

Managing Director and Health, Safety & Sustainability Committee Chair Letter

Social responsibility is core to who we are and underpins our success as a business. Explicit recognition of social responsibility in our Company vision and its integration in our Corporate Strategy ensures our growing business preserves this valuable competitive advantage.

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

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

A socially responsible approach

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

As a signatory to the UN Global Compact, Oil Search is committed to upholding these important principles, including those relating to human rights and combatting corruption. This commitment is embodied in the Company's Social Responsibility Policy, Code of Conduct and our enduring commitment to EITI.

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

Maintaining a stable operating environment

Historically, a demonstrable commitment to sustainable development has helped Oil Search to maintain a social licence and contribute to a stable operating environment. With gas revenues flowing, the PNG people understandably expect improved access to basic services and infrastructure. Throughout 2014 Oil Search continued to help ensure the economic and social benefits of our industry's operations are delivered strategically, efficiently and transparently.

We augmented the PNG Government's capacity to provide roads, schools, healthcare and justice facilities, taking the total value of the Tax Credit Scheme projects Oil Search manages to US\$200M. The Company also invested US\$7.8M in projects to improve health, education, women's empowerment and food security. This included a donation of US\$5.8M to the Oil Search Health Foundation (OSHF).

The Foundation underwent a number of strategic, structural and reporting changes in 2014 to improve accountability and cost-effectiveness following an independent review. The work of OSHF in PNG is a key pillar of our sustainable development approach and has made Oil Search one of the largest health providers in PNG.

On the ground, Oil Search balances the short-term costs of preferring local businesses against the long-term benefits of having a thriving and sustainable local economy. In 2014, 39% of the total payments we made to suppliers in PNG were made to local PNG suppliers. As the Company continues to expand, we expect these payments to grow commensurately.

Implementation of our Strategic Plan will see us continue these efforts to support infrastructure delivery, improve access to power, and pursue sustainable development to ensure we are able to contribute to a stable operating environment over the longer term.

The Company's long term support and advocacy for transparency and good governance around revenue collection and benefits distribution continued throughout the year. The admission of PNG as an Extractive Industries Transparency Initiative (EITI) Candidate Country in March 2014 was a major step forward and Oil Search will continue to support the PNG Government's efforts to fulfil the candidacy requirements in 2015. The progressive development by the PNG Government of legislation to institute a Sovereign Wealth fund, with good governance and transparency, is also considered a major positive step for the country.

Enhancing organisational capability

The 2014 Strategic Review highlighted that in order to realise the full strategic value of Oil Search's PNG operations and deliver our vision of top quartile returns for shareholders, the Company needed to focus on PNG and continue to build organisational capability in key areas, whilst strengthening local content. As a result, the Board endorsed a number of strategic organisational changes. These included moving to a Business Unit/Function structure, establishing a new PNG Business Unit in 2015 and progressively transferring a number of senior management positions to PNG.

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

A new Leadership Framework was developed that incorporates updated values and behaviours that support the new Company vision. This framework forms one part of our upgraded enterprise management system, which will continue to be rolled out in 2015. Successful people management and development are major elements in Oil Search's vision for socially responsible growth. The organisational changes are supported by an enterprise-wide review of how we evolve the capabilities required at all levels to support future needs.

PNG nationals will play an important role in Oil Search's expansion strategy, consistent with our long-standing policy of employing and developing local people. By the end of 2014, 83% of our PNG workforce were nationals. During the year we continued to develop the skills of citizen employees with initiatives such as the newly-refreshed Graduate Programme. The development of PNG nationals, particularly in leadership roles, is one of the priority areas for the Diversity and Inclusion strategy which was introduced in 2014.

Safety performance

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

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

Communicating performance

Our non-financial external communication and reporting approach continues to evolve, with the introduction of our Social Responsibility microsite. The expanded, easier to access information and data is one way Oil Search is ensuring external stakeholders have the most accurate and complete information about the Company's social responsibility approach and performance. This online information continues to be supported by our bi-lingual PNG In-Country Report.

In September 2014, Oil Search's performance was once again recognised by Oil Search's inclusion in the Dow Jones Sustainability Index (DJSI) Australia.

Outlook for 2015

In 2015 Oil Search will develop a multi-year social responsibility strategy that outlines how we can continue building the Company's social responsibility capabilities and performance in alignment with the Company's business objectives. Our commitment to, and investment in, various social responsibility initiatives will be increased against a backdrop of reduced expenditures in exploration and development as a result of the significant drop in oil prices seen in the last 9 months.

Social responsibility is core to who we are and underpins our success as a business. Explicit recognition of social responsibility in our Company vision and its integration in our Corporate Strategy ensures our growing business preserves this valuable competitive advantage.

2014 performance at a glance

- **Production up 186%** to 19.27 mmbbl of oil, gas and condensate in 2014
 - 1 spill >1bbl in 2014 - down from 8 in 2013. Material spill was a benign, biodegradable product
 - Oil Search 2014 Strategic Review completed
 - **US\$246m** paid by Oil Search to the PNG, Kurdish, Yemeni and Tunisian governments in 2014 as royalties, taxes, dividends, levies and other fees and charges
 - **US\$7.8m** invested in sustainable development including a US\$5.8M donation to the Oil Search Health Foundation
 - 8% drop in GHG emissions & 25% drop in emissions intensity – on target to achieve 2016 emissions target
 - 1.97 Total Recordable Injury Rate in 2014, a decline from 2.47 in 2013
 - 3 Tier 1 and 4 Tier 2 process safety releases in 2014. Tier 1 releases were stable in 2014, whilst Tier 2 release performance improved from 9 in 2013
 - **US\$42.3m** in infrastructure projects delivered via PNG tax credit scheme – an increase of US\$31.6 million from 2013
 - 4th CDP Carbon questionnaire response submitted, 1st CDP Water
 - Oil Search human rights risk review completed - improvement plan in development
 - NEW Diversity and Inclusion Strategy introduced
 - **10.6%** increase in clinics supported by the Oil Search Health Foundation HIV intervention programme
 - US\$69 million paid for work contracted with PNG landowner companies
 - **2nd** year Oil Search included in Dow Jones Sustainability Index
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2014 engagement and participation highlights

Contributing to PNG tax review

In 2013 the PNG Government announced a review of the entire PNG tax regime and appointed a Tax Review Committee. The terms of reference for the Committee are wide ranging and cover all PNG taxes and their administration. The review is scheduled to be finalised in 2015. In 2014, the Tax Review Committee released 5 consultation papers addressing various PNG tax issues. Oil Search has lodged detailed submissions to the Tax Review Committee in relation to two of these papers and is in the process of finalising its submission on the remaining three published papers. Oil Search understands the importance of ensuring that PNG has a reliable and sustainable tax framework and has been working collaboratively with the Tax Review Committee to ensure that the taxation system supports the future growth of the oil and gas industry and the PNG economy.

Campaigning to stop violence against women

Women's empowerment is one of Oil Search's key sustainable development priorities in PNG. It is also a cause employees at Oil Search are passionate about. To coincide with International End Violence Against Women Day, in November a fund-raising campaign was held across Oil Search's operations. This raised \$20,000 towards a safe house in PNG for women affected by violence. A number of Oil Search suppliers actively participated in the campaign, contributing generously for each staff member that contributed a photo of themselves holding a message in support of the cause.

Supporting PNG EITI candidacy

During the year Oil Search continued to promote the adoption and implementation of the EITI by the PNG Government.

The Technical (TWG) and Industry (IWG) Working Groups (of which Oil Search is a member) met regularly throughout the year and agreed on the scoping study and work plan and the associated priorities. In February, Oil Search hosted a workshop for the PNG Multi-Stakeholder Group (MSG) members, run by the National Secretariat.

In March 2014, the EITI Board admitted PNG as an EITI Candidate Country. In 2015 Oil Search and other MSG representatives will assist the PNG Government to follow the candidacy timeline – which includes delivering a transparency report to the EITI by the end of the year. Timely delivery of this report will enable PNG to progress to being a compliant country.

Sponsorship of 20th International AIDS Conference

Oil Search was a platinum sponsor of the 20th International AIDS Conference (AIDS 2014) - an event which assessed progress on the global response to HIV and discussed its future direction. There was a strong emphasis on the need to increase the role of the private sector in the global HIV response. During the event, the Oil Search Health Foundation raised awareness of HIV in PNG through a photographic exhibition, and drew on its experiences on the ground to explain how the strengths of private sector are being leveraged through the Foundation to tackle HIV.

3rd Employee Social Responsibility Survey conducted

In October, Oil Search conducted its third employee social responsibility survey. The survey was updated in 2014 to improve analysis of our employees' understanding of key elements of Oil Search's social responsibility approach and provide an indication of how well they are being applied throughout the business. The results informed the focus and medium of internal communication on Oil Search's social responsibility performance and priorities. Results are also being used to inform the 2015 Social Responsibility Strategy.

World Environment Day staff photo competition

In June, to coincide with World Environment Day, Oil Search employees were invited to enter a photo competition and describe why they felt their photo best:

- communicated the beauty or uniqueness of their environment; or
- celebrated the meaning of community.

To see the winning photos and read their stories, see the [Environment Day Staff Photo Competition case study](#).

Progress against objectives

2014 Objectives

In late 2014 Oil Search's Board set a new multiyear strategic plan for the Company. Aspects of social responsibility were identified as key enabling factors to support delivery of the strategic plan and protect value. This and ongoing development of our enterprise management system, Our Way, led to various activities which aim to strengthen our social responsibility approach and provide a future oriented platform to support company objectives.

1. SOCIAL RESPONSIBILITY RISK REVIEW

PLANNED ACTIONS

- Continue human rights risk and potential impact identification as part of due diligence processes.
- Finalise development of Environment and Social Management System documentation at corporate level as part of new enterprise management system.
- Implement biodiversity-related improvements in PNG.

ACTION TAKEN

- The human rights risk review was completed and a multi-year plan is in development to address opportunities identified for improvement.
- Social responsibility performance requirements were identified for incorporation into enterprise management system development.
- Commenced consolidation of ecological data to support continued biodiversity improvements in PNG.

STATUS - 100%

2. SUSTAINABLE SUPPLY CHAIN MANAGEMENT

PLANNED ACTIONS

- Complete sustainable supply chain risk and opportunity analysis.
- Develop and commence implementation of sustainable supply chain strategy.

ACTION TAKEN

- Completed analysis of current state sustainable supply chain activities.
- Commenced risk assessment process.

STATUS - 40%

3. EMBED SOCIAL RESPONSIBILITY IN BUSINESS-AS-USUAL

PLANNED ACTIONS

- Ongoing engagement, education, communication and cultural change plan to continue to embed sustainability into everyday operational activities.

ACTION TAKEN

- Updated Employee Social Responsibility Survey conducted.
- Incorporation of social responsibility performance requirements into enterprise management system commenced.
- Social responsibility governance structure aligned with Health, Safety & Sustainability Board Committee.
- Ongoing internal social responsibility performance and information communication updates via diverse range of channels.

STATUS - Ongoing

4. EFFECTIVE SUSTAINABLE DEVELOPMENT PLANNING AND MEASUREMENT

PLANNED ACTIONS

Continue monitoring and measurement improvement programmes for Oil Search community projects.

ACTION TAKEN

- All PNG Community Project Managers in the Community Affairs discipline completed training in project impact measurement.
- Review conducted of application of key planning and measuring principles on sustainable development projects in the new projects database.

STATUS - 100%

5. CONTINUOUS PERFORMANCE IMPROVEMENT

PLANNED ACTIONS

- Review and update Sustainability Strategy as part of the organisational Strategy Review process.

ACTION TAKEN

- Key elements of social responsibility such as stakeholder engagement, and strategic sustainable development identified as value protecting strategies and integrated into the 2014 Strategic Review.

STATUS - 100%

2015 Objectives

In 2015, Oil Search will focus on further developing our strategic capabilities to support the implementation of the strategic plan. With the identification of growth opportunities, particularly in PNG, social responsibility objectives will work to directly support strategic plan delivery commensurate with the Company's vision of social reasonability and to protect value. In particular, this year there will be a strong emphasis on continuing to develop a platform to meet objectives across the areas of: stakeholder engagement, social responsibility, sustainable development and human rights.

1. SOCIAL RESPONSIBILITY

PLANNED ACTIONS

- Develop the post 2015 Social Responsibility Strategy.

2. PNG SUSTAINABLE DEVELOPMENT

PLANNED ACTIONS

- Develop a multi-year PNG Sustainable Development Strategy for implementation in 2016.

- Refine the Oil Search Health Foundation's strategy to support expansion and formulate a leadership framework that will complement this.
- Investigate options to improve domestic power supply in PNG.
- Deliver PNG Government approved public infrastructure projects in PNG under the Tax Credit Scheme (TCS).

3. GREENHOUSE GAS EMISSIONS

PLANNED ACTIONS

- Develop a post 2016 Greenhouse Emissions Abatement Strategy.

4. SUSTAINABLE SUPPLY CHAIN

PLANNED ACTIONS

- Finalise the Sustainable Supply Chain Strategy and commence implementation.

5. HUMAN RIGHTS

PLANNED ACTIONS

- Commence implementation of improvements identified from the human rights risk review in 2014.

6. PNG STAKEHOLDER ENGAGEMENT

PLANNED ACTIONS

- Revise the PNG Government and Landowner Engagement Plan.
- Work collaboratively with PNG Government to develop PNG oil and gas industry.

7. ORGANISATIONAL CAPABILITY

PLANNED ACTIONS

- Complete skills gap analysis of leadership team.
 - Complete restructure of the Company into Business Units and Functions.
 - Continue integration of the Our Way management system into the business.
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Operating with integrity

Overview of the year

The Strategic Review in 2014 highlighted that, as Oil Search grows, we need to enhance our enterprise management system framework to ensure business excellence and consistency and to support our ability to deliver our strategic objectives.

In 2015, the Company will progressively upgrade and deploy a new management system, Our Way, to ensure key aspects of Oil Search's leadership, governance, operating model and capabilities are managed transparently and consistently. Our Way will help employees to continue to conduct Oil Search business according to our refreshed Company values and behaviours.

During the year, the social responsibility governance structure was amended to better align the key committees. Oil Search's human rights risk review was completed and the roll out of the new Corruption Prevention Framework online training commenced. All employees will have completed this training in the first half of 2015.

Again in 2014, Oil Search disclosed its payments to governments. For further information, see the Payments Transparency page. During the year, the Company participated in various EITI forums in PNG to support the country's transition to an EITI Candidate Country, which was announced in early 2014.

See the Stakeholder Engagement page for detail on Oil Search's involvement in EITI in PNG.

Key project updates

SUSTAINABILITY GOVERNANCE STRUCTURE ALIGNED

In 2014, the Health Safety Environment and Security (HSES) Group 1 was renamed the Health Safety and Sustainability (HSS) Group 1 and the charter amended to align with the scope of the HSS Board Committee. The HSS Group 1 is chaired by the Managing Director and consists of all Executive General Managers as well as relevant representatives from senior management. Its responsibilities include reporting material HSES and social responsibility matters to the HSS Board Committee.

The Sustainability Steering Group (SSG) is now a sub-committee of the HSS Group 1, responsible for delivering on strategic sustainability initiatives in line with the existing Charter.

CORPORATE RISK ASSESEMENT FRAMEWORK UPDATED

Oil Search's Corporate Risk Management Framework was updated in 2014 and its application across the Company commenced.

The framework captures corporate level current and emerging risks, and the Company's planned and existing strategies to manage these risks. The risks included cover a number of categories, such as business disruption and system security, liquidity and financial exposures, fraud and corruption, HSES, stakeholders, and social responsibility. Roll out will continue in 2015.

HUMAN RIGHTS RISKS IDENTIFIED

In 2014 a comprehensive review of Oil Search's exposure to potential human rights risks and impacts was conducted. This due diligence process identified four main areas of potential risk which impact our sector in the context of the countries where we operate:

- Community relations
- Labour rights (in the supply chain)
- Security
- Land access and resettlement

Oil Search's management controls are being improved to minimise and appropriately manage the risk of impact. This includes an ongoing continuous performance improvement focus on policies and procedures; practices (both formal and informal); documentation and record-keeping; and grievance management.

Oil Search's commitment to respecting human rights is captured in the Board approved Social Responsibility Policy and the Company's ongoing commitment to the UN Global Compact. In 2015 this will be further supported by a Stakeholder Engagement Standard and Social Responsibility Procedure that sets out an integrated approach to managing Oil Search's business obligations and social responsibility commitments.

As part of the changes being made to the Company's enterprise management system over the next two years, management controls for human rights will be integrated across the corporate procedures for security, stakeholder engagement, contracting, social impact assessment, land access and resettlement, and grievance management.

BREACHES OF CODE OF CONDUCT

During the year Oil Search dealt with 16 breaches of the Company's Code of Conduct.

- Investigation into an incident of corruption identified in 2012 was completed during the year. The Board agreed to and monitored close-out of a corruption prevention action plan, including targeted corruption prevention workshops.
- An audit of share transactions since mid-2013 identified seven employees who had potentially breached Oil Search's Share Trading Policy. These cases are still under internal investigation. While these cases may have breached the Company's Policy, none was considered to have breached legal or regulatory requirements.
- Eight breaches of the Code of Conduct were raised. For seven, internal disciplinary action was taken, including four warning or outcome letters, one record of discussion and two terminations, while one was still under investigation at year end.

A confidential, multilingual Whistle Blower Hotline is available in all areas of Oil Search's operation. There were two Whistle Blower Hotline calls concerning potential corruption during 2014, both of which are under investigation.

A Working Group consisting of representatives from across the Company was established in late 2014 with the goal of reviewing and updating the Oil Search Code of Conduct in 2015. This will align with the broader changes being made to Oil Search's enterprise management system, policies and procedures.

US\$246M paid by Oil Search to the PNG, Kurdish, Yemeni and Tunisian Governments in 2013 as royalties, taxes, dividends, levies and other fees and charges

For further data and information on government payments made by Oil Search, view the data center page.

Health, Safety, Environment & Security

Overview of the year

During 2014 Oil Search continued to focus on managing key risks associated with Health, Safety, Environment and Security (HSES).

Regrettably, a seismic contractor was fatally injured at our Tunisian seismic operations in October - the first fatality at Oil Search since 2007. Implementation of the various improvement opportunities identified by the resulting incident investigation has commenced. Immediate changes were made to several administrative and engineering controls.

The Company's overall total recordable injury rate declined from 2.47 in 2013, to 1.97 in 2014. During the year roll out of the new incident management system was completed with the objective of improving the analysis of safety, security and environmental data for the purpose of identifying trends and opportunities for improvement.

Implementation of the Process Safety Improvement Plan progressed significantly during the year, with Basis for Safe Operations documentation now in place for two key sites in PNG. For the second year running, Oil Search's Field Response Team was the overall winner of the National Mines Emergency Response Challenge.

An improved result from the ISO14001 recertification audit in 2014 on our environmental management system, demonstrated a successful collaboration by members of our PNG operations teams to close out all 2013 minor non-conformances. Only one new minor non-conformance was identified.

Also in 2014 Oil Search appointed a Corporate Security Manager to lead the Company's security discipline and ensure an effective and consistent approach to security management. This role strengthened Oil Search's ability to operate in complex security environments, such as in the Kurdistan Region of Iraq.

PERSONAL SAFETY GRAPH

In 2014 there was one contractor fatality on an Oil Search seismic acquisition programme in Tunisia. Overall recordable injury rates declined 20% in 2014 from 2013 and lost time injury rates 17%. This result was largely due to strong performance in core PNG operations, with a continued field leadership focus on high risk exposures and effective implementation of corrective actions.

TOTAL RECORDABLE INJURIES

2014

- Total number of recordable injuries - 28
- TRIR - 1.97
- IOGP average TRIR - n/a

2013

- Total number of recordable injuries - 33
- TRIR - 2.47
- IOGP average TRIR - 1.6

2012

- Total number of recordable injuries - 34
- TRIR - 2.64
- IOGP average TRIR - 1.7

PROCESS SAFETY

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

NO. OF TIER 1 & 2 PROCESS SAFETY INCIDENTS

2014

- Tier 1 Releases - 3
- Tier 2 Releases - 4

2013

- Tier 1 Releases - 3
- Tier 2 Releases - 9

2012

- Tier 1 Releases - 2
- Tier 2 Releases - 5

GREENHOUSE GAS GRAPH

In 2014, Oil Search's total greenhouse gas (GHG) emissions declined by approximately 8% to 830 kTCO₂-e. This is primarily due to a decrease in flaring. Emissions intensity was 55 kTCO₂-e /mmboe, a reduction of approximately 25% from 2013. This was due to the combined effect of decreased flaring and increased production.

GHG emissions

2014

- GHG Intensity - 55
- GHG - 830

2013

- GHG Intensity - 73
- GHG - 898

2012

- GHG Intensity - 80
- GHG - 918

WASTE GRAPH

Total waste generated reduced by almost 20% to 44,295 m³ in 2014 from 53,171m³ in 2013 due to clean-up programmes completed in 2013 as well as a reduction in camp occupancy levels in 2014.

Waste disposed (2014)

- Landfill - 4,155m³
- On-site storage - 930m³
- Incineration - 39,140m³
- Recycling - 69m³

- Total - 44,295m3

SPILLS GRAPH

The number of spills that reached the environment in 2014 decreased substantially from the previous year. This was due to a combination of more consistent reporting via the new incident reporting database, and improved practices. There was a single incident resulting in a spill which involved a biodegradable, benign (non-hydrocarbon) product.

Hydrocarbon and non-hydrocarbon spills > 1 BOE that reached the environment

2014

- Number of spills - 1
- Volume split - 1,000

2013

- Number of spills - 8
- Volume split - 4,266

2012

- Number of spills - 3
- Volume split - 1,479

UNIT (L)

WATER GRAPH

Surface water includes water extracted from rivers to support PNG drilling operations. Groundwater includes bore water extracted to support our largest PNG camp. These water extraction points represent Oil Search's largest in PNG and on-going improvements to our water data should mean we are able to report the balance of our water extraction in future reports.

Water withdrawal (2014)

- Surface water - 120,375m3
- Ground water - 90,380m3
- Total - 210,755m3

Key project updates

HEALTH

The number of patient presentations at Oil Search clinics decreased in 2014 by 25% to 22,995, from 30,736 in 2013. Reductions have been attributed to ongoing education and training in community based health facilities allowing for greater autonomy; and a large reduction in the numbers of contract staff with the completion of PNG LNG Project.

Oil Search relaunched its PNG Staff Wellbeing programme during the year. The programme provides personalised assessment and education around key risk factors such as smoking and nutrition that are identified during pre-employment and regular staff medicals. The relaunch aimed to better embed a culturally aware employee health, fitness and wellbeing ethos into our PNG operations.

To improve data integrity and robustness and assist with reporting of patient care provided, the Health Services medical database was aligned in 2014 with World Health Organization (WHO) disease trending standards. The update improved the transparency of Health Service expenditure. In 2014, over US\$10 million was spent delivering

the Oil Search Health Service – of which 47% related to contractors, 28% to community members and 25% to employees.

SAFETY

Process safety improvement plan implementation underway

In 2014 Oil Search continued building the foundations for achieving incident free operations with a number of risk management activities.

Following the 2013 independent review of process safety management systems and Oil Search's own internal review of incident causes and trends, a new Process Safety Improvement Plan (PSIP), was developed.

The PSIP is the first phase of a longer term programme designed to create sustainable changes in the PNG operating environment by focusing on awareness and prevention of Major Accident Events (MAEs).

The Process Safety Operating Committee, operations staff and external consultants undertook a significant amount of work during the year towards improving the Basis of Safe Operations for the Central Processing Facility and Gobe Processing Facility. This ensures the appropriate design specifications, procedures, maintenance and other controls are in place to prevent MAEs. In 2015, this process will be repeated at other PNG facilities.

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

Continually improving safety systems and processes

A member of a seismic acquisition contractor crew on our Tajerouine licence in Tunisia was fatally injured in October, when an article of clothing he was wearing became entangled in moving machinery. Senior Oil Search staff conducted an investigation into the incident and the contractor provided the family of the deceased worker counselling and support. The investigation was completed in December and led to immediate procedural and engineering control changes as well as improvements in how safety and security is managed during the acquisition of seismic. Lessons learnt have been broadcast to the international seismic community and throughout Oil Search.

In 2014 a review of 2013 and 2014 motor vehicle incidents resulted in the commissioning of a baseline study of our transport practices in PNG and Kurdistan against industry standards. The opportunities and recommendations identified as part of this review will be addressed on a risk prioritised basis throughout 2015.

In 2015, the key focus will be continued improvements in risk management, revising the procedures underpinning the HSES Policy and Standard, using data to drive performance improvement including targeted implementation of corrective actions identified from incident investigations and audits, and improving crisis, emergency, and incident management.

ENVIRONMENT

CONSOLIDATING WASTE MANAGEMENT IMPROVEMENTS

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

In PNG, the overarching Waste Management Plan was refreshed in 2014. The Plan outlines management processes and expectations for key waste streams and is the main reference point for embedding waste management improvements at sites. Additional plans for individual operating sites will be developed as required over the next few years.

Other waste minimisation activities included:

- Installing a tyre shredder to process rubber waste for possible re-use elsewhere.
- Optimising the operation of the incinerator and composting unit.

- Fine tuning the kitchen waste segregation improvements at Oil Search's largest PNG site for extension to other sites in coming years.

INCREASING ENVIRONMENTAL MONITORING CAPABILITY AND CAPACITY

Oil Search invested substantially in environmental monitoring in 2013 and this continued in 2014. The following improvements were made during the year:

- A new, dedicated database and environmental monitoring reporting tool
- Updated water quality monitoring quality assurance processes
- A new wet lab facility.

These improvements were supported by a comprehensive training programme for the site Environment Team building capability with the new tools, processes and facilities and associated areas. Training covered topics such as:

- Environmental monitoring (water, air, noise)
- Data handling and interpretation
- Equipment use and calibration.

CREATING A MORE HOLISTIC BIODIVERSITY PICTURE

Following an invasive weed species survey of our PNG operations in 2013, Oil Search undertook a weed eradication programme at key locations during the year. Revegetation monitoring work, which measures revegetation progress at previously disturbed locations, continued. The revegetation and monitoring programmes will continue in 2015.

To support these activities, Oil Search continued to aggregate ecological data obtained through environmental impact assessments to create a more holistic picture of biodiversity around the Company's operations. As part of this broader knowledge building, a fish survey was undertaken at Lake Kutubu in consultation with the local community and the Lake Kutubu Wildlife Management Authority.

GHG MANAGEMENT AND PERFORMANCE ON TRACK

In 2014, Oil Search's total greenhouse gas (GHG) emissions were 830 ktCO₂-e. This was lower than in recent years, primarily due to a decrease in flaring.

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

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

The feasibility of Oil Search's flare and vent gas conservation project registered with the United Nations Framework Convention on Climate Change is currently under review given the combined effects of increased implementation costs and the decreasing value of Certified Emissions Reductions. The review will conclude in 2015.

Sustainable development

Our sustainability development priorities:

- Health care
 - Food security
 - Water access and sanitation
 - Women's empowerment
 - Education
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Overview of the year

Oil Search's sustainable development activities continued during 2014. The key focus areas in PNG were working with local governments, community project planning and measuring, improving community agricultural skills and enterprise opportunities, and facilitating the delivery of infrastructure through PNG's Tax Credit Scheme (TCS).

The Oil Search Health Foundation continued to build on the work of 2013 in core programme areas: HIV, malaria and maternal and child health. Also a major focus during 2014 was containing a measles outbreak in the Hela Province.

Internally, Oil Search continued to develop our capability for planning, measuring and reporting on the impact of community projects. The roll out and training for the new planning database, which was developed and piloted in 2012/13, was completed as planned.

The planned biennial Social and Economic Survey in PNG did not occur due to security concerns associated with ongoing PNG LNG activity and the high number of other surveys being conducted through the year resulting in possible survey-fatigue. It has been rescheduled for 2015.

Externally, Oil Search worked with PNG local level governments to improve their forward planning for sustainable development projects and ensure transparent and reliable project delivery.

Discussions continued with government and other parties to progress the biomass project in the Lae region. From 2015, the project will be a component of Oil Search's broader objective to work with the PNG Government to improve power supply in PNG. This will include consideration of other power source options such as gas fuelled power.

Investment in sustainable development activities in the Kurdistan Region of Iraq was increased in 2014. This includes the provision of support for many affected by conflict in the area.

US\$42.3M spent in infrastructure projects, project managed under PNG tax credit scheme in 2014 - an increase of US\$31.6 million from 2013. Spend related to the completion of three infrastructure projects in the Southern Highlands and other ongoing projects. Work on two major projects in Port Moresby drove the increase in spend from 2013.

SUSTAINABLE DEVELOPMENT INVESTMENT (2014)

- Oil Search Health Foundation donation - \$8.5m (USD)
- Partnerships - \$0.8m (USD)
- Community projects and sponsorships - \$1.1m (USD)
- Other - \$0.1m (USD)
- Total - \$7.8m (USD)

US\$7.8 million invested in sustainable development including a US\$5.8 million donation to the Oil Search Health Foundation, direct investment in community projects in MENA and PNG, projects delivered by community development partners in PNG and start-up loans to community enterprises.

Key project updates

• ASSISTING TO DELIVER INFRASTRUCTURE IN PNG

During the year Oil Search continued working on infrastructure projects under the PNG Government's Infrastructure Tax Credit Scheme (ITCS). Three projects were completed during 2014 in the Southern Highlands Province supporting the delivery of education and judicial services. Also during the year concept work on a road between Erave and Samberigi was completed and pending the outcomes from the PNG Government's financial investment decision, construction is planned to commence in 2015.

In Port Moresby, construction continued on two national tax credit projects - the National Football Stadium and the Marea Haus office block. The stadium will be available for use during the 2016 rugby league season and Marea Haus will be completed in December 2015 and ready for occupancy by the Department of the Prime Minister and National Executive Council in 2016.

In 2015 Oil Search will focus on completing several of the projects currently under development. The projects are mainly education and health infrastructure.

• HELPING LOCAL GOVERNMENT IN PNG PLAN FOR DEVELOPMENT

Oil Search works closely with all levels of government in PNG to understand and align development objectives. Local government's role to ensure the translation of funding received into projects that make lasting changes to the lives of local people is critical so that local people are able to enjoy the development benefits of resource revenues. Further, alignment between government and Oil Search can amplify the effect of both parties' development efforts. In 2014, Oil Search assisted local level governments' (LLGs) efforts in PNG to draft Area Development Plans (ADPs). By the end of 2014, the Nipa Kutubu District, Kutubu LLG and East and West Kikori LLGs had ADPs in place and Oil Search had facilitated initial planning sessions with three more LLGs to help develop their plans in 2015.

• STRENGTHENING FOOD SECURITY AND AGRICULTURAL ENTERPRISE OPPORTUNITIES

Oil Search's partnership with PNG's National Agricultural Research Institute (NARI) and the Business for Millennium Development (B4MD) to develop a pork producing social enterprise, successfully completed the first phase of the pilot, with identification of an optimal local food diet to optimise pig growth rates.

In 2014 a project with NARI to diversify and improve food sources around Lake Kutubu was evaluated to establish the effectiveness of the animal distribution and training model currently being utilised. Following a determination that it was failing to deliver the desired outcomes, the project was suspended while alternative approaches are being explored within the community. It is likely to recommence in 2015 once a new approach is agreed.

There was an increase in farming technique training delivered by Oil Search and trainers from the CLTC (Christian Leaders Training Centre) during the year: 310 attendees in 2014 (231 women and 79 men), up from 70 in 2013. This increase was due to a desire to better equip farmers with the skills required to meet existing quality and hygiene standards for supply to Oil Search camp kitchens, ensuring opportunities for employment of local people is maximised.

Oil Search also continued to supported four women's agricultural co-operatives, providing them with business advice, agricultural training and equipment throughout 2014.

- **PLANNING FOR AND MEASURING IMPACT OF COMMUNITY DEVELOPMENT PROJECTS**

The roll out of the PNG Sustainable Development Planning and Measuring Procedure and Database was completed in 2014. This tool plays an important role in Oil Search's plans to improve sustainable development activities through better planning and performance analysis.

The associated training was completed on schedule by all sustainable development project managers across all locations in 2014.

An initial review of the information captured in the project database began, along with preliminary work on updating the existing governance and planning processes to incorporate the project planning data.

- **PROVIDING LEARNING OPPORTUNITIES TO PNG MEDICAL STUDENTS AND STAFF**

During 2014 the Health Services team continued to engage with universities and hospitals.

Under a new Memorandum of Understanding signed with Madang Divine Word University, Oil Search staff lectured in their Advanced Diploma Emergency Medicine Programme and students will be given the opportunity to rotate through Oil Search Health Service clinics as part of their clinical placement.

The number of emergency trainee doctors from Port Moresby General Hospital rotating through Oil Search's clinics is now two per year. A similar scheme is planned in 2015 for nurses.

2014 Highlights

- **10** Community Area Planning (CAP) projects completed in PNG in 2014
 - **26** students graduated from tertiary education institutions with sponsorship from Oil Search, including 11 women
 - **4** students completed their Diploma in Education Primary In-service (DEPI) in 2014.
 - **310** community members received training on farming techniques including rice growing and milling, raising poultry and vegetable farming.
 - **19** community development projects and in-kind donations to improve sanitation and water supply, power supply, and sports and school facility improvements were completed in Kurdistan
-

Oil Search Health Foundation

Oil Search can only be successful in PNG if the Company invests in local communities and generates shared value. One of the ways this is achieved in PNG is through the Oil Search Health Foundation (OSHF). The Oil Search Health Foundation contributes to building capacity and strengthening the health system in Papua New Guinea's remote regions.

One of the OSHF's advantages is its ability to leverage corporate systems to reach more inaccessible parts of PNG; places where the need for health services is greatest. We work closely with the National Department of Health, Provinces and Districts and other stakeholders in PNG to ensure high impact health interventions.

In order to demonstrate a greater level of accountability and cost efficiency, the OSHF commissioned an independent review of its public health programmes that was completed in October 2014. The review's recommendations are being addressed by a new leadership framework that will inform a refined strategic direction in 2015, including integrating the health teams and developing new performance metrics to better demonstrate the OSHF's impact. With a new head and stronger development expertise at the OSHF Board level, the organisation will undergo significant changes in 2015.

PUBLIC HEALTH INTERVENTIONS

The Oil Search Health Foundation continued in 2014 to support a number of core public health interventions in the fields of HIV, malaria, and maternal and child health. In addition, the Health Foundation led an ad hoc collaborative effort to curb a measles outbreak in Hela Province.

- **SCALING-UP HIV SERVICES**

To scale-up HIV testing, treatment and support over the course of the year, the Health Foundation operated in four provinces in PNG (Southern Highlands, Hela, Morobe, Gulf) at over 73 community health facilities and eight Oil Search operational sites.

The implementation of the Global Fund's HIV grant in Hela and Morobe enabled the OSHF to partner with the PNG National Department of Health to provide HIV prevention, testing, counselling, treatment and care programmes in line with the country's National HIV and AIDS Strategy (2011-2015).

The OSHF's community HIV activities revolved around strengthening existing health systems by conducting education programmes on HIV, family planning, sexually transmitted infections and gender-based violence. In addition, more than 400,000 male and female condoms were distributed in 2014.

Formal training was provided to 65 local community staff during the year, with mentoring and support for at least one staff member at each clinic so that they could develop the skills and knowledge to take ownership of the HIV programmes in their areas.

Prevention activities were expanded to include HIV testing for all pregnant women in order to prevent parent-to-child transmission. In the facilities supported by the Health Foundation, no babies born to HIV positive mothers in 2014 tested HIV positive.

With the support of the Oil Search Health Foundation, staff at Government-owned and church-run health centres in PNG conducted 19,958 HIV tests in 2014. This was an increase of 2,002 on the previous year. Of these tests,

215 (1.1%) were positive compared with 240 (1.3%) in 2013.

- **2012** - 7.405
- **2013** - 17.956
- **2014** - 19.958

(Number of people who received an HIV test in the past 12 months and who know their results)

• **CONTROLLING MALARIA**

Oil Search has managed a comprehensive malaria control and eradication programme in its operational areas since the mid-nineties. These malaria control interventions include spraying, regular testing and supporting PNG's unique network of Medicine Store Keepers (MSKs), who provide basic malarial diagnosis and treatment in remote areas. This preventative work has contributed to a significant reduction in the malarial incidence rate in the Kutubu region and the Southern Highlands. In 2014, the incidence rate in the Kutubu region was the lowest to date.

Continuing malaria control by the Oil Search Health Foundation has brought down the malaria incidence rate in 2014 to the lowest ever level in the Kutubu area – 0.78% of those tested compared to 11.98% in 2012.

- **2012** - 11.98
- **2013** - 9.82
- **2014** - 0.78

(Positive (%) malaria microscopy test results)

• **IMPROVING MATERNAL AND CHILD HEALTH (MCH)**

Improving maternal and child health in PNG is an important area for the Health Foundation. PNG has the second highest maternal mortality rate in the Asia-Pacific region and has poor MCH health indicators compared to the rest of the world.

The OSHF provides clinics with specialised MCH training, coaching and mentoring and supports the immunisation of children against communicable diseases. The Health Foundation also encourages supervised deliveries at health facilities and clinics to reduce maternal mortality rates. In 2014, children aged 1-5 years in the Kutubu area had a 75% immunisation rate and 90% of mothers attended at least one antenatal clinic check-up.

As a result of the Oil Search Health Foundation's focus in 2014 on clinic training, coaching and mentoring the number of supervised deliveries at health facilities in the Kutubu area increased to 370 in 2014, 90 more than the previous year.

- **2012** - 266
- **2013** - 280
- **2014** - 370

(Total number of births attended by skilled health workers)

• **RESPONDING TO A MEASLES OUTBREAK**

A major effort for the Health Foundation during 2014 was a five-month outbreak of measles in Hela Province. The Health Foundation team led a coordinated response to the outbreak that included staff from the Oil Search Medical Health Service, Tari Hospital and Médecins Sans Frontières. The combined team identified 2,392 measles cases, treated 212 individuals in hospital, and administered nearly 118,000 vaccinations. There have been no identified outbreaks in the region since.

Oil Search was a platinum sponsor of the 20th International AIDS Conference (AIDS 2014) in Melbourne, where with Oil Search' support, four Huli wigmen helped to raise awareness of the PNG perspective on HIV.

- **THE GLOBAL FUND TO FIGHT AIDS, TUBERCULOSIS AND MALARIA**

The OSHF's management of the Global Fund's Round 8 malaria grant will be completed by mid-2015. However, the Health Foundation will continue to progress its own malaria control interventions in and around Oil Search's operational areas in the Southern Highlands.

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- **REPRODUCTIVE HEALTH TRAINING UNIT (RHTU)**

In 2013 the OSHF received funding from the Australian Government to implement a Reproductive Health Training Unit (RHTU) on behalf of Papua New Guinean and Australian governments. In 2014 this project operated across seven provinces and three educational and government institutions, training 350 healthcare staff in essential and emergency obstetric care. With 688 participants, 89 observers and four apprentices in its first two years, RHTU is on track to reach its goal of training 750 healthcare staff by mid-2015.

- **PNG INDUSTRY MALARIA INITIATIVE**

The PNG Industry Malaria Initiative (PIMI) commenced operations in 2014 as an 18 month taskforce to mobilise PNG-based energy, mining and agribusiness companies to form Public Private Partnerships (PPPs) with Provincial Governments. The goal was find new and innovative ways to bring together resource sectors operations to work together towards a common health goal - malaria control and eradication by 2050.

The OSHF played a key role in the establishment of the PIMI in late 2013. Oil Search is a strong supporter and in 2014 provided in-kind support in the form of accommodation, financial and human resource services. The PIMI is governed by a Board representing a cross section of the PNG resource sector and other key stakeholders.

Supply chain

39% of PNG supplier contract expenditure in 2014 was paid to local suppliers (all suppliers paid in PNG Kina).

Overview of the year

Improving key elements of Oil Search's procurement processes was a focus in 2014. In the Kurdistan Region of Iraq and Yemen progress was slowed by security concerns, however elsewhere work continued on a number of fronts.

A major achievement for the year was completing a process and governance review of the supply chain function. The review began in 2012 with the aim of achieving greater efficiency and transparency in the contracts and purchasing areas. The final outcome was a greater understanding of good practice and risk management in these areas and recommendations for process and governance improvements. These are intended to be implemented in 2015 once the review is approved by senior management.

Oil Search is committed to ongoing supplier development. During the year the Company engaged with several major suppliers to create a safer, more cost efficient and more sustainable supply chain. Additional Master Purchasing Agreements (MPAs) were put in place with regular suppliers, making the procurement process simpler and more transparent.

Seven supplier audits were conducted in 2014; five covering transport provider safety performance and two covering contract compliance.

Work on developing a multi-year sustainable supply chain strategy progressed in 2014, with an analysis of existing initiatives, risks and commitments across the business. Representatives from Procurement and Contracts, Social Responsibility and other key disciplines will meet in 2015 to assess Oil Search's material sustainable supply chain risks. These will inform the new strategy's direction and development in 2015.

Key project updates

- **STREAMLINING SUPPLY CHAIN MANAGEMENT**

Since 2012, Oil Search has been phasing in a more transparent, consistent and streamlined purchasing and contracting process in order to mitigate supplier risk and increase productivity. This work continued in 2014.

A simplified approval process for low value/low risk contracts was introduced during 2014 and the number of Master Purchasing Agreements (MPAs) in place was increased. By the end of 2014, Oil Search had 19 MPAs (fixed price contracts) in place. As well as being economically prudent, MPAs create long-term supplier relationships that allow Oil Search to encourage behaviour change through closer engagement.

The year's overall focus in this area was on identifying process and governance improvements to simplify supply chain management and increase understanding of good practice. This work began with the contracting process, which was reviewed and rewritten to create:

- A mandatory procedure
- Optional guidelines

- Allowance for local requirements.

In 2015, strategies will be developed for:

- Identifying how to categorise vendors in terms of risk versus spend
- Developing a better understanding of how to mitigate and manage vendor risk
- Methods to secure supply across each purchasing sector
- Increasing internal understanding of key steps in the contracting process.

• **IMPROVING PNG LOCAL LANDOWNER GOVERNANCE**

A major focus for 2014 was improving the compliance of local land owner companies (Lancos) in PNG with regulatory and Oil Search requirements.

Measuring how well Lancos comply with these requirements and other good governance practices is part of the Company's ongoing commitment to combat unethical behaviour by encouraging good governance and increasing transparency.

Oil Search's reviews of each Lanco showed that many were not meeting the required standards in areas such as financial statements, annual general meetings, board governance and shareholding practices. To address these concerns, Oil Search:

- Met with Lancos' management to discuss areas for improvement and instigate a management plan
- Held progress meetings to assess and track changes
- Ran three board and management training programmes focused on the responsibilities and legalities of good governance. The training was undertaken by 26 representatives from three Lanco organisations.
- Organised and flew in a team from PNG's Internal Revenue Commission to meet eight management representatives from Lancos and conduct an on-site training session on tax governance and regulatory compliance.

As a result of these activities, Lanco performance improved in 2014. This will remain a focus for supply chain management in 2015.

• **CIPS RECERTIFICATION OBTAINED**

Meeting and maintaining certification standards by the Chartered Institute of Purchasing and Supply Australasia (CIPS) has assisted the Company's continuous improvement approach by identifying potential supply chain efficiencies and risks and helping us to address them.

CIPS requires recertification every three years. Oil Search worked in 2014 through the final stages of the recertification process. These final activities included:

- An audit of the Company's end-to-end procurement and supply processes by CIPS-authorized assessors, and
 - Commencing mandatory CIPS ethics training for the Contracts team, which will be completed in 2015.
-

Our people

Oil Search's commitment to hiring, developing and retaining high quality employees was a leading priority in 2014.

Overview of the year

With the completion of the PNG LNG Project, there was a focus on new growth opportunities and more people joined our commercial and business development areas. In addition, the results of the Oil Search Strategic Review highlighted the importance of people and capability to Oil Search's new strategic direction, leading to a number of significant changes.

Work continued on key long-term HR projects, including:

- Talent and succession management processes
- Accelerated development programme
- Diversity and inclusion strategy
- Global graduate programme.

The new role of Executive General Manager Strategy and Commercial was appointed in early 2014, completing the leadership team and underlining the importance of strategy to the Company's growth plans.

Enhancing Oil Search's organisational capabilities in order to deliver Oil Search's new vision and objectives was one of the six strategies endorsed by the Oil Search Board in late 2014 as part of the overall Strategic Review. The Review also highlighted the importance of PNG to the Company's long term business strategy.

As a result, a new operating model was announced to support the strategy's delivery. From early 2015, the Company will move to a Business Unit/Functional structure. The structure includes establishing a dedicated PNG Business Unit that will be based in Port Moresby and headed by the newly-created Executive General Manager PNG Business Unit. In addition, a number of senior positions will progressively move from Sydney to Port Moresby. These changes will support Oil Search's ongoing commitment to PNG.

The organisational restructure and final changes to the leadership team will be completed in 2015.

The Our Way enterprise management system is a major enabler for the new strategy and implementation commenced in 2014. Development and integration of the system will occur over a number of years.

% TOTAL WORKFORCE DIVERSITY

FEMALE

- Australia - 108
- PNG - 177
- MENA - 14

MALE

- Australia - 186

- PNG - 818
 - MENA - 79
-

TOTAL EMPLOYEES BY GENDER & LOCATION GRAPH

FEMALE

- 2014 - 22%
- 2013 - 22%
- 2012 - 21%

PNG NATIONALS

- 2014 - 60%
- 2013 - 63%
- 2012 - 64%

SENIOR MANAGEMENT DIVERSITY

FEMALE

- 2014 - 15%
- 2013 - 14%
- 2012 - 13%

PNG NATIONALS

- 2014 - 16%
- 2013 - 21%
- 2012 - 22%

Women: The representation of women in Oil Search leadership roles marginally increased from 14% in 2013 to 15% in 2014, providing a stable foundation on which to achieve the targets of Oil Search Diversity and Inclusion strategy.

Nationals: There was a small decline in the percentage of leadership roles held by PNG citizens during 2014 due to organisational growth outside PNG as well as turnover in PNG following the successful completion of the construction phase of the PNG LNG Project. The alignment of staffing levels to revised work programmes is anticipated to provide an opportunity to increase the percentage of PNG citizens in leadership roles during 2015, subject to the availability of suitably qualified people. Succession planning will play an important role in reaching our targets and the Company is committed to increasing the number of females and PNG nationals on succession plans.

12 MONTH TURNOVER RATE (%)

FEMALE

- 2014 - 12%
- 2013 - 9%
- 2012 - 9%

MALE

- 2014 - 7%
- 2013 - 10%
- 2012 - 10%

Key project updates

• LEADERSHIP FRAMEWORK

In 2014, Oil Search launched the Oil Search Our Way enterprise management system to support the new business strategy.

Our Way includes a Leadership Framework that clearly sets out Oil Search's values and the related behaviours, which are expected of employees at all levels.

A top down communication and education programme around the Leadership Framework began in 2014 and will continue in 2015. The programme included pilot education workshops with Accelerated Development Programme and Graduate Programme participants.

The behaviours outlined in the Leadership Framework were integrated into a new success profile (see Talent Management) for each level of the Leadership Framework and Oil Search's recruitment and development guides. In 2015 the behaviours will also be integrated into the performance management system.

• EMPLOYEE DEVELOPMENT

A review of PNG Operations training in 2014 identified opportunities for improvements that resulted in changes to its strategy, structure and execution.

PNG Operations introduced coaching for operators and supervisors and completed a rollout of a Safety Leadership programme with leaders, technical coaches and graduates. Safety leadership will be an ongoing focus in 2015 and beyond as new leaders join the organisation.

Other employee development activities in 2014 included:

- Overhauling the Employee Induction programme in Australia so it provides greater support
- Launching personal financial education workshops and consultations in PNG and Australia
- Implementing online corruption prevention training across all sites.

• LEADERSHIP DEVELOPMENT

A culture that promotes leadership is a key element in the new Oil Search business strategy and prompted several programmes in 2014.

The pilot Accelerated Development Programme (ADP) put emerging and senior leaders through an intensive 12-month programme to assess and develop their business and personal leadership skills. Participants were assigned a mentor from the executive team and met with them regularly. A further ADP is scheduled for 2015.

The development curriculum in PNG Operations and Oil Search's corporate functions was expanded to include project management, an in-demand discipline that enhances Oil Search's ability to plan and execute projects business-wide.

It is envisaged that the new PNG Business Unit will help to enhance succession planning and senior management skills by providing current and future leaders with the type of management experience required to achieve Oil Search's medium to long term goals.

The Board has endorsed a review of the Senior Management Team to identify the competencies required to lead the Company's new business strategy and assess skills gaps so they can be addressed with development programmes. This programme will be carried out in 2015 and will be ongoing.

• TECHNICAL COMPETENCIES

In 2014 Oil Search continued to develop technical competency frameworks to improve skills in operational and specialist areas including Drilling, Subsurface and Projects. The work included further implementation of the Competency Assurance Management System (CAMS).

In 2015, additional technical competency frameworks will be developed and implemented to assist in identifying and closing capability gaps.

• **GRADUATES AND APPRENTICES**

Oil Search employed 66 graduates and apprentices in 2014. Places in 2015 will be focussed on PNG Operations.

During the year forecasting and recruiting for graduates and apprentices were tied more closely to targets and metrics, including turnover, diversity and inclusion.

In line with the Company's strategic focus on leadership, the 2014 graduate workshops offered non-technical professional development in the areas of Oil Search Leadership Framework, Critical Thinking, Business Communication and Planning.

The non-technical component of the programme will continue in 2015 so graduates develop professional business acumen as well as technical knowledge.

• **TALENT MANAGEMENT**

Talent and succession planning activities focused on critical roles and the leadership pipeline and were informed by themes that emerged from the Oil Search Strategic Review. These included:

- Formally evaluating the internal talent pool at quarterly People and Organisation Executive Team meetings.
- Holding a forum to evaluate succession for critical roles, Executive General Manager (EGM) roles and EGM direct reports and presenting the outcomes to the Oil Search Board. The forum will occur again in 2015.
- Developing Success Profiles to use for internal talent profiling and external senior recruitment. The profiles align the personal behaviours, competencies, knowledge, and experience required for each level within the Leadership Framework.
- Bringing in senior expertise to support senior leadership and specialist bench strength.

• **PERFORMANCE MANAGEMENT**

In 2014, the Oil Search Performance Management framework was benchmarked against comparable industry organisations and reviewed against changing business needs and the new Leadership behaviours.

A revised framework will be launched in 2015 to coincide with the establishment of individual performance management plans.

• **DIVERSITY AND INCLUSION**

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

Succession analysis and planning during the year occurred for roles reporting to Executive General Managers, Executive General Manager, and for other critical roles.

A Diversity and Inclusion Survey was conducted in 2014 to inform the revision of Oil Search's Diversity and Inclusion Strategy. The review concluded that no changes to the Strategy were necessary. The next survey will be held in 2016.

No instances of discrimination were reported in 2014.

Glossary

2C - Best estimate of contingent resources

2P - Proven and probable reserves

AGRP - Associated Gas Related Project

APF - Agogo Production Facility

API - American Petroleum Institute

BASIS OF SAFE OPERATION - Documentation used to demonstrate that a facility is safe to operate.

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

BSCF/BCF - Billion standard cubic feet where a billion is defined as 10⁹

BOE - Barrels of oil equivalent – the factor used to convert volumes of different hydrocarbon production to barrels of oil equivalent. Conversion rate used by Oil Search is 6,000 cubic feet of gas is equivalent to 1 barrel of oil

CAP Programme - Community Area Planning Programme

CDI Foundation - Community Development Initiative (a local NGO)

CDM - Clean Development Mechanism

CER - Certified Emissions Reduction

CPF - Central Production Facility in Kutubu

DEC - PNG Department of Environment and Conservation

DEPI - Diploma in Primary Education In-Service

DPE - PNG Department of Petroleum and Energy

EMS - Environmental Management System

EITI - Extractive Industries Transparency Initiative

FOOD SECURITY - A situation where all people, at all times, have physical, social and economic access to sufficient safe and nutritious food to meet their dietary needs and food preferences, so that they are able to maintain an active and healthy life.

GHG - Greenhouse Gas

GPF - Gobe Production Facility

GRI - Global Reporting Initiative

HSES - Health Safety Environment and Security

HSS - Health, Safety and Sustainability

ISO - International Organisation for Standardisation

IPIECA - International Petroleum Industry Environmental Conservation Association

LANCOs - PNG Landowner Companies

LNG - Liquefied Natural Gas

MDGs - Millennium Development Goals

MINA - Middle East North Africa

MMBBL - Million barrels

MMBOE - Million barrels of oil equivalent

MOA - Memorandum of Agreement

MRDC - Mineral Resources Development Company

NARI - National Agricultural Resources Institute

OGP - International Association of Oil and Gas Producers

PDL - Petroleum Development Licence

PNG - Papua New Guinea

PROCESS SAFETY - A framework for managing the integrity of operating systems by applying good design

principles, engineering, and operating and maintenance practices. It deals with the prevention and control of events with the potential to release hazardous materials and energy.

PPP - Public Private Partnership

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

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

SSG - Sustainability Steering Group

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

TAX CREDIT SCHEME - Under this voluntary PNG National Government scheme, an agreed % of gross assessable income can be applied to approved infrastructure construction and maintenance projects by the operator

TIER 1 AND TIER 2 PROCESS SAFETY EVENTS - Reported as defined by the American Petroleum Institute's Recommended Practice 754.

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

TOK PISIN - Official language of Papua New Guinea

UNFCCC - United Nations Framework for Climate Change

UNGC - United Nations Global Compact

UNGCNA - United Nations Global Compact Network Australia

WHO - World Health Organization

About this report

This Sustainability Report covers the performance and activities over which Oil Search Limited had operational control during the 2014 financial year (year end 31 December 2014). It covers Oil Search's exploration and production activities in Papua New Guinea and, where noted, our operations in the Kurdistan Region of Iraq, Yemen and Tunisia. It does not cover the PNG LNG Project as operational control for this rests with ExxonMobil PNG Limited (www.pnglng.com).

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

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

Enquiries and feedback on our reporting and performance are welcome. Please contact the Oil Search social responsibility team on socialresponsibility@oilsearch.com

For more information on our approach to social responsibility reporting, see the Reporting & Participation page.

All of Oil Search's 2014 social responsibility reporting, including Deloitte's assurance statement are available from the Downloads page.
