preparation for exploration 3D seismic

Malta

Preparation for exploration 2D seismic

## Mature basins

UK and Norwegian North Sea

UK and Norway

Non-operated exploration and appraisal drilling and field development planning

## Activity data

2D Seismic

(km)

	2009	2010	2011	2012	2013
Cairn total	7,911	10,137	1,027	0	0
Greenland	7,911	10,137	1,027	0	0

3D Seismic

(km<sup>2</sup>)

	2009	2010	2011	2012	2013
Cairn total	407	318	3,752	305	377
Bangladesh	0	318	n/a	n/a	n/a
Greenland	0	0	3,752	0	0
Morocco	n/a	n/a	n/a	305	377

Number of Wells drilled

(number)

	2009	2010	2011	2012	2013
Cairn total	0	4	5	0	1
Bangladesh	0	0	n/a	n/a	n/a
Greenland	0	3	5	0	0
Morocco	n/a	n/a	n/a	n/a	1
Tunisia	0	1	n/a	n/a	n/a

Number of Metres drilled

(metres)

	2009	2010	2011	2012	2013
Cairn total	0	13,956	15,396	0	3,701
Greenland	0	11,401	15,396	0	0
Tunisia	0	2,555	n/a	n/a	n/a

Total hydrocarbon production

('000 tonnes)

	2009	2010	2011	2012	2013
Cairn total	419	270	0	0	0
Bangladesh	419	270	n/a	n/a	n/a





Site surveys  
(number)

	2009	2010	2011	2012	2013
Cairn total	n/a	n/a	n/a	n/a	11
Greenland	n/a	n/a	n/a	n/a	4
Morocco	n/a	n/a	n/a	n/a	3
Senegal	n/a	n/a	n/a	n/a	4

Environmental baseline surveys  
(number)

	2009	2010	2011	2012	2013
Cairn total	n/a	n/a	n/a	n/a	9
Greenland	n/a	n/a	n/a	n/a	2
Morocco	n/a	n/a	n/a	n/a	3
Senegal	n/a	n/a	n/a	n/a	4

Wells plugged and abandoned  
(number)

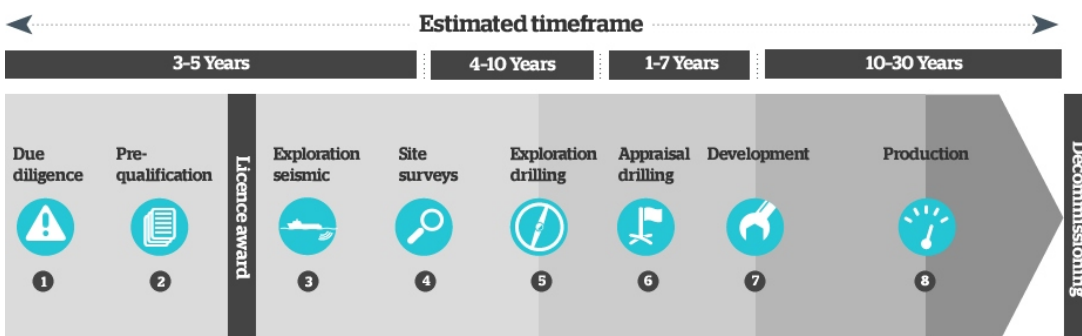
	2009	2010	2011	2012	2013
Cairn total	n/a	n/a	n/a	n/a	5
Greenland	n/a	n/a	n/a	n/a	4
Morocco	n/a	n/a	n/a	n/a	1

**Note:** Data has been provided for countries where relevant activities have taken place.  
**Note:** We only have 2013 figures available for 'Site surveys', 'Environmental baseline surveys' and 'Wells plugged and abandoned'.



## Oil and gas exploration, and production life cycle

We help to create, add and realise value for stakeholders, but not at the expense of the safety of people and the environment. As well as responsibly managing the risks associated with our business, we take a long-term approach. The diagram below offers an overview of the stages of oil and gas exploration and production.



### 1. Due diligence

Before making an acquisition or investment, applying for an exploration licence or farming-in to an existing project, Cairn carries out an extensive risk-screening process which includes assessing whether there are potential health and safety, social, human rights, political, corruption, security or environmental impacts. This is used in decision-making on whether or not to proceed, and if investment goes ahead, it informs approaches to risk management going forward.

We undertook a number of due diligence processes for investment opportunities in 2013, including for interests acquired offshore Morocco, Mauritania, Senegal and Ireland.

### 2. Prequalification

When we apply for an exploration licence, the necessary documents are submitted to the relevant authorities. Typically this includes information about our legal status, financial capability, technical competence and plans to manage health, safety and environmental risks, and contributions to local economic development.

### 3. Exploration seismic

Once Cairn has been awarded the right to explore in a certain area, we may carry out seismic surveys to develop a picture of geological structures below the surface. This helps identify the likelihood of an area containing hydrocarbons. Seismic surveys are usually preceded by an assessment of environmental, social and human rights impacts, which are managed through the Project Delivery Process (PDP).

During 2013, we completed a seismic survey offshore Morocco, continued seeking approval for a survey offshore Spain and began planning a seismic survey offshore Malta.

### 4. Site survey

Before commencing any drilling activity, site surveys are carried out to gain more detailed information on the area where an exploration well may be drilled, and to confirm that the selected drilling location is safe and that any sensitive environments can be avoided.

The process normally involves taking geological samples from the seabed and carrying out shallow seismic surveys. These activities have low social and environmental impacts and, therefore, usually do not require a separate Environmental Impact Assessment (EIA) or Social Impact Assessment (SIA).

In 2013, we completed site surveys in advance of future drilling campaigns offshore Morocco, Senegal and Greenland.

### 5. Exploration drilling

Exploration wells are drilled to determine whether oil or gas is present. This phase can be accompanied by a step-change in activity and visibility to local people, as offshore exploration can involve a drilling rig, supply vessels and helicopters for transporting personnel.



Exploration drilling is preceded by an assessment to understand potential health, safety, environmental, social, security and human rights impacts. This identifies appropriate steps to reduce impacts and operate responsibly. Limited community development programmes may also be put into place at this time depending on the nature of the programme.

In 2013, we undertook exploration drilling offshore Morocco, and expect to drill further exploration wells in Morocco and Senegal in 2014. As non-operator, we also participated in exploration wells in the UK and Norwegian North Sea.

6. Appraisal drilling

If promising amounts of oil and gas are confirmed during the exploration phase, field appraisal is used to establish the size and characteristics of the discovery and to provide technical information to determine the optimum method for recovery of the oil and gas. The potential social and environmental impacts associated with appraisal drilling are comparable to exploration drilling, and similar assessments are carried out in advance.

In 2013, appraisal drilling was undertaken on the Skarffjell discovery, for which Cairn is non-operator. In 2014, Cairn, as operator, and our joint venture (JV) partners intend to drill an appraisal well on the Spanish Point discovery, offshore Ireland.

7. Development

If appraisal wells show technically and commercially viable quantities of oil and gas, a development plan is prepared and submitted to the relevant authorities for approval. This includes a rigorous assessment of all the potential risks and a long-term assessment of environmental and social impacts covering a timeframe of between 10 and 30 years. The plan will also detail projected benefits to local communities, for example employment and supplier opportunities, as well as proposing how to manage potential impacts such as an influx of workers from outside the local community.

We are participating in a non-operator capacity in two development projects, the Kraken and Catcher Fields in the UK North Sea which when on-stream, will provide Cairn with cash flows to fund future exploration activities.

8. Production

A variety of options are available for the production of oil and gas. During this phase, which can last many decades, regular reviews are made of social and environmental performance to ensure that impacts identified in the assessments are mitigated. Changes in the risks associated with activities are assessed throughout the production period. We currently have no operated production, but historically had significant production through our involvement in Cairn India Limited (in which it held an approximate 10% interest at the end of 2013). Oil production from Cairn India brought social and economic development to a number of regions in India, and is described on Cairn India's website at [www.cairnindia.com](http://www.cairnindia.com).



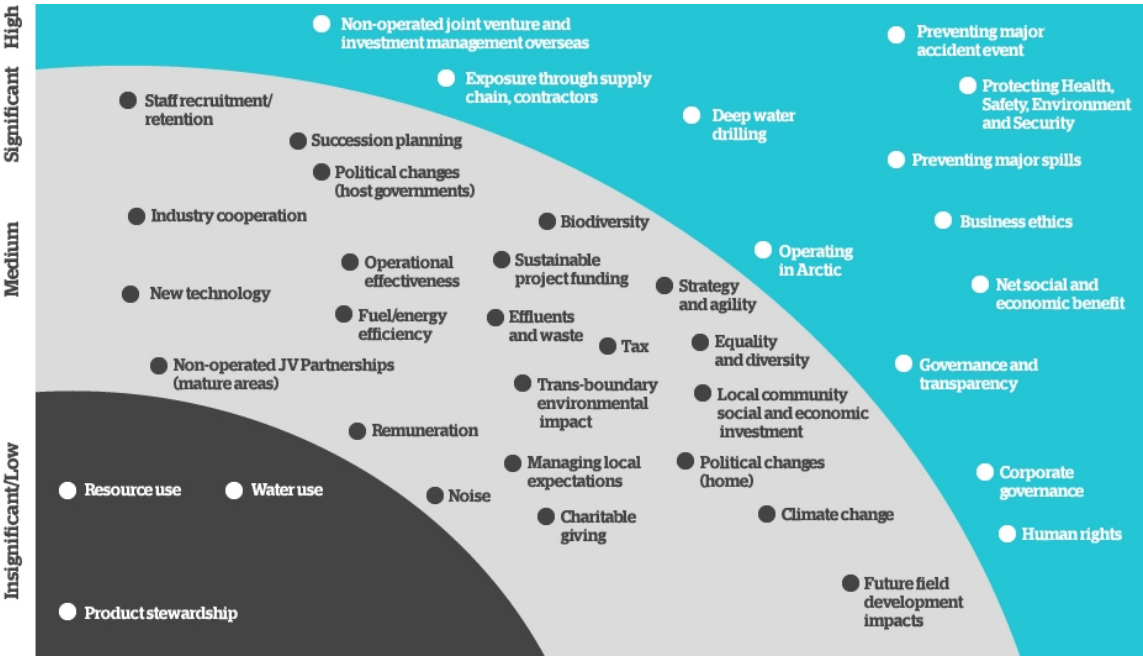
## Materiality +

A robust process helps Cairn to identify the topics that matter most to the business and stakeholders.

### Identifying Cairn's most important topics+.

Our strategy is to provide investors with exposure to material growth potential alongside mature basin development and pre-development assets, all against a backdrop of balance sheet strength.

As our business activities and associated impacts change, it is essential that CR issues are reassessed regularly to reflect this. We use a materiality assessment to identify the issues most important to our stakeholders and the business as a whole. The process is based on the AccountAbility AA1000APS model, which is internationally recognised.



It involves establishing a range of relevant existing and emerging topics, which are then assessed and prioritised according to their significance to the business and our stakeholders. These include governments, local communities, joint venture partners, investors, contractors, suppliers, employees and the media.

The wide range of CR issues is generated from our understanding of the oil and gas sector, and our experience of the locations where we operate. It also takes into account our interaction with stakeholders and participation in industry bodies. In 2013, the prioritisation of Cairn's most important issues was carried out during a materiality workshop attended by senior management, facilitated by a third party and monitored by an external CR expert. The outcomes were mapped onto the materiality matrix shown above.

### Our key CR topics

Based on the materiality process, our 12 priority CR areas for 2013 are described below.

#### 1. Preventing a major accident event

Avoiding any accidents is our key focus, and we implement rigorous risk management during the planning and execution of activities. [See People.](#)



2. Protecting health, safety, environment and security

In our business, protecting health, safety, security and the wellbeing of people and the environment is emphasised in all day-to-day activities. [See People](#) and [Environment](#).

3. Preventing major spills

Preventing spills is critically important and a key feature of our risk-mitigation programme. [See Environment](#).

4. Business ethics

Our ability to secure licences and deliver operations effectively depends on robust business ethics and transparent relationships with governments, communities, partners and suppliers globally. [See Governance](#).

5. Net social and economic benefit

Strong relationships based on mutual trust are central to our ongoing business success, and we aim to deliver lasting value to all Cairn's stakeholders. [See Community](#) and [Supply Chain](#).

6. Governance and transparency

We are committed to good governance and openness in all aspects of business. This includes decision-making processes, reporting on performance and tax payments, as well as how we manage human rights, and anti-bribery and corruption. [See Governance](#).

7. Corporate governance

Our commitment to rigorous corporate governance standards, and living by them, is critical. [See Governance](#).

8. Human rights

Meeting the responsibility to respect human rights is essential to the development and maintenance of effective relationships with workers and the communities in which we operate. [See Governance](#).

9. Deep water drilling

Cairn's reputation for responsible exploration in shallow or deep water rests upon a rigorous approach to well design, well control and blow-out prevention in drilling operations. Cairn applies the same uncompromising well-design approach, with an emphasis on prevention, to all categories of water, whether shallow or deep. [See Environment](#).

10. Operating in the Arctic

We are operating in Greenland at the invitation of its government, which aims to develop its natural resources for the benefit of its people. [See Environment](#).

11. Exposure through supply chain and contractors

Many of our operational activities are carried out by contractors and suppliers. Their CR approach and performance must meet our own standards. [See Supply Chain](#).

12. Non-operated joint venture and investment management overseas

Due diligence is a key component of our approach to assessing investment opportunities. We are a partner in a number of joint ventures and have a minority shareholding in Cairn India. We aim to work closely with joint venture partners to ensure that they apply CR approaches that are consistent with our own. We also act as a responsible minority shareholder in dealings with Cairn India. [See Governance](#).

Other material issues

In addition to the 12 key topics covered above, we track more than 20 other issues on our materiality matrix. These cover areas such as how we operate as a business, including factors such as sustainable project funding, succession planning, remuneration, and equality and diversity.

Our materiality also covers our relationships with numerous stakeholders, from our joint venture partners to governments, both at home and in the host countries where we operate, and the communities where we work.

Other materiality issues cover the environment, including how we manage our impacts on biodiversity, deal with effluents and waste, and use natural resources, including water.

+ Within KPMG's limited assurance scope.

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# Stakeholder engagement +

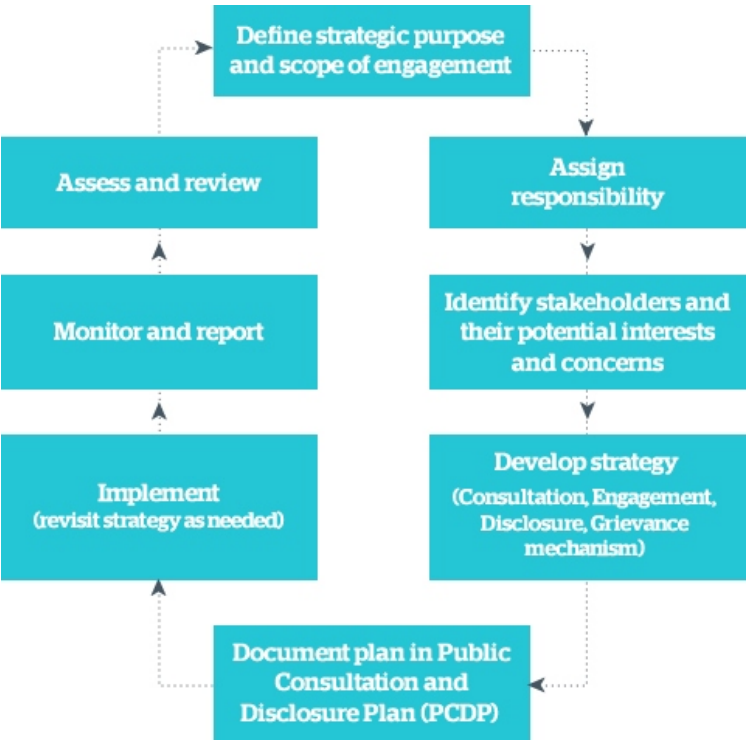
## How we define stakeholder groups

Stakeholder engagement is about how we constructively manage our relationships with individuals, groups and organisations that affect, or are affected by, our business. It plays a critical part in managing our risks and identifying opportunities for our business, and is a core part of our CRMS.

We integrate stakeholder engagement into our governance, organisational strategy and management. The results of stakeholder engagement are reviewed by senior management, and inform risk assessments and Environmental and Social Management Plans. We use a 'Gated Project Management Process' which we call the Cairn Project Delivery Process (PDP) to ensure that CR risks are assessed and managed throughout the life cycle of a project in a structured and consistent manner.

Stakeholder engagement should not be initiated without first defining a purpose that is connected to the overall business strategy and clearly linked to our business goals.

To guide this, we have adopted an eight-step process for managing our stakeholder engagement, which fits in with our Business Principles, our CSR (Corporate Social Responsibility) Policy, our Performance Standards, and our Gated Management System.



When identifying the issues most important to the business, we pay close attention to the concerns of stakeholders, engaging with them regularly to learn directly about their priorities.

For a new project or country entry we undertake a stakeholder identification exercise. We draw on local, corporate and external knowledge to do this. For instance, for the proposed drilling campaign in Senegal we used knowledge from in-country scouting trips, local partners, local consultants, local and corporate media monitors, internet sources and a stakeholder mapping exercise carried out by an external agency. Identified stakeholders are then prioritised for engagement on an assessment of their potential to be impacted by our activities, and their ability to influence our activities.



Our Stakeholder Engagement Plans will always, as a minimum, comply with local country requirements. Our PCDDP process allows us to assess if further engagement may be desirable, matched to materiality of issues and risks to the business. Engagement plans are therefore bespoke to each project.

Our stakeholder engagement model follows the AccountAbility principles of Materiality, Inclusivity and Responsiveness as defined in the AA1000APS. Stakeholders' interests vary and Cairn uses a range of communications channels to satisfy them, as shown in the table below. Taking into account the material issues and concerns raised by stakeholders through the year we develop a road map, objectives and a strategy to address concerns. These are discussed in more detail in [CR objectives and KPIs](#).

### Our stakeholders and how we engage with them

Stakeholder	Key interests	Sample types of engagement
Investors	Strategy and performance	Annual, half-year and CR Reports
	Good corporate governance and risk/opportunity management	Investor road shows
		Responding to investor and investment research enquiries
		Operational updates
Governments and regulators	Legal compliance	Annual and CR Reports
	Well integrity, risk management and contingency planning	Exploration permit applications
	Employment and revenue generation	Compliance monitoring
		Impact Benefit Agreement
		Applications to carry out operations
		Safety cases
Business partners and peers	CR Policies and approach to CR performance	Annual and CR Reports
	Industry reputation	New business opportunity due diligence
	Industry best-practice procedures and guidance	Partner meetings
		Membership of and participation in OGP, OSRL and national industry bodies
		Joint Industry Projects
		Multi Operator Studies
Contractors and suppliers	Long-term relationships	Commercial relationships
	Opportunities for growth	Contractor close-out reviews
	Meeting CR standards and other business requirements	Annual and CR Reports
		Pre-qualification assessments and Contractor audits
		Senior executive meetings
		Training and briefings
		Placement of HSE advisors
Communities	Protection of environment and livelihoods	Consultation meetings, as part of Environmental and Social Impact Assessments (ESIA)
	Access to employment opportunities	Skills development investment programmes
	Community development	Community-investment programmes
NGOs <sup>1</sup>	Approach to CR issues	Website content
	Working in frontier locations	Meetings with local NGOs as part of ESIA consultations
	Operational risk management and contingency planning	Responses to written enquiries
Employees	Remuneration and benefits	Issue of total rewards statement to staff
	Access to Directors and senior management	Performance and development reviews for all staff
	Opportunity for development	Staff meetings including business plan and strategy presentations
	Company strategy	Executive Team coffee and chat sessions to seek to engage staff in an informal setting
	Company culture	Edinburgh office HSES Committee
	CR approach and performance	Intranet and other staff communications
	Safe and fair working environment	



Lunch and Learn sessions

Invitation to participate in Good Companies survey

<sup>1</sup> In 2011, certain Greenpeace organisations breached security and occupied Cairn's offices. While Cairn fully respects the rights of individuals and organisations to express their views in a safe and peaceful manner, we are concerned with any action that represents a breach of security and that may pose a risk to the safety of our people and/or equipment. In response to the Greenpeace occupation, Cairn obtained court enforceable undertakings that had the effect of preventing Greenpeace UK and Greenpeace Limited from carrying out similar actions in the future. In 2013 the court upheld the undertakings towards certain Greenpeace UK organisations; however, it decided not to uphold the interim order against Stitching Greenpeace Council (Greenpeace International).

## Stakeholders we engage with on CR and corporate governance matters

The following are the key independent agencies that Cairn engages with that conduct corporate governance and/or environmental, social and governance (ESG) research on behalf of investors:

Company	Main areas of focus	Website
ABI	Institutional Voting Information Service (IVIS) applies the approach developed by ABI and provides investors with advice concerning issues to be voted on at the AGM. They also comment on reporting on ESG approach and performance.	<a href="http://www.ivis.co.uk/">http://www.ivis.co.uk/</a>
Carbon Disclosure Project (CDP)	CDP is an international organisation providing a global system for companies to measure, disclose, manage and share vital environmental information, primarily as it relates to climate change, although they recently also started a water survey. Cairn has participated in the annual CDP surveys since 2006.	<a href="https://www.cdp.net/en-US/Pages/HomePage.aspx">https://www.cdp.net/en-US/Pages/HomePage.aspx</a>
EIRIS	EIRIS covers the spread of corporate governance and ESG issues. Cairn has reviewed and provided input to EIRIS assessments since 2001. EIRIS also issues special briefings for companies with whom NGOs have raised specific concerns – as was the case in 2011 when addressing Greenpeace's claims over biodiversity infringements in Cairn's activities in Greenland. Having reviewed the claims, EIRIS concluded that 'Cairn's response is graded as good (addressed)'.	<a href="http://www.eiris.org/">http://www.eiris.org/</a>
Goldman Sachs ESG Index	Goldman Sachs launched its ESG Index (GSEES Index), to measure environmental and social performance, in February 2004. The ESG Index measures overall management quality, and incorporates it into a framework for sustainable investing in the energy sector. Cairn first participated in 2006.	<a href="http://www.goldmansachs.com/">http://www.goldmansachs.com/</a>
Pension & Investment Research Consultants Ltd (PIRC)	PIRC is an independent corporate governance and shareholder advisory consultancy which provides proxy research services to institutional investors on governance and other ESG issues.	<a href="http://pirc.co.uk/PIRC">http://pirc.co.uk/PIRC</a>
Research Recommendations and Electronic Voting Ltd. (RREV)	RREV Proxy Advisory Services is a wholly owned subsidiary of ISS, a US company. RREV issues research and vote recommendations based on the corporate governance policy guidelines of the National Association of Pension Funds (NAPF). It does not include ESG matters.	<a href="http://www.issgovernance.com">http://www.issgovernance.com</a>
Sustainalytics	Sustainalytics' research is used by investors to integrate ESG factors into their investment processes. Cairn has been engaging with Sustainalytics since 2011.	<a href="http://www.sustainalytics.com/">http://www.sustainalytics.com/</a>
Vigeo	Vigeo was founded in 2002 and provides an assessment of European companies and organisations with regard to their practices and performance on ESG issues.	<a href="http://www.vigeo.com/csr-rating-agency/en">http://www.vigeo.com/csr-rating-agency/en</a>

## Stakeholder engagement internal audit

Last year we carried out an internal audit of our stakeholder engagement process. It confirmed that the process contains a number of examples of effective stakeholder management, including:

- the level of engagement with key stakeholders in Greenland (particularly local government and local communities);
- the way in which key documents such as the PCDP are used to identify and analyse stakeholders for a particular country, asset or project;
- the extensive experience and skill set of the current Corporate Affairs Team in supporting the business to implement a framework for effective stakeholder management; and
- the robust controls for stakeholder management that are in place, particularly when managing corporate relationships such as investors.

The internal audit also highlighted a number of refinements to our processes including formalising the recording of stakeholder engagement at the asset level and managing the disclosure of information by partners and host governments. Management has identified the steps they will implement to address these enhancements.



See also [Community engagement](#).

**Participation in public policy development and lobbying**

Cairn's participation in public policy development and lobbying is usually carried out through relevant industry bodies such as the International Association of Oil & Gas Producers (OGP) or regional industry groups such as Oil & Gas UK, the Greenland Oil Industry Association (GOIA), the Association of UK Independent Oil and Gas Exploration Companies (BRINDEX), Irish Offshore Operators Association (IOOA) and the Norwegian Oil and Gas Association (OLF).

+ Within KPMG's limited assurance scope.

KPMG LLP were engaged to provide limited assurance over selected information in the Cairn Energy CR Report for the year ended 31 December 2013. This information has been reproduced on the Cairn Energy website and can be identified through reference to the symbols (▲ and +). To view KPMG's full opinion, please visit the [KPMG Assurance Statement](#).




## CR objectives & KPIs


Cairn's continuous improvement ethos helps drive our Business Principles into action. We develop annual business performance objectives and targets, including those related to CR, and measure and report performance against these.


They are set by considering the issues most important to the business, the progress we aspire to make through CR Road Maps, feedback from stakeholders and improvements identified through the Annual Management Review process. Corporate CR objectives and Key Performance Indicators (KPIs) support delivery of the CR-related Group KPIs.

### Progress against 2013 CR objectives



The table below summarises the CR objectives that we set in 2013 and the progress we have made against these.

 KPI achieved by 2013 year end




 KPI partially achieved by 2013 year end

 KPI not met by 2013 year end



#### Approach to managing health, safety and environment

2013 CR objective	Progress at 2013 year end	
1. Complete development of the updated Group CRMS and supporting procedures, and provide training in its use	Seven CRMS roll-out workshops attended by 100% of members of Executive Team, Management Team and Corporate Team ~50% of Standard Operating Procedures (SOPs) prepared and guidance on biodiversity and climate change drafted All actions from 2012 annual Management Review completed during 2013	
2. Review and update the Group CR Policies and Business Principles	Cairn became a Participating Company of EITI on 6 September 2013 Updated CR Policies and Business Principles issued in mid September	


#### Behaving responsibly in all our business relationships

2013 CR objective	Progress at 2013 year end	
3. Complete anti-bribery and corruption (ABC) refresher training and monitor its implementation	Independent review of ABC due diligence approach completed on two projects; findings presented to members of senior management ABC Business Partners and Supply Chain Due Diligence procedures updated	
4. Enhance HSE/CR communications to external stakeholders	2013 Annual and CR Reports issued on 16 April 2013 Gap analysis completed against G4 requirements and Road Map developed for its implementation in 2014	
5. Implement new contractor-management procedures	Implemented new procedures to enhance consideration of HSE in tender process Identified and engaged with contractors with significant influence on the management of HSE risk to Cairn's operated activities	

#### Behaving responsibly towards society and communities

2013 CR objective	Progress at 2013 year end	
6. Provide training in updated human rights procedures	Training session held with 50% of CR and HR practitioners 	


#### Behaving responsibly towards our people

2013 CR objective	Progress at 2013 year end	
7. Implement management and other staff training programmes	Middle management training completed in January 2013 Enhanced succession planning process being implemented New induction process which incorporates an e-learning module for Health, Safety, Environment and Security (HSES) drafted – to be rolled out in Q1 2014	





8. Roll out the HSE Culture Framework and enhance CR communications to staff

Conducted series of workshops to roll out HSE Culture Framework to 79% of staff   
Developed communication plan to raise HSE visibility, which will be implemented in Q1 2014



## Behaving responsibly towards the environment

### 2013 CR objective

### Progress at 2013 year end

9. Update our approach to climate change

Review undertaken of developments on climate change and amendments included in updated Business Principles  
Climate change questions/deliverables prepared for each stage of PDP for new country entry and construction projects





10. Refresh our approach to biodiversity

Biodiversity Framework and Guidelines prepared – to be rolled out in Q2 2014



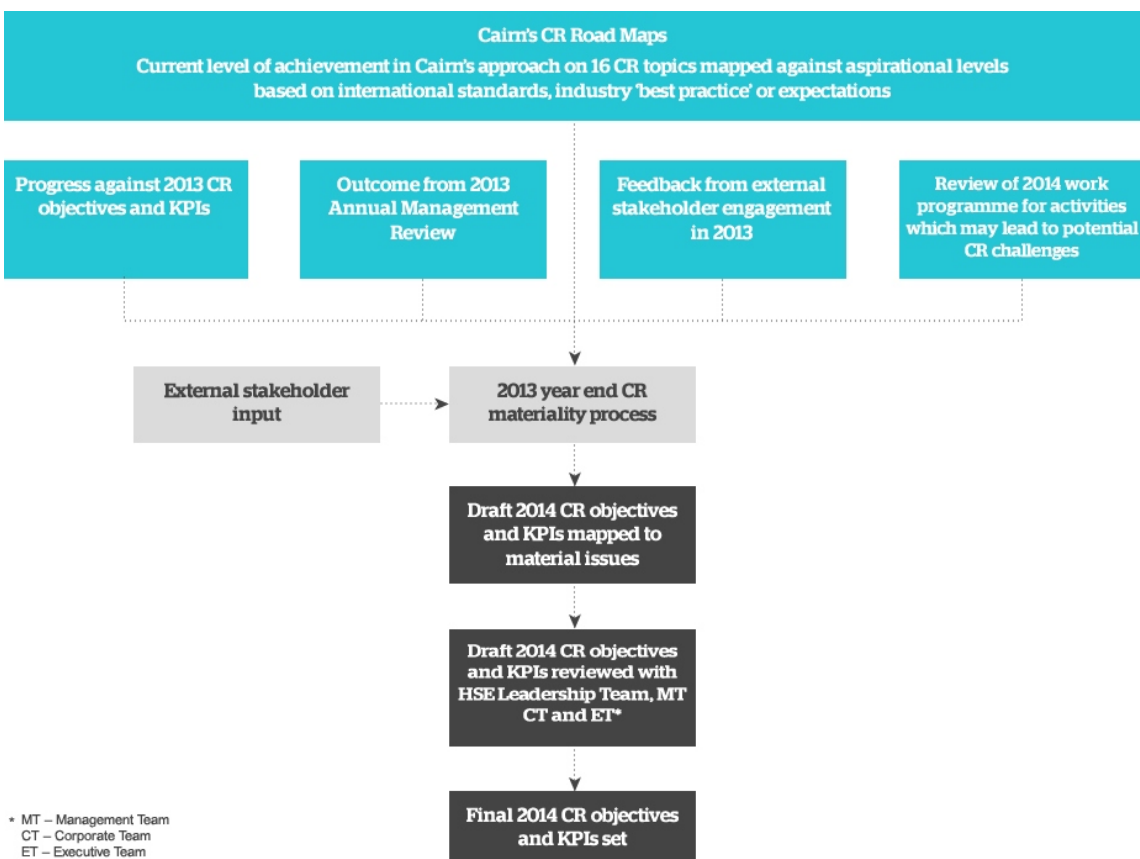
 Within KPMG's limited assurance scope.

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## Our 2014 CR objectives and KPIs

The following outlines the process by which we set our 2014 CR objectives. It also reflects our emphasis on 'continual improvement' when it comes to our approach to CR.

The process is informed throughout by our CR Road Maps, which are updated regularly to reflect progress made, and to address any changes to international standards, industry best practice or expectations. The process is also shaped by stakeholder engagement, progress made in 2013, the 2014 work programme and the outcomes from the CR materiality assessment process.



## 2014 CR objectives and KPIs

The CR objectives we are setting for 2014, to address the priority topics as assessed by our latest materiality process, are summarised below. The 2014 CR KPIs will be used to measure our progress in 2014 against our objectives.

Proposed 2014 CR objectives	Key priority topics addressed	2014 CR KPIs
<b>HSE integration into business activities:</b> The Group CRMS aims to provide clear and effective processes and tools to manage CR risks. Each year we aim to raise its accessibility to all staff, and to adjust it to reflect industry developments, stakeholder feedback and the assessment of its effectiveness through the annual Management Review process.		
<b>1. Group CR Management System:</b>	Protecting health, safety, environment and security	Raise awareness of CR procedures to all Heads of



Benchmark CRMS against International Association of Oil & Gas Producers (OGP) Operating Management System guidance once issued	Preventing major accident event	Department and relevant staff
Finalise and roll out SOPs and updated guidance	Preventing major spills	Risk assessments and briefings for travellers to 'high risk' countries
Externally verify Environmental Management System	Human rights	Risk registers to be maintained through all stages of the PDP on 2014 projects
Complete actions from 2013 Management Review	Non-operated JV or investments overseas	
Develop checklist for scoping CR deliverables in the PDP	Exposure through supply chain and contractors	
<b>2. CR Policies and Business Principles:</b>	Protecting health, safety, environment and security	No 2014 KPI set
Review and update the Group CR Policies and Business Principles	Corporate governance	
<b>Behaving responsibly in all our business relationships:</b> Behaving honestly, fairly and with integrity is at the core of our Business Principles and is central to our interactions with stakeholders. This is vital to protect and maintain our reputation for ethical business practices. These objectives aim to build on our respectful culture, promote transparency, advocate good standards and embed our zero-tolerance approach to bribery and corruption.		
<b>3. Anti-bribery and corruption:</b>	Business ethics	No 2014 KPI set
Update the ABC Management System and Code of Business Ethics, and run ABC refresher training	Corporate governance	
Develop and implement local ABC procedures in Senegal and Morocco, and monitor compliance	Governance and transparency	
<b>4. HSE/CR communications:</b>	Protecting health, safety, environment and security	Reporting CR performance and approach to Board
Deliver CR content for 2013 Annual and CR Reports	Corporate governance	HSE messages at staff meetings
Implement data and information collection for 2014 CR Report to meet new reporting requirements, including G4 and integrated reporting	Governance and transparency	New web-based HSE induction provided to new staff and consultants/contractors
Roll out new web-based HSE induction to reinforce key HSE messages		
<b>5. Contractor management:</b>	Protecting health, safety, environment and security	Implementation of Performance Management programme for strategic contractors
Develop and implement Strategic Contractors Engagement and Performance Management process	Exposure through supply chain and contractors	
<b>Behaving responsibly towards society and communities:</b> Our operations can affect the social and economic environment of the communities where we operate. We aim to improve the consistency of our approach to stakeholder engagement and to the management of potential social impacts, to uphold respect for human rights and to maintain effective relationships with workers, contractors and the communities in which we operate.		
<b>6. Human rights:</b>	Human rights	Address human rights risks and actions through the stages of PDP on projects
Apply procedure for assessing and managing human rights in our business through the PDP	Corporate governance	
<b>7. Communities and social investments:</b>	Net social and economic benefit	No 2014 KPI set
Develop and implement SOPs and guidance for local community investment	Governance and transparency	
<b>8. Stakeholder engagement:</b>	Governance and transparency	Steps taken to engage with local staff/contractors in overseas offices and bases
Address findings from 2013 stakeholder engagement internal audit	Exposure through supply chain and contractors	
<b>9. Transparency of tax payments:</b>	Governance and transparency	No 2014 KPI set
Develop and implement procedure to enable open and transparent disclosure of tax payments or other government contributions		
<b>Behaving responsibly towards our people:</b> We use the skills and knowledge of our people to give us a competitive advantage and deliver performance. These objectives build on programmes to enhance the capabilities of our people and create an effective HSE culture.		
<b>10. Training/development:</b>	Succession planning	No 2014 KPI set
Roll out revised approach to performance management	Staff recruitment/retention	
Implement actions from 2013 staff engagement survey		
Improve recruitment and selection processes and management development programmes		
<b>11. HSE culture and communications:</b>	Protecting health, safety, environment and security	Steps taken to further embed the HSE Culture Framework in the organisation
Implement further initiatives to strengthen behaviours in line with the HSE Culture Framework	Preventing a major accident event	
Further enhance internal CR communications	Preventing major spills	



**Behaving responsibly towards the environment:** We recognise that exploration, development and production activities may have an impact on the environment. The CRMS defines the approach to assessing, managing and monitoring our environmental risks and helps us to manage the issues identified as important to stakeholders.

<b>12. Climate change:</b>	Protecting health, safety, environment and security Corporate governance	Address climate change risks and actions through the stages of the PDP on projects
Monitor developments on climate change and amend strategy accordingly		
<b>13. Biodiversity:</b>	Protecting health, safety, environment and security Corporate governance	Address biodiversity risks and actions through the stages of the PDP on projects
Roll out and apply the new approach to biodiversity through the PDP		



## Memberships and partnerships

Partnerships with external organisations bring the opportunity to collaborate on projects and share best practice and lessons learned, while our membership of industry associations and international bodies allows us to influence new policies and procedures, and ensure we are up to date with the latest thinking and ideas around oil and gas exploration.

Organisation	Main areas of focus
UN Global Compact	The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with <a href="#">10 universally accepted principles</a> in the areas of human rights, labour, environment and anti-corruption.
Extractive Industries Transparency Initiative (EITI)	The EITI is a global coalition of governments, companies and civil society working together to improve openness and accountable management of revenues from natural resources.
EITI – Senegal	The Senegalese Government announced its decision to join the EITI in 2012 and submitted its application in July 2013. The EITI board approved Senegal's EITI Candidature status on 17 October 2013.
International Association of Oil & Gas Producers (OGP)	OGP is a global forum in which members identify and share best practices to achieve improvements in every aspect of health, safety, the environment, security, social responsibility, engineering and operations. (See <a href="http://www.ogp.org.uk/about-ogp/">http://www.ogp.org.uk/about-ogp/</a> )
Greenland Oil Industry Association (GOIA)	Representative body for operators in Greenland covering all issues, with particular focus on drilling, HSE and communication.
Norwegian Oil and Gas Association (Norsk olje og gass) (OLF)	Representative body for operators in Norway, with multiple sub-committees, work groups, etc.
Spain Upstream Industry Association (ACIEP)	Representative body for operators in Spain, with multiple sub-committees, work groups, etc.
Irish Offshore Operators' Association (IOOA)	Representative organisation for the Irish offshore oil and gas industry. Its members are companies licensed by the government to explore for and produce oil and gas in Irish waters.
Oil & Gas UK (O&GUK)	Representative body for oil companies and contractors in the UK, with multiple sub-committees, work groups, etc. (See <a href="http://www.oilandgasuk.co.uk/">http://www.oilandgasuk.co.uk/</a> )
Oil Spill Response Ltd (OSRL)	Industry-owned cooperative which exists to respond effectively to oil spills wherever in the world they may occur. Its membership consists of over 160 environmentally responsible corporations. (See <a href="http://www.oilspillresponse.com/">http://www.oilspillresponse.com/</a> )
The Offshore Pollution Liability Association Ltd (OPOL)	All offshore operators currently active in exploration and production on the UK Continental Shelf (UKCS) are party to a voluntary oil pollution compensation scheme known as OPOL <a href="http://www.opol.org.uk">http://www.opol.org.uk</a>
UK Oil & Gas Independents' Association (OGIA)	The Oil and Gas Independents' Association is a self-help group of 34 oil companies active in the UK Continental Shelf (UKCS).
Association of UK Independent Oil and Gas Exploration Companies (BRINDEX)	BRINDEX seeks to promote the role played by British independent exploration and production (E&P) companies in maintaining a powerful and effective UK-based oil and gas industry.
UK Oil Industry Tax Committee (UKOITC)	Represents tax professionals working in the UK oil and gas industry and the accounting and legal professions.
Oil Industry Finance Association (OIFA)	Purpose is to discuss joint venture accounting issues of the UK's upstream oil and gas activities.
Oil Industry Accounting Committee (OIAC)	Focal point for UK upstream oil and gas companies in relation to all financial reporting matters.
Chartered Association of Corporate Treasurers	Latest practice information, news and best practice. Networking.
<b>Industry projects</b>	
IPIECA/OGP Oil Spill Response Joint Industry Project (JIP)	A three-year Joint Industry Project (JIP) funded by 18 oil-industry members (including Cairn). The Oil Spill Response JIP (OSR-JIP) has initiated discreet projects or provides support to projects initiated by other trade associations in the 19 subject areas resulting from the OGP GIRG-OSR project. (See <a href="http://oilspillresponseproject.org/">http://oilspillresponseproject.org/</a> )



## Recognition and awards

We benchmark our HSE performance by participating in annual surveys carried out by the International Association of Oil & Gas Producers (OGP). OGP has been collecting safety and environmental data on a voluntary basis from its member companies globally for many years.

It is the largest database of HSE performance in oil and gas exploration and production. OGP produces annual reports that provide trend analysis and benchmarking, and identify areas and activities that can improve performance.

We also work with organisations such as the Carbon Disclosure Project, EIRIS and Vigeo, which assess and report on a wide range of Environmental, Social and Governance (ESG) issues.

In 2013 Cairn retained its Investor in People status. We were also shortlisted for the 'Most effective overall annual report (FTSE 250)' category in the Investor Relations Society 2013 awards.





# Reporting

## Reporting period

This report covers Cairn's global operations from 1 January to 31 December 2013.

## Reporting standards

Cairn reports its 2013 Corporate Responsibility Report (CRR) in accordance with AccountAbility's AA1000 Accountability Principles Standard (AA1000 APS) founding principles of inclusivity, materiality and responsiveness. This ensures that we engage with internal and external stakeholders, identify and assess our most important CR issues, and address and respond to them in a structured way.

We also use the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G3.1. We follow its content principles of materiality, stakeholder inclusiveness, sustainability context and completeness, and its quality principles of balance, comparability, accuracy, timeliness, clarity and reliability.

## Scope and boundaries

Our report covers Cairn's global operations from 1 January to 31 December 2013. We report on an 'operational control' basis, which means that we report on those operated assets over which we have control in terms of CR policies and practices during 2013. This includes our joint ventures with other companies where we have operational control. In line with this, our 2013 CRR covers Cairn's head office in Edinburgh, other offices in the UK, Norway, Spain, Greenland, Morocco and Senegal, and activities in Morocco, Greenland and Senegal.

The report excludes the performance of non-operated joint venture activities and the performance of Cairn India Limited (Cairn Energy PLC ~10% shareholding).

## Data and performance indicators

We measure our CR performance across the Group using a number of Key Performance Indicators (KPIs). These cover a whole range of topics within the areas of environment, health and safety, security, communities and employees. Data is used for monitoring and reporting processes, and it is maintained in a specialist online database. This database records data by geographical region and it defines the KPIs to be measured and the frequency in which data should be recorded. Data entry and approval are tracked within the database. Our incident data is recorded in a separate online incident reporting system which stores all relevant details and also emails individuals across the business to keep them informed of progress with the reporting, investigation and follow-up of an incident.

We use definitions set by the GRI and International Association of Oil and Gas Producers (OGP) to provide comparable and credible data that can be benchmarked against our peers in the oil and gas sector.

Data is collected from our offices and from our field operations including each individual rig, vessel, aviation company and shore base involved. The field operations data is usually from contractors that Cairn takes on for the project, e.g. the rig, vessels, etc. These contractors are informed about Cairn's KPI requirements in advance of the work and receive detailed instructions about the data needed. The instructions include definitions of the KPIs, instructions about waste reporting with suggested volume-to-weight conversion factors, and information on incident reporting. The data is collected from field operations on a monthly basis. Data is entered directly into our database via an online connection where possible. Where connectivity is poor, data is provided in Excel spreadsheets and entered into the database at Cairn's head office. Data is queried through the database and via email communications between Cairn's head office and the data providers in their different locations.

We update our methodologies on a regular basis, e.g. when improved methodologies are identified, there are developments in best practice, or emission factors are updated.

## Baseline data

We report historical data from all of our activities over the last five years. Levels of activity at Cairn vary considerably from year to year and for this reason we do not have a baseline.

## Uncertainties and estimates

Whilst we make every effort to ensure our data is as accurate as possible, it is not possible or practical to measure all data exactly. Where this is the case, e.g. obtaining electricity consumption data for a small office which is part of a larger building, or recording water effluent from an office or vessel that has no water outflow meter, then we use accepted estimation methodologies which may involve the use of conversion factors, e.g. calculating office data as a proportion of the figures for the whole building; using volume-to-weight conversion factors for calculating tonnage of waste, calculating GHG emissions. We highlight these methodologies in our report.



## Targets

We recognise the importance of targets in driving performance improvements. Cairn sets corporate objectives at the start of each year, and these include some HSE-related KPIs, e.g. spills, Total Recordable Injury Rate (TRIR) and HSE Leading Performance Indicator targets. When Cairn owned operated producing assets, it used to have Group greenhouse gas (GHG) emission targets normalised against production. This is now not a meaningful objective, as Cairn does not have operated producing assets. It is also hard to forecast or set targets for annual GHG emissions from our operated exploration activities as these operations can change significantly from year to year.



# External assurance and reporting guidelines

We have used independent sustainability consultants since 2004 to provide assurance of selected information in our CR Reports, and this has always included a selection of KPIs.

The process is important in order that we and the readers of our reports may be confident that what we report provides a true representation of what actually happened.

The KPIs that we are assuring for 2013 were drawn from our materiality process. We selected KPIs from each of the subject areas that were assessed to be the most important to Cairn and its stakeholders, as follows:

Material issue	KPI no.	Key Performance Indicator
Protected Health, Safety, Environment & Security	1	Number of fatalities
	2	Lost Time Injury Frequency (LTIF)
	3	Total Recordable Injury Rate (TRIR)
	4	Number of security incidents
	5	Greenhouse gas emissions – Scopes 1, 2 and 3
Preventing Major Accident	6	% of staff trained in Cairn's HSE Cultural Framework
Preventing Major Oil Spill	7	Oil spills – number and volume
	8	Fuel spills – number and volume
	9	Chemical spills – number and volume
	10	Waste spills – number and volume
	11	Other spills – number and volume
Net Social and Economic Benefit	12	Number of employees
	13	% of employees that are expatriate
	14	Number of contractors
	15	% of contractors that are national
	16	% of management hired from the local population
Business Ethics	17	% of employees trained in Cairn's anti-corruption policies and procedures
Corporate Governance	18	% of Board meetings in 2013 that considered CR issues
Exposure through Supply Chain and Contractors	19	% completion of Contractor Engagement Plan
Non-operating Joint Ventures or Investments Overseas	20	% of Investment Proposals that covered results of CR due diligence
Human Rights	21	% of employees trained on policies and procedures relating to human rights
	22	% of CR and HR practitioners trained on policies and procedures relating to human rights

## KPI methodology

For each of our KPIs, we provide a definition and an explanation of the methodology used in collecting the data, where appropriate.

### 1. Number of fatalities (OGP/GRI 3.1)

Definition:

Fatalities: cases that involve one or more people who died as a result of a work-related incident or occupational illness. (OGP)

We report employee, contractor and third party fatalities.

Records of incidents are kept in our online incident reporting system. Contractors are required to report all incidents to Cairn management as soon as possible after the event, and the details are logged into our incident reporting system, which keeps key personnel informed (by email) about progress with the reporting and investigation.

### 2. Lost Time Injury Frequency (LTIF) – employees and contractors (OGP/GRI 3.1)

Definition:

LTIF: the number of lost time injuries (fatalities + lost work day cases) per 1,000,000 hours worked. (OGP)

Employee: person employed by and on the payroll of Cairn. Persons employed under short-service contracts are included as Cairn employees provided they are paid directly by Cairn. Cairn has a lot of other individuals who work on behalf of Cairn in the office. Those who are contracted for more than three months to an organisational position are categorised as 'other workers', and these individuals are included as employees for the purposes of reporting health and safety statistics. They are not paid directly by Cairn, but through their employing organisation.

Contractor: someone contracted to work on Company business on a temporary basis in field-based positions, or a sub-contractor through another company. These people are not paid directly by Cairn, but through their employing organisation.



Hours worked are collected for employees and for contractors. Employee hours are derived from Cairn's time-writing system, which all employees use to log their working hours. Employees hours include hours worked by 'other workers' as these are captured in the time-writing system. Cairn's Human Resources department compiles the figures and enters them into the database each month. Contractor man-hours are collected monthly, along with the rest of the KPI data, from contractors (rig, vessels, aircraft, shore bases) working on field operations. For offshore workers, the hours are often calculated on a 12 hours per work day basis.

### 3. **Total Recordable Injury Rate (TRIR) – employees and contractors (OGP/GRI 3.1)**

Definition:

TRIR: the number of recordable injuries (fatalities + lost work day cases + restricted work day cases + medical treatment cases) per 1,000,000 hours worked. (OGP)

See above (KPI no. 2) for details of how hours worked are calculated.

### 4. **Number of security incidents**

Definition:

Security incident: any fact or event which could affect personal or organisational security.

We break down security incidents into incidents against employees, incidents against contractors, incidents against security personnel, incidents against assets and incidents involving threat or extortion.

### 5. **Greenhouse gas (GHG) emissions – Scopes 1, 2 and 3 (GRI 3.1)**

We report our GHG emissions in accordance with the GHG Protocol Corporate Accounting and Reporting Standard (World Resources Institute/World Business Council for Sustainable Development). In addition we use the American Petroleum Institute (API) Compendium of Greenhouse Gas Methodologies for the Oil and Natural Gas Industry (2009) for Scope 1 GHG emission calculations.

To meet new UK reporting requirements, GHG emissions need to be reported normalised to an appropriate performance measure representative of the business. As Cairn did not have revenue or operated production facilities in 2013 or the previous three years, and activities were of an exploration nature only (i.e. seismic, site surveys and the start of a drilling programme), the 2013 GHG emissions have been normalised to total employee and contractor hours.

#### **Scope 1 emissions**

Definition:

Scope 1 emissions: direct GHG emissions which occur from sources that are owned or controlled by the Company, for example, emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc.

At present Cairn is undergoing exploration activities only. We are not operating any production assets. Our Scope 1 emissions arise from:

- o fuel combustion during offshore rig, marine vessel and aircraft operations, as well as a very small amount during use of land-based vehicles (99.99%); and
- o incineration of waste on marine vessels/rigs (0.01%).

For calculating Scope 1 emissions we use emission factors from the API Compendium 2009 and also from EEMS 2008 (UK Environmental and Emissions Monitoring System for the Department of Energy and Climate Change (DECC)).

Estimates and uncertainties:

- o Cairn used one fixed-wing aircraft from October to December 2013 for personnel transfers during drilling operations in Morocco. We were not able to obtain data from Royal Air Maroc for this activity so the figures were estimated by Cairn's Logistics department, which has a good understanding of activity levels and numbers of personnel involved. This represented about 2% of the fuel used during drilling operations in Morocco.
- o Petrol consumption for land-based vehicles at shore bases/offices was estimated. This represents less than 1% of fuel consumption during drilling in Morocco.
- o The weight of waste incinerated on-board vessels is usually based on estimates, however this represents a tiny amount compared to overall emissions (<0.003 tonnes CO<sub>2</sub>e).
- o We use the most applicable emission factors available, but there will always be a small margin of error from these as they may not match fuel type exactly.

#### **Scope 2 emissions**

Definition:

Scope 2 emissions: electricity indirect emissions are from the generation of purchased electricity consumed by the Company. Purchased electricity is defined as electricity that is purchased or otherwise brought into the organisational boundary of the Company.

Our Scope 2 emissions arise from use of electricity in our offices and shore bases.

For calculating Scope 2 emissions we use emission factors from the International Energy Agency (IEA) report *CO<sub>2</sub> Emissions from Fuel Combustion – Highlights* (2013 Edition), p110–112 'CO<sub>2</sub> emissions per kWh from electricity generation'.

Estimates and uncertainties:

- o Most of our electricity consumption happens in our head office in Edinburgh (66%), followed by London (12%) and Norway (10%). Electricity consumption for the Edinburgh office is taken from meter readings; London electricity consumption is calculated from a quarterly meter reading multiplied by 4. The rest of our electricity consumption is calculated as a proportion of the overall building consumption (including Norway, which represents 10% of our overall electricity consumption; Spain, which represents 5%; and Greenland, which represents 5%) or by calculating usage based on the Edinburgh office electricity consumption per person per month.
- o There is always a degree of inaccuracy in emission factors. We use conversion factors from IEA to calculate emissions from electricity consumption. There is no electricity emission factor available for Greenland so we use the Denmark factor instead.

#### **Scope 3 emissions**

Definition:



Scope 3 emissions: Scope 3 emissions are a consequence of the activities of the Company, but occur from sources not owned or controlled by the Company.

Cairn currently reports Scope 3 emissions from business travel, including air and rail travel (but not Tube travel).

For calculating Scope 3 emissions from air travel we use journey type (domestic, short haul, long haul), seat class (economy, premium economy, business, first), distance, and an uplift factor. For some flights, where the seat class is not known, or data is not available broken into flight sectors with the associated seat class, applicable average emission factors may be used. For rail travel emissions we use rail type (National Rail, Eurostar) and distance. We use emission factors from 2012 *Guidelines to Defra/DECC's GHG Conversion Factors for Company Reporting*.

It is Cairn policy that all travel is booked using its travel partner, HRG, except under special exception. As a result of this, the majority of our travel data is obtained in a report from HRG and includes details on journey type, seat class and kilometres travelled. Travel data is also obtained from other Cairn offices, from a travel-expense claim report from Edinburgh's Accounts department, and through communication with Executive Assistants in the Edinburgh office. Where journey kilometres are not provided with the data, these are obtained from internet resources, e.g. [www.airmilescalculator.com](http://www.airmilescalculator.com) and [www.travelfootprint.org](http://www.travelfootprint.org).

Estimates and uncertainties:

- Not all HRG flight data can be broken down into flight sectors with the corresponding seat class, so there is a degree of uncertainty in this.
- Travel data obtained from travel expenses does not always show whether a journey is single or return, so this sometimes has to be assumed. In addition the seat class of flights is not shown, however flights booked outside the HRG system are usually with budget airlines so the majority are known to be economy class. The flights are not broken down into sectors, but the majority are domestic or short haul/European flights, which are only one flight sector.
- For rail travel data obtained from travel expenses, many of the journey distances are based on estimates.
- Travel data provided by Cairn's Norway office (from their travel provider) does not include train journeys, so an estimate has to be made for these.
- Occasional flights/train journeys booked by individuals based in Cairn's offices outside the UK might be missed, however this is considered minimal.

#### 6. % of staff trained in Cairn's HSE Cultural Framework

As part of its programme of seeking to enhance its HSE approach and performance, Cairn adopted an HSE Culture Framework and supporting behaviours in 2012. As part of the process towards embedding this new HSE culture, Cairn ran a series of workshops during 2013, and this indicator measures the proportion of staff that attended these workshops.

'Staff' is used interchangeably with the word 'employee', which is defined as a person employed by and on the payroll of Cairn. Persons employed under short-service contracts are included as Cairn employees, provided they are paid directly by Cairn.

N.B. Personnel who are contracted for more than three months to an organisational position and who are categorised as 'other workers' in the database are not included in the employee numbers, except for the purpose of reporting health and safety statistics.

7-11.	Spills – number and volume (GRI 3.1)	12. Number of employees												
	<p>We categorise spills by type: oil, fuel, chemical, waste and other.</p> <p>Definitions:</p> <p>Oil: crude oil.  Fuel: diesel, gasoline, kerosene, heating oil, aviation fuel.  Chemical: any other raw material or ancillary.  Waste: any material (solid, liquid, gas) that is introduced into the work location as a product of the work but that fulfils no further useful purpose at that location.  Other: other material not included in the categories above.</p> <p>N.B. If something fits into more than one category, we report against the category that provides the most information, e.g. chemical rather than waste when reporting waste chemicals.</p> <p>We collect the number of spills in the following size categories: less than 1 barrel; between 1 and 10 barrels; between 10 and 100 barrels; greater than 100 barrels. We also record the actual volume spilled.</p> <p>We collect data for spills contained before reaching the environment as well as spills to the environment, but only spills to the environment are being assured here.</p> <p>Estimates and uncertainties:</p> <p>Spill volume is usually based on an estimate.</p>	<p>Definition:</p> <p>Employee: person employed by and on the payroll of Cairn. Persons employed under short-service contracts are included as Cairn employees provided they are paid directly by Cairn.</p> <p>N.B. Personnel who are contracted for more than three months to an organisational position and who are categorised as 'other workers' in the database are not included in the employee numbers, except for the purpose of reporting health and safety statistics.</p> <tr> <td></td><td></td><td data-bbox="1149 1422 1573 1449">13. % of employees that are expatriates</td></tr> <tr> <td></td><td></td><td data-bbox="1149 1467 1573 1646"> <p>Definitions:</p> <p>Expatriate (employee): an employee who is sent to live and work abroad for Cairn for a defined period.  National (employee): resident in the country of operation and employed by the local Cairn office.</p> </td></tr> <tr> <td></td><td></td><td data-bbox="1149 1646 1573 1673">14. Number of contractors</td></tr> <tr> <td></td><td></td><td data-bbox="1149 1691 1573 1718">Definition:</td></tr>			13. % of employees that are expatriates			<p>Definitions:</p> <p>Expatriate (employee): an employee who is sent to live and work abroad for Cairn for a defined period.  National (employee): resident in the country of operation and employed by the local Cairn office.</p>			14. Number of contractors			Definition:
		13. % of employees that are expatriates												
		<p>Definitions:</p> <p>Expatriate (employee): an employee who is sent to live and work abroad for Cairn for a defined period.  National (employee): resident in the country of operation and employed by the local Cairn office.</p>												
		14. Number of contractors												
		Definition:												

Contractor: someone contracted to work on Company business on a temporary basis in field-based positions or a sub-contractor through another company. These people are not paid directly by Cairn but through their employing organisation.

Many contractors work on rotation, e.g. one month on, one month off, so it is not practical or meaningful to give the total number of individuals who have worked as contractors on Cairn projects through the year. Instead we provide the total number of contractor positions during 2013.

Data on numbers of contractors is collected from field operations each month. At the end of the year, the highest monthly figures are taken from each vessel/rig/base and these are added together to give the total number of contractors.

Estimates and uncertainties:

- An occasional day worker who is very briefly on a project might be missed from the contractor numbers.
- The number of contractors is not an exact number of individuals, as described above, but based on the number of contractors working during the peak month of activity for any given rig/vessel/aircraft/base.

#### 5. % of contractors that are national



#### Definitions:

National (contractor): from the country of operation, i.e. having the nationality (born or naturalised) of that country.

Not national (contractor): not from the country of operation, i.e. not having the nationality of that country.

N.B. The KPIs regarding national/expatriate/not national (KPI nos. 13 and 15) are defined differently for employees and contractors. For employees, the terms are applicable to office staff and are defined in accordance with employment contracts. For contractors, the data is collected for the purpose of measuring Cairn's impact on the communities in which we work, and the definitions are simply regarding whether a contractor is from the country of operation or not.

When contractor numbers are collected each month, the numbers that are national and not national are provided. At the end of the year, the same highest monthly figures that are used to calculate the number of contractors are used to calculate the number of national contractors.

#### Calculation:

Number of national contractors / total number of contractors x 100

#### 6. % of management hired from the local population (GRI 3.1)

#### Definitions:

Management: personnel that have responsibility for managing other people, including senior management, middle management and team leaders. N.B. Some senior roles, e.g. in the Technical department, do not include responsibility for managing other people.

Local population: the country of operation.

#### Calculation:

Number of managers hired from local population / total number of managers x 100

#### 7. % of employees trained in Cairn's anti-corruption policies and procedures (GRI 3.1)

#### Definitions:

A definition for 'employee' is given above under KPI no. 12.

Cairn's anti-corruption policies and procedures: Cairn has a well-established anti-bribery and corruption management system, and procedures which look to mitigate the risks of bribery or corruption in the supply chain and when considering new investment opportunities.

#### Calculation:

Number of employees trained in Cairn's anti-corruption policies and procedures / total number of employees x 100

#### 8. % of Board meetings in 2013 that considered CR issues

The Board is ultimately accountable for ensuring that Cairn has in place and implements effective procedures to minimise the potential for CR incidents. It also provides a leadership role to the Cairn organisation towards HSE matters. During 2013, in addition to regular updates on corporate and operational CR programmes and performance, the Board was also regularly briefed on potential higher-CR-risk activities in the 2013 exploration programme and the steps being taken to mitigate these risks areas. This indicator measures the proportion of Board meetings that covered CR matters and is measured through inspection of CR reports and other CR-related submissions.

#### Calculation:

Number of Board meetings that covered CR issues / total number of Board meetings x 100

#### 9. % completion of Contractor Engagement Plan

As part of Cairn's HSE management of contractors, Cairn's Supply Chain team carried out an HSE risk evaluation of its contractors working in Morocco. Those that were assessed as being significant from a CR perspective were included in a Senior Management Contractor Engagement Plan and meetings were planned with them in 2013 to discuss Cairn's approach and expectations for CR performance and any specific issues relevant to them. This KPI assesses the percentage completion of the Contractor Engagement Plan measured by the number of senior management contractor engagement meetings that took place in the year as a percentage of the number of senior management contractor engagement meetings which were programmed in the year as a result of the significant contractor assessment.

#### Calculation:

Number of senior management contractor engagement meetings that took place / number of senior management contractor engagement meetings that were programmed x 100

#### 10. % of Investment Proposals that covered results of CR due diligence

#### Definition:

Investment Proposals (IPs): Cairn requires that any new investment with net expenditure in excess of \$5 million should be assessed against its investment criteria, which include an assessment of the potential CR risks involved with the opportunity. For those investment opportunities that are taken forward to the Executive Team (ET) and Board for approval, an IP is required, which summarises the outcome of the review (including the CR assessment), the recommended terms of the offer and how the opportunity would be managed in the event of success. These IPs are signed off by all functional Department Heads, the Management Team (MT), Corporate Team (CT) and Executive Team (ET) before going to the Board for a final decision.

#### Calculation:

Number of IPs submitted to the Board that included the outcome of CR due diligence / total number of IPs x 100

#### 1. % of employees trained on policies and procedures relating to human rights (GRI 3.1)

A definition for 'employee' is given above under KPI no. 12.

#### Calculation:

Number of employees trained on policies and procedures relating to human rights / number of employees x 100

#### 2. % of CR and HR practitioners trained on policies and procedures relating to human rights





Definition:

Corporate Responsibility and Human Resource Practitioners: employees or 'other workers' (contracted for more than 3 months to an organisational position) who are specialists in Corporate Responsibility or Human Resources.

In 2012, Cairn became a signatory to the UN Global Compact, enhanced its commitments to managing human rights in its Business Principles and issued an updated procedure for assessing and managing potential human rights risks in its business activities. In 2013, the updated human rights procedure was rolled out and training provided to key CR and HR functional personnel who would be most involved in completing the human rights assessments. This indicator measures the proportion of CR and HR specialists that participated in this training and will be measured through comparing the list of CR and HR specialists to the list of those involved in training programmes.

Calculation:

Number of CR and HR practitioners trained on policies and procedures relating to human rights / number of CR and HR practitioners x 100



[Homepage](#) / [Responsibility](#) / [Our responsible approach](#) / [Reporting](#) / [GRI Index](#)

## GRI Index

This report is written to the requirements of the Global Reporting Initiative (GRI) G3.1 guidelines and forms part of our commitment to act on, and report progress against, the United Nations Global Compact's 10 principles on human rights, labour, the environment and anti-corruption.

During 2014, we plan to implement changes to meet GRI's G4 reporting requirements and explore options for fully integrated reporting.

[Download GRI Index PDF](#) 0.16MB



## UN Global Compact

Cairn is a signatory to the United Nations Global Compact, a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

Participation in the Global Compact sends a strong signal to investors that companies are both alert to the business implications of Environmental, Social and Governance (ESG) issues, and are taking active steps within their strategy and risk management to address such issues.

This responsibility section of our web site presents the annual Communication on Progress on our performance against the Principles as part of that commitment.



Human Rights		Responsibility section links
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and	<a href="#">Human rights</a> , <a href="#">New ventures</a> , <a href="#">Social Impact Assessments</a>
Principle 2	make sure that they are not complicit in human rights abuses.	<a href="#">Human rights</a> , <a href="#">Oil and gas exploration and production life cycle</a> , <a href="#">Social Impact Assessments</a> , <a href="#">Community resource use</a>
Labour standards		
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	<a href="#">Diversity</a>
Principle 4	the elimination of all forms of forced and compulsory labour;	<a href="#">Human rights</a> , <a href="#">New ventures</a>
Principle 5	the effective abolition of child labour; and	<a href="#">Human rights</a> , <a href="#">New ventures</a>
Principle 6	the elimination of discrimination in respect of employment and occupation.	<a href="#">Diversity</a>
Environment		
Principle 7	Businesses should support a precautionary approach to environmental challenges;	<a href="#">Environment</a> , <a href="#">Deep water drilling</a> , <a href="#">Resource development in the Arctic</a> , <a href="#">Biodiversity</a> , <a href="#">Social Impact Assessments</a> , <a href="#">Community engagement</a> , <a href="#">Effluents</a> , <a href="#">waste and water</a>
Principle 8	undertake initiatives to promote greater environmental responsibility; and	<a href="#">Environment</a> , <a href="#">Social Impact Assessments</a> , <a href="#">Community engagement</a> , <a href="#">Contractor engagement</a>
Principle 9	encourage the development and diffusion of environmentally friendly technologies.	<a href="#">Environment</a> , <a href="#">Deep water drilling</a> , <a href="#">Major accident and spill prevention</a> , <a href="#">Biodiversity</a> , <a href="#">Effluents</a> , <a href="#">waste and water</a>
Anti-Corruption		
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	<a href="#">Policies and principles</a> , <a href="#">New ventures</a> , <a href="#">Ethical business practices</a>

## Related links

[United Nations Global Compact](#)



# KPMG assurance statement

## Independent Limited Assurance Report to Cairn Energy plc

KPMG LLP ('KPMG' or 'we') were engaged by Cairn Energy plc ('Cairn Energy') to undertake a limited assurance engagement over selected aspects of the Cairn Energy Corporate Responsibility Report (Cairn Energy's report as a whole is referred to below as 'the Report') for the reporting year ended 31 December 2013. KPMG LLP ('KPMG' or 'we') were engaged by Cairn Energy plc ('Cairn Energy') to undertake a limited assurance engagement over selected aspects of the Cairn Energy Corporate Responsibility Report (Cairn Energy's report as a whole is referred to below as 'the Report') for the reporting year ended 31 December 2013.

## Assurance scope, level of assurance and reporting criteria

Assurance scope	Level of assurance	Reporting criteria
The description of Cairn Energy's adherence to the AA1000 Accountability Principles Standard ('AA1000APS') (2008) principles of inclusivity, materiality and responsiveness marked with the symbol + in the Report.	Limited assurance	The Global Reporting Initiative ('GRI') reporting principles for defining report quality as set out <a href="#">here</a> .
Selected Corporate Responsibility ('CR') performance data for the year ended 31 December 2013 marked with the symbol Δ in the Report.	Limited assurance	Cairn Energy's reporting guidelines for the selected performance data as set out <a href="#">here</a> .

We have not performed any procedures with respect to other information included in the report and, therefore, no conclusion on the Report as a whole is expressed.

Assurance standards require that we state the reporting criteria we used to form our judgements. For the description of adherence to AA1000APS, we use the GRI reporting principles for defining report quality. The principles set out in AA1000APS (which is available on the [AccountAbility website](#)) are intended to drive reporters to take action to: establish a strategy based on a comprehensive and balanced understanding of and response to material issues and stakeholder issues and concerns; establish goals and standards against which the strategy and associated performance can be managed and judged; and disclose credible information about strategy, goals, standards and performance to those who base their actions and decisions on this information. For the reliability of selected CR performance and performance improvement data, Cairn Energy has developed a number of its own guidelines for reporting its CR data. Cairn Energy's guidelines are available on the [External assurance and reporting guidelines page](#) and these have been used as the reporting criteria for assurance scope 2.

## Respective responsibilities of Cairn Energy and KPMG and use of our assurance report

The Directors of Cairn Energy are responsible for the proper preparation and presentation of the Report that is fairly stated in accordance with the applicable criteria and for the content and statements contained therein. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the Report that is free from material misstatement, whether due to fraud or error. It also includes selecting and/or developing the reporting guidelines to be used as the criteria against which to evaluate the elements of the Report that are within scope and maintaining appropriate records from which the reported information is derived.

Our responsibility is to examine the Report prepared by Cairn Energy plc and to report in the form of an independent limited assurance conclusion in relation to the above scope based on the procedures performed and the evidence obtained.

This assurance report is made solely to Cairn Energy in accordance with the terms of our engagement, which include agreed arrangements for disclosure. Our work has been undertaken so that we might state to Cairn Energy those matters we have been engaged to state in this assurance report, and to facilitate the presentation by Cairn Energy of matters relating to the Cairn Energy Corporate Responsibility Report and for no other purpose. Our assurance report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Cairn Energy for any purpose or in any context. Any party other than Cairn Energy who obtains access to our assurance report or a copy thereof and chooses to rely on our assurance report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Cairn Energy for our work, for this independent limited assurance report, or for the conclusions we have reached.

## Applicable professional standards and independence

Our assurance engagement has been conducted in accordance with two International Standards issued by the International Auditing and Assurance Standards Board. The component of our engagement relating to Greenhouse Gas data has been conducted in accordance with the International Standard on Assurance Engagements 3410 (ISAE 3410): Assurance Engagements on *Greenhouse Gas Statements*. Our assurance engagement on all other elements of the scope has been conducted in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. Both these Standards require that we comply with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which sets out ethical requirements, including independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, and plan and perform our procedures to enable us to express a limited assurance conclusion in relation to the above scope.

A limited assurance engagement in accordance with ISAE 3410 or ISAE 3000 involves assessing the risks of material misstatement of the elements of the Report that are within scope, whether due to fraud or error, responding to the assessed risks as necessary in the circumstances of the engagement and evaluating the overall presentation of those elements. The nature, timing and extent of procedures selected depend on our understanding of the Report and other engagement circumstances, and our consideration of areas where material misstatements of the elements of the Report that are in scope are likely to arise.

In developing our understanding of the Report, we developed an understanding of internal control over the preparation and presentation of the Report in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of Cairn Energy's internal control over the preparation and presentation of the Report.

Limited assurance is less than absolute assurance and reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the evidence-gathering procedures performed in response to the assessed risks, which vary in nature from and are substantially less in scope than for a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

We conducted our engagement with a multidisciplinary qualified and experienced team in non-financial assurance. The team included Chartered Accountants and specialist professionals in providing assurance over financial and non-financial information and with many years' experience in similar engagements.

## Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques



which can result in materially different measurements and can impact accuracy and comparability. Greenhouse gas quantification is unavoidably subject to inherent uncertainty as a result of both scientific and estimation uncertainty and for other non-financial performance information the precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the selected corporate responsibility information contained within the Report as set out in the assurance scope in the context of Cairn Energy's [reporting guidelines](#).

## What we did to reach our conclusions

We planned and performed our work to obtain all the evidence, information and explanations that we considered necessary to obtain a meaningful level of assurance in relation to the above scope. The procedures we performed, which are set out in more detail below, were based on our professional judgment and included, as appropriate, inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies and agreeing or reconciling with underlying records. We believe that the procedures we have performed and the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

**Assurance Scope 1: Limited assurance over the description of Cairn Energy's adherence to the AA1000APS (2008) principles of inclusivity, materiality and responsiveness marked with the symbol + in the Report for the year ended 31 December 2013**

Reviewed the nature and extent of Cairn Energy's stakeholder identification and engagement process including:

Cairn Energy's processes for stakeholder identification and engagement both at Group and Operations level and the results of these processes over the year ended 31 December 2013.

Reviewed the nature and extent of Cairn Energy's issue identification and materiality assessment processes including:

Cairn Energy's process for identification of material issues, the results of this process over the year ended 31 December 2013 and their relation to business strategy; and

An independent review of Cairn Energy's materiality analysis by CR professionals based on media search, information reported by peers, and sector and company knowledge.

Reviewed the nature and extent of Cairn Energy's response to the material issues identified including:

Reviewing the coverage of material issues within the Report against our own risk analysis, Cairn Energy's own assessment, the CR reports of certain of Cairn Energy's peers and the results of stakeholder engagement; and

Reviewing Cairn Energy's action plans to implement recommendations and findings resulting from the stakeholder engagement and materiality assessment processes

Reviewed the Report to ensure there are no disclosures that are inconsistent with our findings.

**Assurance Scope 2: Limited assurance over selected CR performance data for the year ended 31 December 2013 marked with the symbol ▲ in the Report**

Our procedures were performed at Cairn Energy's Head Office and included a review of the CR data collection, aggregation and reporting. Specifically, we have performed the following procedures:

Conducted interviews with Cairn Energy management and staff to obtain an understanding of the selected CR performance data collection, aggregation and reporting processes and controls;

Examined the systems and processes in place to collect, aggregate and report the selected CR performance data

Reviewed a selection of the supporting documentation which supports the selected CR performance data for the year ended 31 December 2013;

Performed analytical review procedures over the aggregated selected CR performance data, including a comparison to the prior year amounts having due regard to changes in the business portfolio;

Reviewed the presentation of the selected CR performance data in the Report to ensure consistency with our findings.

## Our conclusion

The following conclusions are based on the work performed and evidence obtained and the scope of our assurance engagement described above.

**Assurance Scope 1: Limited assurance over the description of Cairn Energy's adherence to the AA1000APS (2008) principles of inclusivity, materiality and responsiveness marked with the symbol + in the Report for the year ended 31 December 2013**

Nothing has come to our attention that causes us to believe that the description of Cairn Energy's adherence to the AA1000APS (2008) principles of inclusivity, materiality and responsiveness, marked with the symbol + in the Report, is not, in all material respects, fairly stated in accordance with the GRI reporting principles for defining report quality.

**Assurance Scope 2: Limited assurance over selected CR performance data for the year ended 31 December 2013 marked with the symbol ▲ in the Report**

Nothing has come to our attention that causes us to believe that the selected CR performance data for the year ended 31 December 2013 marked with the symbol ▲ in the Report, is not, in all material respects, fairly stated in accordance with Cairn Energy's reporting guidelines.

Paul Holland, for and on behalf of KPMG LLP

Chartered Accountants  
London

10 April 2014



# Governance

High standards of corporate governance and responsibility are crucial to delivering Cairn’s long-term success. They are also central to the business’s daily operations, as our licence to operate depends on transparent relationships with governments, communities, partners, shareholders and contractors.

## 2013 highlights

- Our commitment to anti-bribery and corruption was enhanced through becoming a Participating Company in the Extractive Industries Transparency Initiative (EITI).
- We strengthened our commitments towards anti-bribery and corruption, biodiversity, climate change and human rights in Corporate Responsibility (CR) policies and Business Principles.
- Our Corporate Responsibility Management System (CRMS) was updated and rolled out to senior management.
- We further enhanced our approach to anti-bribery and corruption with new due diligence processes for prospective business partners.

## 2014 objectives

- Benchmark the CRMS against International Association of Oil & Gas Producers (OGP) Operating Management System guidance.
- Finalise and roll out Standard Operating Procedures (SOPs) and updated guidance.
- Externally verify Environmental Management System.
- Complete actions from 2013 Management Review.
- Develop checklist for scoping CR deliverables in Product Delivery Process (PDP).
- Review and update the Group CR Policies and Business Principles.
- Apply procedure for assessing and managing human rights in our business through our PDP.
- Develop and implement procedure to enhance transparency of tax or other payments to governments.

## Corporate Responsibility (CR) and risk management

Cairn has developed a comprehensive system of policies and procedures to ensure that our operations meet our CR objectives, with clear ownership and assurance provision.

	Responsibility	Assurance provision
<b>Core values</b> Building respect Nurturing relationships Acting responsibly	PLC Board	Executive Team
<b>Business Principles</b>		
<b>CR Policies</b> Health, Safety & Security Policy Environment Policy Corporate Social Responsibility Policy		
<b>HSE Culture Framework</b>	Management Team	HSE Leadership Team
<b>Management Systems and Corporate procedures</b> Corporate Responsibility Business Risk	Management Team	Audit Committee Risk Management Committee HSE Leadership Team





Anti-Bribery & Corruption		Corporate Team
<b>Project Delivery Process</b> Why? How? Ready Finished Learn	Management Team	Project Gatekeepers Functional Department Heads
<b>Project Deliverables</b> Procedures Risk and impact assessments Management plans Emergency response plans	Asset Management	Functional Department Heads Risk Management Committee
<b>Training and Awareness</b>	Asset Management Functional Department Heads	Management Team Corporate Team
<b>Monitoring and Reporting</b>	Asset Management	Functional Department Heads External Report and Assurance

CR governance at Cairn is headed by the Board. The Board's role is to oversee our CR Policies, refining them when necessary, and ensuring that effective management systems are in place to manage any CR risks. With our emphasis on safety, all levels of the business are involved in monitoring risk.

CR performance is a standing agenda item at 100% ▲ of Board meetings, and CR considerations through the due diligence process are integrated into 100% ▲ of investment proposals submitted for a Board decision.

In addition, key or emerging issues may merit particular consideration. In 2013, special presentations were made to the Board regarding Cairn's approach to well control, an update on anti-bribery and corruption, the Oil Spill Response Ltd (OSRL) Cap & Secure Services and the Cajun Express rig acceptance. Findings from the investigation into the November 2013 lost time injury on the Cajun Express, the rig engaged for our operated well programme in Morocco, were shared, and senior management from Transocean, the Cajun Express contractor, presented their approach to managing health, safety and environment (HSE) on the rig.

The process of identifying, assessing and mitigating risks is defined by our Business Risk Management System (BRMS), which is monitored by the Audit Committee and the Group Risk Management Committee on behalf of the Board.

Below the Board, Directors are responsible for operations at a regional level, assisted by our HSE personnel, who administer the necessary regulations and permits, and develop and implement any specific asset CR plans. Our employees also play an important role 'on the ground', reporting any actual or potential risks.

Jann Brown, Cairn's Managing Director and Chief Financial Officer (CFO), is accountable for providing assurance to the Board on issues around HSE. This is partly done through Cairn's HSE Leadership Team, which Jann chairs. Made up of senior managers, the team oversees and reviews performance of CR across the Company and looks for improvement and works to embed and enhance the Company's HSE Behaviour Framework by practical measures.

Two management teams also help to implement CR:

### The Management Team (MT)

Made up of nine senior managers, it is responsible for delivering Cairn's strategic objectives and business plan. It also ensures that all work programmes are executed responsibly and risk management is fully integrated, particularly in relation to new ventures. It is responsible for line implementation of the CRMS in the regions, assets and projects.

### The Corporate Team (CT)

It is important that we constantly re-assess and monitor our CR Policies, Business Principles and Corporate Responsibility Management System (CRMS) to ensure they continue to meet the changing needs of the Company. This is the responsibility of the four senior managers in the Corporate Team, who are also responsible for maintaining our access to capital markets and new opportunities, and look after our reputation as an ethical business.

## Corporate Responsibility Management System (CRMS)

The CR commitments made by Cairn are delivered through our CRMS. It is designed to help define roles and responsibilities within each business area and to ensure our operations, exploration and development activities are undertaken safely and in line with our Business Principles and policies.

Our CRMS plays a crucial role at each stage of a project's life cycle. First, it lays out how to assess any CR risks and develop measures to mitigate them. It can then also be used to assess a project's CR requirements, monitor CR performance and, if necessary, establish an investigation into any incidents. It also identifies each project's legal and regulatory requirements.

The CRMS is also used to address the health, safety and security of staff and contractors as well as the Company's social and environmental impacts. It is aligned with international standards such as ISO 26000 Guidelines for Social Responsibility and International Association of Oil & Gas Producers (OGP) industry guidance.

In 2013 Cairn completed the roll-out of the updated CRMS via seven workshops to all senior staff, and during the year we also aimed to update all our Standard Operating Procedures (SOPs). 50% of these were prepared in 2013, and guidance on biodiversity and climate change has also been drafted. Our approach to climate change was also reviewed in 2013 and is included in the updated Business Principles issued in September.

▲ Within KPMG's limited assurance scope.

KPMG LLP were engaged to provide limited assurance over selected information in the Cairn Energy CR Report for the year ended 31 December 2013. This information has been reproduced on the Cairn Energy website and can be identified through reference to the symbols (▲ and +). To view KPMG's full opinion, please visit the [KPMG Assurance Statement](#).

"This year, rolling out the CRMS worked really well – it provided a focal point for bringing people together to talk about what it means for different parts of the business."


Jann Brown  
Managing Director and Chief Financial Officer

16  
senior staff trained in requirements of CRMS

100%  
of Investment Proposals covered results of CR due diligence ▲

6 out of 6



Board meetings considered CR issues in 2013 

Related links

- > Policies and principles
- > Assessing risk and opportunities
- > Operational integrity
- > New ventures
- > Ethical business practices
- > Human rights
- > Transparency
- > Remuneration

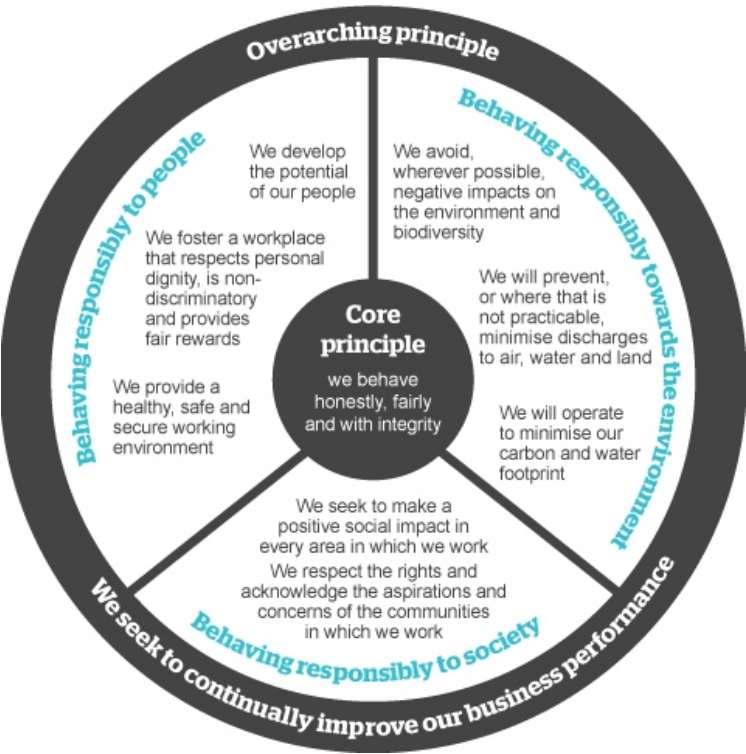


## Policies and principles

In 2013 we updated Cairn’s 10 Business Principles to reflect the expectations of our stakeholders. They now cover our increased commitment to the Extractive Industries Transparency Initiative (EITI), a multi-stakeholder programme which is helping to bring greater transparency into the way businesses involved in oil and gas extraction make payments to governments.

### Our business principles

The updated principles also now take into account our new anti-bribery and corruption management system, and new approaches to managing potential biodiversity impacts and climate change.



The delivery of these principles is supported by a Business Management System, that defines internal controls, processes and procedures, while also mitigating the risks associated with our exploration and development activities.

### The UN Global Compact

Cairn is a signatory to the UN Global Compact (UNGC), which allows businesses to align their operations and strategies with 10 universally accepted principles in the areas of human



rights, labour, environment and anti-corruption. Membership also commits us to promoting the UNGC among our employees and contractors, integrating the principles into our strategies and operations, and communicating our progress. [See UN Global Compact section.](#)

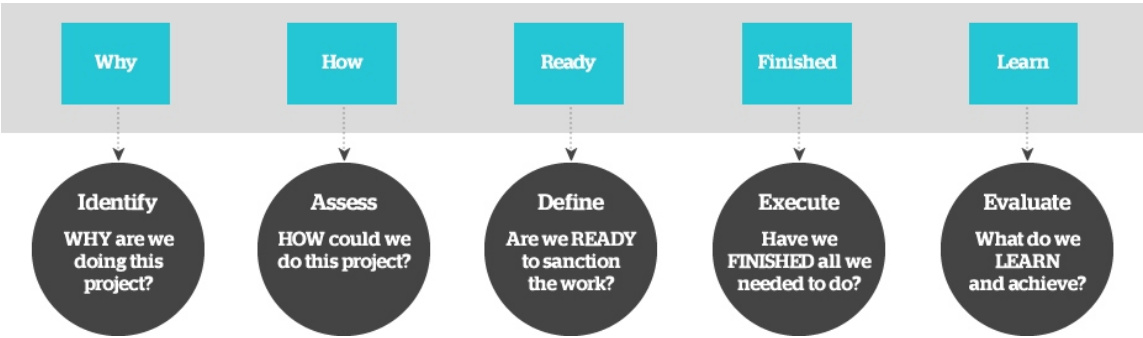


## Assessing risk and opportunities

Risk management is a guiding theme for every decision we make and is comprehensively applied across the business. The Board sets the Group risk appetite and monitors the effectiveness of our risk management process.

As well as applying our own requirements, and meeting international industry standards developed by bodies such as OGP, we also commit to meeting or exceeding the regulations set by the host government that has invited us to explore for gas and oil. Our focus is always on the safety of people, whether they work directly for us, or are part of the communities close to where we work. The process covers the environment where we operate, too.

We also monitor and review all our operations through a rigorous system of checks and balances. These include Cairn's CRMS, performance standards and gated Product Delivery Process (PDP), in which each stage of a project is checked before proceeding to the next, and designed to reduce risks in line with the As Low As Reasonably Practicable (ALARP) principle.



See the [Annual Report](#) for information on our risk management process.





## Operational integrity

We ensure that all our operations are carried out in accordance with relevant local and international standards, as well as conforming to industry good practice.

We also promote compliance among employees to standard operating procedures. [See CR Objectives and KPIs.](#)

We have procedures to capture, record and review lessons learned from operational activities. Lessons learned from previous similar activities are reviewed in the first gate of the PDP so that they can be addressed in plans for the project.

We also assess the capabilities of our contractors to meet technical and HSE specifications for our activities through our tendering requirements. For our most significant contractors we will also include pre-contract inspections of equipment, management systems and behaviours. This usually includes marine and aviation contractors, shore base logistics contractors and drilling contractors. In some instances we require independent acceptance audits before operations begin. We also maintain a senior management engagement programme with our most significant contractors. This aims to ensure that our values and the importance of CR are clearly understood.





## Asset protection

Our procedures are designed to protect the integrity of our assets and help ensure all our operations are carried out effectively and safely.

All our operations comply with national and relevant international legislation. If there is no local legislation, our default position is to adopt industry good practice such as OGP and UK regulatory standards.

Prior to any work beginning, we undertake comprehensive audits of all the vessels and drilling rigs our contractors intend to use in the operations. These include compliance to standards and a review of their monitoring, inspection and maintenance procedures, and any shortfalls are reported and remedial actions followed up.

## Compliance and well design

Cairn's reputation for responsible exploration rests upon a rigorous approach to well design, well control and blow-out prevention in drilling operations. Wells are designed to exceed the expected characteristics of the formations to be encountered, and are assessed by an independent external expert well examiner who verifies that the design complies with the stated standards. The requirements of the Cairn Well Engineering and Construction (WEC) and CR Management Systems are translated into specific well designs, project plans and procedures. These are independently verified through a series of reviews by an expert, regulators and partners. An independent expert assesses critical equipment and systems before drilling can commence.

As part of our commitment to safety and preventing major accidents or hydrocarbon spills, we actively support and participate in initiatives established by OGP, including the Well Expert Committee and Oil Spill Response (OSR) Joint Industry Project (JIP) ([see Environment](#)).



## Business continuity

As part of best practice, and to incorporate a number of changes to the business in 2012/13, we undertook a review of our business continuity plans.

The objective of this was to ensure the strategies outlined in the plans were still able to respond effectively in the event of a crisis incident, with the main priorities being to protect employee health and welfare and ensure that Cairn remains open for business.

Workshops were completed, with all assets and functions based in Edinburgh as well as the new regional offices in Stavanger, London and Madrid, and the country offices in Senegal, Greenland and Morocco. This included discussions with the relevant IT provider. The Cairn Edinburgh Business Continuity Plan was refreshed and updated, and plans were developed for all the new regional offices. An exercise to test the plan is scheduled for 2014.



## New ventures

### Due diligence

Before making an acquisition or investment, applying for an exploration licence or farming-in to an existing project, we carry out an extensive risk-screening process. This includes assessing whether there are potential health and safety, social, human rights, political, corruption, security or environmental impacts, and identifying approaches to manage these.

When entering into a new venture, we carry out a thorough review to evaluate the commercial, legal, political, regulatory, health, safety, environmental, security and human rights issues, and how best to manage these. In addition, technical and economic challenges and potential business partners involved in an investment opportunity are assessed.

In 2013 we undertook due diligence processes covering a number of new ventures for offshore North and West Africa and the Republic of Ireland. Should the research highlight any particular issues, then these are investigated further, including potential measures that may be implemented to mitigate or control the risks. For example, Cairn will not operate within a UNESCO designated World Heritage Site. Results of these investigations are presented in Investment Proposals, which are submitted to the Board for approval.

Cairn requires that any new investment with net expenditure in excess of \$5 million should be assessed against its investment criteria, which include an assessment of the potential CR risks involved with the opportunity. For those investment opportunities that are taken forward to the Executive Team (ET) and Board for approval, an IP is required, which summarises the outcome of the review (including the CR assessment), the recommended terms of the offer and how the opportunity would be managed in the event of success. These IPs are agreed by all functional Department Heads, the Management Team (MT), Corporate Team (CT) and Executive Team (ET) before going to the Board for consideration.

In 2013 we carried out an internal audit of our New Venture Due Diligence process, but did not identify any recommendations for enhancing the CR element of the process.

### Non-operated joint ventures

In some of our operations, such as in the North Sea, drilling is carried out by partner organisations. We undertake a rigorous due diligence process to ensure we have confidence in the integrity and HSE track record of the partners we work with. We also regularly assess the HSE performance of our operating partners through partner review committees.

### Farm-in with Kosmos Energy

Our growth strategy is focused on frontier exploration in new and emerging areas, which often involves entering into new ventures with other partners. In 2013 we entered into a farm-in with Kosmos Energy and the Moroccan National Oil Company (Office National des Hydrocarbures et des Mines – ONHYM) for a 20% non-operated interest in an exploration block Cap Boujdour permit, offshore a United Nations (UN) designated non-self-governing territory in north west Africa.

The UN legal opinion views Morocco as the territory's *de facto* administering power and, as such, can issue licences for resource exploration. We are working very closely with Kosmos to develop a thorough understanding of the complex situation of the region.

Kosmos signed a joint declaration of principles with ONHYM stating that exploration and production will comply with the principles of the Moroccan constitution and international standards, including the United Nations Charter. This requires local populations to be involved and consulted, and stipulates that they will benefit equitably from exploration and production. Kosmos also stated its commitment to protecting the environment and complying with sustainable development requirements.

As a responsible company, Cairn's priority is to maintain transparency around all our activities and to comply with all international laws and regulations. In all our operations, we take a considered and balanced view of the technical, commercial and political risks involved. We believe that responsible resource development has the potential to create significant social and economic benefits for the region and its people.

▲ Within KPMG's limited assurance scope.

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**100% ▲**  
of Investment Proposals covered results of CR due-diligence

**One**  
potential joint venture was declined in 2013 over concerns regarding the business partner's approach to mitigating the risk of bribery and corruption





## Ethical business practices

We operate in areas around the world which often have unique social and political challenges, including risks of bribery and corruption. To combat this, and protect our reputation as a responsible and ethical business, we have developed a robust Code of Business Ethics.

No infringements of the Code of Business Ethics were identified in 2013.

### Code of Business Ethics

Cairn’s Code of Business Ethics sets out the standards of conduct we expect all our employees to meet. It is a cornerstone of our anti-bribery and corruption procedures, and forms a key part of staff induction training, covering areas such as confidentiality and insider trading, avoiding conflicts of interest and interaction with governments.

### Anti-bribery and corruption

Experience has shown that as well as damaging a company’s reputation and economic performance, corruption can also impact disproportionately on poorer countries, where it often flourishes. This is why Cairn has adopted a zero-tolerance approach to bribery and corruption.

Country- and Company-level anti-bribery and corruption risk screening forms an important part of the decision-making process when entering new countries or negotiating with potential partners and major suppliers. This is both a legal requirement and critical to our reputation as a business. In 2013 one business opportunity was not pursued as a result of concerns over the potential business partner’s approach to dealing with bribery and corruption risks.

The process is guided by our Group Code of Business Ethics and ABC Management System (ABCMS), which also serves to clarify our expectations of partners and contractors.

Before entering into a business relationship, we undertake a process of information gathering and risk identification, with the option to undertake further third-party checks if any concerns do arise. This enables us to establish whether potential issues are manageable and if any resulting risks lie within our risk appetite statement.

Since its implementation in 2011, Cairn has undertaken internal and external reviews of the anti-bribery and corruption procedures to strengthen them. Most recently (Q2 2013), we implemented a review by external legal advisors of the anti-bribery and corruption due diligence process on two new business transactions to determine the lessons learned, which have been incorporated into the Business Partners and Supply Chain anti-bribery and corruption due diligence procedures. The findings from this review were also presented to members of Executive Team, Management Team and Corporate Team. Our work with suppliers and business partners is described in further detail in [Supply Chain](#).

All staff were trained in our updated anti-corruption policies and procedures when they were rolled out 2012. In 2013 new staff were trained.

Employees trained on Cairn’s anti-corruption policies and procedures (%)



Additionally, a session was held with members of the Supply Chain department to identify how the process of anti-bribery and corruption assessments of suppliers during the tender process can be enhanced. The relevant procedure will be updated and training provided during early 2014.

In Senegal, Cairn is taking the additional step of working with the business ethics specialist Good Corporation – whose standard we used to inform an anti-bribery and corruption risk assessment – to put in place anti-bribery and corruption procedures in local languages, and to train staff in Q1 2014.

In 2014 we will update our ABCMS and Code of Business Ethics, and will run refresher training. In-country risk assessments in Morocco and Senegal will be reviewed to assess continued adequacy of our procedures.

### Whistle-blowing procedure

Through our whistle-blowing procedure, employees are encouraged to report any incident they believe may compromise our Code of Business Ethics. They can do this in a number of



ways, including using a confidential phone line, or speaking directly to their regional Director, if they would rather not report the issue to their line manager. Where appropriate, the procedures also allow us to set up an independent investigation.

We are also registered with the whistle-blowing charity Public Concern at Work, which offers staff an alternative way of reporting an issue if they are not comfortable using a business's internal procedures.

In 2013 there were no reported incidents raised through the whistle-blowing procedure.

## Monitoring and checking procedures

We have a well-developed framework in place to ensure we comply with national laws and conventions. Regulatory approval for our activities is often granted subject to specified conditions and in accordance with the CRMS. We maintain compliance registers to monitor activities and ensure compliance with these conditions.

At an operational level, regional Directors are accountable for all activities within a given region, supported by HSE personnel who advise on CR regulations, permits, and developing and implementing asset CR plans. Employees are encouraged to be vigilant about reporting any actual or potential risks.

At a corporate level, assurance in 2013 was provided by the Group HSE, Risk and Compliance department. This is often supported by peer reviews, benchmarking against standards, government audits and appraisals from potential lenders.

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**Zero**  
incidences of the Code of Business Ethics being broken in 2013



## Human rights

We are a global business, with operations all around the world, including countries with a poor record on human rights. As we continue to explore new opportunities, our robust policies on human rights become even more important, both as a way of protecting our own employees and operations, and also as a way of ensuring we are not complicit in any human rights abuses by third parties.

### Our guidelines

Respecting human rights is one of our Group Business Principles and is integrated within the Company's core values (3Rs). This respect is also critical to the development and maintenance of effective relationships with the communities where we operate, especially as the breadth of our global interests continues to grow. We seek to identify, assess and manage human rights risks within our sphere of influence and activities.

We have guidelines governed by the Universal Declaration of Human Rights (UDHR) and the United Nations' Guiding Principles on Business and Human Rights, as well as taking into account guidance from the International Petroleum Industry Environmental Conservation Association (IPIECA) and the European Union (EU).

During 2012, 67% of CR and HR practitioners were trained in these updated guidelines. In 2013, new staff - making up 50%  $\Delta$  of the CR and HR practitioner total - were trained.

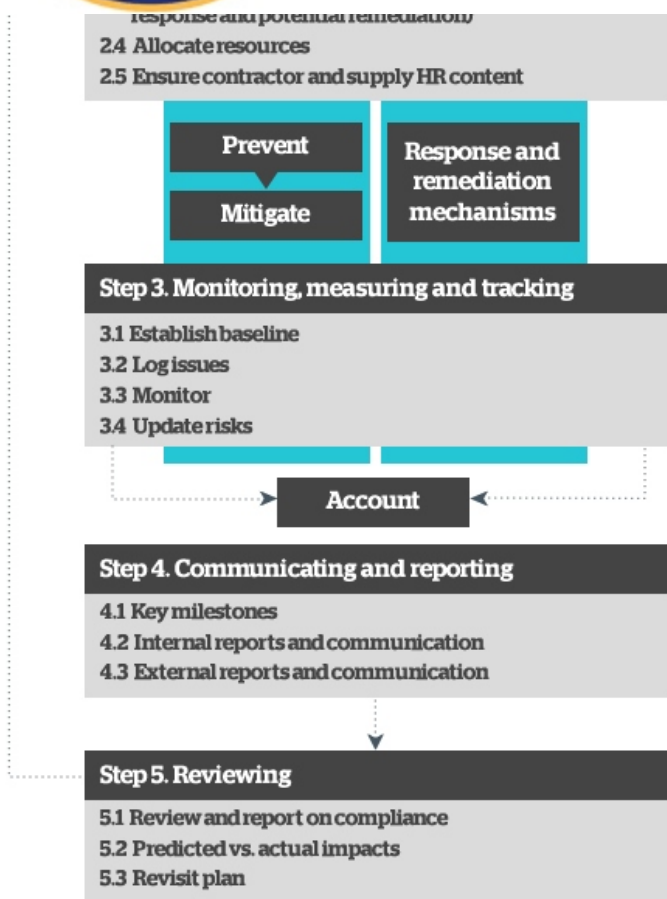
During 2014, we will further focus on applying the procedure for assessing and managing human rights in the business through the stages of the PDP, including provisions to address human rights in our relationships with suppliers and contractors.

### Human Rights Impact Assessment

Where necessary, we undertake a Human Rights Impact Assessment (HRIA), which includes a five-step approach to identify and assess issues in our sphere of influence.







We apply human rights screening as part of the due diligence process before entering a country as an operator. When considering a non-operating joint venture, we identify and check any human rights issues that arise through our Investment Proposal and establish any risks requiring management by the Operator (be that Cairn or another) before proceeding.

In 2013 the output from human rights screening assessments provided input to the scoping of the Environmental and Social Impact Assessments carried out for the Morocco and Senegal projects.

If, following these assessments, any potential human rights impacts are identified, we use a ‘rights aware’ approach, which recognises that the most effective way to manage these issues is through our core business operations.

This involves three possible levels of action:

**Essential** – actions that must be taken to demonstrate non-complicity in any human rights infringements.

**Expected** – actions that will satisfy stakeholders.

**Desirable** – actions that could be taken to show our willingness to help improve human rights conditions.

## Grievances and concerns

Occasionally, during the lifetime of a project, unforeseeable human rights issues can arise. In these cases, whether they apply to whole communities or individuals, we apply the UN’s ‘Protect, Respect and Remedy’ Framework.

There are also various ways in which employees or contractors with concerns about human rights issues can take the issue forward, including the Company’s whistle-blowing procedures.

⚠ Within KPMG’s limited assurance scope.

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**Zero**  
grievances related to human rights in 2013

**50% ⚠**  
Proportion of human resources (HR) and CR practitioners that received human rights training in 2013



## Transparency

We're committed to being open and transparent in all aspects of our business. It's an ethos that goes to the heart of our operations and sets the high standards that we expect all our employees and contractors to follow.

We also ensure our shareholders are kept informed about operations and other developments via our website, regulatory reports and the opportunity for regular dialogue with the Board.

Cairn's shareholders expect clear insights into the business and we keep them informed via the Company website, regulatory reports and regular meetings with institutional investors.

Transparency about tax contributions and other payments to governments are a specific areas of interest to stakeholders. The Group operates in various territories with diverse tax obligations and requirements, and it ensures that in every territory it is committed to complying fully with local tax rules and regulations.

## Tax payments and EITI principles

Our operations have the potential to generate significant revenue for foreign governments in terms of both royalties and tax payments. As such we are committed to complying with all our tax obligations and adhering to all the relevant tax regulations in the countries where we operate. We have also adopted a policy to ensure that any tax-planning activity is always aligned with the commercial reality, and in 2014 we will develop a Group-wide procedure to ensure that we are always open and transparent in any payment of tax or other government contribution.

We have been explicit since 2005 in our support for the principles of the Extractive Industries Transparency Initiative (EITI), a multi-stakeholder initiative aimed at bringing transparency to payments to governments from mineral or oil and gas extraction, and Cairn has voluntarily disclosed our payments to governments in annual CR Reports. This year, for example, we became an EITI Participating Company.

In January 2014, Cairn received a request from the Indian Income Tax Department to provide information in relation to the year ended 31 March 2007. The correspondence indicates that the enquiry stems from amendments introduced in the 2012 Indian Finance Act with retrospective effect, which seek to tax prior year transactions. While the interactions with the Indian Income Tax Department continue, Cairn has been restricted from selling its shares in CIL (valued at US\$1.0 billion as at 31 December 2013). This matter is addressed further in the Financial Review of the [2013 Annual Report](#).

## Funding our operations

All our exploration activities are self-funded and the Company typically uses project finance to fund developments. Of particular note was the funding for the development of the Mangala Field in Rajasthan, through which we developed a close working relationship with the International Finance Corporation (IFC), the private investment arm of the World Bank.

This method has proved to be a sustainable way of funding future developments, with the loan conditions also ensuring that we fully commit to the lending organisation's performance standards. Many of these are often mirrored by our own Business Principles, and include sound environmental and social practices, transparency, accountability and an over-arching commitment to create positive developments and impacts in the countries where we operate.

## Communicating with shareholders

Our shareholders receive regular communications about the Company to ensure they are up to date with overall business performance and new developments.

This includes our Annual Report and Accounts, and half-yearly reports, as well as regular updates on investor information on our website.

As well as keeping our major shareholders informed, our Board also seeks to find out their views on major industry and Company issues. For shareholders who wish to raise any issues, there are clear lines of communication between the Board, senior management and Non-Executive Directors. Detailed reports of any dialogue between the Company and its institutional shareholders are regularly scrutinised by the Board.

**US\$5,439,000**  
of payments paid to central governments in 2013



[Homepage](#) / [Responsibility](#) / [Governance](#) / [Transparency](#) / [Remuneration](#)

## Remuneration

Cairn's Remuneration Committee is responsible for determining the remuneration policy for key senior staff. Remuneration is dealt with in depth in the Directors' Remuneration Report section of the 2013 Annual Report.


In recognition of the importance given to HSE performance, the Remuneration Committee has assigned a 10% weighting in the Group 2014 Key Performance Indicators (KPIs) to delivery of the 10 HSE KPIs, and a further 5% weighting to delivery of safety and environmental targets. Performance against Group 2014 KPIs will be a criterion for assessing the annual discretionary bonus.




# Corporate governance

## 2013 Board meetings that considered CR issues

(%)

	2013 
Cairn total	100

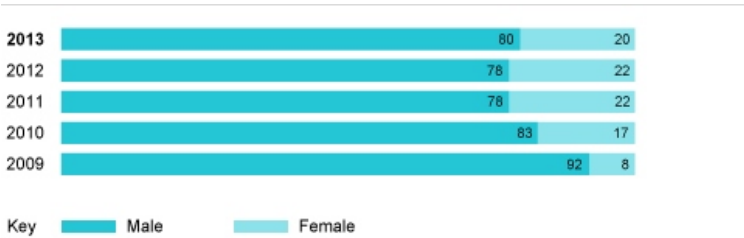
 Within KPMG's limited assurance scope – [see below](#).

## Gender breakdown of Cairn's board of directors


Chart: Gender breakdown of Cairn's board of directors

Table: Gender breakdown of Cairn's board of directors

(%)



	2009	2010	2011	2012	2013
Male	92	83	78	78	80
Female	8	17	22	22	20

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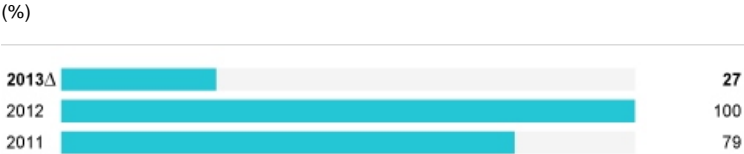


# Business ethics and anti-corruption

## Employees trained on Cairn's anti-corruption policies and procedures

Chart: Employees trained on Cairn's anti-corruption policies and procedures

Table: Employees trained on Cairn's anti-corruption policies and procedures



	2011	2012	2013
Cairn total	79	100	27 <span>▲</span>

**Note:** An employee is defined as a person employed by and on the payroll of Cairn. Persons employed under short-service contracts are included as Cairn employees provided they are paid directly by Cairn. Personnel who are contracted for more than 3 months to an organisational position and who are categorised as 'other workers' in the database are not included in the employee numbers for this indicator.

All Cairn employees have been trained in Cairn's anti-corruption policies and procedures, but these are the figures for employees who received training in the reporting year.

▲ Within KPMG's limited assurance scope – [see below](#).

## Total business ethics and anti-corruption

		2009	2010	2011	2012	2013
Management grade employees trained in Cairn's anti-corruption policies and procedures	(%)	n/a	n/a	73	100	34
Non-management grade employees trained in Cairn's anti-corruption policies and procedures	(%)	n/a	n/a	81	100	23
Incidents of non-compliance with Cairn's Code of Business Ethics	(number)	0	0	0	0	0
Employee dismissals resulting from non-compliance with Code of Business Ethics	(number)	0	0	0	0	0
Contracts cancelled in part due to concerns about contractors' ability/willingness to operate in line with business principles	(number)	0	0	0	0	0
Money paid to political parties and institutions	(£ pounds sterling)	0	0	0	0	0

## Investment proposals that covered results of CR due diligence

(%)

	2013 <span>▲</span>
Investment proposals	100

**Note:** Investment Proposals (IPs): Cairn requires that any new investment with net expenditure in excess of \$5 million should be assessed against its investment criteria, which include an assessment of the potential CR risks involved with the opportunity. For those investment opportunities that are taken forward to the Executive Team (ET) and Board for approval, an 'Investment Proposal (IP)' is required which summarises the outcome of the review (including the CR assessment), the recommended terms of the offer and how the opportunity would be managed in the event of success. These IPs are signed off by all Functional Department heads, the Management Team (MT), Corporate Team (CT) and Executive Team (ET) before going to the Board for a final decision.

▲ Within KPMG's limited assurance scope – [see below](#).

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# Payments to governments

## Total payments to governments

(US \$'000)

	2009	2010	2011	2012	2013
Payments to central government	869	4,569	11,730	3,098	5,439
Profit oil and gas	15,364	7,544	0	0	0
Production bonuses	0	0	0	0	0
Corporation tax	0	0	0	139	0
Payments to state/local government	1	0	0	0	0
CESS and royalties	0	0	0	0	0
Other taxes	0	0	0	0	6,103

Audited by PWC

## Payments to governments

(US \$'000)

	2013
Payments to central government	
Greenland	2,427
Ireland	64
Malta	367
Morocco	526
Norway	1,179
Senegal	222
Spain	36
United Kingdom	618
Other taxes	
Morocco	336
United Kingdom	5,767

**Note:** Data has been provided for individual countries where relevant payments have been made.

Audited by PWC





# Human rights grievances, training and discrimination

## Total human rights grievances and discrimination

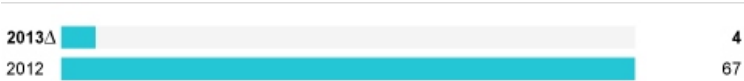
		2012	2013
Grievances filed	(number)	0	0
Grievances addressed	(number)	0	0
Grievances resolved	(number)	0	0
Incidents of discrimination during reporting period	(number)	0	0

## Employees trained on human rights policies and procedures

Chart: [Employees trained on human rights policies and procedures](#)

Table: [Employees trained on human rights policies and procedures](#)

(%)



	2012	2013
Cairn total	67	4 <span>▲</span>

**Note:** An employee is defined as a person employed by and on the payroll of Cairn. Persons employed under short-service contracts are included as Cairn employees provided they are paid directly by Cairn. Personnel who are contracted for more than 3 months to an organisational position and who are categorised as ‘other workers’ in the database are not included in the employee numbers for this indicator.

▲ Within KPMG’s limited assurance scope – [see below](#).

## Total training on human rights policies and procedures

(hours)

	2012	2013
Cairn total	182	18

## CR and HR practitioners trained on human rights policies and procedures

(%)

	2013 <span>▲</span>
Cairn total	50

**Note:** This figure is calculated using the number of CR and HR practitioners in place at the end of 2013. 69% of global CR and HR practitioners at the time of the workshop received training, however this percentage fell because of additional personnel recruited throughout the year.

**Note:** Corporate Responsibility and Human Resources Practitioners are defined as employees or ‘other workers’ (contracted for more than 3 months to an organisational position) who are specialists in Corporate Responsibility or Human Resources.

▲ Within KPMG’s limited assurance scope – [see below](#).

## Labour relations

(%)

	2009	2010	2011	2012	2013
Total employees covered by collective bargaining agreements	0	0	0	0	2
Total employees covered by non-retaliation and grievance policy	100	100	100	100	100

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reproduced on the Cairn Energy website and can be identified through reference to the symbols (Δ and +). To view KPMG's full opinion, please [click here](#).



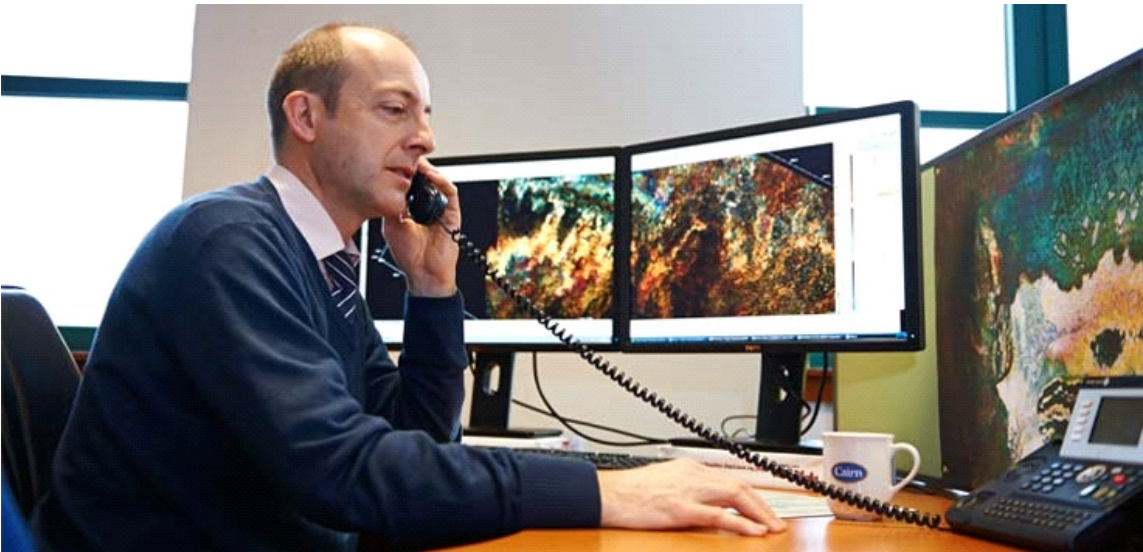
# Compliance

## Non-compliance with laws and regulations (excluding environmental)

Cairn total

		2009	2010	2011	2012	2013
Incidents	(number)	0	0	0	0	0*
Non-monetary sanctions	(number)	0	0	0	0	0
Monetary value of significant fines	(£'000 pounds sterling)	0	0	0	0	0

\* Cairn filed VAT / withholding tax returns late on 18 occasions in Morocco in 2013 (equivalent to about 1% of tax payments) when it was acting as agent on behalf of its suppliers. Cairn's returns were always filed on time; returns were only late when suppliers failed to provide information in time.



# People

People are the most important part of any successful, sustainable business. We value all our employees, which is why we strive to provide them with a safe and stimulating working environment, a real sense of involvement with the business and the opportunity to fulfil their potential.

We also actively look to recruit the next generation of talented individuals, the people we need to continue to drive the business forward.

## 2013 highlights

- Our staff headcount increased by 13.7% globally.
- We were re-accredited as an Investor in People (IIP).
- 79% **Δ** of staff attended HSE Culture Framework training workshops.

## 2014 objectives

- Ensure the safety and security of our operational drilling programmes in Morocco, Senegal and Ireland, in addition to non-operated activity elsewhere.
- Roll out our HSE and Security Standard Operating Procedures and update related guidance.
- Strengthen behaviours in line with our HSE Culture Framework among employees and contractors working for Cairn.
- Implement actions identified in our 2013 engagement survey.
- Improve our human resources (HR) Oracle system, which supports HR services.
- Roll out a revised approach to performance management.
- Improve recruitment and selection processes and management development programmes.

**Δ** Within KPMG's limited assurance scope.

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## Related links

> Recruitment
> Learning and development
> Succession planning
> Culture and engagement
> Performance and reward
> Diversity
> Health, safety and security
> Performance and data



## Recruitment

An increase in the world’s population, and the rise in demand for energy resources, mean that the demand for skilled people in the oil and gas industry continues to be high. This challenge is made even greater considering what has been called the ‘big crew change’, when a generation of geoscientists and petroleum engineers, hired in advance of the recruitment cuts of the mid-1980s, approaches retirement.

To support Cairn’s overall objectives, the human resources (HR) team ensures that our People Plan supports the business strategy. Integral to this is the need to:

- recruit talented people with the required technical capability in the areas where they are needed most;
- provide appropriate experiences and training to allow people to perform at their best; and
- create a vibrant working environment and culture that engages and retains our talent.

One of the major challenges facing our industry is the supply and recruitment of skilled talent. Failure to succeed in this area could hinder continued growth and the achievement of strategic objectives.

In 2013, due to higher levels of activity, we increased our staff headcount by 13.7% globally from 180 in 2012 to 207. A quarter of these new roles were in the areas of Geoscience and Engineering, and we were able to fill the majority of these positions with experienced professionals, with many years of experience in the industry. We have attracted the best talent by using a variety of mechanisms including direct advertising, headhunting, working closely with our recruitment partners, employee referrals and social media channels.

Cairn also continues to recruit locally. In 2013 we opened offices in Senegal and Morocco, and worked with local recruitment partners to assist in the recruitment of national contractors to key roles.

## Cairn’s Employee Value Proposition

Throughout the process of recruitment, we ensure that our Employee Value Proposition (EVP) is well communicated to candidates so that they fully understand the employee deal at Cairn. In 2014, we will aim to support the EVP with process improvements to better reflect our culture and values. With the goal of distinguishing us from our competitors, we will emphasise our culture on the career website, in interviews and during induction.





**Cairn people care about the company; they are loyal and trust Cairn with their long-term careers**

**The Cairn values are core to the company: respect, relationships and responsibility**

It is estimated that about half of the industry's workforce is aged over 45. It is therefore critical that to meet the on-going demand for energy, there is an injection of fresh talent into the industry.

We continue to ensure that we have a steady flow of young talent coming into the organisation by maintaining strong relationships with a number of schools and universities, as well as operating an active programme of summer internships.

In 2013 we partnered with Career Academies, an organisation that aims to increase social mobility and raise the aspirations of 16–19 year olds. They seek to boost students' skills and employment prospects by providing them with real-life workplace experiences. We gave work placements to six students from the programme, providing them with an insight into our industry and the opportunity to be mentored by one of our experienced members of staff.

Edinburgh, a city not known as an oil and gas hub, continues to be a challenge in the recruitment of staff. However, when it comes to quality of life, Edinburgh is regarded as one of the most attractive places to live in the UK. Since 2004, resident satisfaction levels have consistently exceeded 90% and Edinburgh has won more than 12 UK Best City Awards in the last few years.

Further enhancements to recruitment are planned in 2014 and include developing our career website to better communicate what makes Cairn a great place to work. Process improvements to the way we undertake recruitment, which will improve the overall candidate experience, will also be implemented.

▲ Within KPMG's limited assurance scope.

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"My time at Cairn has been an enjoyable and invaluable experience. I could not have hoped for a more welcoming and friendly environment, which has given me the scope to expand my geological understanding and reinforced my desire to pursue a career in the oil and gas industry."

Chris Boyle  
*Student Intern*

**207 ▲**

Number of Cairn employees in 2013

**94%**

of planned positions successfully filled to date





## Learning and development

As well as recruiting talented people, we also want to retain them. A key part of this is ensuring they receive the training and gain the experience they need to perform their jobs effectively, and help Cairn to deliver its strategic objectives.

We use a variety of ways to help our people develop and enhance their skills and capabilities. These include internal and external courses, conferences, executive coaching, mentoring, and on-the-job-training. In 2013 a total of 1,214 training days were undertaken by our staff, representing an average of 5.8 days per employee, compared to 5.5 days in 2012, and well above the UK average of 3.6 days per year (Chartered Institute of Personnel and Development). We have also continued to run our popular Lunch and Learn programme, which provides our people with an opportunity to learn something new while networking with peers over lunch. Over the course of 2013, the equivalent of 636 staff and contractors attended Lunch and Learns.

One of the learning priorities identified last year was the need to develop asset management capability within the business, and ensure we have a sustainable pipeline of people capable of managing our asset base worldwide.

In 2013 we partnered with the Robert Gordon University in Aberdeen to develop a General Management programme for our asset managers of the future. This programme, which will be rolled out over an 18-month period, will incorporate action learning and the opportunity for participants to be mentored by an experienced member of staff.

As an international company, we can also offer opportunities to work overseas in roles which will develop an individual's skills and expertise. Last year, for instance, Duncan Holland, Deputy Head of Legal, was given the opportunity to work in Morocco during our drilling campaign.

To help ensure that our staff turnover remains below the industry average, we have worked with an external firm of business psychologists to implement a middle management development programme to help enhance management, leadership and coaching skills. Following feedback from those who attended, a series of people management toolkit workshops will be introduced during 2014 to further develop and improve our management capability.

In 2013 Cairn was once again successfully accredited as an Investor in People (IIP), having been accredited for the first time in 2004. Cairn is one of only 19 oil and gas companies who are recognised as an IIP, which demonstrates our effective practices when it comes to developing our people.

The IIP audit process did highlight that we could make some enhancements to our performance appraisal process, and this now forms part of our objectives for 2014.

"Learning and development, including giving members of staff regular feedback on their performance, both formally and informally, is another key strength in your company and the standard of on-the-job training and informal coaching and mentoring for all members of staff is very high."

IIP Scotland Report, April 2013

41

training hours (average) per employee in 2013



## Succession planning

To address the risks associated with the potential loss of key personnel in a competitive labour marketplace, the results of our work on succession planning were shared with the Board of Directors in 2013.

The latest review of our talent pipeline demonstrates that 64% of 'key' roles have at least one successor ready in around 24 months. Plans are now being made to develop the identified talent to ensure that they will be capable of fulfilling key roles when required, in addition to planning how best to address any gaps where no potential successor has been identified.



## Culture and engagement

As Cairn continues to grow, maintaining our unique culture remains an important factor in differentiating us from other exploration and production companies. Our core values of respect, relationships and responsibility (the 3Rs) are well understood by everyone at the Company.

As part of the strategy to further reinforce this culture, we undertook a 360 degree appraisal of all members of staff, to assess their behaviours in support of the 3Rs. During the process, staff selected peers, colleagues, team members and senior management to provide feedback on how they performed against the Company's values, and the results were shared as part of our 2013 end-of-year performance review.

To further support the continued engagement and satisfaction of our people, we initiated a confidential, Company-wide engagement survey in 2013. The purpose was to provide all employees with an opportunity to share their thoughts on the organisation and how they think we can ensure Cairn remains a great place to work.

76% of employees have completed the survey, which is being administered by an outside organisation, Best Companies. The results will be shared with everyone during the first half of 2014 and used to help develop action plans that ensure Cairn continues to engage and retain talent.

We also continue to run an active programme of social activities, which help to support a culture of strong teamwork. In May we held our annual summer day out, which is a great opportunity for staff and their families to meet and take part in fun team activities together.

In 2014, we will continue the roll-out of Total Reward Statements, which allow staff to understand the full benefits of their compensation package and how their salaries are benchmarked.

"I found the 360 degree exercise we undertook really valuable in confirming the areas that I am already good at and where others in the organisation think I can improve. It was a great boost to get positive feedback from others and to know that the organisation really does place a great emphasis on our 3Rs' values."

Employee from our Edinburgh office



## Performance and reward

Recognition and reward are key to engaging and motivating our people. To ensure we remain competitive in relation to the rewards and benefits we offer, we take part in a number of local, national and industry-specific salary surveys.

In 2013, 5% of staff received a Cairn Adding Value Award (CAVA). This award provides special recognition to staff who have accomplished an extraordinary achievement outside their normal responsibilities. Any employee can submit a nomination for an employee or whole team.

One employee, for instance, developed a technology solution for a manual finance process and significantly helped to reduce the time and cost associated with it.

In 2013 we also began the process of reviewing our performance management practices. This review is aimed at ensuring a clear line of sight between Company, team and individual objectives, in addition to recognising and rewarding behaviours that are consistent with our Company values and culture.





## Diversity

Diversity is about valuing variety and individual differences, and at Cairn we have worked to ensure we have a culture, environment and practices that respect and value diversity. Research also shows that a diverse workforce can improve creativity within a business, improve problem solving and, ultimately, the decision-making process. In 2013:

- 50% of Cairn staff were women;
- 10% of Cairn staff worked part time;
- 100% of parents returned to work following maternity/adoption/paternity leave;
- 21 different nationalities were employed at Cairn; and
- 3.4% of the workforce had a disability.

The average age at Cairn is 42. Currently, 28% of management roles at Cairn are held by women, and our PLC Board is composed of 20% women, compared to an average of 15.1%, a figure published by Boardwatch in January 2014.

In addition, Cairn is actively participating in a major piece of industry research aimed at encouraging more women onto boards. The 30% Club involves individuals and organisations committed to promoting more women to further their careers, and Cairn is actively participating in their 'Balancing the Pyramid' project. This explores the behavioural differences between men and women, and looks at what makes women successful leaders in the corporate environment. Cairn's Managing Director/Chief Financial Officer Jann Brown is a committee member of the 30% Club.

In 2013 we continued to roll out our equality and diversity training to staff and contractors. It is designed to further increase awareness of our commitment to equality of opportunity, and the behaviours expected of everyone when it comes to treating others with dignity and respect. Further plans for 2014 include extending the right to request flexible working to everyone.

As a business, we comply with the UK Equality Act 2010. Other key aspects of our policy on equality and diversity are:

- We oppose all forms of unlawful or unfair discrimination.
- We do not tolerate harassment or bullying.
- We recognise an employee's rights to freedom of assembly.
- We recruit and promote employees on merit.
- We actively encourage staff feedback through various channels.



## Health, safety and security

Four of the most important issues highlighted by the materiality process relate to protecting people’s health, safety and security, and preventing major accidents.

We are committed to operating safely and responsibly at all times, and ensuring the well-being of our employees, our contractors and local communities where we operate is a priority. We have a comprehensive Corporate Responsibility Management System (CRMS) in place through which we assess risks, apply health and safety controls, set targets and monitor performance.

### HSE Leadership Team

Our health, safety and environment (HSE) Leadership Team is responsible for embedding the Corporate Responsibility (CR) approach and procedures across the Group; applying them to everyday work situations is the responsibility of each individual employee. Regional Directors are responsible at an operational level for ensuring that operations adhere to our HSE standards, that all risks are minimised to ALARP (As Low As Reasonably Practicable), and that plans are in place to manage any incidents.

In recognition of the importance given to HSE performance, the Remuneration Committee has assigned a 10% weighting in the Group 2014 Key Performance Indicators (KPIs) to delivery of the 10 HSE KPIs (Leading Performance Indicators – LPIs), and a further 5% weighting to delivery of safety and environmental targets on the operational activities. Performance against Group 2014 KPIs will be a criterion for assessing the annual discretionary bonus.

### Enhanced HSE supervision

A key element of Cairn’s approach to safety is applying lessons learned from previous operations. Following the drilling campaign in Greenland where no lost time injuries (LTIs) were recorded on the drilling rigs, Cairn identified that for large rigs with a high proportion of new crew, an enhanced level of HSE and technical supervision is required.

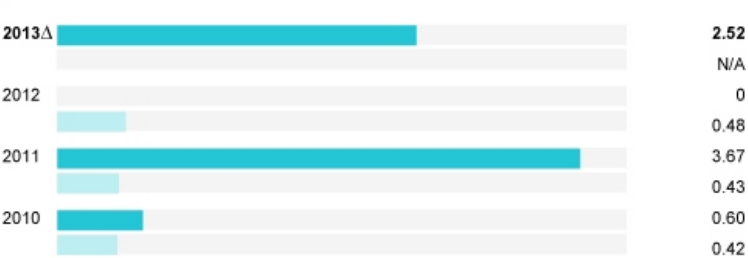
Enhanced HSE supervision was put in place on the Cajun Express drilling rig in Morocco during autumn 2013. Unfortunately, despite working closely with the rig operator Transocean ahead of the start of operations, there was also a lost time injury during the early stages of the drilling operations offshore Morocco. A member of the rig crew was injured whilst carrying out planned preventative maintenance to a lift. In this case a detailed investigation led to the conclusion that improvements to risk assessment processes and work procedures were required.

As a result Transocean conducted a thorough review and developed a detailed corrective action plan. This included specific requirements relating to the maintenance system and improvements to comprehensive risk assessment, job procedures, training and communication. To address Cairn’s safety concerns, CEO Simon Thomson visited the Cajun Express with senior management from Transocean to re-emphasise the importance of learning from such incidents and minimising the chance of them re-occurring. [Read about this in Contractor engagement.](#)

Regrettably, a number of low-level safety incidents and near misses, mainly involving lifting operations, occurred during early shore base operations for the Morocco drilling programme.

Specific training was provided for local shore base contractor employees in local languages, and this provision has been included in the preparations for our future shore base operations in Dakar and west of Ireland in 2014. One incident at the Agadir shore base resulted in a lost time injury when a contractor employee trapped his finger between the tail and side gates of a truck. Lessons learned from this investigation have included the importance of a ‘One Task One Talk’ culture that ensures that staff can concentrate on managing the risks for the task in hand rather than being overwhelmed by many instructions for a number of tasks. There have been no **Δ** fatalities of Cairn staff or contractors during 2013, and for over five years.

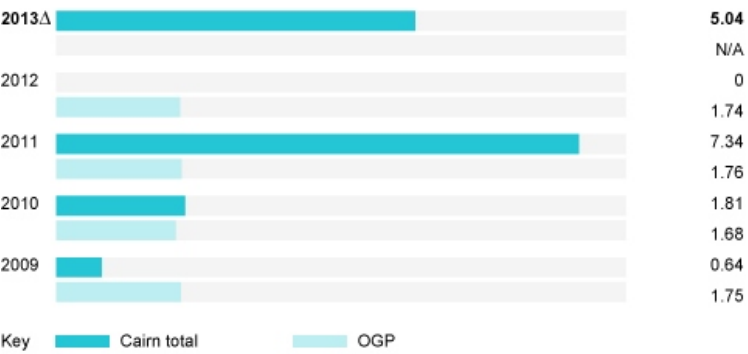
#### LTIF (employees and contractors)







TRIR (employees and contractors)



<sup>Δ</sup> Within KPMG's limited assurance scope.

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**Zero**  
fatalities of Cairn staff or contractors for over five years



## HSE Culture Framework

In June 2013 we began the roll-out of our HSE Culture Framework to maintain and strengthen our existing HSE culture and performance, and to engage our staff and contractors more deeply in the process.

The Framework was the result of a review of our current HSE culture by the HSE Leadership Team in 2012. It was rolled out via workshops facilitated by the Keil Centre, an organisation with expertise on the human and organisational factors that impact on health and safety. In total, 15 workshops were held both in the UK and in our overseas offices, ensuring that all our staff had an opportunity to attend.

The workshops aimed to provide clarity about the behaviours expected in the area of HSE and how the HSE Culture Framework could be used in everyday work by all personnel, team leaders and managers. The workshops also encouraged staff to speak up if they witnessed any unsafe practices in the workplace.


At the end of the workshops, each team was asked to develop a Team Improvement Plan to enhance HSE in their areas of work.

These messages are further reinforced through our e-learning HSE inductions for all new staff members.

To continue the process of embedding the HSE culture framework at Cairn, a number of further enhancements are planned for 2014. They include:

- having an HSE objective in every senior manager's performance review;
- using the framework in the investigation of incidents;
- implementing further initiatives to strengthen behaviours in line with the HSE Culture Framework;
- strengthening the visibility of our key HSE messages and culture; and
- preparing for a follow-up survey in early 2015 to measure the progress made in enhancing our HSE culture, and to identify next steps.

 Within KPMG's limited assurance scope.

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"Really brought HSE to life with real-life examples – made it relevant to every person in the organisation."

HSE workshop delegate

**79%**   
 of staff trained in HSE Culture Framework in 2013



## Preventing major accidents

As well as dealing with safety on a day-to-day basis, the CRMS and risk-management processes play a vital role in assessing and managing potential major accident hazards, as detailed in major accident and spill prevention.

Rigorous procedures are applied to guarantee that potential risks and impacts are identified, assessed and dealt with in line with the ALARP principle.

Before embarking on new projects, Cairn routinely uses hazard identification (e.g. HAZID) or operability (HAZOP) assessments to highlight possible risks. In the unlikely event of a major accident we have a series of linked contingency plans in place, which reflect industry standards and include the deployment of trained staff to protect human life and the environment.



## Security

We recognise that as we expand into new countries, the risks to the security of our people and assets have increased. To improve security, we appointed a new external group security provider, Drum Cussac, in March 2013.

We also commissioned an independent security review, which confirmed the adequacy of our marine and aviation security procedures. It also provided inputs to other security protocols, including consistency with the Voluntary Principles on Security and Human Rights (VPSHR).

An updated travel health, safety and security procedure was also issued in May 2013, which requires travel risk assessments to be completed, and travel-management plans to be issued, for trips to locations deemed to have heightened health, safety or security risks.

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**Zero ▲**  
security incidents in 2013



# Health, safety and security

## Health and safety

Total hours worked  
(hours)

	2009	2010	2011	2012	2013 <sup>Δ</sup>
<b>Employees<sup>1</sup></b>	308,656	365,354	290,392	306,178	366,232
<b>Contractors<sup>2</sup></b>	1,257,921	2,946,065	1,616,750	39,023	426,908

<sup>Δ</sup> Within KPMG's limited assurance scope – [see below](#).

Hours worked by employees<sup>1</sup>  
(number of hours)

	2009	2010	2011	2012	2013
<b>Bangladesh</b>	128,028	114,483	n/a	n/a	n/a
<b>Greenland</b>	0	2,782	3,382	2,952	3,048
<b>Morocco</b>	n/a	n/a	n/a	0	5,974
<b>Nepal</b>	7,805	6,297	6,240	6,264	3,176
<b>Norway</b>	n/a	n/a	n/a	28,062	36,866
<b>Senegal</b>	n/a	n/a	n/a	n/a	352
<b>Spain</b>	n/a	n/a	3,432	13,392	11,840
<b>Tunisia</b>	2,392	8,377	n/a	n/a	n/a
<b>United Kingdom</b>	170,431	233,415	277,337	255,508	304,977

Hours worked by contractors<sup>2</sup>  
(number of hours)

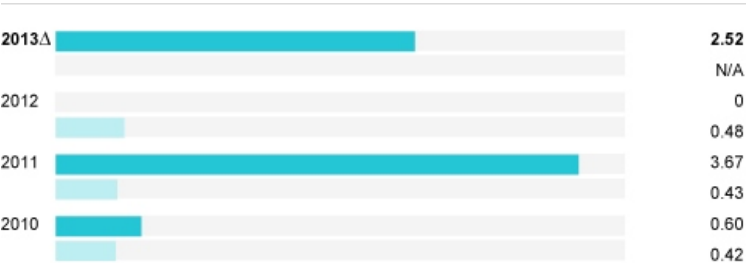
	2009	2010	2011	2012	2013
<b>Bangladesh</b>	1,042,231	1,932,359	n/a	n/a	n/a
<b>Greenland</b>	193,046	956,806	1,616,750	29,307	69,189
<b>Morocco</b>	n/a	n/a	n/a	9,716	345,815
<b>Nepal</b>	6,381	9,572	0	0	0
<b>Senegal</b>	n/a	n/a	n/a	n/a	11,904
<b>Tunisia</b>	0	47,328	n/a	n/a	n/a

Lost Time Injury Frequency (LTIF)

[Chart: Lost Time Injury Frequency \(LTIF\)](#)

[Table: Lost Time Injury Frequency \(LTIF\)](#)

(Lost time injuries per million hours worked)







Key Cairn total OGP Benchmark

	2009	2010	2011	2012	2013
Cairn total	0.64	0.60	3.67	0.00	2.52 <span>▲</span>
OGP Benchmark	0.45	0.42	0.43	0.48	-

**Note:** This indicator includes the total LTIF for employees and contractors.

**Note:** Lost Time Injury Frequency is defined as the number of lost time injuries (fatalities + lost work day cases) per 1,000,000 hours worked (OGP).

**Note:** OGP is the International Association of Oil and Gas Producers. We have included overall OGP benchmark figures (average of onshore and offshore). OGP benchmark figures are not yet available for 2013.

▲ Within KPMG's limited assurance scope – [see below](#).

## Lost Time Injury Frequency (LTIF) and country breakdown

(Lost time injuries per million hours worked)

	2009	2010	2011	2012	2013
Bangladesh	0.85	0.00	n/a	n/a	n/a
Greenland	0.00	1.04	4.32	0.00	0.00
Morocco	n/a	n/a	n/a	0.00	5.69
United Kingdom	0.00	4.28	0.00	0.00	0.00

## Lost Time Injury Frequency (LTIF) and gender breakdown

(Lost time injuries per million hours worked)

	2013
Cairn total male/female	1.58/6.24
Morocco male/female	2.92/101.55

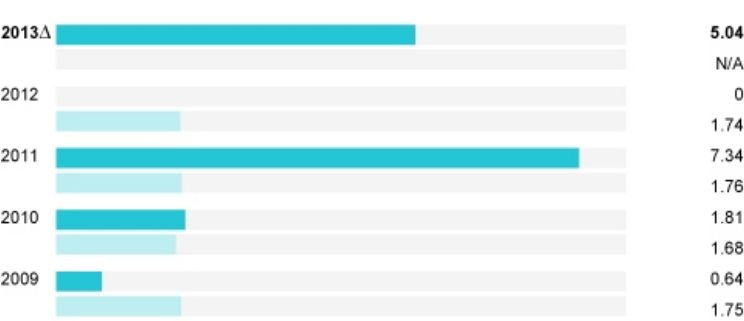
**Note:** Previous years have not been reported as gender data was not collected prior to 2013.

## Total Recordable Injury Rate (TRIR)

[Chart: Total Recordable Injury Rate \(TRIR\)](#)

[Table: Total Recordable Injury Rate \(TRIR\)](#)

(Total recordable injuries per million hours worked)



Key Cairn total OGP Benchmark

	2009	2010	2011	2012	2013
Cairn total	0.64	1.81	7.34	0.00	5.04 <span>▲</span>
OGP Benchmark	1.75	1.68	1.76	1.74	-

**Note:** This indicator includes the total TRIR for employees and contractors.

**Note:** Total Recordable Injury Rate is defined as the number of recordable injuries (fatalities, lost work day cases, restricted work day cases, and medical treatment cases) per 1,000,000 hours worked (OGP).

**Note:** OGP is the International Association of Oil and Gas Producers. We have included overall OGP benchmark figures (average of onshore and offshore). OGP benchmark figures are not yet available for 2013.



**Note:** Cairn TRIR and LTIF statistics can be higher than the OGP benchmark after only one incident, or a small number of incidents, because our exploration activities often last for only a short time period, so there are relatively few hours worked compared with on-going production and other long term operations. OGP is the International Association of Oil and Gas Producers.

⚠ Within KPMG's limited assurance scope – [see below](#).

Total Recordable Injury Rate (TRIR) and country breakdown  
(Total recordable injuries per million hours worked)

	2009	2010	2011	2012	2013
Bangladesh	0.85	1.47	n/a	n/a	n/a
Greenland	0.00	2.08	8.64	0.00	0.00
Morocco	n/a	n/a	n/a	0.00	11.37
United Kingdom	0.00	4.28	0.00	0.00	0.00

Total Recordable Injury Rate (TRIR) and gender breakdown  
(Total recordable injuries per million hours worked)

	2013
Cairn total male/female	4.74/6.24
Morocco male/female	8.77/101.55

**Note:** Previous years have not been reported as gender data was not collected prior to 2013.

Total Lost Day Rate (LDR)  
(Lost days per 200,000 hours worked)

	2013
Cairn total	6.30

**Note:** This indicator includes the total for employees and contractors.

**Note:** The GRI definition is used for this indicator. OGP definitions are used for the rest of health and safety statistics, but no Lost Day Rate definition is provided by OGP.

Lost Day Rate (LDR) and gender breakdown  
(Lost days per 200,000 hours worked)

	2013
Cairn total male/female	4.42/13.73
Morocco male/female	8.19/223.40

Total fatalities  
(number)

	2009	2010	2011	2012	2013
Cairn total	0	0	0	0	0 ⚠
Employees	0	0	0	0	0
Contractors	0	0	0	0	0
Third Party	0	0	0	0	0

**Note:** A fatality is defined as a case that involves one or more people who died as a result of a work-related incident or occupational illness.

**Note:** Third party is defined as a person with no business relationship with Cairn.

⚠ Within KPMG's limited assurance scope – [see below](#).

Lost work day cases (LWDC)



(number)

	2009	2010	2011	2012	2013
<b>Cairn total</b>	1	2	7	0	2
Bangladesh	1	0	n/a	n/a	n/a
Greenland	0	1	7	0	0
Morocco	n/a	n/a	n/a	0	2
United Kingdom	0	1	0	0	0

**Note:** This indicator includes the total for employees and contractors.

**Note:** A lost work day case is defined as any work related injury, other than a fatal injury, which results in a person being unfit for work on any day after the day of occurrence of the occupational injury. "Any day" includes rest days, weekend days, leave days, public holidays, or days after ceasing employment (OGP).

### Days unfit for work (lost work days)

(days)

	2009	2010	2011	2012	2013
<b>Cairn total</b>	2	11	228	0	25
Bangladesh	2	0	n/a	n/a	n/a
Greenland	0	7	228	0	0
Morocco	n/a	n/a	n/a	0	25
United Kingdom	0	4	0	0	0

**Note:** This indicator includes the total for employees and contractors.

**Note:** Days unfit for work are defined as the sum total of calendar days (consecutive or otherwise) after the days of the occupational injuries on which the people involved were unfit for work and did not work.

### Total Recordable Injuries (TRI)

(number)

	2009	2010	2011	2012	2013
<b>Cairn total</b>	1	6	14	0	4
Bangladesh	1	3	n/a	n/a	n/a
Greenland	0	2	14	0	0
Morocco	n/a	n/a	n/a	0	4
United Kingdom	0	1	0	0	0

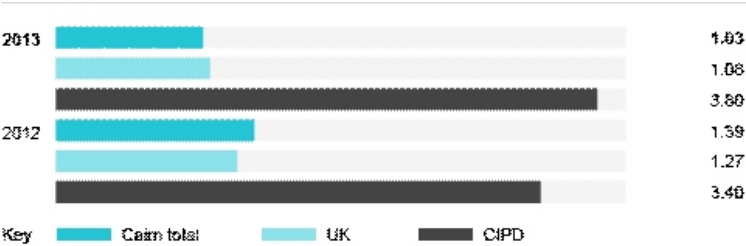
**Note:** 'Total recordable injuries' is defined as the sum of fatalities + lost work days + restricted work days + medical treatment cases.

### Absence rates

[Chart: Absence rates](#)

[Table: Absence rates](#)

(%)



	2012	2013
<b>Cairn total</b>	1.39	1.03
United Kingdom	1.27	1.08
<b>CIPD</b>	3.40	3.80



**Note:** We do not have figures for absenteeism prior to 2012.

**Note:** This data covers employees only. Contractor absenteeism is the responsibility of the contractor, and is not monitored by Cairn for reporting purposes.

**Note:** CIPD rate applies to the UK only.

Employee absence rates and gender breakdown  
(%)

	2013
Cairn total/male/female	1.03/0.49/1.62
Greenland total/male/female	0.51/0.51/n/a
Norway total/male/female	0.77/0.54/1.10
Spain total/male/female	0.85/1.15/0.38
United Kingdom total/male/female	1.08/0.46/1.71

**Note:** Contractor absenteeism is the responsibility of the contractor, and is not monitored by Cairn for reporting purposes.

**Note:** 2013 data only has been reported as gender data was not collected prior to 2013.

Staff trained in Cairn's HSE Culture Framework  
(%)

	2013 <span>▲</span>
Cairn total	79

**Note:** 'Staff' is used interchangeably with the word 'employee', which is defined as a person employed by and on the payroll of Cairn. Persons employed under short-service contracts are included as Cairn employees provided they are paid directly by Cairn. Personnel who are contracted for more than 3 months to an organisational position and who are categorised as 'other workers' in the database are not included in the employee numbers for this indicator.

▲ Within KPMG's limited assurance scope – [see below](#).

## Security and risk management

Security personnel involved in company activities  
(number)

	2009	2010	2011	2012	2013
Cairn total	74	124	24	4	8
Bangladesh	73	115	0	0	0
Greenland	0	9	16	0	0
Nepal	1	0	2	2	2
Senegal	0	0	0	0	2
United Kingdom	0	0	6	2	4

Total security incidents

[Chart: Total security incidents](#)

[Table: Total security incidents](#)

(number)



	2009	2010	2011	2012	2013
Cairn total	7	6	5	1	0 <span>▲</span>



**Note:** A security incident is defined as any fact or event which could affect personal or organizational security. We break security incidents down into incidents against employees, incidents against contractors, incidents against security personnel, incidents against assets and incidents involving threat or extortion.

▲ Within KPMG's limited assurance scope – [see below](#).

Security incidents and country breakdown  
(number)

	2009	2010	2011	2012	2013
Bangladesh	7	3	0	0	0
Greenland	0	2	3	0	0
United Kingdom	0	1	2	1	0

Security personnel that received human rights training  
(%)

	2009	2010	2011	2012	2013
Cairn total	98	92	0	0	0
Bangladesh	100	99	0	0	0

**Note:** There have been no recordable occupational diseases in the last five years, so no data has been reported for this indicator.

**Note:** Data has been provided for individual countries where applicable health, safety and security activities or incidents have taken place.

1. An employee is a person employed by and on the payroll of Cairn. Persons employed under short-service contracts are included as Cairn employees provided they are paid directly by Cairn. Those who are contracted for more than 3 months to an organisational position are categorised as 'other workers' and these individuals are included as employees for the purposes of reporting health and safety statistics, including employee man hours. They are not paid directly by Cairn but through their employing organisation.
2. A contractor is someone contracted to work on company business on a temporary basis in field based positions or a sub-contractor through another company. These people are not paid directly by Cairn but through their employing organisation.

**Note:** Health and safety data includes employees and contractors unless where specifically stated it is broken down by employee/contractor.

**Note:** KPMG LLP were engaged to provide limited assurance over selected information in the Cairn Energy CR Report for the year ended 31 December 2013. This information has been reproduced on the Cairn Energy website and can be identified through reference to the symbols (▲ and +). To view KPMG's full opinion, please [click here](#).



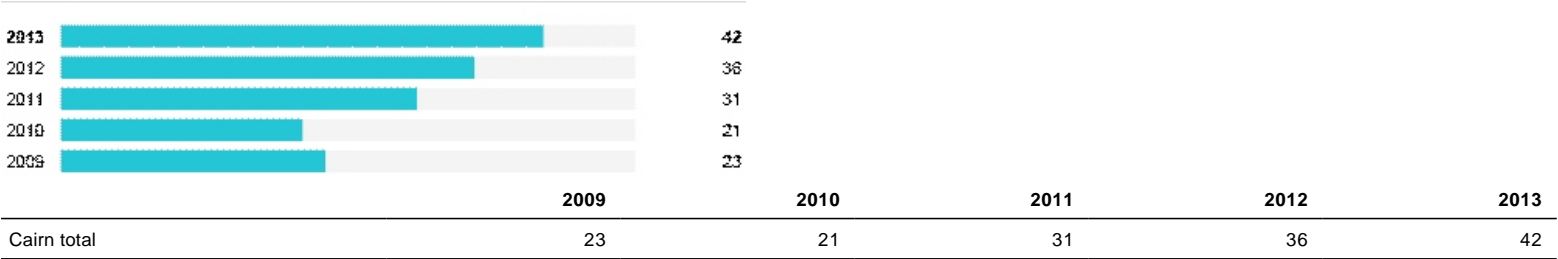
# Training and development

## Total employee training

Chart: Total employee training

Table: Total employee training

(average hours per employee)



## Employee training and gender breakdown

(average hours per employee)

	2012	2013
Cairn total	36	42
Cairn total male/female	38/42	46/37
Greenland total	14	1
Greenland male/female	14/n/a	1/n/a
Nepal total	0	0
Nepal male/female	0/0	0/0
Norway total	38	55
Norway male/female	38/38	42/73
Spain total	72	74
Spain male/female	48/120	9/171
United Kingdom total	40	41
United Kingdom male/female	39/41	50/32

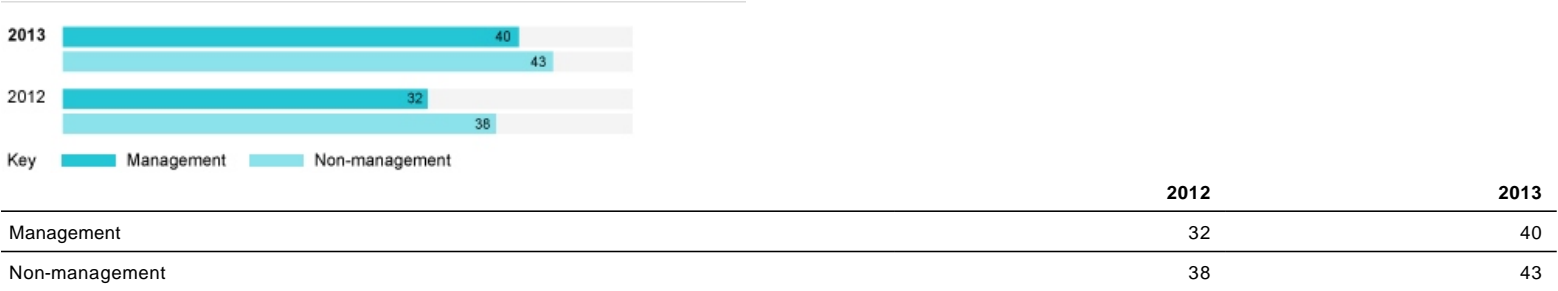
**Note:** Cairn commenced measurement and monitoring of gender breakdown in 2012.

## Total management and non-management training

Chart: Total management and non-management training

Table: Total management and non-management training

(average hours per employee)



**Note:** Management is defined as personnel that have responsibility for managing other people, including senior management, middle management and team leaders. N.B. some senior roles, e.g. in the technical department, do not include responsibility for managing other people.

## Total performance and career development reviews

Chart: Total performance and career development reviews

Table: Total performance and career development reviews





(% of employees)



	2012	2013
Cairn total	91	100
Male	88	100
Female	93	100



# Employees, contractors, diversity and equal opportunity

## 2013 Cairn workforce: a snapshot

(number)

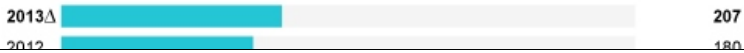
	2013
Cairn total	
Employees <sup>1</sup> /other workers <sup>3</sup> /contractors <sup>2</sup>	207/74/539
Employees male/female	104/103
Other workers male/female	55/19
Contractors male/female	522/17
Greenland	
Employees/other workers/contractors	2/0/114
Employees male/female	2/0
Other workers male/female	0/0
Contractors male/female	110/4
Morocco	
Employees/other workers/contractors	2/2/393
Employees male/female	1/1
Other workers male/female	1/1
Contractors male/female	382/11
Norway	
Employees/other workers/contractors	17/2/0
Employees male/female	10/7
Other workers male/female	2/0
Contractors male/female	0/0
Senegal	
Employees/other workers/contractors	0/2/32
Employees male/female	0/0
Other workers male/female	2/0
Contractors male/female	30/2
Spain	
Employees/other workers/contractors	5/1/0
Employees male/female	3/2
Other workers male/female	0/1
Contractors male/female	0/0
United Kingdom	
Employees/other workers/contractors	181/67/0
Employees male/female	88/93
Other workers male/female	50/17
Contractors male/female	0/0

Total employees<sup>1</sup>

[Chart: Total employees](#)

[Table: Total employees](#)

(number)





	2009	2010	2011	2012	2013
Cairn total	175	195	150	180	207 <span>▲</span>

▲ Within KPMG's limited assurance scope – [see below](#).

## Total contractors<sup>2</sup> ▲

[Chart: Total contractors](#)

[Table: Total contractors](#)

(number)



	2013
Cairn total	539

▲ Within KPMG's limited assurance scope – [see below](#).

## Employee contract types

### Employee<sup>1</sup> contract type totals

[Chart: Employee1 contract type totals](#)

[Table: Employee1 contract type totals](#)

(number)



	2012	2013
Permanent	173	200
Fixed contract	7	7

**Note:** A permanent contract of employment is a contract with an employee for full-time or part-time work for an indeterminate period. A fixed term contract is a contract of employment that ends when a specific time period expires.

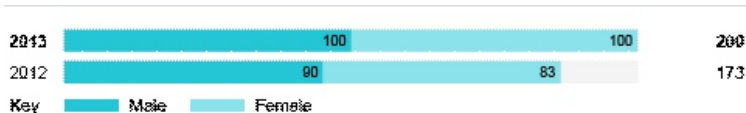
## Contract types and gender breakdown

### Permanent

[Chart: Permanent](#)

[Table: Permanent](#)

(number)



	2012	2013
Male	90	100
Female	83	100

### Fixed

[Chart: Fixed](#)

[Table: Fixed](#)

(number)



	2012	2013
Male	2	4
Female	5	3

## Employee age groups

Employee<sup>1</sup> age group totals

[Chart: Employee1 age group totals](#)

[Table: Employee1 age group totals](#)

(%)



	2012	2013
Over 50	25	25
30-50	63	66
Under 30	11	9

## Age groups and gender breakdown

Over 50 years old

(%)

	2012	2013
Cairn total/male/female	25/36/14	25/34/16
Greenland total/male/female	50/50/0	50/50/0
Morocco total/male/female	0/0/0	0/0/0
Norway total/male/female	41/55/17	35/50/14
Spain total/male/female	0/0/0	0/0/0
United Kingdom total/male/female	24/34/14	25/34/16

30-50 years old

(%)

	2012	2013
Cairn total/male/female	63/51/76	66/56/77
Greenland total/male/female	50/50/0	50/50/0
Morocco total/male/female	0/0/0	100/100/100
Norway total/male/female	53/45/67	65/50/86
Spain total/male/female	100/100/100	100/100/100
United Kingdom total/male/female	63/49/76	65/55/75

Under 30 years old

(%)

	2012	2013
Cairn total/male/female	11/13/9	9/10/8
Greenland total/male/female	0/0/0	0/0/0



Morocco total/male/female	0/0/0	0/0/0
Norway total/male/female	0/0/0	0/0/0
Spain total/male/female	0/0/0	0/0/0
United Kingdom total/male/female	13/16/10	10/11/9

## Minority groups

Employees<sup>1</sup> from minority groups  
(%)

	2012	2013
Cairn total	2	2

Minority groups and gender breakdown  
(%)

	2012	2013
Cairn total male/female	1/3	1/4
Greenland total/male/female	0/0/0	0/0/0
Morocco total/male/female	0/0/0	0/0/0
Norway total/male/female	0/0/0	0/0/0
Spain total/male/female	0/0/0	0/0/0
United Kingdom total/male/female	3/1/4	3/1/4

## Managerial and non-managerial grade employees

Total managerial employees<sup>1</sup> and gender breakdown

Chart: Total managerial employees<sup>1</sup> and gender breakdown

Table: Total managerial employees<sup>1</sup> and gender breakdown

(%)



Key Male Female

		2009	2010	2011	2012	2013
Cairn total	(number)	54	60	48	56	71
Male	(%)	87	80	73	71	72
Female	(%)	13	20	27	29	28

**Note:** Management are personnel that have responsibility for managing other people, including senior management, middle management and team leaders. N.B. some senior roles, e.g. in the technical department, do not include responsibility for managing other people.

Managerial employees<sup>1</sup> and gender breakdown  
(%)

	2012	2013
Greenland male/female	100/0	100/0
Morocco male/female	0/0	50/50
Norway male/female	67/33	67/33
Spain male/female	100/0	100/0

## National and expatriate employees

Total national and expatriate employees<sup>1</sup>

(%)

		2009	2010	2011	2012	2013 <sup>Δ</sup>
Employee total	(number)	175	195	150	180	207
National	(%)	197	97	99	99	99
Expatriate	(%)	3	3	1	1	1

**Note:** An expatriate employee is an employee who is sent to live and work abroad for Cairn for a defined period. A national employee is a resident in the country of operation and employed by the local Cairn office.

<sup>Δ</sup> Within KPMG's limited assurance scope – [see below](#).

Total national and non-national contractors<sup>2</sup> <sup>Δ</sup>

[Chart: Total national and non-national contractors<sup>2</sup>](#)

[Table: Total national and non-national contractors<sup>2</sup>](#)

(%)



Key ■ National ■ Not national

		2013
Contractor total	(number)	539
National	(%)	15
Non-national	(%)	85

**Note:** National contractors are from the country of operation, i.e. having the nationality (born or naturalised) of that country. Non-national contractors are not from the country of operation, i.e. not having the nationality of that country.

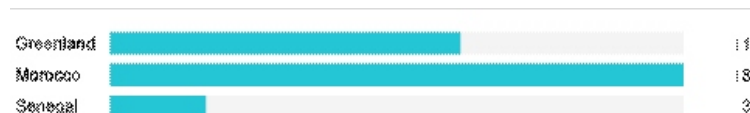
<sup>Δ</sup> Within KPMG's limited assurance scope – [see below](#).

Contractors<sup>2</sup> that are national

[Chart: Contractors<sup>2</sup> that are national](#)

[Table: Contractors<sup>2</sup> that are national](#)

(%)



	2013
Greenland	11
Morocco	18
Senegal	3

**Note:** National contractors are from the country of operation, i.e. having the nationality (born or naturalised) of that country. Non-national contractors are not from the country of operation, i.e. not having the nationality of that country.

Total national and expatriate managerial employees<sup>1</sup>

[Chart: Total national and expatriate managerial employees<sup>1</sup>](#)

[Table: Total national and expatriate managerial employees<sup>1</sup>](#)

(%)







Key ■ National ■ Expatriates

		2012	2013 <span style="color: #00A0C0;">▲</span>
Managerial employee total	(number)	56	71
National	(%)	98	97
Expatriates	(%)	2	3

**Note:** Management are personnel that have responsibility for managing other people, including senior management, middle management and team leaders. N.B. some senior roles, e.g. in the technical department, do not include responsibility for managing other people.

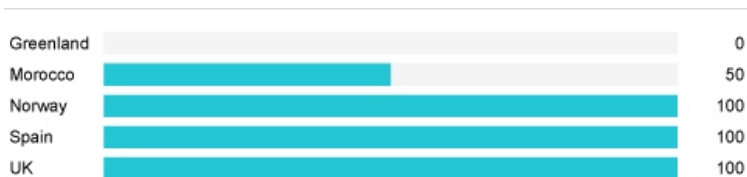
▲ Within KPMG's limited assurance scope – [see below](#).

## Managers hired from the local population

[Chart: Managers hired from the local population](#)

[Table: Managers hired from the local population](#)

(%)



	2013
Greenland	0
Morocco	50
Norway	100
Spain	100
United Kingdom	100

**Note:** Management are personnel that have responsibility for managing other people, including senior management, middle management and team leaders. N.B. some senior roles, e.g. in the technical department, do not include responsibility for managing other people.

**Note:** Data has been provided for individual countries where there are relevant employees and contractors.

**Note:** The KPIs regarding national, expatriate and non-national are defined differently for employees and contractors. For employees, the terms are applicable to office staff and are defined in accordance with employment contracts. For contractors, the data is collected for the purpose of measuring Cairn's impact on the communities in which we work and the definitions are simply regarding whether a contractor is from the country of operation or not.

1. An employee is person employed by and on the payroll of Cairn. Persons employed under short-service contracts are included as Cairn employees provided they are paid directly by Cairn. Personnel who are contracted for more than 3 months to an organisational position and who are categorised as 'other workers' in the database are not included in the employee numbers for this indicator.
2. A contractor is someone contracted to work on company business on a temporary basis in field based positions or a sub-contractor through another company. These people are not paid directly by Cairn but through their employing organisation. Many contractors work on rotation, e.g. one month on, one month off, so it is not practical or meaningful to give the total number of individuals who have worked as contractors on Cairn projects through the year. Instead we provide the total number of contractor positions during 2013.
3. 'Other workers' are defined as personnel who are contracted for more than 3 months in an organisational position. They form part of Cairn's organisational workforce in the office.

**Note:** KPMG LLP were engaged to provide limited assurance over selected information in the Cairn Energy CR Report for the year ended 31 December 2013. This information has been reproduced on the Cairn Energy website and can be identified through reference to the symbols (▲ and +). To view KPMG's full opinion, please [click here](#).



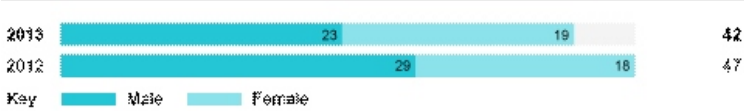
## New hires

### Total new hires and gender breakdown

Chart: [Total new hires and gender breakdown](#)

Table: [Total new hires and gender breakdown](#)

(number)



	2012	2013
Male	29	23
Female	18	19

### New hires, rate of new hires and gender breakdown

(number/%)

	2012			2013		
	Total	Male	Female	Total	Male	Female
Cairn total	47/26	29/32	18/20	42/20	23/22	19/18
Norway	18/106	12/109	6/100	2/12	1/10	1/14
Spain	2/33	2/50	0/0	0/0	0/0	0/0
United Kingdom	27/18	15/21	12/15	39/22	22/25	17/18

### Total new hires and age group breakdown

Chart: [Total new hires and age group breakdown](#)

Table: [Total new hires and age group breakdown](#)

(number)



	2012	2013
Total	47	42
Over 50	11	7
30-50	27	30
Under 30	9	5

### New hires and rate of new hires – over 50 years old

(number/%)

	2012	2013
Cairn total	11/24	7/13
Norway	7/100	0/0
Spain	0/0	0/0
United Kingdom	4/11	7/16

### New hires and rate of new hires – 30-50 years old



(number/%)

	2012	2013
Cairn total	27/24	30/22
Norway	11/122	2/18
Spain	2/33	0/0
United Kingdom	14/15	27/23

New hires and rate of new hires – under 30 years old

(number/%)

	2012	2013
Cairn total	9/45	5/28
Norway	0/0	0/0
Spain	0/0	0/0
United Kingdom	9/45	5/28

**Note:** Data has been provided for individual countries where there has been applicable hiring.



# Turnover

## Total employees<sup>1</sup> leaving employment and gender breakdown

Chart: Total employees1 leaving employment and gender breakdown

Table: Total employees1 leaving employment and gender breakdown

(number)



	2012	2013
Cairn total	6	9
Male	5	7
Female	1	2

## Turnover, rate of turnover and gender breakdown

(number/%)

	2012			2013		
	Total	Male	Female	Total	Male	Female
Cairn total	6/3	5/5	1/1	9/4	7/7	2/2
Norway	1/6	1/9	0/0	2/12	2/20	0/0
Spain	0/0	0/0	0/0	1/20	1/33	0/0
United Kingdom	5/3	4/5	1/1	6/3	4/5	2/2

## Total employees<sup>1</sup> leaving employment and age group breakdown

Chart: Total employees1 leaving employment and age group breakdown

Table: Total employees1 leaving employment and age group breakdown

(number)



	2012	2013
Cairn total	6	9
Over 50 years old	0	3
30-50 years old	5	6
Under 30 years old	1	0

## Turnover and rate of turnover – over 50 years old

(number/%)

	2012	2013
Cairn total	0/0	3/0
Norway	0/0	1/0
Spain	0/0	0/0
United Kingdom	0/0	2/0



## Turnover and rate of turnover – 30-50 years old

(number/%)

	2012	2013
Cairn total	5/4	6/4
Norway	1/11	1/9
Spain	0/0	1/20
United Kingdom	4/4	4/3

## Turnover and rate of turnover – under 30 years old

(number/%)

	2012	2013
Cairn total	1/5	0/0
Norway	0/0	0/0
Spain	0/0	0/0
United Kingdom	1/5	0/0

**Note:** Turnover figures include only staff who have left voluntarily (ie staff who have resigned). Involuntary numbers eg death, end of fixed term contracts, dismissal have not been included in these figures we only report voluntary turnover externally.

1. An employee is a person employed by and on the payroll of Cairn. Persons employed under short-service contracts are included as Cairn employees provided they are paid directly by Cairn. Personnel who are contracted for more than 3 months to an organisational position and who are categorised as 'other workers' in the database are not included in the employee numbers except for the purpose of reporting health and safety statistics.





# Parental leave and retention

## Total parental leave and retention rates

		2012	2013
Employees entitled to parental leave	(number)	180	207
Employees entitled to parental leave: male/female	(number)	92/88	104/103
Employees that took parental leave	(number)	13	17
Employees that took parental leave: male/female	(number)	7/6	4/13
Employees that returned to work after parental leave	(number/%)	13/100	9/100
Male employees that returned to work after parental leave	(number/%)	7/100	4/100
Female employees that returned to work after parental leave	(number/%)	6/100	5/100
Total employees who returned to work after parental leave who were still employed 12 months after return to work	(number/%)	13/100	8/100
Male employees that returned to work after parental leave who were still employed 12 months after return to work	(number/%)	7/100	4/100
Female employees that returned to work after parental leave who were still employed 12 months after return to work	(number/%)	6/100	4/100



## Environment

Protecting the environment is one of our highest priorities, and we have introduced a robust series of procedures that prioritise preventative measures.

This strategic approach includes a commitment to best practice, and to the assessment of potential Environmental and Social Impact Assessments (ESIAs) integrated into planning of a project. These help us to determine strategies for managing risks and identifying opportunities for improvements through the life of a project.

In addition to complying with applicable environmental laws and regulations, we also set objectives and targets for improving environmental performance, and monitor and report openly on our performance. This is supported by a comprehensive policy towards protecting biodiversity and well defined policies covering areas such as waste management, the use of chemicals and the protection of water supplies.

We also have comprehensive procedures in place for dealing with oil spills and other major incidents, which ensure that we can respond to any incidents immediately and effectively.

### 2013 highlights

Our approach to climate change was reviewed and included in our updated Business Principles.

Two ESIAs and Environmental Management Plans were developed and approved by the Moroccan authorities in support of applications to carry out drilling activities in the Fom Draa and Jubu Maritime Permits offshore Morocco.

An ESIA was developed and submitted to the National Technical Committee in Senegal covering our proposed 2014 drilling activities.

Oil spill contingency planning and emergency response training was carried out with the authorities in Morocco and Senegal. [See major accident and spill prevention.](#)

Waste management audits were completed in Morocco and Senegal.

Pre- and post-drill monitoring surveys were carried out offshore Greenland.

### 2014 objectives

Address climate change risks and actions through stages of the Project Delivery Process (PDP).

Address biodiversity risks and actions through stages of the PDP.

## Environmental management

Through our Corporate Responsibility Management System (CRMS) and environmental studies, environmental considerations form a central part of our project management system and are taken into account at every stage of the project life cycle, from exploration to production. It is a precautionary approach, but one that we believe is the best way of safeguarding the areas in which we work.

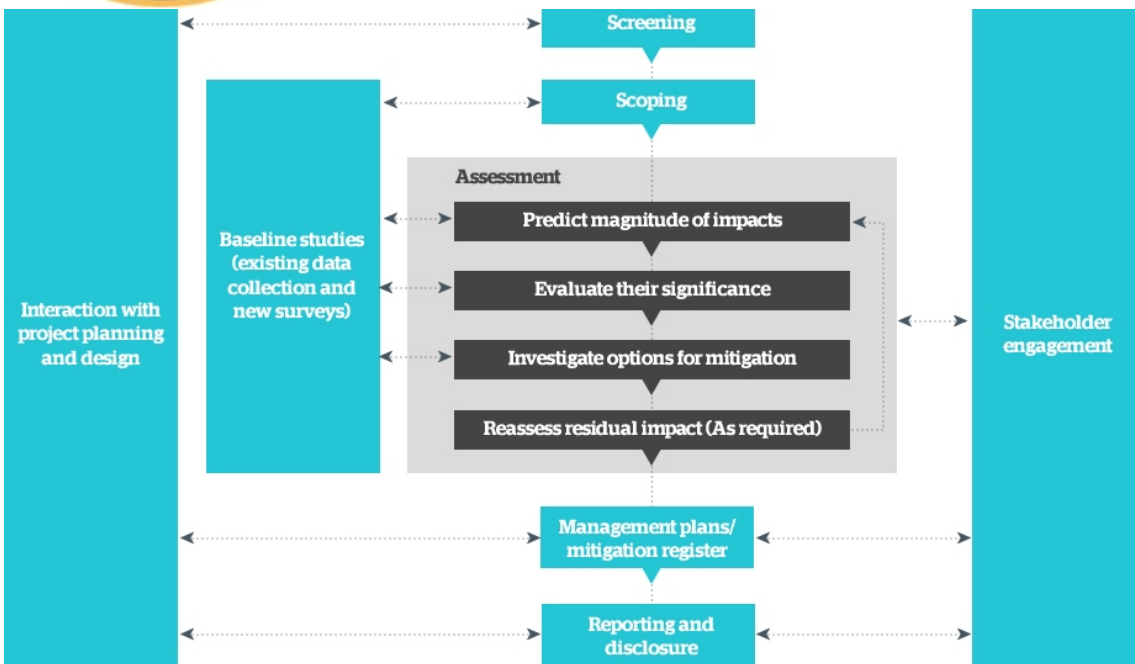
Our operations also take into account legal and regulatory requirements in the countries where we are working, and we cooperate fully with all government bodies. In certain countries where such requirements are not developed we apply a combination of international good practice and UK based standards. We aim to comply with the expectations of investors and shareholders in relation to the environmental and social impacts of our business.

We are also committed to constantly improving the ways in which we operate in order to reduce any potential risks to the environment. This is demonstrated by our willingness to learn from our experiences by continually assessing and reviewing our operations.

### Environmental Impact Assessments (EIAs)

Assessing potential environmental impacts is fundamental to our operations and often it is integrated with social impact assessment due to the close relationship of these topics. The scope of the assessment is appropriate to the nature and context of the operation, but will most commonly be part of an EIA or ESIA. These assessments provide us with the insight and information we need to be able to avoid, mitigate, manage and monitor these impacts, or decide whether we need to investigate possible alternative project schemes.

EIA findings are often subject to a thorough technical review by expert stakeholders such as government committees, expert statutory consultees such as research institutes, and non-governmental organisations (NGOs). They may also be scrutinised at public hearings or in national forums. Once completed, the EIA forms the basis of a project's Environmental Management Plan and compliance register.



### Joint ventures and the environment

Our stringent environmental controls and management procedures also apply to those joint ventures managed by our partners. Throughout 2012/13, our acquisition and farm-in programme saw us become a non-operator in several major new projects run by companies such as Statoil ASA, Premier Oil, Kosmos Energy and Chariot Oil & Gas. Before entering into any new partnerships, we carry out a series of checks as detailed in our due diligence process ([see Governance section](#)). This includes examining the health, safety and environment (HSE) track record of the operators, which helps us ensure that we are partnering with businesses that operate with the same levels of integrity and commitment to the environment as we do.

### Environmental certifications

We have also been preparing for an OSPAR (Oslo and Paris Convention for the Protection of the Marine Environment of the North-East Atlantic) verification in 2014, important for maintaining our licence to operate exploration and appraisal activities in the UK and Ireland.

## Related links

- > [Deep water drilling](#)
- > [Major accident and spill prevention](#)
- > [Resource development in the Arctic](#)
- > [Biodiversity](#)
- > [Climate change](#)
- > [Noise](#)
- > [Effluents, waste and water](#)
- > [Performance and data](#)



## Deep water drilling

As drilling in deeper water becomes more common, it is crucial that we understand the new risks involved. At the same time we must continue to refine our systems and well designs, and deploy the best available equipment and expertise, in order to maintain a safe working environment.

### The challenges of deep water drilling

Cairn's reputation for responsible exploration rests upon a rigorous approach to sound planning including well design, control and blow-out prevention in our drilling operations. This uncompromising approach to well design is applied to all categories of water, whether shallow or deep.

All our drilling programmes are governed by a Drilling Management System, which we continue to develop and refine as we learn from our experiences operating in new frontiers. The system helps us to assess and manage potential risks, and helps to make our operations as safe and efficient as possible.

### Safe drilling

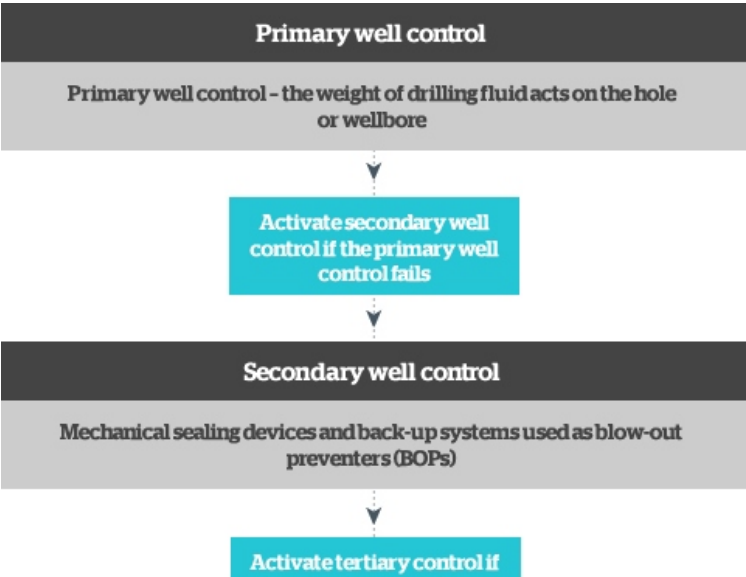
All our wells are engineered to the highest industry standards, and assessed by an independent external expert. In addition, the requirements of the Cairn Well Engineering and Construction (WEC) and CR Management Systems are translated into specific well designs, project plans and procedures, which are all independently verified before drilling can commence.

The key preventative measure is a series of barriers designed into the drilling programmes and supplemented by a series of strict internal and external WEC assurance processes.

In any well design, the primary well-control barrier is provided by the weight of drilling fluid acting on the hole, or wellbore, created by the drill in the rock formation.

Secondary well-control is provided by high-specification blow-out preventers (BOPs). These are a series of mechanical sealing devices called 'rams' with associated back-up systems, which are activated if the primary drilling fluid barrier does not work. They effectively close the well, allowing us to regain control and stop any hydrocarbon flow to the external environment. We recognise that in deepwater wells, the complexity of these secondary well-control devices increases due to the need to rely upon dynamic positioning systems to keep the drilling rig on location.

In the unlikely event that both primary and secondary controls fail, tertiary controls to regain well control and collect or disperse spilled oil are deployed. These involve an escalating capability consisting of initial mobilisation of a 'cap and secure' system, and in the event of hydrocarbon release, various oil spill response measures depending on local government authorisations, including sub-sea well dispersant systems and further surface oil spill collection and dispersant responses. Traditional relief well drilling is also available as a tertiary control to permanently plug the well.





the primary and secondary  
well controls fail



### Tertiary control

Initial mobilisation of a 'cap and secure' system, and in the event of hydrocarbon release, the application of various oil spill response measures

In line with the 'As Low As Reasonably Practicable' (ALARP) principle, Cairn applies both internal and external checks to assure well design.

#### Well Engineering and Construction internal and external assurance processes

Internal	External
Cairn project delivery process gate reviews	Major hazard assessment
Project risk register	Well examiner
Corporate risk management review	Expert peer review
Well Engineering and Construction Team competency assessment	Regulator and partner reviews
Inspection, testing, acceptance and induction of drilling rigs and vessels	Independent expert review of critical equipment and systems
Daily operational reviews	

### Case study: Monitoring drilling impacts

Carrying out an Environmental Baseline Survey (EBL) of an area prior to drilling is a potentially useful tool for assessing seafloor and environmental sensitivities of a location. The analysis of pre- and post-drill core and sediment samples around our rigs also provides us with important data to help validate our environmental assessments.

In marine areas, the aim is to identify the key features of the seabed and to understand pre-existing biodiversity characteristics and habitats. The EBL can also provide information against which to compare a post-drill assessment and findings.

In Greenland, Cairn has applied detailed sampling and analytical protocols, in some cases using innovative techniques to carry out an additional, more detailed EBL in the vicinity of the rig itself. These techniques support on-going research providing an in-depth understanding of drilling impacts on the marine environment.

The detailed EBL included taking core sediment samples in the areas where drilling is anticipated and setting up environmental traps to capture sediment from the drill 'cuttings' that spread out in the water and settle. During drilling, video footage and photographic cameras also log real-time activity. After drilling, cores are taken from the same locations as the pre-drilling samples, and sediments collected in the traps are analysed. Novel coring and sediment collection equipment and protocols were applied to improve collection and assist in improving quantification of specific chemicals.

This is valuable in enhancing our approach to future activities. We are also able to test the accuracy of our predictive modelling and better understand the distribution of drill cuttings and settlement over time.

To date, our findings will help calibrate our modelling and confirm that drilling impacts on the marine environment are not significant, particularly when compared with some other types of marine activity, for instance trawling.





## Major accident and spill prevention

Preventing a major incident or spill is paramount to all our operations. Health, safety and the environment, security, and preventing any accidents or oil spills are areas we have identified as being material for the Company. This is why strict planning, design and operating procedures are backed up with a comprehensive emergency response capability.

### Preventing major accidents

The emphasis for major accident control remains prevention. We place substantial effort on both internally and externally assured well design, equipment inspection and operational audits for all drilling programmes as part of our commitment to prevent major incidents. [See Deep water drilling](#)

### Emergency response planning

We continue to prepare for the very low possibility of a high-impact event, and have robust plans in place to manage potential incidents. In June 2013 the Emergency Response Coordination Centre was re-established to manage critical situations during exploration drilling in all operational areas. In addition:

three Emergency Response Procedures (ERPs) were developed and implemented for low-level operations offshore Morocco, Senegal and Greenland;

Oil Spill Contingency Plans and ERPs were developed for drilling activities in Morocco and Senegal;

Oil Spill Response certified training and practical training (DECC/IMO Level 2 and 3) was carried out for shore-based teams in emergency response and recovery vessel deployment;

consultation with the Irish authorities took place for the development of the ERP and Oil Spill Prevention and Contingency Plans (OSPCPs) for the Spanish Point appraisal well; and

ERP and OSPCP workshops were held with the Senegalese authorities ahead of submitting drilling applications.

### Oil spill contingency planning

We invested heavily in 2013 to gain access to specialist equipment managed by Oil Spill Response Limited (OSRL). It includes:

the Capping Stack System (CSS) situated at four strategic locations worldwide, which can be deployed to shut in the well and prevent oil from escaping to sea, at which point sub-sea dispersant is no longer needed;

the Sub-sea Incident Response Toolkit (SIRT), which enables dispersant to be applied at a sub-sea level, subject to government approval – this reduces the amount of oil reaching the surface or the shore, and increases its amenability to biodegradation; and

the Global Dispersant Stockpile, which provides a stockpile of dispersants with the widest worldwide approvals, large enough to provide for serious incidents.

In Senegal we have joined the regional spill organisation WACAF, which provides an aerial surveillance and dispersant service off West Africa and improves response time.

In Ireland we are working with the Shannon Estuary Anti-Pollution Team, which provides a coordinated response to localised pollution incidents.

We have also followed and participated in International Association of Oil & Gas Producers (OGP) Joint Industry Projects (JIPs) in this area, including the project covering Oil Spill Risk Assessment and Response Planning for Offshore Installations. This project has promoted a methodology of modelling a range of potential oil spill scenarios, taking into account factors such as the local environment, local meteorological conditions and other environmental issues highlighted in any assessments carried out for the project.

Oil Spill Contingency Plans were drawn up on the basis of the findings, as well as issues such as local capabilities, and followed by workshops to assist in developing plans to mobilise appropriate support personnel and vessels and to deploy specialist equipment such as CSS and SIRT.

### Working with industry

We continue to participate in a variety of expert work groups covering both prevention and response to major incidents. As members of the OGP we have actively supported initiatives to advance well design, safety procedures and oil spill preparation. These include the Well Expert Committee and Oil Spill Response (OSR) JIP for enhancing the industry's approach to oil spill prevention and response.





We are also continuing to take a leading role in the Greenland Oil Industry Association (GOIA) Drilling and Oil Spill Response Expert Work Groups, building on our experiences gained during the 2010 and 2011 drilling programmes.

During 2014, we will continue to ensure that employees, contractors and other key agencies focus on safety and remain alert to potential incidents. We will continue to develop plans to avoid these and, should an incident occur, ensure we have robust procedures in place to manage it effectively. All future projects will undergo a structured approach to oil spill planning in line with the good practice developed in 2013.

Specific ERPs and OSPCPs for operational activities will be developed for approval by the relevant regulator.

## Case study: Oil spill prevention and contingency planning in Morocco

Oil spill prevention in Morocco, and all locations where Cairn operates, starts with well designs that exceed requirements for the expected characteristics of the geological formations to be encountered. Primary and secondary well control is built into the design and this is described above.

In the very unlikely event that both primary and secondary well-control barriers are breached, tertiary controls are employed. A scenario defining the impact of the blow-out known as the 'worst credible case discharge' is used in conjunction with information gathered via the EIA to ensure an appropriate plan is developed.

The plan is based on a three-tier response system. Tier 1 is the response to a localised spill close to the operation. Equipment and personnel to respond to a localised spill are located on the rig and the platform support vessels. Should the incident prove beyond this local capability or affect a larger area, resources for an enhanced response (Tier 2) are provided from the shore base and from national capability where available.

Tier 3 response resources are located internationally, with the ability to be mobilised through Cairn's membership of OSRL, which gives Cairn access to:

- a substantial supply of mechanical equipment including booms, skimmers and collection equipment for offshore and near-shore response;

- specialist fire-resistant booms for application of *in situ* burning techniques;

- a supply of equipment and aircraft for the aerial application of dispersant to the water surface;

- the Sub-sea Incident Response Toolkit (SIRT), which enables dispersant to be applied at a subsea level, subject to government approval. This reduces the amount of oil reaching the surface or the shore, and increases its amenability to biodegradation;

- the Global Dispersant Stockpile, which provides a stockpile of dispersants with the widest worldwide approvals, large enough to provide for serious incidents; and

- the Capping Stack System (CSS), which can be deployed to shut in the well and prevent oil from escaping to sea, at which point subsea dispersant is no longer needed.

In addition, we have carried out training and practical exercises to ensure that priority actions are understood, equipment handling is mastered and appropriate logistics are in place.

In Morocco this specifically included:

- an Oil Spill Contingency Plan and Emergency Response Procedure – completed in August and October 2013 for the Foum Draa and Juby Maritime exploration wells, respectively;

- an Oil Spill Contingency Plan Logistics workshop in July 2013;

- Oil Spill Response certified training and practical training in equipment deployment – provided by OSRL in July and October 2013;

- a series of desktop exercises and focused training sessions in Q4 2013; and

- an emergency response real-time exercise – carried out in October 2013;

- weekly emergency response group briefings and monthly exercises.

▲ Within KPMG's limited assurance scope.

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**Zero ▲**

oil or fuel spills in 2013



## Resource development in the Arctic

Exploration in the Arctic region, beyond the High Arctic, is not new and began onshore in the 1920s and offshore in the 1970s, with a total of 10,000 wells drilled to date.

Choosing to realise the value of its potential resources, the Government of Greenland has awarded Cairn and other companies including Shell, Statoil BP, Tullow, ConocoPhillips and Maersk licences to explore, drill and potentially develop hydrocarbon resources in its territory for the benefit of its people.

We are conscious of our responsibility when operating in frontier areas such as the Arctic and have carried out considerable research about the risks of drilling in all conditions. We have experience and an excellent track record that demonstrates we are well equipped for the task of exploring for oil and gas. We have completed a range of operations in Greenland since 2008/09, including drilling eight offshore wells, without any serious injuries or significant environmental incidents.

We recognise that there is a public debate regarding our sector's activities in the Arctic, hence our commitment to avoiding risks and applying every practicable means to minimise impacts on human life and the environment.

We participated in the House of Commons Environmental Audit Committee (EAC), which reported in September 2012. In January 2013 the UK Government published its response to the report of the EAC, which subsequently produced a further report in July 2013.

### Case study: Iceberg management

Operating offshore Greenland brings certain very specific risks, including the need to manage icebergs. This risk needs to be managed to ensure that our operations are run safely, with due regard for our people and the environment.

We seek to mitigate all potential operational risks by adopting a preventative approach, which in this case means only drilling during the summer, when Arctic waters are generally ice free. However, icebergs are still occasionally present during the summer, so we have also set up a procedure involving a series of 'virtual alert zones' around the drilling vessels, which are monitored by a team of specialists.

The outermost zone, known as the Observation Zone, extends more than 100km from the drilling vessel and is continuously monitored by specially designed ice management vessels to ensure that it remains free of icebergs at all times.

Our record on iceberg management was discussed at consultation meetings last August, ahead of our proposed future drilling in the Pitu area. Concerns were expressed about glaciers along the Greenland coast that produce major icebergs, and whether these would pose a threat to drilling activities and associated vessels.

We were able to explain that we had gained considerable experience in ice management during our 2010/11 drilling campaign offshore Greenland. During this period we effectively managed more than 145 icebergs, and ensured that our drilling vessels did not have to move off site at any time. Similar robust and comprehensive methods will be used during any future activities.



## Biodiversity

Global awareness of biodiversity and what it means has increased dramatically over recent years. As a result, there is also more awareness of any issues that threaten it. This places an even greater onus on businesses like Cairn to firstly recognise that our activities may impact on biodiversity and, secondly, commit to protecting it in the regions where we operate.

### Assessing risk

Before any activity we carry out an environmental assessment. For major activities, we carry out either an Environmental Impact Assessment (EIA) or an Environmental and Social Impact Assessment (ESIA) to look at the possible effects of our operations on local biodiversity. Following this, we develop and implement an asset- or project-specific Environmental Management Plan (EMP) and, where there is significant risk to biodiversity, an associated Biodiversity Action Plan (BAP).

#### Biodiversity Framework

Oil and gas exploration can have an impact on nature and on the quality of life of the communities where we operate. We therefore identify, assess and monitor biodiversity through assessment of the potential environmental and social impacts in every territory where we operate. In 2013 we reviewed our commitment to biodiversity to bring it in line with International Finance Corporation (IFC) Performance Standard 6 – Biodiversity Conservation and Sustainable Management of Living Natural Resources.

A new Biodiversity Framework document was developed, which is applicable to all operations. The framework outlines the primary requirements to ensure that potential and actual impacts on biodiversity and ecosystems are assessed and managed, and will enhance our environmental assessment work going forward.

Our Business Principles outline our support for the sustainable use of biological resources in line with the Convention on Biological Diversity. We are committed to not operating in UNESCO-designated World Heritage Sites, and will only undertake operations that affect other protected areas and recognised sites (such as Ramsar sites, International Union for Conservation of Nature (IUCN) category I–IV areas) after due diligence of potential biodiversity impacts. In addition, we are committed to:

implementing procedures to avoid and, where this is not feasible, reduce or remedy biodiversity loss and seek opportunities to make positive contributions to biodiversity conservation;

taking a participatory approach to working with stakeholders to ensure that their concerns are addressed within the planning of activities, and that their interests and knowledge of biodiversity and use of ecosystem services are recognised and respected; and

monitoring our impacts and measuring positive contributions to biodiversity conservation.

The Biodiversity Framework is supported by new Biodiversity Guidance which gives additional advice for identifying, assessing, defining, executing and evaluating biodiversity risks and impacts, and associated management strategies within our business.

We will roll out and apply our new approach to biodiversity in 2014, integrate it with our CRMS and align it with our gated PDP.

### Impact assessments

#### Greenland

In 2013 we undertook two environmental baseline surveys in our northernmost block of the west coast of Greenland. The data has complemented the information we acquired in previous surveys within this licence area, and will lay a firm basis for assessing potential environmental impacts for planned drilling operations in the coming years.

As part of our well-abandonment operations, we have had the opportunity to return to four of the wells drilled during the 2010/11 campaigns. Samples collected at these locations will allow us to assess the residual impacts at operated sites two and three years after completion of drilling activities. This work included visual observations up to 200m away from the wells, as well as surface and deep cores at pre-selected sampling stations. It was also undertaken under agreement and in close cooperation with the regulatory authorities in Greenland, and their environmental advisers.

#### Morocco

Our seismic activities on Juby Maritime licence area, which we began in 2012, continued in 2013 and involved planning, permitting and executing the drilling campaign that included wells in two of the licence areas – Fom Draa (Fig well) and Juby Maritime (JMIII well).

Drilling activities on the Fig and JMIII wells are now complete. These were undertaken in strict compliance with the approvals received from the Moroccan Government, and assessment



of residual impacts at the well location (physical and biological) is ongoing.

Examples of some key impacts and associated mitigation measures included the following:

Due to relatively shallow water (<100m) in the area of operations, the drilling unit is being kept in place by eight anchors. In order to minimise any potential impacts and disturbance to seabed habitats and associated fauna, an extensive site survey and habitat assessment was undertaken. This identified the presence of relic carbonate reef, and anchors were carefully positioned and pre-laid to minimise impacts, while still ensuring the safety of the operations.

Potential impacts from Seismic While Drilling (SWD) operations, involving acoustic sources, were identified as potentially negative, particularly for organisms with reduced mobility. Cairn developed a detailed procedure in line with Joint Nature Conservation Committee (JNCC)/Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) requirements and placed marine mammal observers to monitor wildlife, inform operations and recommend mitigation actions such as 'soft start', and delay of operations.

The majority of discharges to sea from drilling operations are similar to discharges from a typical seagoing vessel (ballast waters, bilges, sewage, etc.) and are managed in strict compliance with MARPOL (International Convention for the Prevention of Pollution from Ships) requirements. Discharge of drill cuttings, potential fall-out of hydrocarbons from well-testing operations and the possibility of well blow-out present additional risks to the environment and require detailed planning of mitigation measures.

The chemical composition of drilling fluids is carefully assessed to ensure selection of the least harmful chemicals for the environment; cuttings dispersion is modelled to understand the scale and distribution of impacts; use of chemicals is closely monitored and minimised during operations; and residual impact on benthic communities and sediments is assessed post-drill.

Well-testing is planned to minimise flaring requirements; high-efficiency fallout and smoke-free burners are selected for the well-testing operations; and where possible, flaring operations are restricted to daylight hours to monitor any potential drop-out.

Oil Spill Contingency Plans are in place in advance of operations; personnel are trained to respond in emergency situations and to use the offshore and shoreline equipment; and contracts and memberships are in place to secure personnel and equipment hire for major spills.

Senegal

The evaluation of potential environmental and social impacts in Senegal started with the due diligence assessment in early 2013, prior to Cairn signing a farm-in agreement. Desktop studies were followed by in-country reconnaissance visits, consultations with stakeholders, environmental baseline surveys, assessment of risks and impacts, consequence modelling, audits and training of personnel. The permitting process of planned activities in Senegal will continue well into 2014, however studies completed in 2013 include:

environmental baseline surveys in water depths ranging from 1,000 to 2,000m to cover all potential drilling locations and provide input into assessment of environmental sensitivities;

meetings with stakeholders in the municipalities of Dakar, Thies and Fatick. These included regulatory authorities, fishing associations, businesses and representatives of communities;

assessment of Senegalese waste-treatment and disposal options to ensure that Cairn maintains its internal standards and satisfies the Duty of Care responsibilities; and

modelling of the worst credible case scenarios for hydrocarbon blow-out, fire and explosion, and toxic gas dispersion.

These studies informed the ESIA and Risk Studies, which have now been submitted to the regulatory authorities for approval together with other essential documentation, reports and management plans.





## Climate change

We accept that there is a growing global consensus that the supply of hydrocarbons to meet energy demand is leading to an increase in greenhouse gases (GHGs), which in turn is contributing to climate change. However, we also believe that until reliable alternatives are found to power a low-carbon economy, the use of gas and oil remains essential for economic and social progress.

### Climate change strategy

Our oil and gas exploration and production activities are carbon intensive, and we reviewed our approach to climate change in 2013 in light of external developments and updated our Business Principles to reflect our findings. Our approach to climate change includes:

- measuring, verifying and reporting on greenhouse gas emissions GHGs;
  - considering the risks and opportunities associated with climate change in our projects;
  - promoting efficient use of energy in our activities and, wherever possible, establishing objectives and targets for energy efficiency;
  - integrating climate change considerations and potential costs into investment decisions;
  - engaging with stakeholders, for example, through participating in industry associations, on mitigation and adaptation to climate change; and
  - looking to contribute to local programmes that address environmental and social impacts of climate change within our sphere of control and reasonable influence.
- We have also introduced climate change requirements into our PDP to ensure that we continue to ask the right questions at each stage of the process, and relevant stakeholders are engaged in order to manage the risk and identify opportunities throughout the lifetime of the project.

### Our emissions

We monitor and manage the GHGs emitted during our activities. Our report covers Cairn's global operations from 1 January to 31 December each year. We report on an 'operational control' basis, which means that we report on those operated assets over which we have control in terms of Corporate Responsibility (CR) policies and practices during 2013.

We report our GHG emissions in accordance with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and use emission factors that are appropriate to Cairn for our Scope 1, 2 and 3 GHG emissions.

Scope 1 emissions arise from: fuel combustion during offshore rig, marine vessel and aircraft operations, and from the use of land-based vehicles (99.9%); and include the incineration of waste on marine vessels/rigs (<0.01%).

Scope 2 emissions derive from the use of electricity in our offices and shore bases.

Scope 3 emissions arise from business travel, including air and rail travel (but not underground travel).

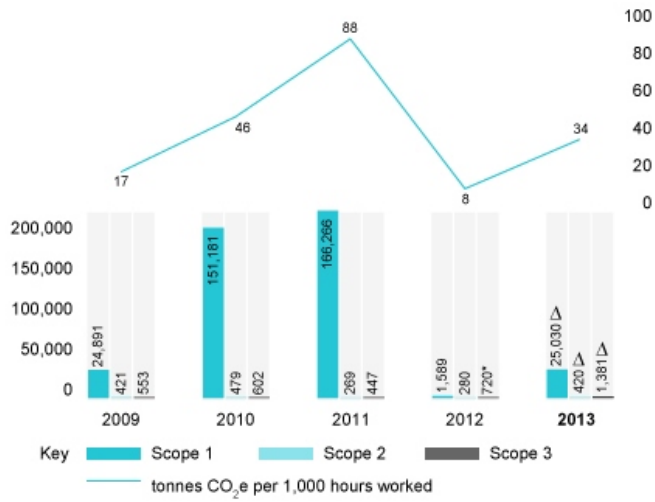
More information on our GHG accounting and reporting methodologies can be found [in Reporting](#).

Our GHG emissions over five years shows that they are heavily dependent on the level of operational activity in any given period. In 2010 and 2011, Cairn's major drilling programme offshore Greenland involved drilling eight wells and resulted in higher emissions than in 2012, when there was a limited amount of activity. Emissions rose in 2013 when we carried out surveys and commenced drilling offshore Morocco.

The varying levels of operational activity make it very difficult to identify a baseline and set targets for total GHG reduction over time.

Our GHG emissions intensity is calculated per thousand hours worked, as this provides a direct relationship with our activity. Factors such as the nature of the work in hand (i.e. drilling or survey), environmental conditions and distances between operations and logistic support bases have further significant influences on the intensity of GHG emissions.

Total absolute and normalised GHG emissions (Scope 1, 2 and 3)



\* 2012 air travel figures have been re-stated due to miscalculations being identified in the data base.

<sup>Δ</sup> Within KPMG's limited assurance scope.

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## Noise

An element of noise is generated at every stage of oil and gas exploration, notably from seismic surveys, drilling activities, support vessels and aircraft used in crew changes.

### Minimising the impact of noise

Noise is one of the areas covered by our EIAs, and we have developed a number of methods to reduce its impact.

We minimise the noise caused by our seismic surveys by using a process called ‘soft start’, in which we slowly increase the power of acoustic sources, giving marine mammals time to leave the area before we reach maximum power.

Wherever practical, we also try and ensure that aircraft routes avoid sensitive seabird colonies and marine mammals.



## Effluents, waste and water

Our operations, as with any business activity, create waste. Given the nature of our work, some of this waste, such as chemicals, can be hazardous, and the responsible handling and disposal of waste is a priority for all our operations.

### Chemical management

Specialist chemicals play an important part in all drilling operations and are used to ensure safety and to prevent the release of well fluids.

Every EIA we carry out includes an assessment of the potential risks and impacts of any discharge.

Cairn manages chemicals in accordance with the Oslo and Paris Convention for the Protection of the Marine Environment of the North-East Atlantic (OSPAR). It is an internationally recognised mechanism, developed by 15 governments of the western coasts and catchments of Europe, together with the European Union. Offshore chemicals are subject to pre-screening, substitution and ranking using a colour-code system.

Classification	Colour Category	Approach to Use
Chemicals classified for Priority Action or Possible Concern	Black	Do not use
Chemicals not meeting acceptability criteria for toxicity, biodegradation or bioaccumulation	Red	Use only where no acceptable substitute is available in the yellow or green categories
Other chemicals	Yellow	Use only where no acceptable substitute is available in the green category
Chemicals classified as PLONOR	Green	Use wherever possible

Wherever possible we select those with least impact, that is, 'green' classification, so-called PLONOR chemicals (Pose Little or No Risk) as a first choice; then 'yellow' and finally 'red', when no other option exists or if it is necessary to ensure the safety of operations. 'Red' chemicals cannot be used without prior authorisation from a regulator and we must provide specific justification for using one, backing this up with a full explanation of its function.

During 2013, just seven chemicals were used offshore Greenland, five of which were 'green' or PLONOR chemicals, and two 'yellow' with no substitute available in the 'green' category.

All chemicals used in Morocco were compliant with the Offshore Chemical Notification Scheme (OCNS) and were either Chemical Hazard and Risk Management (CHARM) assessed chemicals in the 'Gold' colour band (lowest hazard due to toxicity, biodegradation and bioaccumulation), or non-CHARM OCNS grouping E (least potential environmental hazard).

There were no recorded chemical spills to sea in 2013. ▲

### Waste management

The majority of Cairn's waste is produced by contractors, so our priority for 2013 was to put Waste Management Plans in place before operational activity started.

All our contractors work to strict Waste Management Plans that require them to segregate waste, record all waste produced and monitor how it is disposed of.

Offshore, ships and rigs operate to standards set out by the International Maritime Organization (IMO), which covers the maceration of food waste, the treatment of sewerage and, in some instances, incineration.

Any hazardous waste is treated and disposed of separately.

There were no waste spills in 2013. ▲

### Waste in Morocco

Last year we undertook a waste management audit covering our Moroccan drilling operations, where we have sub-contracted waste disposal to two local companies. They were



appointed after Cairn, together with another oil and gas operator, Kosmos, completed a joint review of the companies' operations to ensure they could appropriately deal with the waste streams generated by the offshore drilling activities.

The review also led to a number of HSE recommendations for the contractors to implement regarding the handling of Cairn's waste. During operations, Cairn's HSE advisors have been carrying out regular monitoring of the waste management processes, and their compliance with the Waste Management Plan.

### Waste in Senegal

In 2013 we also conducted a review of waste management for our future Senegalese operations. This addressed concerns about the capabilities of local waste management contractors, and considered what waste could realistically be managed locally and, given the potentially hazardous nature of some waste, what could not be effectively treated locally.

The review concluded that certain waste, such as recyclable plastics; scrap metal and metal packaging; wood, paper and card; and non-recyclable refuse, could, with some pre-treatment (e.g. cleaning and crushing), be dealt with locally.

However, there were concerns about waste re-entering the local second-hand market, either directly from the waste collector, or as a result of 'waste picking' after being deposited at local landfill facilities.

A more detailed assessment of the full supply chain will now be carried out, including final treatment and interim sorting and storage capabilities, especially around used oils, oily water, used filters, oily rags and other contaminated materials.

With regard to any hazardous chemical waste or associated primary packaging that cannot be cleaned and is rendered unusable for local treatment, the preferred and most environmentally sound option will be export for treatment in the EU following the Basel Convention procedure.

## Water management

At Cairn, we appreciate that our business both impacts on and depends upon water resources close to our operations, while recognising that access to clean water by communities is a key human right. We have had a water resource strategy in place for some years, which covers:

- monitoring and assessing the need for fresh water abstraction and use, and potential impacts on fresh water resources of our operations;
  - investigating ways to improve our fresh water management processes;
  - identifying, evaluating and implementing improvement measures to reduce impacts on fresh water; and
  - enhancing reporting of our fresh water resources management.
- In our present exploration activities offshore our use of fresh water is limited.

For offshore activities, we carefully manage all discharges into the sea. Sewage, organic kitchen waste, bilges and contaminated drainage water are all treated and discharged in strict compliance with MARPOL.

▲ Within KPMG's limited assurance scope.

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"In every country where we operate, we develop a Waste Management Plan and audit existing onshore facilities to ensure that any waste can be dealt with properly. This is part of our duty of care to local communities, and also part of our commitment to be a responsible operator."

Lyazzat Sarybekova  
Senior environmental advisor



# Air emissions

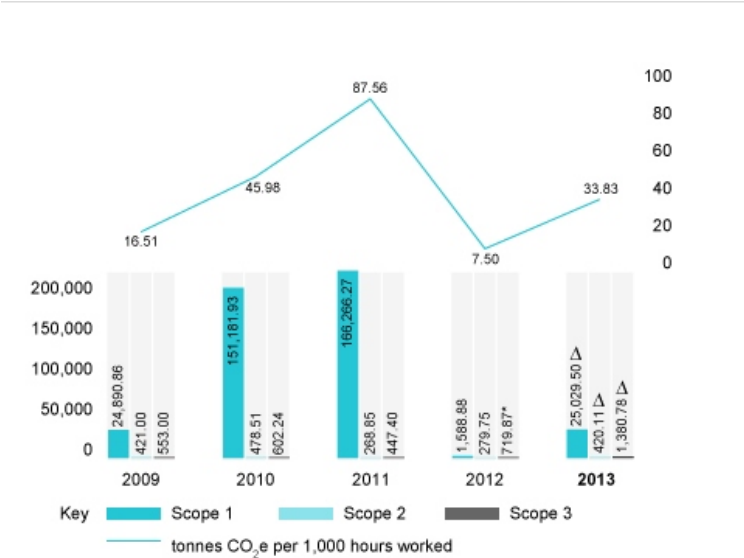
## Direct and indirect air emissions

Total absolute and normalised GHG emissions (scopes 1, 2 and 3)

Chart: Total absolute and normalised GHG emissions (scopes 1, 2 and 3)

Table: Total absolute and normalised GHG emissions (scopes 1, 2 and 3)

tonnes CO<sub>2</sub>e



		2009	2010	2011	2012	2013
All scopes	tonnes CO <sub>2</sub> e	25,864.86	152,261.68	166,982.52	2,588.50	26,830.39 <span>▲</span>
Scope 1 <sup>1</sup>	tonnes CO <sub>2</sub> e	24,890.86	151,180.93	166,266.27	1,588.88	25,029.50 <span>▲</span>
Scope 2 <sup>2</sup>	tonnes CO <sub>2</sub> e	421.00	478.51	268.85	279.75	420.11 <span>▲</span>
Scope 3 <sup>3</sup>	tonnes CO <sub>2</sub> e	553.00	602.24	447.40	719.87 <sup>+</sup>	1,380.78 <span>▲</span>
Scope 1, 2 and 3 normalised	tonnes CO <sub>2</sub> e per 1,000 hours worked	16.51	45.98	87.56	7.50	33.83

\* 2012 air travel figures have been re-stated due to miscalculations being identified in the data base.

▲ Within KPMG's limited assurance scope – [see below](#).

## Direct air emissions

Absolute and normalised direct GHG emissions (scope 1<sup>1</sup>)

(tonnes CO<sub>2</sub>e/tonnes CO<sub>2</sub>e per 1,000 hours worked)

	2009	2010	2011	2012	2013
Cairn total	24,890.86/ 15.89	151,180.93/ 45.65	166,266.27/ 87.18	1,588.88/ 4.60	25,029.50 <span>▲</span> / 31.56
Albania	2,671.00/ 164.24	0.00/ 0.00	0.00/ 0.00	0.00/ 0.00	0.00/ 0.00
Bangladesh	14,080.75/ 12.03	21,531.95/ 10.52	n/a/ n/a	n/a/ n/a	n/a/ n/a
Greenland	8,075.00/ 41.83	125,839.35/ 131.14	166,266.27/ 102.63	604.58/ 18.74	5,742.73/ 79.50
Morocco	n/a/ n/a	n/a/ n/a	n/a/ n/a	972.69/ 100.11	18,900.23/ 53.73
Nepal	8.11/ 0.57	5.81/ 0.37	0.00/ 0.00	7.03/ 1.12	0.04/ 0.01
Senegal	n/a/ n/a	n/a/ n/a	n/a/ n/a	n/a/ n/a	383.26/ 31.27



Spain	n/a/ n/a	n/a/ n/a	n/a/ n/a	4.58/ 0.34	3.21/ 0.27
Tunisia	56.00/ 23.41	3,803.83/ 68.29	n/a/ n/a	n/a/ n/a	n/a/ n/a

▲ Within KPMG's limited assurance scope – [see below](#).

## Total NOx emissions

[Chart: Total Total NOx emissions](#)

[Table: Total Total NOx emissions](#)

(tonnes)



## NOx emissions

(tonnes)

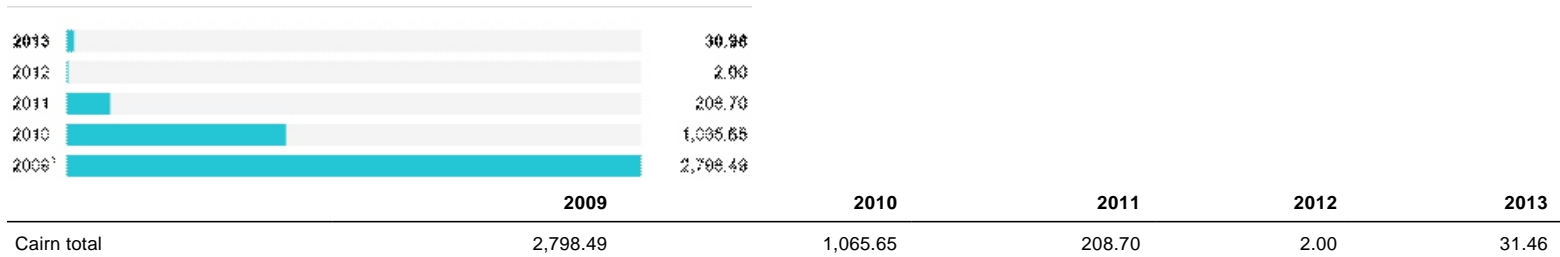
	2009	2010	2011	2012	2013
Albania	48.14	0.00	0.00	0.00	0.00
Bangladesh	207.00	430.55	n/a	n/a	n/a
Greenland	168.13	2,346.35	3,099.17	11.29	107.24
Morocco	n/a	n/a	n/a	18.17	352.69
Nepal	0.00	0.05	0.00	0.13	0.00
Spain	n/a	n/a	n/a	0.09	0.06
Senegal	n/a	n/a	n/a	n/a	7.16
Tunisia	1.19	71.04	n/a	n/a	n/a

## Total SO<sub>2</sub> emissions

[Chart: Total SO2 emissions](#)

[Table: Total SO2 emissions](#)

(tonnes)



## SO<sub>2</sub> emissions

(tonnes)

	2009	2010	2011	2012	2013
Albania	652.80	0.00	0.00	0.00	0.00
Bangladesh	155.40	902.36	n/a	n/a	n/a
Greenland	1,976.66	158.01*	208.70	0.76	7.22



Morocco	n/a	n/a	n/a	1.22	23.75
Nepal	0.00	0.50	0.00	0.01	0.00
Spain	n/a	n/a	n/a	0.01	n/a
Senegal	n/a	n/a	n/a	n/a	0.48
Tunisia	13.62	4.78	n/a	n/a	n/a

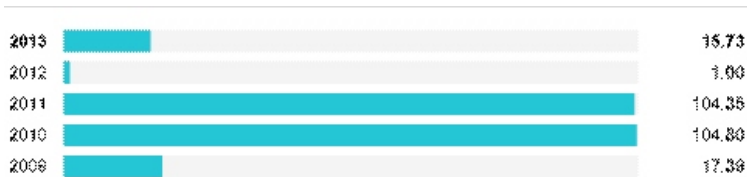
\* In Greenland the use of low-sulphur diesel and the correction of the emission factor led to the 96% drop in SO<sub>2</sub> emissions.

## Total VOCs

Chart: Total VOCs

Table: Total VOCs

(tonnes)



	2009	2010	2011	2012	2013
Cairn total	17.39	104.80	104.35	1.00	15.73

## VOCs

(tonnes)

	2009	2010	2011	2012	2013
Albania	1.96	0.00	0.00	0.00	0.00
Bangladesh	10.51	23.46	n/a	n/a	n/a
Greenland	4.89	78.95	104.35	0.38	3.61
Morocco	n/a	n/a	n/a	0.61	11.88
Senegal	n/a	n/a	n/a	n/a	0.24
Tunisia	0.03	2.39	n/a	n/a	n/a

## Indirect air emissions

Absolute and normalised GHG emissions from purchased electricity (scope 2<sup>2</sup>)

(tonnes CO<sub>2</sub>e/tonnes CO<sub>2</sub>e per 1,000 hours worked)

	2009	2010	2011	2012	2013
Cairn total	421.00/0.27	478.51/0.14	268.85/0.14	279.75/0.81	420.11 <span style="color: green;">▲</span> /0.53
Bangladesh	167.00/0.14	222.17/0.11	n/a/n/a	n/a/n/a	n/a/n/a
Greenland	0.00/0.00	0.00/0.00	21.56/0.01	14.40/0.45	17.97/0.25
Morocco	n/a/n/a	n/a/n/a	n/a/n/a	0.00/0.00	4.69/0.01
Nepal	5.00/0.35	0.03/0.00	0.00/0.00	0.00/0.00	0.00/0.00
Norway	n/a/n/a	n/a/n/a	n/a/n/a	1.60/0.06	1.48/0.04
Senegal	n/a/n/a	n/a/n/a	n/a/n/a	n/a/n/a	1.87/0.15
Spain	n/a/n/a	n/a/n/a	0.00/0.00	16.20/1.21	17.07/1.44
Tunisia	17.00/7.11	0.00/0.00	0.00/0.00	0.00/0.00	0.00/0.00
United Kingdom	232.00/1.36	256.31/1.10	247.29/0.89	247.54/0.97	377.02/1.24

▲ Within KPMG's limited assurance scope – [see below](#).

Total absolute and normalised GHG emissions from business travel (scope 3<sup>3</sup>)

	2009	2010	2011	2012	2013
--	------	------	------	------	------





Business travel	(tonnes CO <sub>2</sub> e/tonnes CO <sub>2</sub> e per 1,000 hours worked)	553.00/ 0.35	602.24/ 0.18	447.40/ 0.23	719.87/ 2.09	1,380.78 $\Delta$ / 1.74
Air travel	(tonnes CO <sub>2</sub> e)	553.00	602.24	447.40	712.06 <sup>+</sup>	1,370.16
Rail travel	(tonnes CO <sub>2</sub> e)	n/a	n/a	n/a	7.81	10.62

\* 2012 air travel figures have been re-stated due to miscalculations being identified in the data base.

$\Delta$  Within KPMG's limited assurance scope – [see below](#).

**Note:** We report our GHG emissions in accordance with the GHG Protocol Corporate Accounting and Reporting Standard (World Resources Institute / World Business Council for Sustainable Development). In addition we use the American Petroleum Institute (API) Compendium of Greenhouse Gas Methodologies for the Oil and Natural Gas Industry (2009) for scope 1 GHG emission calculations.

**Note:** Data has been provided for individual countries where there have been relevant emissions.

1. API compendium 2004 methodology and emission factors used for scope 1 calculations in 2009. For calculating Scope 1 Emissions from 2010 onwards, we use emission factors from the API Compendium 2009 and also from EEMS 2008 (UK Environmental and Emissions Monitoring System for the Department of Energy and Climate Change (DECC)).

Estimates and uncertainties:

- o Cairn used one fixed wing aircraft from October to December 2013 for personnel transfers during drilling operations in Morocco. We were not able to obtain data from Royal Air Maroc for this activity so the figures were estimated by Cairn's logistics department who have a good understanding of activity levels and numbers of personnel involved. This represented about 2% of the fuel used during drilling operations in Morocco.
- o Petrol consumption for land based vehicles at shore bases/offices was estimated. This represents less than 1% of fuel consumption during drilling in Morocco.
- o The weight of waste incinerated on board vessels is usually based on estimates however this represents a tiny amount compared to overall emissions (<0.003 tonnes CO<sub>2</sub>E).
- o We use the most applicable emission factors available but there will always be a small margin of error from these as they may not match fuel type exactly.

2. We updated our electricity emission factors in 2012 in line with the latest Defra/DECC guidelines. For the UK, electricity emission factors were taken from '2012 Guidelines to Defra/DECC's GHG Conversion Factors for Company Reporting'. For other countries they were taken from the International Energy Agency (IEA) 2012. For calculating Scope 2 Emissions in 2013, we use emission factors from the IEA (International Energy Agency) report 'CO<sub>2</sub> Emissions from Fuel Combustion Highlights' (2013 Edition), p110–112 'CO<sub>2</sub> emissions per kWh from electricity generation'.

Estimates and uncertainties:

- o Most of our electricity consumption happens in our head office in Edinburgh (66%), followed by London (12%) and Norway (10%). Electricity consumption for the Edinburgh office is taken from meter readings; London electricity consumption is calculated from a quarterly meter reading multiplied by 4. The rest of our electricity consumption is calculated as a proportion of the overall building consumption (including Norway, which represents 10% of our overall electricity consumption, Spain which represents 5%, and Greenland which represents 5%), or by calculating usage based on the Edinburgh office electricity consumption per person per month.
- o There is always a degree of inaccuracy in emission factors. We use conversion factors from IEA to calculate emissions from electricity consumption. There is no electricity emission factor available for Greenland so we use the Denmark factor instead.

3. In 2012 we updated our methodology for calculating air emissions. For calculating air travel emissions we use journey type (domestic, short haul, long haul), seat class (economy, premium economy, business, first), distance, and an uplift factor. For some flights, where the seat class is not known, or data is not available broken into flight sectors with the associated seat class, applicable average emission factors may be used. We started to collect data for rail travel emissions in 2012 and for these we use rail type (National Rail, Eurostar) and distance. We use emission factors from '2012 Guidelines to Defra/DECC's GHG Conversion Factors for Company Reporting'.

It is Cairn policy that all travel is booked using it's travel partner, HRG, except under special exception. As a result of this, the majority of our travel data is obtained in a report from HRG and includes details on journey type, seat class and kilometres travelled. Travel data is also obtained from other Cairn offices, from a travel expense claim report from Edinburgh's accounts department, and through communication with executive assistants in the Edinburgh office. Where journey kilometres are not provided with the data, these are obtained from internet resources, e.g. [www.airmilescalculator.com](http://www.airmilescalculator.com) and [www.travelfootprint.org](http://www.travelfootprint.org).

Estimates and uncertainties:

- o Not all HRG flight data can be broken down into flight sectors with the corresponding seat class so there is a degree of uncertainty in this.
- o Travel data obtained from travel expenses does not always show whether a journey is single or return so this sometimes has to be assumed. In addition, the seat class of these flights is not shown, however flights booked outwith the HRG system are usually with budget airlines so the majority are known to be economy class. These flights are not broken down into sectors but the majority are domestic or short haul / European flights, which are only one flight sector.
- o For rail travel data obtained from travel expenses, many of the journey distances are based on estimates.
- o Travel data provided by Cairn's Norway office (from their travel provider) does not include train journeys so an estimate has to be made for these.
- o Occasional flights/train journeys booked by individuals based in Cairn's offices outside the UK might get missed, however this is considered minimal.

**Note:** KPMG LLP were engaged to provide limited assurance over selected information in the Cairn Energy CR Report for the year ended 31 December 2013. This information has been reproduced on the Cairn Energy website and can be identified through reference to the symbols ( $\Delta$  and +). To view KPMG's full opinion, please [click here](#).



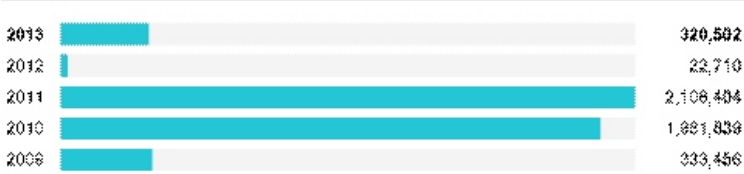
# Energy consumption

## Total direct and indirect energy consumption

Chart: Total direct and indirect energy consumption

Table: Total direct and indirect energy consumption

(GJ)



	2009	2010	2011	2012	2013
Total energy (direct and indirect) consumption	333,456	1,981,839	2,108,404	22,710	320,502
Direct energy consumption	330,492	1,978,618	2,106,086	20,117	316,562
Indirect energy consumption	2,964	3,221	2,318	2,593	3,940

## Direct energy consumption by primary source

Aviation gas

(GJ)

	2009	2010	2011	2012	2013
Cairn total	0	69,167	108,549	0	5,114
Greenland	0	69,167	108,549	0	0
Morocco	n/a	n/a	n/a	n/a	5,114

Diesel

(GJ)

	2009	2010	2011	2012	2013
Cairn total	106,516	47,084	3,824	185	1
Bangladesh	11,874	46,579	n/a	n/a	n/a
Greenland	89,645	368	3,736	145	0
Nepal	105	137	87	39	1
Tunisia	4,892	0	n/a	n/a	n/a

Fuel oil (marine diesel)

(GJ)

	2009	2010	2011	2012	2013
Cairn total	89,757	1,580,506	1,993,383	19,788	310,924
Albania	68,363	0	0	0	n/a
Bangladesh	1,771	8,846	n/a	n/a	n/a
Greenland	15,996	1,523,594	1,993,383	7,445	72,504
Morocco	n/a	n/a	n/a	12,291	233,576
Nepal	0	0	0	52	0
Senegal	n/a	n/a	n/a	n/a	4,843
Tunisia	3,627	48,066	n/a	n/a	n/a

Gasoline (petrol)



(GJ)

	2009	2010	2011	2012	2013
Cairn total	0	479	278	70	472
Bangladesh	0	479	n/a	n/a	n/a
Greenland	0	0	278	70	65
Morocco	n/a	n/a	n/a	n/a	407

## Heating oil

(GJ)

	2009	2010	2011	2012	2013
Cairn total	0	225	0	0	1
Bangladesh	0	219	n/a	n/a	n/a
Nepal	0	5	0	0	0
Norway	n/a	n/a	n/a	n/a	1

## Natural gas

(GJ)

	2009	2010	2011	2012	2013
Cairn total	134,048	279,715	52	74	52
Bangladesh	134,048	279,715	n/a	n/a	n/a
Spain	n/a	n/a	52	74	52

## Other energy

(GJ)

	2009	2010	2011	2012	2013
Cairn total	171	1,315	0	0	0
Bangladesh	171	1,313	n/a	n/a	n/a
Nepal	0	2	0	0	0

## Renewable energy

(GJ)

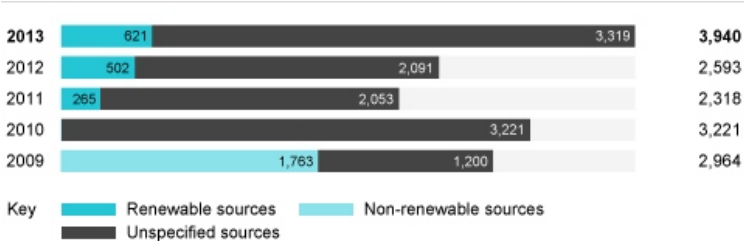
	2009	2010	2011	2012	2013
Cairn total	0	127	0	0	0
Bangladesh	0	127	n/a	n/a	n/a

## Total indirect energy (purchased electricity<sup>1</sup>) consumption by primary source

Chart: Total indirect energy (purchased electricity<sup>1</sup>) consumption by primary source

Table: Total indirect energy (purchased electricity<sup>1</sup>) consumption by primary source

(GJ)





	2009	2010	2011	2012	2013
Cairn total	2,964	3,221	2,318	2,593	3,940
Renewable sources	0	0	265 <sup>+</sup>	502 <sup>+</sup>	621
Non-renewable sources	1,763	0	0 <sup>+</sup>	0 <sup>+</sup>	0
Unspecified sources	1,200	3,221	2,053	2,091	3,319

\* There have been small amendments made to these figures because electricity consumption in Nepal and Norway was previously recorded incorrectly as non-renewable in 2011 and 2012, respectively.

## Indirect energy (purchased electricity<sup>1</sup>) consumption by primary source

Renewable sources

(GJ)

	2009	2010	2011	2012	2013
Greenland	0	0	252	144	205
Nepal	0	0	13 <sup>+</sup>	13	6
Norway	n/a	n/a	n/a	346 <sup>+</sup>	409

\* These figures were previously recorded incorrectly as non-renewable.

Non-renewable sources

(GJ)

	2009	2010	2011	2012	2013
Tunisia	117	0	n/a	n/a	n/a
United Kingdom	1,646	0	0	0	0

Unspecified sources

(GJ)

	2009	2010	2011	2012	2013
Bangladesh	1,182	1,368	n/a	n/a	n/a
Nepal	18	25	0	0	0
Senegal	n/a	n/a	n/a	n/a	10
Spain	n/a	n/a	226	245	211
United Kingdom	0	1,829	1,827	1,846	3,075

**Note:** Data has been provided for individual countries where there has been relevant energy consumption.

1. In 2013, most of our electricity consumption happened in our head office in Edinburgh (66%), followed by London (12%) and Norway (10%). Electricity consumption for the Edinburgh office is taken from meter readings; London electricity consumption is calculated from a quarterly meter reading multiplied by 4. The rest of our electricity consumption is calculated as a proportion of the overall building consumption (including Norway, which represents 10% of our overall electricity consumption, Spain which represents 5%, and Greenland which represents 5%), or by calculating usage based on the Edinburgh office electricity consumption per person per month.



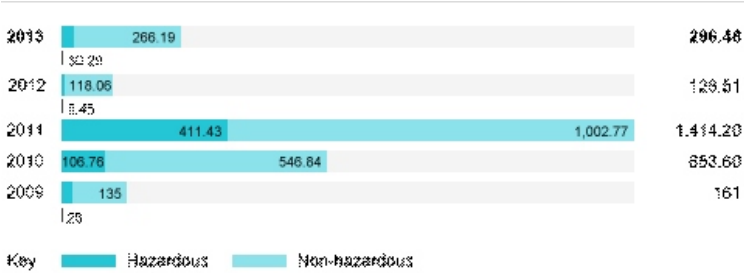
# Waste

## Total hazardous and non-hazardous waste

Chart: Total hazardous and non-hazardous waste

Table: Total hazardous and non-hazardous waste

(tonnes)



	2009	2010	2011	2012	2013
Total hazardous and non-hazardous	161	653.60	1,414.20	126.51	296.48
Hazardous	26	106.76	411.43	8.45	30.29
Non-hazardous	135	546.84	1,002.77	118.06	266.19

## Total regulated hazardous waste quantities by disposal method

(tonnes)

	2010	2011	2012	2013
Incineration or used as fuel	15.45	36.10	0.00	2.38
Recycling	76.32	0.00	0.09	21.36
Reuse	0.00	0.50	0.00	0.00
Landfill	1.10	0.00	0.00	0.02
On-site storage	7.77	0.00	0.00	0.00
Unspecified disposal	6.13	374.83	8.36	6.53

## Total regulated non-hazardous waste quantities by disposal method

(tonnes)

	2010	2011	2012	2013
Composting	0.60	0.60	1.61	0.98
Incineration or used as fuel	177.72	498.40	5.37	62.49
Recycling	47.69	165.51	57.42	97.22
Reuse	0.45	0.00	0.00	0.00
Landfill	137.86	49.95	50.17	73.41
On-site storage	37.05	3.18	0.00	0.00
Unspecified	145.47	285.14	3.50	32.08

**Note:** We started breaking down waste by disposal method in 2010.

## Hazardous and non-hazardous waste

(tonnes)

	2010	2011	2012	2013
Bangladesh hazardous	2.09	n/a	n/a	n/a
Bangladesh non-hazardous	32.68	n/a	n/a	n/a



Greenland hazardous	104.68	411.41	8.21	2.02
Greenland non-hazardous	382.22	907.86	8.77	45.14
Morocco hazardous	n/a	n/a	0.00	27.58
Morocco non-hazardous	n/a	n/a	1.27	106.32
Nepal hazardous	0.00	0.00	0.00	0.00
Nepal non-hazardous	0.18	0.80	2.07	1.00
Norway hazardous	n/a	n/a	0.00	0.05
Norway non-hazardous	n/a	n/a	1.12	1.14
Senegal hazardous	n/a	n/a	n/a	0.36
Senegal non-hazardous	n/a	n/a	n/a	3.35
Spain hazardous	n/a	0.00	0.00	0.00
Spain non-hazardous	n/a	0.09	0.33	0.33
Tunisia hazardous	0.00	n/a	n/a	n/a
Tunisia non-hazardous	52.90	n/a	n/a	n/a
United Kingdom hazardous	0.00	0.03	0.24	0.29
United Kingdom non-hazardous	78.87	94.02	104.50	108.90

**Note:** We started breaking down waste by country in 2010.

**Note:** We collect and report data from our contractors on the weight of waste generated during the activities they undertake on our behalf. Further to recommendations made by our external assurers in 2011 regarding our waste data we now instruct our contractors to weigh their waste wherever possible. Where this is not possible, due to operational factors, we ask them to provide details of the methodology used to calculate their waste figures e.g. the conversion factors used to convert volume into tonnes.

**Note:** Data has been reported for countries where waste has been generated. Similarly, data has been reported for applicable waste disposal methods that have been used.





# Water

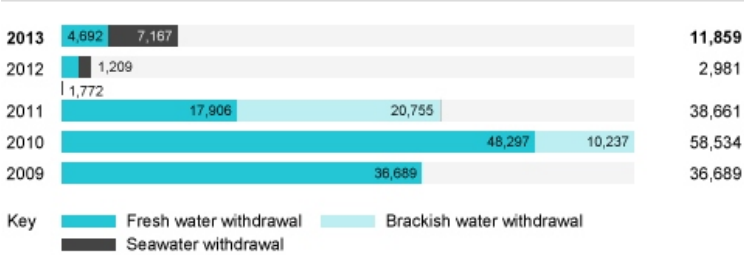
## Water consumption

Total water withdrawal

Chart: Total water withdrawal

Table: Total water withdrawal

(m³)



	2009	2010	2011	2012	2013
Cairn total	36,689	58,534	38,661	2,981	11,859
Fresh water	36,689	48,297	17,906	1,772	4,692
Brackish water	0	10,237	20,755	0	0
Seawater	0	0	0	1,209	7,167

**Note:** Since 2012 water consumption data has been broken down into fresh water, brackish water and sea water. Some fresh water used by Cairn's activities is produced by reverse osmosis from sea water. This data has been included under sea water since 2012 as this was the source of the water. It was included under brackish/sea water in 2011 when brackish and sea water categories were not broken down. In previous years it was reported under 'fresh water unspecified'. This explains some of the differences in figures over the years.

Total water withdrawal by source

(m³)

	2009	2010	2011	2012	2013
<b>Fresh water</b>					
Municipal water supplies or other water utilities	26,794	15,645	16,113	1,711	4,670
Groundwater sources	8,303	11,497	80	26	13
Another organisation's waste water	0	0	2	0	0
Unspecified sources	1,592	21,155	1,711	36	9
<b>Brackish water</b>					
Groundwater sources	0	0	1	0	0
Surface water sources	0	0	20,754	0	0
Unspecified sources	0	10,237	0	0	0
<b>Seawater</b>					
Surface water sources	n/a	n/a	n/a	1,060	7,167
Unspecified sources	n/a	n/a	n/a	149	0

## Fresh water withdrawal sources

Municipal water supplies or other water utilities

(m³)

	2009	2010	2011	2012	2013
Bangladesh	12,478	14,265	n/a	n/a	n/a
Greenland	0	0	14,466	138	1,645
Morocco	n/a	n/a	n/a	0	1,477
Nepal	63	54	150	17	9



Norway	n/a	n/a	n/a	145	143
Senegal	n/a	n/a	n/a	n/a	103
Spain	n/a	n/a	64	96	71
Tunisia	10,495	n/a	n/a	n/a	n/a
United Kingdom	3,758	1,326	1,433	1,315	1,222

#### Groundwater (m<sup>3</sup>)

	2009	2010	2011	2012	2013
Bangladesh	5,952	11,453	n/a	n/a	n/a
Nepal	101	44	80	26	13
Tunisia	2,250	n/a	n/a	n/a	n/a

#### Another organisation's waste water (m<sup>3</sup>)

	2009	2010	2011	2012	2013
Greenland	0	0	2	0	0

#### Unspecified (m<sup>3</sup>)

	2009	2010	2011	2012	2013
Albania	363	n/a	n/a	n/a	n/a
Greenland	1,043	20,383	1,711	4	0
Morocco	n/a	n/a	n/a	0	2
Senegal	n/a	n/a	n/a	n/a	7
Tunisia	180	765	n/a	n/a	n/a
United Kingdom	6	7	0	32	0

## Brackish water withdrawal sources

#### Groundwater (m<sup>3</sup>)

	2009	2010	2011	2012	2013
Greenland	0	0	1	0	0

#### Surface water (m<sup>3</sup>)

	2009	2010	2011	2012	2013
Greenland	0	0	20,754	0	0

#### Unspecified (m<sup>3</sup>)

	2009	2010	2011	2012	2013
Greenland	0	10,031	0	0	0
Tunisia	0	206	n/a	n/a	n/a



### Seawater withdrawal sources

#### Surface water

(m<sup>3</sup>)

	2009	2010	2011	2012	2013
Greenland	n/a	n/a	n/a	1,060	0
Morocco	n/a	n/a	n/a	0	6,710
Senegal	n/a	n/a	n/a	0	457

#### Unspecified

(m<sup>3</sup>)

	2009	2010	2011	2012	2013
Morocco	n/a	n/a	n/a	149	0

**Note:** Data has been provided for individual countries where there has been relevant water consumption.

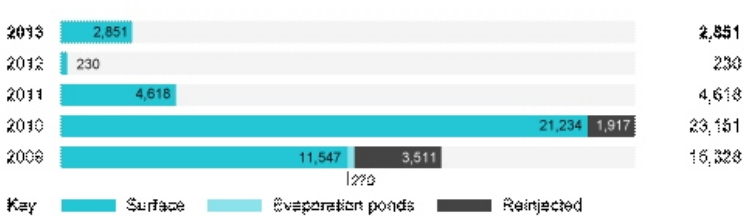
## Water effluent and discharges to water

### Total water effluent and destination

Chart: Total water effluent and destination

Table: Total water effluent and destination

(m<sup>3</sup>)



Key: Surface (blue), Evaporation ponds (light blue), Rejected (dark blue)

	2009	2010	2011	2012	2013
Cairn total	15,328	23,151	4,618	230	2,851
Surface	11,547	21,234	4,618	230	2,851
Evaporation ponds	270	0	0	0	0
Rejected	3,511	1,917	0	0	0

### Water effluent discharged to surface

(m<sup>3</sup>)

	2009	2010	2011	2012	2013
Bangladesh	11,547	16,295	n/a	n/a	n/a
Greenland	0	4,174	4,618	142	1,094
Morocco	n/a	n/a	n/a	88	1,717
Senegal	n/a	n/a	n/a	n/a	40
Tunisia	0	765	n/a	n/a	n/a

### Water effluent discharged to evaporation ponds

(m<sup>3</sup>)

	2009	2010	2011	2012	2013
Greenland	270	0	0	0	0



Water effluent reinjected  
(m<sup>3</sup>)

	2009	2010	2011	2012	2013
Bangladesh	3,511	1,917	n/a	n/a	n/a

Oil discharged in water effluent to surface  
((tonnes/mg per litre of water discharged to surface/mg per million tonnes of hydrocarbon produced))

	2009	2010	2011	2012	2013
Cairn total	0.29/25/ 0.69	0.39/19/ 1.46	0.00/0.00/ 0.00	0.00/0.00/ 0.00	0.00/0.00/ 0.00
Bangladesh	0.29/25/ 0.69	0.39/24/ 1.46	n/a/n/a/ n/a	n/a/n/a/ n/a	n/a/n/a/ n/a

**Note:** There has been no hydrocarbon production since 2010.  
**Note:** Data has been provided for individual countries where there has been relevant effluent and discharges to water.



# Spills

## Total number of spills

(number)

	2009	2010	2011	2012	2013 <span>▲</span>
Oil	0	0	0	0	0
Fuel	1	1	1	0	0
Chemical	0	3	0	1	0
Waste	1	0	0	0	0
Other	0	0	2	0	0

▲ Within KPMG's limited assurance scope – [see below](#).

## Total volume spilled

(barrels)

	2009	2010	2011	2012	2013 <span>▲</span>
Oil	0.00	0.00	0.00	0.00	0.00
Fuel	0.01	28.30	0.06	0.00	0.00
Chemical	0.00	56.85	0.00	2.20	0.00
Waste	0.06	0.00	0.00	0.00	0.00
Other	0.00	0.00	9.44	0.00	0.00

▲ Within KPMG's limited assurance scope – [see below](#).

## Fuel

(number/barrels)

	2009	2010	2011	2012	2013 <span>▲</span>
Bangladesh	1/0.01	1/28.3	n/a	n/a	n/a
Greenland	0/0.00	0/0.00	1/0.06	0/0.00	0/0.00

▲ Within KPMG's limited assurance scope – [see below](#).

## Chemical

(number/barrels)

	2009	2010	2011	2012	2013 <span>▲</span>
Bangladesh	0/0.00	1/56.60	n/a	n/a	n/a
Greenland	0/0.00	2/0.25	0/0.00	0/0.00	0/0.00
United Kingdom	0/0.00	0/0.00	0/0.00	1/2.20	0/0.00

▲ Within KPMG's limited assurance scope – [see below](#).

## Waste

(number/barrels)

	2009	2010	2011	2012	2013 <span>▲</span>
Bangladesh	1/0.06	0/0.00	n/a	n/a	n/a

▲ Within KPMG's limited assurance scope – [see below](#).

## Other

(number/barrels)

	2009	2010	2011	2012	2013 <span>▲</span>
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Greenland	0/0.00	0/0.00	2/9.44	0/0.00	0/0.00
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⚠ Within KPMG's limited assurance scope – [see below](#).

**Note:** Spill category definitions:

Oil: crude oil.

Fuel: diesel, gasoline, kerosene, heating oil, aviation fuel.

Chemical: any other raw material or ancillary.

Waste: any material (solid, liquid, gas) that is introduced into the work location as a product of the work but that fulfils no further useful purpose at that location.

Other: other material not included in categories above.

N.B. If something fits into more than one category, we report against the category that provides the most information, e.g. chemical rather than waste when reporting waste chemicals.

**Note:** Data has been provided for individual countries where there have been relevant spills.

**Note:** There were 2 minor spills in Morocco in 2013 that were contained before reaching the environment.

**Note:** KPMG LLP were engaged to provide limited assurance over selected information in the Cairn Energy CR Report for the year ended 31 December 2013. This information has been reproduced on the Cairn Energy website and can be identified through reference to the symbols (⚠ and +). To view KPMG's full opinion, please [click here](#).





# Environmental compliance

## Non-compliance with environmental laws and regulations

Cairn total

		2009	2010	2011	2012	2013
Incidents	(number)	0	0 <sup>1</sup>	0	0	0
Non-monetary sanctions	(number)	0	0	0	0	0
Monetary value of significant fines	(£'000 pounds sterling)	0	0	0	0	0

1. Three non-compliances were recorded in Greenland with respect to the use of chemicals outside the limits of the permits. All issues were minor and were reported to the authorities, and no fines or sanctions were incurred.



# Biodiversity

## Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.

Area of operations	Geographical location; type of operation	Protected areas (distance to licence block, status)
Offshore West Greenland, Pitu Block	<p>Located approximately 23km from the northwest coast of Greenland, within Baffin Bay, in water depths of 200m to 500m.</p> <p>Environmental baseline surveys.</p>	<b>Melville Bay Nature Reserve</b> (Marine Protected Area) is situated approximately 50km north of the licence block and is an important site for narwhals and polar bears. The licence block is located in Protection Area II, which is designated as a narwhal migration corridor from 15 October to 1 December.
Offshore West Greenland, Lady Franklin Block	<p>Located in central Davis Strait approximately 250km from the nearest coastline, in water depths ranging from approximately 800m to more than 1,800m.</p> <p>Well-plug and abandonment operations and post-drill survey.</p>	<b>Ikkatoq and adjacent archipelago</b> (Ramsar Site) is the nearest protected area to the licence block (over 300km away) and covers a total area of 44,880ha.
Offshore West Greenland, Atammik Block	<p>Located in eastern Davis Strait approximately 100km from the nearest coastline, in water depths ranging from approximately 200m to 1,000m.</p> <p>Well-plug and abandonment operations and post-drill survey.</p>	<b>Ikkatoq and adjacent archipelago</b> (Ramsar site) is the nearest protected area to the licence block (over 300km away) and covers a total area of 44,880ha.
Offshore West Greenland, Sigguk Block	<p>The Sigguk Block is located in Disko West Area offshore West Greenland, over 100km from the closest point of the West Greenland coast, in water depths ranging from approximately 250m to 1,800m.</p> <p>Well-plug and abandonment operations and post-drill survey.</p>	<b>Qínnguata Marraa and Kuussuaq</b> (RAMSAR site, Wetland of International Importance) is the nearest protected area to the licence block (approximately 165km); it was designated in 1988 and covers a total area of 6,480ha.
Morocco, Fom Draa Offshore I–III	<p>Approximately 200km southwest of Agadir, with a water depth range of between 1,420m and 1,650m.</p> <p>Exploration drilling (Fig well).</p>	The <b>Souss-Massa National Park</b> (Parc National de Souss-Massa) is a 33,800ha national park on the Atlantic coast of Morocco and was established in 1991. It is the nearest protected area to the Fig well (at least 162km away).
Morocco, Juby Maritime I–III	<p>Approximately 40km offshore, approximately 420km southwest of Agadir, with a water depth of around 100m.</p> <p>Exploration drilling (JMIII well).</p>	<b>Khenifiss National Park</b> (Le Parc National Khenifiss) is a national park in the southwest of Morocco, located on the Atlantic coast in the region of Laâyoune-Boujdour-Sakia El Hamra (Tarfaya Province). It was established in 2006. The area of the park is 1,850km². The national park was created to protect desert, wetlands and coastal dunes. It is the nearest protected area to the JMIII well (approximately 60km away).
Senegal, Sangomar Deep Offshore	<p>Approximately 85km from the nearest coast, in water depths ranging from 800m to 2000m.</p> <p>Site survey, including environmental baseline.</p>	<b>Saloum Delta Biosphere Reserve and National Park</b> (at least 85km away). The biosphere reserve comprises 72,000 hectares of marine areas, 23,000 hectares of flooded areas, and 85,000 hectares of terrestrial islands. The National Park, which forms part of a UNESCO World Heritage Site and a Ramsar Convention site, lies within a 180,000 ha biosphere reserve. Other protected areas in the vicinity include <b>Magdalen Islands National Park, Goree Island, Poponguine Natural Reserve, Joal Fadiouth Protected Marine area, Protected Marine area of Bamboung, Protected Marine area of Abene, Lower Casamance National park.</b>

NOTE: Only blocks operational in 2013 are listed in the table above.

## Habitats protected or restored

The impacts from Cairn drilling operations on the environment and biodiversity in Morocco (Fig well, Fom Draa) were, although measurable, very limited in scale and localised. No habitats required restoration following completion of drilling activities. Operations in Greenland and Senegal had no notable or measurable impacts on the environment or biodiversity.

The following measures were implemented, or planned for implementation, during the 2013 exploration drilling campaign in Morocco:

Activity	Potential impact	Mitigation/protection measures
Routine operations	Potential disturbance and behavioural changes in fish, marine mammals and reptiles due to increase in background marine noise levels from drilling operations.	<p>Days on location of the Mobile Offshore Drilling Unit (MODU) were kept to a minimum.</p> <p>Operational and maintenance procedures on the MODU aimed to optimise the efficiency of equipment and schedule of operations.</p> <p>Vessel and helicopter movements were optimised by careful planning and avoiding environmentally sensitive areas and periods.</p> <p>Circling or hovering over marine mammals or sites identified as sensitive for seabird colonies were prohibited.</p>



Noise from Seismic While Drilling (SWD).

A qualified Marine Mammal Observer (MMO) was on site during Seismic While Drilling (SWD) operations.

The MMO visually monitored the 500m exclusion zone around the rig location for 30 minutes to ensure that no marine mammals or sea turtles were within this area prior to commencement of SWD operations.

A 'soft start' of no less than 20 minutes had been undertaken prior to commencement of SWD operations.

A single gun mitigation shot was fired every 10 minutes.

Potential for obstruction to fishing operations due to presence of exclusion zone around the MODU (loss of access to fishing ground). Economic costs to fisheries.

A safety exclusion zone was maintained at 500m from the MODU.

A vessel was on stand-by at all times, monitoring transit/fishing vessels within the area and maintaining the exclusion zone.

Early-warning radar and communication systems on board the stand-by vessel and MODU were used to identify and communicate with any approaching vessels.

Liaison with the shipping and fishing authorities and other fishing groups had been maintained.

The shipboard emergency response plans of the MODU and supply/support vessels had been verified by Cairn for adequacy to respond to the potential collision threat.

Potential land take, increased use of local/limited/infrastructure, services, accommodation facilities and resources, increased air, marine and onshore traffic due to presence of onshore logistic base and support activities.

Local disturbance was minimised by use of existing facilities, optimisation of supply/support and crew change operations.

Local employment and use of available services/resources was maximised to benefit local population and businesses.

Local content strategy was implemented.

Stakeholder engagement strategy was developed and implemented, and included a grievance mechanism to ensure that any concerns or issues were addressed in a timely manner.

Disturbance of seabed habitats and associated fauna due to anchoring of the drilling rig.

Site survey had confirmed the absence of sensitive features at the proposed anchoring location.

Emissions to air.

Main power-generation equipment had been well maintained and operated.

Contracted vessels were required to control fuel use, maintain equipment, manage energy and optimise voyage management, wherever possible.

Low-sulphur diesel was used.

All drilling activities were planned so as to minimise duration and ensure efficient operations.

The design of the well test programme had been optimised to minimise quantities of oil and gas flared.

Use of high combustion efficiency 'green' burners during the well test operations.

Incineration of operational wastes on board the MODU and support vessels, where required, was in full compliance with MARPOL requirements.

Waste management offshore.

All vessels had a Waste Management Plan and a waste record book where waste volumes, types and disposal routes were recorded.

Cairn enforced strict segregation and containment of waste.

All solid wastes, including any oil recovered from the slops tank or drains, had been transferred to shore for further shipment and/or disposal at appropriate licensed facilities.

Skip transfers had been netted to avoid the release of waste material.

All waste transfers had been logged and recorded in shipboard logs and transfer notes.

No waste materials had been discharged to sea.

All wastes had been managed and disposed of according to the Waste Management Plan, the Duty of Care and based on EU definitions and legislation.

Contamination of soil/groundwater and visual impact due to onshore disposal.

Use of authorised and properly managed waste-handling facilities onshore.

Shipment and disposal by specialised and registered waste-handling contractors.

Medical waste had been incinerated at the approved facilities onshore.

Waste oils had been transferred to the approved facilities onshore.

Marine pollution due to discharges to sea.

Sewage from MODUs and support vessels had been treated and discharged in strict compliance with MARPOL requirements (Annex IV



Prevention of Pollution by Sewage from Ships).

Organic kitchen waste was treated and discharged to sea in strict compliance with MARPOL requirements (Annex V Prevention of Pollution by Garbage from Ships).

Water-based mud (WBM) only was used by Cairn for the drilling campaign in Morocco and drill cuttings had been treated prior to being discharged to sea under approval from the regulatory authority.

Drilling fluids were re-circulated and un-used, but pre-mixed drilling fluids were retained on the MODU for use on subsequent wells by Capricorn.

No discharge of hydrocarbon-contaminated cuttings or drilling fluids to sea.

Vast majority of WBM chemicals are considered as Pose Little or No Risk (PLONOR) chemicals. Where non-PLONOR chemicals had been required for operational or safety reasons, their use and discharge was strictly monitored and minimised to the greatest extent possible.

No chemicals with substitution warning were used in Morocco.

Bilges and contaminated drainage water had been treated and discharged in strict compliance with MARPOL requirements (Annex I Regulations for the Prevention of Pollution by Oil).

Ballast discharges complied with IMO and OSPAR guidelines.

Non-routine operations

Marine pollution from a large fuel spill due to vessel collision or re-fuelling incident.

A safety exclusion zone was maintained at 500m from the MODU.

A vessel was on stand-by at all times, monitoring transit/fishing vessels within the area and maintaining the exclusion zone.

Early-warning radar and communication systems on board the stand-by vessel and MODU were used to identify and communicate with any approaching vessels.

Liaison with the shipping and fishing authorities and other fishing groups had been maintained.

The shipboard emergency response plans of the MODU and supply/support vessels had been verified by Cairn for adequacy to respond to the potential collision threat.

Strict refuelling procedures.

Port Contingency Plans.

Tier 1 response kit onboard MODU, stand-by vessels and port facilities, supplemented by shoreline response package.

Personnel trained in spill response.

Vessel collision and refuelling incident scenario covered in the Oil Spill Contingency Plan.

Uncontrolled release of reservoir fluids (hydrocarbons) during the well blow-out.

Drilling activities followed established drilling safety standards to minimise the risk of well-control loss.

A shallow gas survey was undertaken.

Experienced crew trained in well-control techniques and supervised.

Emergency drills were held regularly.

Well design and construction were reviewed by an independent well examiner.

Blow-out preventer in place and regularly maintained and tested.

Emergency response plans, OSPCP and oil spill response equipment were in place.

## Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored

Cairn activities in 2013 were assessed as not requiring development of project-specific BAPs – all biodiversity-related mitigation measures were incorporated into the EMPs.

Location	Area of operations*	Percentage of operating sites assessed for biodiversity risks	Significance of biodiversity risks	BAPs implemented and monitored
Offshore West Greenland, Pitu Block	8,170km <sup>2</sup>	100%	No risk to biodiversity from routine operations	No BAP required
Offshore West Greenland, Lady Franklin Block	2,897km <sup>2</sup>	100%	No risk to biodiversity from routine operations	No BAP required
Offshore West Greenland, Atammik Block	3,985km <sup>2</sup>	100%	No risk to biodiversity from routine operations	No BAP required



Offshore West Greenland, Sigguk Block	11,063km <sup>2</sup>	100%	No risk to biodiversity from routine operations	No BAP required
Morocco, Fom Draa Offshore I–III	3,350km <sup>2</sup>	100%	No significant risk to biodiversity from routine operations	No BAP developed; biodiversity-protection measures incorporated into Environmental and Social Management Plan (ESMP) and monitored as part of operational performance
Morocco, Juby Maritime I–III	5,606km <sup>2</sup>	100%	No significant risk to biodiversity from routine operations	No BAP developed; biodiversity-protection measures incorporated into ESMP and monitored as part of operational performance
Senegal, Sangomar Deep	2,781km <sup>2</sup>	100%	No risk to biodiversity from routine operations	No BAP required

\* defined as area of licence block

## Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk

Area of operations	Benthic habitats	Fish species	Bird species	Mammal species	Reptile species
Morocco, Fom Draa	No protected habitats were identified in the area of operations	Blue Skate (CR, IUCN); Devil Ray (EN, IUCN); Undulate Ray (EN, IUCN); Guitar Fish (EN, IUCN); Bottlenose Skate (EN, IUCN); Scalloped Hammerhead (EN, IUCN);	Aquatic Warbler (VU, IUCN); Greater Spotted Eagle (VU, IUCN); Spanish Imperial Eagle (VU, IUCN); Corncracke (VU, IUCN); Lesser Kestrel (VU, IUCN); Northern Bald Ibis (CR, IUCN); Audouin's Gull (NT, IUCN); Marbled Teal (VU, IUCN); Slender-billed Curlew (CR, IUCN); White-headed Duck (VU, IUCN); Great Bustard (VU, IUCN)	Sei Whale, Blue Whale and Fin Whale (CR, IUCN); Short-beaked Common Dolphin (least concern, IUCN Red List); Longfinned Pilot Whale (least concern, IUCN Red List); False Killer Whale (least concern, IUCN Red List); Melon-headed Whale (least concern, IUCN Red List)	Loggerhead Sea Turtle (Endangered, IUCN Red List; US Federal List: threatened; CITES: Appendix I; OSPAR List of Threatened and/or Declining Species and Habitats, 2008-6); Green Sea Turtle (Endangered, IUCN Red List; CITES – endangered)
Morocco, Juby Maritime	No protected habitats were identified in the area of operations	Angelshark (CR, IUCN); Atlantic Bluefin Tuna (EN, IUCN)			



## Communities

We are committed to making a positive contribution to the communities that could be impacted by our operations through meaningful, long-term partnerships with local people and authorities.

We work with the local communities where our operations take place, developing strong relationships built on trust and respect. We work hard to keep local communities informed and up to date with our activities, help to develop community assets, and support educational and enterprise opportunities. These allow local people to enjoy the economic benefits our operations can bring.

Our Corporate Social Responsibility (CSR) Policy, Corporate Responsibility Management System (CRMS) and Stakeholder Management Guidelines formally set out how this takes place.

### 2013 highlights

- Over 30 stakeholders were included in a participatory approach to Environmental and Social Impact Assessment (ESIA) in Senegal.
- We delivered institutional capacity building regarding offshore drilling and emergency response in Morocco and Senegal.
- We carried out a Collaborative Social Baseline Study for the Baffin Bay area in Greenland.
- We operated 21 projects for education and community development in Greenland.
- Seven towns and settlements were included in a Social Impact Assessment (SIA) consultation tour for potential drilling in Pitu block offshore Greenland.
- Our Charities Committee donated £455,000.
- Cairn employees provided six days of volunteering to Maths in the Pipeline.

### 2014 objectives

- Develop and implement Standard Operating Procedures (SOPs) and guidance for local community investment.

[Read the Engaging in Baffin Bay case study](#)

**£335,124**  
Total social investment in 2013

### Related links

- > [Social impact assessments \(SIA\)](#)
- > [Community engagement](#)
- > [Community resource use](#)
- > [Social and economic benefits to local communities](#)
- > [Charitable giving](#)





## Social Impact Assessments

We assess potential social impacts for all new major projects. These assessments may be standalone or incorporated in other studies such as Environmental and Social Impact Assessments (ESIA). Our assessments are informed by our engagement activities.



### Consultation

Before each new programme of major activities we prepare a Public Consultation and Disclosure Plan (PCDP) that identifies the stakeholders involved and sets out appropriate engagement strategies. This follows our Group Framework Public Consultation and Disclosure Plan that is based on best practice guidelines set out by the International Finance Corporation (IFC).

Where additional challenging issues such as land acquisition, resettlement, water use, security and potential or perceived impacts on livelihoods are involved, we consult extensively with key stakeholders.

Through this open process, we look to forge strong relationships with communities, governments and business partners, and lay the foundations for long-lasting partnerships. We also have a clear grievance procedure for communities impacted by our operations so that unresolved issues can be addressed.

During 2013, we developed PCDPs for Morocco, Senegal and West Ireland, and updated the PCDP for Greenland to reflect potential operations.

### Impact assessment

The assessments and baseline surveys we use to study the potential effects of our operations are tailored to meet the individual requirements of different governments. ESIA's and Social Baseline Studies are designed as participatory processes in which the research and discussion may include environmental issues, employment and livelihoods, the economy, education and training, community health, infrastructure, culture and heritage. Gauging these socio-economic impacts helps us to mitigate adverse effects and ensure that human rights are respected and protected. In 2013, we undertook a collaborative Social Baseline Study in the Baffin Bay area of Greenland (see case study below) as well as ESIA's in Morocco and Senegal.



## Social Management Plans

Social management programmes tailored to host country and local community needs can arise from the ESIA process. In Greenland, as well as developing the participation of Greenlanders in our activities through employing a Greenlandic workforce of ~10% during the 2011 drilling programme, offering training positions and providing opportunities for local businesses, we also established funds to support education and community development. [See Social and economic benefits to local communities.](#)

In Morocco and Senegal, Social Management Plans focus on reducing any potential negative impact on the activities of fishermen working near to our operations and using the same ports, utilising local content in the supply chain where possible and contributing to local institutional capacity building. This includes providing staff and facilities to deliver introductory courses about the oil and gas industry, and emergency response planning for offshore activities.

## Case study: Engaging in Baffin Bay

Greenlandic regulations require companies to conduct an SIA before undertaking exploration drilling activities. A key part of this process is a Social Baseline Study (SBS), which provides a description of existing social conditions, development trends and development goals in the communities potentially affected by the drilling. This then provides a strong base for managing potential impacts of future oil and gas activities in the area. Consultation with affected stakeholders is an important part of this study.

However, stakeholders, including the larger non-governmental organisations (NGOs), interest groups and individuals from small, local communities, had expressed their fatigue at being consulted by different companies and repeatedly asked the same questions.

To avoid this, we collaborated with the four other oil and gas companies operating in the area – namely NUNAOIL A/S, ConocoPhillips, Maersk and Shell – to create a joint study, pooling skills and resources, rather than duplicating the study.

Working in partnership with the international consultancy, Golder Associates, and a Greenlandic environmental consultancy, Inuplan, the collaboration led to a thorough and comprehensive study, which all the participants will be able to use to help develop their SIA and Environmental Impact Assessment (EIA) processes. It could also lead to further opportunities for collaboration in the future.

## Case study: An invitation to participate in Senegal

As part of our application to carry out exploration drilling offshore Senegal, we undertook an ESIA. The aim was to identify the potential impacts exploration drilling could have on the local population, environment and potentially sensitive habitats. A consultation process with local stakeholders was arranged in accordance with local and our own requirements. Possible effects on plants and animals in marine, coastal and wetland areas were assessed so that we could respond appropriately.

### Identifying stakeholders

To help identify stakeholders, we undertook in-country scouting trips, engaged with partners and consultants based in Senegal, used indigenous and corporate media monitors and internet sources, and commissioned an external agency to carry out a stakeholder mapping exercise. Among others, we held meetings with national and regional government bodies, industry associations, fishermen's organisations, public research centres, supply chain representatives and the NGOs WWF and Oceania. The engagement helped us to understand the representative groups' key concerns, consider appropriate responses and gauge the level of support for exploration drilling.

### Responsiveness

The reaction of the majority of stakeholders towards exploration during the research and consultation period was positive. A key issue that was brought up was the potential impacts on fishing. The fishing sector in Senegal is vital both socially and economically, providing a major food source, 63,000 jobs and over 12% of the country's exports by value. Responding to this stakeholder concern, we were able to present mitigation measures for noise, vibration and vessel movement, and share study findings showing that exploration drilling activities have a low impact on marine fauna. We also addressed concerns about a possible oil spill by explaining our Oil Spill Prevention and Contingency Plan.



## Community engagement

The people who are impacted by our operations represent one of our most important stakeholder groups, and we are keen to give them the opportunity to have their say about our activities.

We engage with local communities on issues including employment, community development, the environment and safeguarding livelihoods, using methods such as consultation meetings as part of SIAs, media briefings and public meetings.

### Greenland

As well as the collaborative study in preparation for potential future drilling activities in the Pitu block, we also undertook our own consultations. Following on from an SIA scoping mission in 2012, last year we held public meetings in the Greenlandic settlements of Kullorsuaq, Nuussuaq, Innaarsuit and Tasiusaq, and the towns of Ilulissat, Nuuk and Upernavik, which helped to inform our SIA.

Three key findings emerged:

A high proportion of the residents in this north-western part of Greenland are hunters and fishermen, and their central concern was the effect drilling could have on marine mammals.

They were concerned about the potential impact of an oil spill on the local environment, which they rely upon for their livelihoods.

There was also an underlying anxiety about skills development in the area, as it is recognised that opportunities for young people are limited, which is also true of the small towns nearby.

The outcomes of this consultation will be included in Cairn's future SIA submission, which will provide the basis for developing an Impact Benefit Agreement (IBA) with the Government of Greenland if drilling is approved. In 2010 and 2011, IBAs between Cairn and the Government of Greenland provided support to education and community development initiatives, training opportunities within operations, local business opportunities and institutional capacity building.

### Morocco

In 2013, we carried out two statutory consultation processes in connection with our applications to carry out exploration drilling offshore Morocco. These involved notifying the public of our plans and providing a summary of the potential environmental and social impacts of the planned activity.

Meetings to present the project and findings of the ESIA were also held with the national evaluation committee, local authorities and local representatives in the region of Tarfaya, which hosted some of the onshore support operations. Among the questions raised were queries about the status of Cairn's partnership with the Moroccan Government, our capability to respond to an oil spill and opportunities for Moroccans to take part in the activity.

### Senegal

In 2013, we carried out over 30 meetings with stakeholders, including government, local authorities, local representatives, NGOs, business groups and research institutes, to inform the development of the ESIA of our proposed drilling activities offshore Senegal.

Meetings were held in Dakar and at three locations along the Senegalese coast, where the topics of discussion centred on the potential impacts on fishing activities and tourism, two important local industries.

For both government and national authorities, institutional capacity building with regard to the oil and gas industry was an important issue. To address this, we have organised awareness courses for the authorities covering both offshore exploration drilling and emergency response.

### Ireland

Last year, in support of our application to drill an appraisal well offshore West Ireland in 2014, we carried out engagement meetings with authorities and organisations as required by the 'Rules and Procedures Manual for Offshore Petroleum Exploration and Appraisal Operations'.

The Environmental Area Assessment (EAA) submitted at the end of 2013 has also been disclosed to statutory consultees, including bodies involved in fisheries, marine activities, defence, emergency response and conservation.



## Spain

In 2013, we carried out local authority engagement in support of our application to explore blocks in the Gulf of Valencia. This included three meetings with fisheries associations, where we were able to talk through the project and explain the importance of the EIA for the proposed seismic survey.

## Grievance process

We understand that public meetings are not always the easiest, or most appropriate, way for people to comment on our activity or that we can predict all potential issues through our social impact assessments.

Local residents who have concerns about our activities are also encouraged to contact our local representatives or email us directly. We publicise these channels through our website and our country information brochures.

In 2013, no grievances were recorded in connection with our operations in Greenland or Morocco.

For further details about materiality at Cairn, and the issues that affect our stakeholders, please see [Materiality](#) and [Stakeholder engagement](#).

"In the communities around Baffin Bay, there is a very real concern about skills and employment, especially for young people. Many of the fish factories have closed down and people are starting to move away to the bigger towns to find work. By engaging with local communities, we can explore ways in which our operations can help make them more sustainable."

Julia Adamson  
*Corporate Responsibility Advisor*





## Community resource use

As an oil and gas exploration and development company, land may need to be acquired, used or have restrictions placed on its use.

This may be temporary for exploratory and appraisal work (e.g. for seismic surveys, exploratory drilling, road access), and/or for longer periods for permanent facilities (e.g. production wells, processing facilities, pipelines, roads).

We recognise that this land acquisition can have an adverse impact on communities, and on people that use the land or other natural resources, in terms of physical displacement (relocation or loss of shelter) and economic displacement (loss of assets or access to assets that leads to loss of income sources or means of livelihood). Offshore operations can also involve exclusion zones around vessels, rigs or installations that could impact on the livelihoods of those who use marine resources, such as fishermen.

In 2013, we updated our Group Framework Resettlement Action Plan (RAP) in accordance with IFC Performance Standard 5, which was updated in 2012, and included additional requirements for Livelihood Restoration.

If our operations result in physical displacement then a project-specific RAP must be prepared. If our operations result in economic displacement then a Livelihoods Restoration Plan (LRP) will be developed.

Our ultimate aim is to minimise, and/or mitigate where required, any impacts related to land, assets or access to resources upon the local communities, and this is reflected in our social management plans.



## Social and economic benefits to local communities

Whether our operations are long or short term, we always seek to create a positive impact where we work. We also try to leave a lasting legacy that ensures our activities continue to bring benefits after we have left.

We make social and economic contributions through a variety of means, including employment generation and training opportunities, engaging local businesses to support our activities, the purchases made by our international contractors locally, payment of taxes to host governments, support to educational or capacity-building initiatives, support to community development initiatives and contributions to environmental knowledge.

Local participation in oil and gas activities is important to communities. The percentage of managers we hired from the local population in 2013 varied according to the expertise available in the country of operation. Our employees are 99% ▲ nationals and 1% ▲ expatriates. We are also aware that the development of skills and enterprise associated with the industry must be sustainable – whether or not exploration is successful.

Managers hired from the local population (%)



▲ Within KPMG's limited assurance scope.

KPMG LLP were engaged to provide limited assurance over selected information in the Cairn Energy CR Report for the year ended 31 December 2013. This information has been reproduced on the Cairn Energy website and can be identified through reference to the symbols (▲ and +). To view KPMG's full opinion, please visit the [KPMG Assurance Statement](#).





## Social investment

Following our 2011 IBA in Greenland, we established two funds to support local communities: one covering education and the other wider community development.

### Education fund

We provided \$500,000 to establish an education fund in Greenland. It is specifically designed to support projects that develop skills among local people and could help them find work in the oil and gas industry. In 2013, several of these projects came to fruition.

### Supporting training

Five members of the School of Minerals and Petroleum received expert offshore training, which included using specialist lifting equipment, and how to work safely at height.

Funding was also given to the Arctic Technology Centre in Sisimiut to develop a Challenges of Oil and Gas Activities in the Arctic course for students at the School of Minerals and Petroleum. The centre has also been able to team up with other universities to provide the course as e-based learning on the internet, ensuring that anyone in the world with computer access can now follow it.

Three individuals also benefited from funding: a local student has gone to Australia to complete her M.Sc. in Mining Engineering at Curtin University of Technology in Perth, while a local pilot has completed his Helicopter Instrument Flying course and has been employed by Air Greenland as a helicopter pilot, and another candidate has successfully completed an Offshore Course Programme.

### The PetroChallenge

In 2012, the Education Fund helped 118 students from Greenland take part in the PetroChallenge, an event organised by oil and gas industry training providers, Simprentis.

The competition is designed to inspire young people, aged 16 to 18, to continue studying for science and engineering qualifications. It involves teams from North America, northern Europe and Africa, competing against each other online to 'discover' new reserves of oil and gas.

The final took place in London in January 2013, where the Greenland champions, the School of Construction in Sisimiut, finished second behind Canada.

### Community Development Fund

The Community Development Fund is designed to help projects that support both cultural activities and those that help young people develop through sport. In 2013, several projects were completed.

#### Norsaq Handball Club, Aasiaat

Funding allowed the club to arrange various tournaments and run a summer school for young people.

#### Activity Park, Ilulissat

Cairn helped to fund the park, which includes a skateboard ramp, wooden play equipment and a BMX track. The project has also helped to bring the community together, with offers of help and additional funding from many local stakeholders.

#### ASP, Cross Country Skiing Club, Aasiaat

Funding was awarded to support the expansion and refitting of the clubhouse.

#### Healthy May, Aasiaat

Following the success of our support for the 2012 Healthy May event, which encouraged over 2,000 people to get more active, we were also able to fund two guest speakers to talk about sexual health as part of the 2013 Make May Healthy programme.

#### NNAP Nuuk Table Tennis



Our funding has allowed the club to invite a leading trainer from Denmark to spend time at the club, working with players from all age groups. The club hopes that by performing well at the Arctic Winter Games, more young people in Nuuk may get involved with the sport.

SSP Arpattartut, Sisimiut

The ski club was able to arrange a day of skiing for the city of Sisimiut, with funding from Cairn used to buy new skis and other equipment.

Umiaaraq Championships, Napasoq

The Umiaaraq is a small, lightweight rowing boat traditionally used by hunters in Greenland. The community of Napasoq was awarded funding to stage a series of traditional boat races over two days, an event that had not taken place for many years. The event proved extremely popular and organisers now hope the race will become an annual event again.



## Charitable giving

We want to give something back to the communities in which we work, both through focused social investment and charitable donations.

Cairn's Charities Committee administers a budget of approximately £450,000 which is focused on/distributed amongst charities based in Edinburgh and the Lothians area, where Cairn has its headquarters. The Charities Committee evaluates applications based on our selection criteria.

Cairn also supports local communities in regions where we are operationally active through charitable donations and social investment. This activity is co-ordinated and managed in country by the regional director.

All requests for funding are required to be submitted using our [application form 0.13MB](#).

## Selection criteria

We look to support charities which, first and foremost, share our core values of 'Respect', 'Relationships' and 'Responsibility'.

We act with **respect** for people, their communities, the environment, human rights and the law

We act honestly, transparently and with integrity to develop strong, lasting **relationships** with all our stakeholders

We behave fairly, ethically and are accountable for our actions. We believe in, and act on, our **responsibility** to care for people, society and the environment.

We also look to support charities which encourage the behaviours we value in our own organisation such as teamwork, fostering individual potential and encouraging entrepreneurial spirit.

Cairn supports charities across a number of categories including young people, communities, health, environment, arts and culture and education and learning.

As an oil and gas company, Cairn looks to support educational charities which are aligned with our core business and therefore supportive of oil and gas, geology and petroleum engineering.

Please note, Cairn does not fund the following:

Charities with religious or political affiliations

Political parties

Churches or similar places of worship

Labour unions

Organisations where there is a potential conflict of interest

Organisations that discriminate

Individual sponsorship



## 2013

In 2013, we provided charitable funding to over 30 organisations as part of our commitment to give something back to the communities in which we work.

Our Charities Committee administers an annual budget of around £450,000, which is distributed among charities based in, or with activities in, the Edinburgh and Lothian areas, where Cairn has its headquarters.

We also support local communities in regions where we are operationally active through charitable donations and social investment. This activity is coordinated and managed in country by the regional Director.

### Selection criteria

The Charities Committee evaluates applications based on our selection criteria. It looks to support charities that, first and foremost, share our core values of respect, relationships and responsibility.

We also look to support charities that encourage the behaviours we value in our own organisation, such as teamwork, fostering individual potential and encouraging entrepreneurial spirit. As a result, we support charities across a number of categories including young people, communities, health, environment, arts and culture, and education and learning.

As an oil and gas company, we also support educational charities that are aligned with our core business such as Maths in the Pipeline, for which Cairn staff provided six days of volunteering time.

In 2013, we supported a number of new charities including the educational initiative, the John Byrne Award, and Project IMBEWU, run by the Wilderness Foundation.

### Winning Scotland Foundation

Last year, our largest charitable donation (£200,000) went to Winning Scotland Foundation (WSF), which we have supported for eight years. Its aim is to use sport to create a positive, winning attitude among young people across Scotland.

WSF runs a number of programmes, including Positive Coaching Scotland (PCS), which addresses some of the negative issues affecting youth sport, such as violence and verbal abuse from the touchline, and an over-emphasis on 'winning at all costs'.

Together, these factors cause many young people to drop out of sport, and miss out on the valuable life lessons that sport can deliver.

PCS is now being rolled out nationally and delivered through interactive workshops to parents, coaches, leaders and young people. As a result, thousands of young people in Scotland are now benefiting from being involved in sport with a culture that focuses on effort, teamwork, learning, building confidence and developing responsible citizens.

### John Byrne Award

The John Byrne Award is an annual educational programme and competition designed to encourage young people at school in Edinburgh to consider and express their values through any artistic or academic medium of their choice.

In 2013, we made a £50,000 donation to the group, and a three-year commitment to continue our support.

Forty-two teams and individuals took part last year, submitting creative works in response to this year's chosen stimulus, a sculpture of Nelson Mandela at the site of his capture and imprisonment in South Africa.

Hamish Matheson, part of Cairn's exploration team, was among the judges who selected Michelangelo Mulholland, a sixth-year student at St Thomas of Aquin's High School, as the winner, for his song '50 Fractured Bars'.

### Fundraising

In 2013, our staff and contractors raised £10,305 for a variety of good causes, a figure that Cairn matched.

Charities we supported included the British Red Cross, the Salvation Army and Oxfam. Funds were also raised for several cancer charities including Macmillan Cancer, It's Good 2 Give (which helps the families of cancer sufferers) and CCLASP (which supports children and teenagers suffering from cancer or leukaemia).

In addition, Cairn supports its staff to volunteer. In 2013 Cairn supported:

- 6 staff members – volunteering as Mentors for Career Academies;
- 1 staff member – befriending;
- 1 staff member – coaching;
- 1 staff member – on board for Rural and Urban Training Scheme (RUTS); and
- 1 staff member – judge for the John Byrne Award.

Three staff members also spent six days volunteering on Maths in the Pipeline.

### Donations

Charities Committee budget 2013

Charity	Donation (£)
Giving Young People Opportunities/ Reengaging the NEET group	275,000
Winning Scotland Foundation	200,000



John Byrne Award	50,000
The Yard Adventure Centre	10,000
Fruitmarket Gallery	10,000
Muirfield Riding Therapy	5,000
<b>Community</b>	<b>41,500</b>
Pilton Equalities Project Bus	20,000
Cyrenians – The Good Food Project	20,000
Leith Sea Cadets	1,500
<b>Health</b>	<b>33,000</b>
Maggie's	10,000
St Columba's Hospice	10,000
Hearts and Minds – Clowndoctors and Elderflowers	3,000
Alzheimer Scotland	10,000
<b>Environment</b>	<b>17,000</b>
Scottish Seabird Centre	7,000
Wilderness Foundation/Project IMBEWU Scotland	10,000
<b>Arts and Culture</b>	<b>14,000</b>
Royal Lyceum Theatre	10,000
Scottish Opera	4,000
<b>Education and Learning</b>	<b>40,900</b>
University of Glasgow Trust Stratigraphy course	6,000
Edinburgh University Geosciences graduate school conference	1,500
Edinburgh International Science Festival Future Earth	15,000
Techfest Maths in the Pipeline	14,000
University of Edinburgh Cairn bursary in Geosciences	4,000
Heriot-Watt, INQUA workshop	400
<b>Matched funding</b>	<b>10,305</b>
<b>Director choices</b>	<b>4,500</b>
Sponsorship in aid of Sick Kids	500
Arts in Business	1,500
Edinburgh International Festival Fashion Show	2,500
<b>Christmas donations</b>	<b>18,000</b>
CCLASP (Children with cancer and leukaemia, advice and support for parents)	5,000
L'Arche Edinburgh	2,500
Salvation Army	3,500
WRVS	3,500
Shelter	3,500



Other	1,128
Chest Heart & Stroke Scotland	500
Company Net on behalf of The National Autistic Society	150
Girl Rising	478
TOTAL	455,333





# Community

## Social investment

(£ pounds sterling)

	2009	2010	2011	2012	2013
Cairn total	66,060	1,003,294	1,023,520	343,920	343,139
<b>Children</b>					
Bangladesh	2,540	0	n/a	n/a	n/a
<b>Community development</b>					
Bangladesh	20,196	0	n/a	n/a	n/a
Greenland	0	0	49,199	0	0
<b>Disaster relief</b>					
Bangladesh	1,221	0	n/a	n/a	n/a
<b>Education</b>					
Bangladesh	3,876	0	n/a	n/a	n/a
Greenland	0	516,172	622,088	343,920	343,139
Nepal	0	6,306	0	0	0
<b>Environment</b>					
Bangladesh	1,202	564	n/a	n/a	n/a
Greenland	0	350,000	352,233	0	0
<b>Health</b>					
Bangladesh	37,025	30,938	n/a	n/a	n/a
<b>Infrastructure</b>					
Greenland	0	99,314	0	0	0

## Charitable giving in the UK

(£ pounds sterling)

	2009	2010	2011	2012	2013
United Kingdom total	456,577	449,864	471,414	452,661	455,333
Children	120,500	0	4,160	265,000	280,000
Community development	83,400	96,000	82,500	54,500	41,500
Culture	23,000	27,500	51,500	28,500	18,000
Disaster relief	0	0	0	0	0
Education	37,500	37,500	36,500	40,500	41,378
Environment	25,000	45,000	49,000	20,000	17,000
Health	18,511	235,000	43,954	44,161	34,000
Other	148,666	8,864	203,800	0	23,455

## Percentage of operations with implemented local community engagement, impact assessments, and development programs.

Greenland	UK and Norway	Ireland	Senegal	Spain	Morocco	% of all operations ( with operated field operations in 2013)	% of all operations (where Cairn has staff presence)

<b>Activity 2013</b>	Rigless abandonment of four suspended wells.  A seabed survey in Pitu block.	Office activities and non-operated field operations.	None.	Office activities only.	Office activities only.	Office activities and exploration drilling in Fourn Draa Block		
<b>Social impact assessments including gender impact assessments, based on participatory processes</b>	2013 operational activity had little interaction with locality on or offshore. Social Baseline Study carried out in conjunction with other operators for Baffin bay area in preparation for potential future drilling activities. Consultation also carried out as part of an SIA in preparation for future drilling activities in Pitu.	n/a	A social impact screening and the assessment of mitigation plans for exploration drilling in 2014 carried out.	ESIA submitted to authorities as part of the application process for exploration drilling in 2014.	Seeking approval of an EIA for proposed seismic activities submitted in 2012. The EIA contained some aspects of social impacts.	2 ESIA's submitted to authorities as part of the application process for exploration drilling in 2 blocks offshore Morocco as over 2013 and 2014. 2 ESIA's submitted to authorities as part of the application process for exploration drilling in 2 blocks offshore Morocco as over 2013 and 2014.	100	80
<b>Environmental impact assessments and ongoing monitoring</b>	An EIA is not required for seabed sampling. Well suspension is covered within EIAs submitted at the time to drill the well. Post well monitoring also carried out. An environmental review carried out prior to activities.	n/a	An EIA submitted to authorities as part of the application process for exploration drilling in 2014.	An ESIA submitted to authorities as part of the application process for exploration drilling in 2014.	Seeking approval of an EIA for proposed seismic activities submitted in 2012.	2 ESIA's submitted to authorities as part of the application process for exploration drilling in 2 blocks offshore Morocco as over 2013 and 2014. Monitoring is ongoing.	100	80
<b>Public disclosure of results of environmental and social impact assessments</b>	To statutory consultees only.	n/a	To statutory consultees only.	To the national evaluation committee.	Through the regulatory consultation process.	To the national evaluation committee.	0	0
<b>Local community development programs based on local communities' needs</b>	Completion of an Impact Benefit Agreement negotiated with national and local authorities in 2011.	Charity Committee.	Environmental and Social Management Plans being developed.	Environmental and Social Management Plans developed as part of the ESIA.	Environmental and Social Management Plans developed as part of the ESIA.	Environmental and Social Management Plans developed as part of the ESIA.	100	80
<b>Stakeholder engagement plans based on stakeholder mapping</b>	PCDP for Greenland in place.	n/a. There are no operated assets.	PCDP for Ireland developed. A statutory engagement plan is underway.	A PCDP for Senegal is in place. Stakeholder engagement carried out to support development of the ESIA.	A PCDP for Spain is in place.	A PCDP for Morocco is in place.	100	80



<b>Broad based local community consultation committees and processes that include vulnerable groups</b>	An SBS consultation was carried out by the oil and gas operators in Baffin Bay. In addition, Cairn carried out a consultation mission specific to its proposed future drilling operations. This included public meetings, including at 5 settlements along the coast of north west Greenland. This followed on from the scoping mission in 2012.	n/a	n/a	Meetings were held with authorities and local representatives at 3 locations along the coast of Senegal and within Dakar.	Engagement with local authorities and fishing associations. There have been three meetings with the fisheries associations. These meetings were organized in order to explain the project/ EIA for the proposed seismic survey.	Meeting held with local authorities and local representatives in the region of Tarfaya in addition to the statutory public disclosure and consultation period regarding the description of the drilling projects.	50	40
<b>Work councils, occupational health and safety committees and other employee representation bodies to deal with impacts; and</b>	HSE meetings on offshore vessels during operations.	HSE Leadership Committee Office HSE committee Edinburgh.	n/a	None.	None.	HSE meetings on offshore vessels during operations.	100	60
<b>Formal Community Grievance Process</b>	Community Grievance Process through country representation and dedicated country email in place through 2012.	n/a	Not applicable in 2013.	Not applicable in 2013.	Not applicable in 2013.	Community Grievance Process through country representation, and a dedicated country email is in place.	100	40



## Supply chain

It is normal within the oil and gas industry for operations such as drilling and seismic surveys to be outsourced to specialist contractors who have the equipment and expertise to carry out such activities. In 2013, contractors fulfilled 85% of our business activity. As a result, our relationships with contractors are crucial to ensure these activities are carried out safely.

Our focus is on selecting the right contractors, communicating expectations, ensuring effective policies and management processes, monitoring performance and sharing lessons learned.

### 2013 highlights

- Our Contractor Management Procedures were updated.
- We engaged proactively at the senior management level with 91% <sup>Δ</sup> of the key contractors identified in the Contractors Engagement Plan.
- We undertook a Senior Management Tour of activity.
- Our Anti-Bribery and Corruption (ABC) – Selection of Service Providers Procedure was updated.

### 2014 objectives

- Develop and implement Strategic Contractors Engagement and Performance Management process.

[View case study: Management visit to Cairn Express, offshore Morocco.](#)

<sup>Δ</sup> Within KPMG's limited assurance scope.

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### Related links

- [Contractor engagement](#)
- [Local contractors](#)



## Contractor engagement

With the majority of the man-hours worked in connection with Cairn’s business activity contracted out at times of significant operational activity, our relationships with suppliers are crucial.

The number of contractors engaged by Cairn rises and falls in line with our level of activity, as does the number of hours they work. For example, in 2013, contractor man-hours rose to 426,908 from 39,023 last year. However, the number of man-hours worked by employees remains relatively steady over time.

Verifying that our contractors share our focus on safety and efficiency is crucial, and essential to maintaining our licence to operate. It is also imperative that potential contractors have the right levels of experience, competence and responsibility to supply the provisions, equipment and services needed to help run our business.

Experience, competence and demonstrable performance are some of the key considerations when it comes to choosing the right people to supply the provisions, equipment and services needed to help run our business. We apply a rigorous selection process in choosing contractors, including plotting potential contractors on a health, safety and environment (HSE) contractor risk evaluation matrix. This is embedded in Cairn’s Contractor Management Procedures, updated in 2013.

Our Invitations to Tender set out our expectations and include copies of our Business Principles, Corporate Social Responsibility, Health, Safety, Security and Environmental Policies, and our Code of Business Ethics, to which potential contractors must confirm their capability to comply.

## Focus on HSE

During an offshore drilling campaign, typically the activities of the rig, marine vessels, helicopters and supply base are assessed as high-HSE-risk activities.

The key criteria for assessing risks when selecting contractors are based on industry information and considerations, such as the potential implications of accidents, and the number of people involved and sensitivity of environments.

Recognising that leadership plays a crucial role in embedding appropriate HSE behaviours, during 2013, we put in place a Strategic Contractors Engagement Plan. We engaged proactively at the senior management level with 10 contractors; 91%  $\Delta$  of the key contractors identified in the Contractors Engagement Plan.

This was supplemented by a Senior Management Tour of activity (see case study below) and was in addition to the standard engagement for all contractors on HSE using tools such as the Contractors’ HSE questionnaire.

In order to further encourage engagement with contractors, from 2014, HSE performance in contractor management will be reflected in two Leading Performance Indicators (LPIs), with their progress and discretionary bonuses calculated accordingly.

## Monitoring and checking

Our Contractor Performance Management process includes 10 contractor HSE Key Performance Indicators (KPIs). Key contractors are required to complete and deliver a regular scorecard detailing their HSE performance, which we use to assess whether they are meeting expectations, or their performance requires improvement, or is unsatisfactory, in which case immediate action is required.

Where Cairn is a minority joint venture partner and does not have operational control, we conduct due diligence and engage constructively with partners to ensure familiarity with the operator’s standards before an agreement to proceed on operations is made.

## Anti-bribery and corruption (ABC) and the supply chain

Our robust ABC policies are of growing importance as we start to operate in new areas of the world.

We have a zero-tolerance approach to bribery and corruption (see [Governance section](#)) and conduct risk-based due diligence on contractors, as detailed in our Anti-Bribery and Corruption (ABC) – Selection of Service Providers Procedure, which was updated in 2013. This also requires contractors to provide copies of their own ABC policies and, where necessary, we can also engage a specialist external consultant to carry out background verification checks on contractors.

We also spend a lot of time gathering information, finding out the background to companies and whether there is any history of ABC risk. In 2014, Cairn’s HSE presentation to contractors will include an anti-bribery and corruption element.



## Outlook

Two key objectives for 2014 are to implement two LPIs:

our new HSE Contractor Management Procedures, which will require all consultants and contractors working for Cairn to undertake our new web-based HSE induction; and the Strategic Contractors Engagement Plan, which re-emphasises the importance of delivering safe operations.

### Case study: Management visit to Cajun Express, offshore Morocco

Following a lost time injury (LTI) onboard the Cajun Express during drilling of the first well offshore Morocco in November 2013, senior management, led by our Chief Executive Simon Thomson, visited the rig to re-emphasise the importance of learning from such incidents and promote practices to help minimise the chance of them occurring.

The visit reflected management's commitment to ensuring Cairn's high standards of HSE management and performance are met and consistently maintained by contractors, one of the Group's 2013 Corporate Responsibility (CR) objectives. During the visit, Simon reiterated the importance, above all else, of safety throughout our operations, engaging with management and personnel involved in rig floor activities.

Simon was accompanied by a number of those responsible at Cairn for delivering a safe drilling campaign, including the Director of Exploration and Head of New Ventures; the Drilling Manager; the Morocco Asset Manager; and the Morocco Country Manager. We also took this opportunity to invite our partner the Moroccan National Oil Company, ONHYM (Office National des Hydrocarbures et des Mines), to participate in the visit.

During the visit, safety was paramount. Two thorough safety briefings were conducted during the day: one before transferring by helicopter to the rig, conducted by Heliconia, the helicopter contractor; and one on arrival on the rig from Transocean personnel, responsible for the day-to-day management onboard the Cajun Express. This included encouraging the visitors to employ the 'Time Out' mechanism if they saw anything of concern at any time. 'Time Out' is designed to transcend language and seniority barriers onboard the rig, so that at any time anyone can halt and question an activity by using the phrase 'Time Out'.

▲ Within KPMG's limited assurance scope.

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91% ▲  
Completion of Contractors Engagement Plan



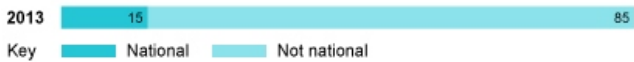


## Local contractors

Our strategy is focused on frontier exploration opportunities, which means that we regularly operate in countries with little or no experience of oil and gas activity.

To ensure that Cairn creates social and economic benefit for communities in the countries where we work, our procurement policy encourages the use of local contractors wherever the right expertise is available, or can be developed without compromising high standards and principles. We also include local companies with the required competence in bid lists and request international contractors to consider the use of local subcontractors where possible. 15%  $\Delta$  of contractors used by Cairn in 2013 were national.

Total national and non-national contractors (%)  $\Delta$



## Supporting skills development in local communities

We are committed to supporting skills development in local communities and using local labour. By organising seminars, sharing information with local enterprises and encouraging alliances between our local contractors and international companies, we have sought to drive continuous improvement of local workforce skills, including skills that are transferable to industries other than the oil and gas sector.

In Morocco, we are currently working with a number of local contractors including Environmental and Social Impact Assessment (ESIA) consultants, onshore base logistics agents, port and airport authorities, helicopter operations-handling services, waste management contractors, security and office services, and accommodation providers. Specific skills training has been given to some contractors, including sessions around HSE supervision and oil spill contingency planning.

In Senegal, we are looking at the possibility of using local contractors capable of maintaining good industry standards and practice, to support the drilling campaign. Areas include ESIA consultants, shore base logistics, fuel and water supply, waste management, accommodation, car hire, drivers, security and office services.

We are also looking to work with local contractors in Ireland who can support our operations, and have started working with local businesses to identify specific synergies, for example local hauliers and the supply of materials to the Foynes shore base, which itself is operated by a local contractor.

And historically, to support our activities in Greenland during 2010/11, we supported training for local businesses and set up contractor seminars, as well as working with a number of local businesses to support our drilling operations. We also maintain contact with local employers' organisations.

$\Delta$  Within KPMG's limited assurance scope.

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"When we are working with local contractors we encourage them to adopt a similar safety culture to our own and also explain that by doing so, they will become more competitive in the environment in which we operate. But we need to be open-minded too, as many companies we partner with will already have their own safety culture, and it may be a case of what we can learn from them, or how we can bridge our policies with theirs."

Daryl Jones  
Head of Supply Chain and Logistics

**33%**  
of procurement spend is on local suppliers in each country



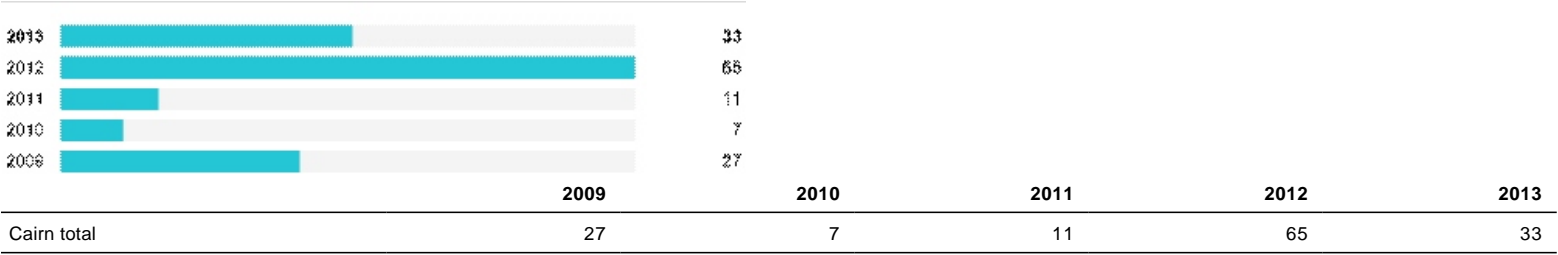
# Supply chain

## Total proportion of spending on local suppliers

Chart: Total proportion of spending on local suppliers

Table: Total proportion of spending on local suppliers

(%)



**Note:** Local suppliers are considered as those operating from the country of operation.

## Proportion of spending on local suppliers

(%)

	2009	2010	2011	2012	2013
Bangladesh	26	17	n/a	n/a	n/a
Greenland	0	6	9	41	7
Morocco	n/a	n/a	n/a	1	14
Nepal	55	1	0	0	98
Norway	n/a	n/a	n/a	79	59
Spain	n/a	n/a	72	81	87
Tunisia	0	13	n/a	n/a	n/a
United Kingdom	0	0	47	86	73

**Note:** Local suppliers are considered as those operating from the country of operation.

## Completion of Contractor Engagement Plan

(%)

	2013 <span>▲</span>
Contractors	91

**Note:** Only 1 out of 11 planned senior management briefings did not take place. This was because the Ireland programme was delayed so the meeting was rescheduled to 2014.

▲ Within KPMG's limited assurance scope – [see below](#).

**Note:** KPMG LLP were engaged to provide limited assurance over selected information in the Cairn Energy CR Report for the year ended 31 December 2013. This information has been reproduced on the Cairn Energy website and can be identified through reference to the symbols (▲ and +). To view KPMG's full opinion, please [click here](#).



# Glossary

A B C D E F G H I J K L M N O P Q R S T U V W X Y Z

## A

### AA1000

International Assurance Standard for measuring and reporting ethical performance. The AccountAbility Principles Standard 2008 (AA1000APS) is based on the principles of inclusivity, materiality and responsiveness, which means the collaborative participation of stakeholders and organisations in defining and achieving 'an accountable and strategic response to sustainability' issues.

### ABC

Anti-Bribery and Corruption

### ABCMS

Anti-Bribery and Corruption Management System

### ALARP

As Low as Reasonably Practicable

## B

### BAP

Biodiversity Action Plan

### Board

The Board of Directors of Cairn Energy

### BOEMRE

Bureau of Ocean Energy Management, Regulation and Enforcement

### BOP

Blow-Out Preventer

### BRINDEX

Association of UK Independent Oil and Gas Exploration Companies

### BRMS

Business Risk Management System

### Business Principles Group CR

Business Principles that describe Cairn's fundamental values and approach to managing CR issues in its business

## C

### Cairn

The Company and/or its subsidiaries as appropriate

### Cairn India



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Cairn India Limited and/or its subsidiaries as appropriate

---

## **CAVA**

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Cairn Adding Value Award

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## **CFO**

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Chief Financial Officer

---

## **CHARM**

---

Chemical Hazard and Risk Management

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## **CO<sub>2</sub>**

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Carbon dioxide – a greenhouse gas

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## **CO<sub>2</sub>e**

---

Carbon dioxide equivalent

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## **Company**

---

Cairn Energy

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## **CR**

---

Corporate Responsibility

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## **CRMS**

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Corporate Responsibility Management System

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## **CRR**

---

Corporate Responsibility Report

---

## **CSR**

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Corporate Social Responsibility

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## **CSS**

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Capping Stack System

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## **CT**

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Corporate Team – formerly known as the Group CR Committee. The CT comprises four members of the senior management team and focuses on the following key areas: external communications, corporate responsibility, investor relations strategy, security and internal control and assurance.

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## **D**

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## **DECC**

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Department of Energy and Climate Change

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## **E**

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## **E&P**

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Exploration and Production

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## **EAA**

---

Environmental Area Assessment

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**EAC**

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UK Parliament's Environmental Audit Committee

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**EBL**

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Environmental Baseline Survey

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**EEMS**

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European Environmental Monitoring System

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**EIA**

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Environmental Impact Assessment – a study assessing the environmental impact of a proposed activity or a major change proposed to current activity, which concludes with a management plan for the control of any identified significant impacts.

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**ERIS**

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Ethical Investment Research and Information Service

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**ETI**

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Extractive Industries Transparency Initiative

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**ERP**

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Emergency Response Procedures

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**ESG**

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Environmental, Social and Governance

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**ESIA**

---

Environmental and Social Impact Assessment

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**ET**

---

Executive Team

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**EU**

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European Union

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**EVP**

---

Employee Value Proposition

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**G**

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**GHG**

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Greenhouse gas – six greenhouse gases are listed in the Kyoto Protocol (carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride); carbon dioxide and methane are the most significant to Cairn's activities.

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**GOIA**

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Greenland Oil and Gas Industry Association

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**GRI**

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Global Reporting Initiative

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**Group**

---

Cairn Energy and/or its subsidiaries as appropriate

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## H

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### HAZID

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Hazard identification

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### HR

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Human Resources

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### HRIA

---

Human Rights Impact Assessment

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### HSE

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Health, Safety and Environment

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### HSES

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Health, Safety, Environment and Security

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### HSS

---

Health, Safety and Security

---

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## I

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### IBA

---

Impact Benefit Agreement

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### IEA

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International Energy Agency

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### IFC

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International Finance Corporation, a member of the World Bank Group

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### IIP

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Investors in People

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### IMO

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International Maritime Organisation. The IMO is the United Nations' agency responsible for improving maritime safety and preventing pollution from ships.

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### IP

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Investment Proposal

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### IPIECA

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International Petroleum Industry Environmental Conservation Association

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### ISO 26000

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International Standard for Guidelines for Social Responsibility

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### IUCN

---

International Union for Conservation of Nature

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---

## J





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**JIP**

---

Joint Industry Project

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**JNCC**

---

Joint Nature Conservation Committee

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**JV**

---

Joint venture

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**K**

---

**km**

---

kilometres

---

**KPI**

---

Key Performance Indicator

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**L**

---

**LPI**

---

Leading performance indicator

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**LRP**

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Livelihoods Restoration Plan

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**LTi**

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Lost Time Injury – any work-related injury or illness that prevents a person from working the day after the injury

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**LTIF**

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Lost Time Injury Frequency – the number of Lost Time Injuries recorded for a group of workers per million hours worked.

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**M**

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**m<sup>3</sup>**

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cubic metres

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**MARPOL**

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International Convention for the Prevention of Pollution from Ships

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**MMO**

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Marine Mammal Observer

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**MODU**

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Mobile Offshore Drilling Unit

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**MT**

---

Management Team

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## N

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### NGO

---

Non-governmental organisation

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### NOx

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A mixture of oxides of nitrogen – emission of these gases can contribute to acid rain and other air-quality problems.

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## O

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### OCNS

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Offshore Chemical Notification Scheme

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### OGP

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International Association of Oil and Gas Producers – a worldwide association of oil and gas companies involved in exploration and production of hydrocarbons.

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### OLF

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Norwegian Oil and Gas Association

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### ONHYM

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Morocco's Office National des Hydrocarbures et des Mines

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### OSPAR

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OSPAR is the mechanism by which 15 governments of the western coasts and catchments of Europe, together with the European Community, cooperate to protect the marine environment of the North-East Atlantic.

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### OSPCP

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Oil Spill Prevention and Contingency Plan

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### OSRL

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Oil Spill Response Ltd

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## P

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### PCDP

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Public Consultation and Disclosure Plan

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### PLONOR

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Chemicals which 'Pose Little or No Risk'

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### Precautionary approach

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An expression of a need by decision-makers to anticipate harm before it occurs. It is the responsibility of a proponent of an activity to establish that it will not (or is very unlikely to) result in significant harm.

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### Project Delivery Process

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The Company's Project Delivery Process (or gated process) sets out the project requirements at key stages of each project and ensures that project CR requirements, risks and mitigation measures are understood at each decision point.

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## R

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**RAP**

Resettlement Action Plan

**S**

**SIA**

Social Impact Assessment

**SIRT**

Sub-sea Incident Response Toolkit

**SO<sub>2</sub>**

Sulphur dioxide – emission

**SOP**

Standard Operating Procedure

**SO<sub>x</sub>**

A mixture of oxides of sulphur

**SWD**

Seismic While Drilling

**T**

**TRI**

Total Recordable Injuries

**TRIR**

Total Recordable Injury Rate

**U**

**UDHR**

Universal Declaration of Human Rights

**UK**

United Kingdom

**UN**

United Nations

**UNGC**

United Nations Global Compact – a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

**UNESCO**

United Nations Educational, Scientific and Cultural Organization



V

VPSHR

Voluntary Principles on Security and Human Rights

W

WBM

Water-Based Mud

WEC

Well Engineering and Construction

WWF

World Wide Fund for Nature



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## Contact details

We welcome your views, comments and suggestions on our CR activities and this CR Report. Your feedback is important to us, and will help to improve our reporting and inform our CR strategy.

To contact us please [email our CR Team](#).