

Social responsibility

“To generate top-quartile returns for shareholders through excellence in socially responsible oil and gas exploration and production” – *Oil Search Corporate Vision*

Oil Search’s commitment to social responsibility stems from a company culture that strives for the highest ethical, social and moral values. Social responsibility means the consideration of the development and interests of the societies in the countries where Oil Search operates. At Oil Search, social responsibility encompasses five key principles:

- Operating with integrity
- Enhancing social licence to operate
- Generating shared value
- Managing resources responsibly
- Continuous performance improvement

Oil Search believes respect for stakeholders means understanding their expectations and being transparent and accountable for performance. The Company recognises the importance of continual improvement not just to remain in compliance with laws and regulations, but to stay aligned with evolving international norms of behaviour - particularly those relating to businesses and human rights.

Sustainability and social responsibility aspects, including sustainable development, workforce planning, capability development and stakeholder engagement, have been integrated within our Company strategy. Also, as a signatory to the United Nations Global Compact (UNGC) and an Extractive Industry Transparency Initiative (EITI) supporting company, Oil Search actively supports the principles of these initiatives and communicates regularly on progress implementing them.

Delivery of the Company vision with consideration of the principles outlined in the Social Responsibility Policy is supported by Oil Search’s values and behaviours and integrated through the business via *Our Way*.

OUR SIX CORPORATE STRATEGIES

- **Strategy 1: Sustain and optimise our oil and gas assets**

Oil Search has a 29% interest in the PNG LNG Project, operates five oil fields and one gas field in PNG, supplies approximately 20% of the gas required by the PNG LNG Project from its operated fields and is responsible for the Project’s liquids export system. Oil Search aims to optimise the value of its PNG assets by operating in a safe, reliable and sustainable manner.

- **Strategy 2: Commercialise gas in PNG**

Oil Search believes PNG has sufficient discovered gas resources to underpin at least two, and potentially three, additional LNG trains. With significant interests in the major Highlands and Gulf fields that will supply gas for these trains and in the core PNG LNG infrastructure, Oil Search is in a unique position to help drive this next phase of growth.

- **Strategy 3: Pursue high-value exploration opportunities**

In light of the material increase in annual production following the PNG LNG Project start-up, reserve replacement through exploration is essential for Oil Search's long-term future. The Company's exploration activities will focus on the significant gas upside that exists in PNG, which has the potential to drive further LNG developments, and on the disciplined pursuit of material, high-returning, international liquids opportunities.

- **Strategy 4: Contribute to a stable operating environment**

With the majority of Oil Search's assets and future growth located in PNG, helping to preserve a stable operating environment in PNG is critical to Oil Search's value. The Company's long-standing commitment to social responsibility, sustainable development and collaborative relationships are embedded in Oil Search's core values and are aimed at helping the Company maintain its social licence to operate.

- **Strategy 5: Enhance organisational capability**

The 2014 Strategic Review has highlighted the importance of PNG to Oil Search's future and the need to enhance our organisational capabilities by building on the Company's existing strong platform. This involves aligning our organisational structure with our revised strategy, further developing our business and technical leadership and protecting our relationships, our knowledge and our way of doing business.

- **Strategy 6: Optimise capital management**

Strong investment and financial management discipline is essential to ensure the Company's priority LNG growth projects can be fully funded, financial flexibility is maintained and profits can be shared with shareholders by way of dividends. Long-term cash flows from the PNG LNG Project will continue to strengthen the Company's financial position in the coming years.

AT OIL SEARCH, SOCIAL RESPONSIBILITY ENCOMPASSES FIVE KEY PRINCIPLES:

- **Operating with integrity**

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

- **Enhancing social licence to operate**

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

- **Generating shared value**

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

- **Managing resources responsibly**

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

- **Continuous performance improvement**

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

The Board's commitment to these principles is outlined in the Oil Search Social Responsibility Policy.

SOCIAL RESPONSIBILITY STRATEGY

ENSURE

To ensure Oil Search has in place a social responsibility platform that both supports the Company strategy and addresses what is important to stakeholders, each year a broad analysis of both internal and external sources is conducted.

In 2014, the Strategic Review reconfirmed the importance of both a stable operating environment in PNG and organisational capability to Oil Search's future. It highlighted the links between the socio-economic development of the people in PNG, our organisational capability, and the Company's growth plans and improved our understanding of the key issues at play. The outcomes of the Strategic Review, as well as the results of a human rights risk review, were the primary drivers behind changes to Oil Search's material social responsibility issues in 2015.

On-going stakeholder engagement, including surveys and benchmarking, and media scanning captures an indication of our stakeholders' view on the Company's performance and key issues facing the industry.

The information sources considered to ensure we meet business requirements and stakeholder expectations include:

- Company strategy, commitments and policies
- Executive management team strategy workshops
- SWOT analysis
- Peer activity and performance
- Media coverage
- Investor ESG advisor or analyst score cards and profiles
- Employee and other surveys
- Active participation in various government forums
- Oil Search community information management system
- Informal feedback through regular government and community engagement

In order to be prepared for areas of change that may impact the Company in the medium term, Oil Search also draws on these sources to identify emerging issues. Current emerging issues being monitored include human rights, levels of disclosure, and stranded assets.

The results of this analysis inform Oil Search's material social responsibility issues, Company strategy and annual work-plans.

EMBED

Oil Search develops its social responsibility approach and embeds it into 'business as usual' through:

- Company strategy – key sustainability areas such as sustainable development and stakeholder engagement are a major value protecting element of the Company Strategy
- Our Way – updates are underway to Oil Search's enterprise management system, Our Way, which will further integrate consideration of social responsibility into how we do business
- Targets & Incentives – targets are in place for key performance indicators, such as those publically disclosed for greenhouse gas and diversity. Personal and process safety outcomes and high potential performance forms part of the short-term executive incentive scheme.
- Governance structure – internal alignment with Health, Safety & Sustainability (HSS) Board Committee, which is responsible for setting key HSS policy direction
- Internal engagement and communication – including the Employee Social Responsibility Survey, regular email broadcasts, intranet articles and printed and online newsletters.

A Social Responsibility Strategy is currently being developed with a view to outlining the Company's social responsibility objectives for the next few years. This will focus on continual improvement across the key areas that

will require greater emphasis in the near future as the business grows, for example, alignment with the International Finance Corporation (IFC) guidelines, and changing stakeholder expectations.

For an indication of how Oil Search is tracking against its Social Responsibility objectives, see the Performance Against Objectives page.

MATERIAL SOCIAL RESPONSIBILITY ISSUES

For an outline of how Oil Search's material social responsibility issues are determined, see the Social Responsibility Strategy page. A description of how Oil Search responds to and manages these key issues is described throughout the social responsibility pages on the Oil Search website and other sustainability reports.

- **Corruption**

Elements most relevant to Oil Search

- Permitting & licences
- Judicial system
- Supply chain risks

Why this is important to OSL

Oil Search has a zero tolerance approach to corruption. Corrupt acts can lead to prosecution and can impact on Oil Search's reputation. Corruption undermines a stable operating environment as it contributes to uncertainty and social unrest.

- **Political risk**

Elements most relevant to Oil Search

- Government stability
- Fiscal regime and other regulatory changes
- Policy

Why this is important to OSL

Fiscal and regulatory stability underpin the success of the oil and gas industry. Leadership challenges or changes undermine a stable operating environment as they create uncertainty. Strong regulatory and bureaucratic processes and relationships mean more timely approval of production sharing agreements, licences, development plans and other key project milestones.

- **Socio-economic development**

Elements most relevant to Oil Search

- Sustainable development
- Stakeholder engagement
- Effective benefits distribution
- Infrastructure

Why this is important to OSL

As an operator in developing countries, stakeholder expectations on real and positive socio-economic change as a result of oil and gas projects is high. Not meeting these expectations would erode our social licence to operate and threaten the stability of our operating environment.

- **Organisational structure and capability**

Elements most relevant to Oil Search

- Diversity and inclusion
- Local employees
- Talent retention
- Employee development

Why this is important to OSL

Retention and development of key employees and succession planning are key success factors to the long-term growth plans of the Company. Access to local skilled workforce requires a long term strategic approach; and in regard to technical industry specialists may get more difficult as large numbers of experienced workers in the industry retire. Ensuring Oil Search has in place the right organisational structure and capability was recognised by the 2014 Strategic Review as key value protecting strategy.

• **Human rights**

Elements most relevant to Oil Search

- Community relations
- Labour rights in supply chain
- Security
- Land access and resettlement
- Grievance management

Why this is important to OSL

Avoiding human rights violations helps maintain good community relations and stable operating environment. Strongly linked with anti-corruption, where a strong judicial system underpins effective protection of human rights. Respect for human rights underpins a socially responsible approach to oil and gas exploration and production. Society's increasing interest in transparency has meant increased scrutiny on companies' human rights performance.

• **Safety & security**

Elements most relevant to Oil Search

- Employees, contractor and community wellbeing
- Security
- Process safety
- Supply chain

Why this is important to OSL

Oil Search's duty of care to employees, contractors and local communities means that safety is the first and foremost consideration in everything we do.

Oil Search operates in complex security environments and protecting the workforce and Company assets, and maintaining an effective supply chain within these environments is critical to the success of operations.

• **Environmental management**

Elements most relevant to Oil Search

- Emissions and air quality
- Waste, water and spills management
- Biodiversity
- Compliance

Why this is important to OSL

Poor environmental performance is a key risk to the Company. It is a direct threat to our social licence to operate. Oil Search's environmental performance is scrutinised by many stakeholders and set by various permits.

- **Sustainable supply chain**

Elements most relevant to Oil Search

- Supplier social responsibility performance
- Local business development
- Supplier risk

Why this is important to OSL

The actions of our supply chain in relation to social, ethical and environmental responsibility and performance may directly reflect on Oil Search and our ability to maintain social licence and minimise our impacts. The capability and availability of suppliers in the countries where we operate is sometimes limited increasing the risk of non-performance. Business development is crucial to managing these risks and protects social licence by supporting sustainable development objectives.

Stakeholder engagement

Oil Search's stakeholders are identified as groups of people inside and outside the Company that Oil Search has the ability to impact and that can impact, or have an influence on Company outcomes.

Oil Search's goal is to have strong stakeholder relationships built on mutual trust.

To achieve this, the Company endeavours to engage in a respectful, consistent, and transparent manner. Interactions and communications with stakeholders are targeted to meet their various needs and expectations. Stakeholder feedback, self-assessment and business requirements drive continual improvements to Oil Search's stakeholder engagement approach.

SHAREHOLDERS & INVESTORS

Key social responsibility themes raised by stakeholder

- Government relations and partnerships
- Benefits distribution
- Succession planning
- Protecting our social licence
- Delivery against expectations

Examples of how we interact

- Annual reports, website and webcasts
- One-to-one meetings
- Half year and full year results and presentations
- Quarterly reports
- Regular ASX releases
- Annual international investor road shows and field trips

Why they are important to us

- Providers of capital
- Reputation management
- Rate our performance

Why engagement with OSH is important to them

- Provision of information
- Access to management
- Open effective and transparent communication

ENVIRONMENTAL, SOCIAL GOVERNANCE (ESG) ANALYSTS

Key social responsibility themes raised by stakeholder

- Social responsibility performance and approach

Examples of how we interact

- Annual reports, website and webcasts
- One-to-one meetings, calls or emails on request
- Participation in selected indices and surveys
- Annual results and presentations

Why they are important to us

- Reputation management
- Providers of capital
- Assess environmental, social or governance (ESG) performance

Why engagement with OSH is important to them

- Provision of information
- Open effective and transparent communication
- Support for reports, questionnaires and rankings

BUSINESS PARTNERS, SUPPLIERS AND CONTRACTORS

Key social responsibility themes raised by stakeholder

- Social responsibility performance and approach
- Social responsibility expectations

Examples of how we interact

- Site visits and audits
- One-to-one meetings
- Contractor induction and on-going training programmes
- Business development, governance and safety support programmes for PNG Landowner Companies and cooperatives
- Contract negotiations

Why they are important to us

- Sharing resources
- Raising industry standards
- Performance and risk management
- Relationship management
- Reputation management

Why engagement with OSH is important to them

- Governance
- Supply chain sustainability
- Performance and risk management
- Relationship management
- Contract requirements
- Business development

COMMUNITIES

Key social responsibility themes raised by stakeholder

- Benefits distribution
- Land access and compensation
- Employment and business opportunities
- Provision of services not provided by Government – health care etc.

Examples of how we interact

- Resident Village Liaison Officer network
- Regular visits to villages by Oil Search community and health staff
- Direct meetings with community leaders
- Community development programmes
- Socio-economic and health surveys
- Monthly community newsletters
- Annual reports, website and social media

Why they are important to us

- Social licence to operate
- Stable and safe operating environment
- Diverse and resilient local economies
- Reputation management

Why engagement with OSH is important to them

- Business, partnering or employment opportunities

EMPLOYEES

Key social responsibility themes raised by stakeholder

- Learning and development
- Career planning and opportunities
- Remuneration and benefits

Examples of how we interact

- Annual career development planning process
- Annual reports
- Employee newsletters
- Website, social media and intranet
- Presentations and direct meetings
- Bi-annual employee sustainability survey
- Whistleblower Hotline

Why they are important to us

- Reputation management
- Key asset to delivering Company strategy

Why engagement with OSH is important to them

- Employment opportunities
- Learning and development opportunities
- Career progression
- Working for a company who are socially responsible

GOVERNMENT

Key social responsibility themes raised by stakeholder

- Permits and Licences
- Infrastructure delivery
- Domestic power supply
- Payments transparency
- Benefits distribution

Examples of how we interact

- Government Affairs personnel
- One-to-one meetings
- Tax Credit Scheme submissions and reviews
- Participation in government forums, initiatives and working groups

Why they are important to us

- Permits and licences
- Investor and partner for development
- Reputation management
- Regulatory expectations and management
- Effective governance & judicial system

Why engagement with OSH is important to them

- Revenue (partner and taxes) from resources for development of country
- Skills and experience in project delivery e.g. infrastructure
- Local employment, business development & training
- Partners for development

NON-GOVERNMENT AND INDUSTRY ORGANISATIONS

Key social responsibility themes raised by stakeholder

- Transparent benefits distribution
- Local sustainable development
- Environmental protection

Examples of how we interact

- Oil Search has high levels of participation or involvement with:
 - PNG Chamber of Mines and Petroleum
 - PNG Business Council
 - Australian PNG Business Council
 - International Association of Oil and Gas Producers
 - United Nations Global Compact
 - Extractives Industry Transparency Initiative (EITI)
- Sponsorship and presentations at industry and not-for-profit regional conferences

Why they are important to us

- Specialist skills and expertise
- Local networks and experience
- Resources
- Sharing knowledge

Why engagement with OSH is important to them

- Partners for sustainable development investment and initiatives
 - Different skills set and experience
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Operating with integrity

As a global oil and gas company, Oil Search faces the challenge of operating in countries with a range of ethical standards.

Operating with integrity is one of Oil Search's core sustainability principles, is contained in the Oil Search Social Responsibility Policy and underpins the successful delivery of the Company's business strategy. This is in accordance with international norms of behaviour and stakeholder expectations, and is an essential part of good governance as an industry leader working in developing countries where ethical standards vary.

To help communicate and enforce Oil Search's expectations for ethical standards, the Company has a number of policies, principles, practices and standards; adheres to international standards; and collaborates regularly with relevant stakeholder groups.

The key policies that spell out the Company's expectations around integrity include:

- [Code of Conduct](#)
- [Corruption Prevention Policy](#)
- [Social Responsibility Policy](#)

These policies are supported by Human Resources and the Assurance & Compliance and Social Responsibility disciplines.

CODE OF CONDUCT

The Oil Search Code of Conduct applies to all employees, executives, Board Members, contractors, agents and other personnel across the Company. It spells out the Company's expectations around conducting business honestly, ethically and fairly and within the relevant laws and regulations.

Everyone who carries out Company business is expected to understand, be familiar with and practice the Code. All new employees must complete online training on the Code, with refresher training provided approximately every two years or as significant updates to the Code occur.

The Code is periodically updated to reflect changing internal and external standards and obligations.

Breaches are treated seriously and thoroughly investigated. Disciplinary action includes warning letters, HR file notes, suspension and employment termination. Severe breaches may be referred to the police or other relevant government authorities.

The Oil Search Ethics Committee monitors adherence to the Code of Conduct and reports Code breaches and the resulting corrective actions to the Oil Search Board. The number of breaches is reported in the Oil Search Social Responsibility Report every year.

The Committee comprises the Company's:

- Chief Financial Officer
- Executive General Manager - External and Government Affairs and Sustainability
- Group Secretary
- Executive General Manager - Human Resources

- General Counsel
- Assurance and Compliance Manager.

CORRUPTION PREVENTION FRAMEWORK

The Oil Search Corruption Prevention Framework supports Oil Search's zero tolerance approach to corruption of any kind. It embraces and advocates ethical principles and practices that contribute towards combating corruption and promoting good governance. Training on the Framework is mandatory for all employees every two years.

The Framework supports the Code of Conduct and is defined by the Oil Search Corruption Prevention Policy. It is supported by procedures addressing six key elements:

- Whistleblower protection
- Recognising and avoiding corrupt behaviour and activity
- Strict rules for offering, accepting and recording gifts and entertainment
- Managing conflicts of interest
- Prohibiting political contributions
- Conducting due diligence of joint venture partners and agents.

These procedures explain what Oil Search employees and other personnel must do to meet the Company's expected standards and fulfil the terms of their employment or contractual obligations.

Reportable behaviour

Any behaviour that breaches Oil Search's Code of Conduct or is unethical, is reportable. It includes actions conducted in the course of employment that:

- Are dishonest, fraudulent or corrupt e.g. theft, fraud or bribes
- Are illegal, such as: theft; illegal drug use, possession or sale; violence or threatened violence; criminal property damage
- Breach Commonwealth or State legislation or local authority by-laws e.g. Corporations Act, Trade Practices Act or Income Tax Assessment Act
- Are negligent or improper management that directly or indirectly results in, or is likely to result in, a substantial waste of Oil Search funds
- May cause financial or non-financial loss to Oil Search or be otherwise detrimental to the Company's interests
- Are unsafe work practices or a substantial and specific danger to public health or safety or the environment.

Reporting breaches

Everyone who works for Oil Search in any capacity is required under their contract to disclose reportable behaviour. People outside the Company are also encouraged to report their concerns about the behaviour of anyone working for or representing Oil Search.

Staff are advised to report potential breaches to their line manager. If this is not possible, they can file a report with one of Oil Search's Whistleblower Officers:

- General Counsel
- Assurance and Compliance Manager
- Executive General Manager - Human Resources.

If none of these is acceptable or appropriate, breaches can be reported in confidence and anonymously through the Oil Search Hotline. The hotline is managed by an independent third party and languages other than English are available. Details are available at:

www.oilsearchhotline.deloitte.com.au

The identity of the person making the disclosure is protected as far as the law permits. Where practicable, Oil Search will consult with them before informing government agencies.

Under the Oil Search Whistleblower Protection Procedure, reprisals or victimisation for reporting breaches are not

tolerated and will result in disciplinary action. Employees and contractors are also warned against lodging malicious or false reports as disciplinary action will be considered.

PAYMENTS TRANSPARENCY

Promoting transparency at an organisation, industry and country level is one of the key elements of Oil Search's corruption prevention approach.

The Company makes a significant contribution to national governments through a regime of royalties, taxes, fees and other levies. Governments are responsible for investing these revenues in the sustainable development of their countries.

For some years, Oil Search has been working with governments, industry partners and international organisations, particularly in PNG, to encourage greater transparency around what is paid by extractive companies to governments to allow for a more informed discussion to occur in country on how such payments are being invested.

Oil Search has publicly reported its payments to Government since 2012.

For more information, see the Payments Transparency page.

HUMAN RIGHTS

Supporting, upholding and protecting the human rights of employees, contractors and the communities in areas where we operate is a social, legal and moral obligation and an important part of Oil Search's commitment to operating with integrity.

Our approach aligns with the UN Guiding Principles for Business and Human Rights, such that we:

- respect internationally recognised human rights, including the rights of indigenous peoples, by seeking to avoid, cause or contribute to adverse human rights impacts from our activities, and if any impacts inadvertently occur, taking actions to mitigate or address;
- have respect for the laws wherever we operate;
- have and continue to undertake appropriate due diligence of our activities and our management controls; and
- support appropriate access to remedy where required.

Oil Search's commitment to respecting human rights is captured in the Board approved Social Responsibility Policy, our Company values and behaviours, and our ongoing commitment to the United Nations Global Compact (UNGC).

The management of human rights at Oil Search is the responsibility of the Stakeholder Engagement Function, with specialist input from key areas of the business such as security, procurement and contracting. The Company's human rights performance is led by the Group Manager Corporate Sustainability and human rights issues are raised at the Sustainability Steering Group (SSG) and escalated to the Health, Safety and Sustainability Board Committee when necessary.

Improved integration of human rights management controls into various corporate security, stakeholder engagement, contracting, social impact assessment and grievance management procedures is underway and will continue through 2015 and 2016.

Human rights and security

The Oil Search Foreign Government Security Force Liaison Management Procedure defines how we interact with public security personnel. If Oil Search is called upon to support public security personnel, for example providing information, the Company is prohibited from providing support which violates or could lead to a human rights violation. Any complaints that these procedures have been breached are investigated promptly and independently.

SUSTAINABILITY GOVERNANCE

Good governance is essential for achieving set objectives and supports long term, sustainable performance. Oil Search's sustainability governance structure demonstrates effective consideration and management of a broad range of sustainability issues and allows us to leverage our sustainability strengths and capacity more effectively.

- **Health, Safety and Sustainability (HSS) Board Committee** oversees performance against the relevant strategies, processes and risks for health, safety, environment, security and social responsibility, and determines whether the Company's performance aligns with the Board's policies and expectations.
- **Health, Safety, and Sustainability (HSS) Groups**, HSS Group 1 meets monthly and consists of all Executive General Managers, plus relevant representatives from senior management. Group 1 is responsible for reporting material health, safety, environment, security and social responsibility updates to the HSS Board Committee. Every employee is a member of an HSS Group (Groups 2, 3 & 4). These are the primary mechanism through which the workforce is informed about and can discuss HSS updates, performance, and initiatives.
- **Sustainability Steering Group (SSG)** is a sub-committee of the HSS Group 1, responsible for providing guidance and supporting delivery of strategic sustainability initiatives.

For more information about governance at Oil Search, see the Corporate Governance page.

ASSURANCE AND COMPLIANCE

Oil Search's independent internal audit programme covers key financial, operational, compliance, HSES, aviation and asset integrity risks, both within the business and in its supply chain. Internal audit reports related to social responsibility risks are reported via the HSS Board Committee.

The Oil Search Compliance discipline is responsible for ensuring Oil Search has an effective framework in place that will enable the Company to meet its internal and external obligations and commitments.

Key elements of the Compliance Framework include:

- **Leadership and commitment:** The Oil Search Board and senior management team have made a clear commitment to compliance. This sets the tone for a compliance culture throughout Oil Search.
- **Compliance obligations and risks:** Processes are in place to identify and document Oil Search's material compliance obligations and risks.
- **Policy and procedures:** The Oil Search Code of Conduct articulates the Company's commitment to compliance. It is supported by a number of policies and procedures designed to address compliance obligations and risks in key areas.
- **Management certification:** Oil Search's senior management team and Directors complete an annual management certification process to confirm their compliance with internal controls, including the Code of Conduct, as well as other legislative requirements.
- **Training:** Every new Oil Search employees must complete online training on Oil Search's Drug and Alcohol Policy, Corruption Prevention Framework, HSES Policy, Share Trading Policy and Code of Conduct when they commence work at Oil Search.
- **Whistleblowing:** The Oil Search Whistleblower Protection Procedure establishes processes and protections for personnel to report breaches of law, company policy and other unethical conduct.
- **Reporting:** The Assurance and Compliance Manager provides a quarterly report to the Board's Audit and Financial Risk Committee.

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.

Payment transparency

Oil Search pays millions of dollars every year in royalties, taxes, dividends, levies and other fees and charges to governments in countries where we operate.

The fiscal regime in each country is governed by unique local legislation and specific terms of agreements between Oil Search and the national governments. Governments are responsible for investing the revenues in the economic and sustainable development of their countries and communities, to ensure future prosperity.

Stakeholder interest in payments made by large companies to Governments is increasing. This is demonstrated by recent international developments such as legislation in the US and European Union which require companies to disclose certain payments to Governments.

Why is transparency important?

Payments to government are the most significant financial contribution Oil Search makes at a national level.

Oil Search supports improving transparency around how these payments are received and spent because it:

- mitigates the risk of corruption and enables populations to hold their governments to account over the exploitation of non-renewable natural resources
- empowers policymakers and citizens in resource rich countries to ensure that the wealth generated by extractive industries is used to fund economic and sustainable development and reduce aid dependency
- enables investors to better assess the financial and political risks to which extractive companies are often exposed
- fosters a more stable operating environment and level playing field for the industry.

Four of the countries where Oil Search operates rank moderate to very low (between 74 and 170) in Transparency International's 2014 Corruption Perceptions Index of 174 countries. The Index assesses countries on a scale where number one is the least corrupt.

Oil Search's commitment

Oil Search's commitment to payments transparency is underpinned by:

- The principles in the Social Responsibility Policy, in particular Operating with Integrity, Generating Shared Value and Enhancing Social Licence
- Commitment to Principle 10 of the United Nations Global Compact (UNGC) on Corruption
- History of strong levels of advocacy for the Extractive Industries Transparency Initiative in PNG

For some years Oil Search has voluntarily disclosed payments to the PNG government. In 2012 the Company published the first Oil Search Transparency Report, which provided more detail and demonstrated a viable company reporting model.

In 2013 Oil Search became a Supporting Company for the Extractive Industries Transparency Initiative (EITI), a global standard that promotes openness and accountability.

Oil Search has operational activities in two EITI-compliant countries, Yemen and Iraq, and EITI-candidate country PNG.

PAPUA NEW GUINEA

Oil Search is one of PNG's largest companies and payers of corporate income tax, royalties, development levies and development incentives.

The petroleum and gas industry is primarily governed by the Oil and Gas Act (1998) and the Income Tax Act (1959). The Oil and Gas Act (1998) gives the PNG Government the option of participating in Oil Search's projects to a maximum 22.5% equity interest, of which 2% must be granted to project area land owners. The application of the fiscal regime to particular projects in the oil and gas industry is governed by the terms of the agreements between the PNG Government and developers.

In 2014 the EITI Board approved PNG's application to become an EITI candidate country. Oil Search has actively encouraged more transparency and supported PNG's journey towards EITI compliance for many years through several initiatives including:

- Disclosing the payments that Oil Search makes to the PNG Government and other governments where it operates
- Becoming one of six extractive representatives on the formal Multi-Stakeholder Group (MSG) and Industry Working Group (IWG)
- Participating in the PNG Chamber of Mines & Petroleum's "publish what you pay" campaign
- Advocating for an aggregated industry payments report for PNG.

The Company continues to work with the PNG Government, civil society and industry peers to advocate for the formal adoption and implementation of EITI in PNG.

TOTAL PAID TO THE INDEPENDENT STATE OF PNG (US\$'000)

Royalties

- 2014 - 21,170
- 2013 - 22,458
- 2012 - 24,563

Development Levies

- 2014 - 6,603
- 2013 - 6,989
- 2012 - 11,117

TOTAL PAID TO PNG INDEPENDENT PUBLIC BUSINESS CORPORATION

OSL Share Divident

- 2014 - 495
- 2013 - 7,864
- 2012 - 7,864

TOTAL PAID TO PNG INTERNAL REVENUE COMMISSION

OSL Share Directors' Tax

- 2014 - 1,093
- 2013 - 820

- 2012 - 600

Petroleum Tax

- 2014 - 127,663
- 2013 - 130,958
- 2012 - 201,718

Salary & Wages Tax

- 2014 - 36,642
- 2013 - 31,887
- 2012 - 31,952

Other Govt. Taxes

- 2014 - 43,602
- 2013 - 30,716
- 2012 - 21,592

OTHER

Other Govt. fees and charges

- 2014 - 2,368
- 2013 - 1,163
- 2012 - 601

Total paid to PNG Government

- 2014 - 239,606
- 2013 - 232,764
- 2012 - 300,007

All payments that Oil Search makes to the PNG Government are disclosed in the social responsibility data center page.

YEMEN

In Yemen, the Ministry of Oil and Minerals (MOM) regulates the petroleum industry while the Petroleum Exploration and Production Authority grants rights and licences. There is no specific law governing the oil and gas industry so the industry is subject to laws that contain general principles only.

Yemen was declared EITI compliant in March 2011. Since then, the country has been suspended three times from the EITI due to periods of violence and instability and for late reporting. The country's next EITI report, covering 2012, was due on 31 December 2014. The Yemeni EITI multi-stakeholder group (MSG) has submitted an extension request which is currently being reviewed by the EITI Board.

All payments that Oil Search makes to the Yemeni Government are disclosed in the social responsibility Data Centre.

Total payments to Ministry of Oil and Minerals (MOM)

- 2014 - 254
- 2013 - 250
- 2012 - 3,594

Total payments to Yemen Ministry of Finance and Social Security Organisation

- 2014 - 329
- 2013 - 274
- 2012 - 0

Total payments to the Yemeni Government

- 2014 - 583
 - 2013 - 524
 - 2012 - 3,594
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KURDISTAN REGION OF IRAQ

The Kurdistan Regional Government (KRG) offers a Production Sharing Contract (PSC) arrangement to oil companies, including Oil Search. The Kurdish Oil and Gas Law (2007) governs how oil and gas operations in Kurdistan are administered and the model PSC follows these directives. The Kurdish Ministry of Natural Resources administers the law under the supervision of the KRG's Regional Council for Oil and Gas.

Iraq has been an EITI compliant country since 2012. However, payments made by oil and gas companies to the KRG were not included in the latest Iraqi EITI report published in December 2014.

IRAQ - KURDISTAN REGIONAL GOVERNMENT (KRG): TOTAL GOVERNMENT PAYMENTS

KRG Ministry of Natural Resources

- 2014 - 5,836
- 2013 - 5,416
- 2012 - 5,416

KRG Ministry of Finance and Economy

- 2014 - 199
- 2013 - 79
- 2012 - 0

Total payments to the Kurdish Government

- 2014 - 6,036
- 2013 - 5,495
- 2012 - 5,416

All payments that Oil Search makes to the KRG are disclosed in the social responsibility Data Centre.

TUNISIA

In 2012, Tunisia's Prime Minister announced Tunisia's intention to implement the EITI. However, Tunisia is not yet a compliant country.

The government has taken positive steps towards greater transparency, including the creation in 2013 of a joint government and civil society committee on public finance transparency.

TOTAL GOVERNMENT PAYMENTS

ETAP (State Oil Company)

- 2014 - 95

- 2013 - 113
- 2012 - 100

Ministry of Finance

- 2014 - 131
- 2013 - 515
- 2012 - n/a

Total payments to the Tunisian Government

- 2014 - 226
- 2013 - 628
- 2012 - 100

Although Oil Search's government payments in Tunisia are not material to EITI, they are disclosed in the social responsibility Data Centre.

[INTERACTIVE LICENCE MAP](#)

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

HSES STRATEGY AND TARGETS

At Oil Search the delivery of safe and reliable operations is critical to the success and future growth of the Company. It is essential to support the Company's vision of generating top quartile returns for shareholders in a socially responsible way.

Oil Search identifies Health, Safety, Environment and Security risks at the Corporate, Business Unit and Operations level, and uses data to monitor the health of the existing risk controls and to identify emerging risks. All incidents are investigated to determine the root cause and results used to drive continual improvement to Company management systems and processes.

Oil Search sets a number of key performance indicators (KPIs) on health, personal and occupational safety, process safety, and environmental performance and benchmarks performance through the International Association of Oil and Gas Producers (IOGP). Targets are set for many of these KPIs based on operational considerations each year. Performance against total recordable injury rate (TRIR) and high potential incidents targets represent 10% of the senior management team's Short-Term Incentive (STI) Scheme. In the event of one fatality, the STI opportunity related to safety is halved. In the event of more than one fatality, it is reduced to zero.

The Company believes all accidents and injuries are preventable and is committed to continually improving its Health, Safety, Environment and Security processes and performance towards the ultimate goal of incident free operations.

MANAGING HSES

Oil Search's HSES strategies and activities align with the commitments outlined in the Health, Safety, Environment and Security (HSES) Policy. Policies also exist for key specific HSES aspects including HIV and Drug and Alcohol.

The HSES Policy is complemented by Oil Search's Social Responsibility Policy, which contains the principles of Oil Search's commitment to social responsibility, including resource use and protecting the environment.

These policies are supported by an organisation-wide HSES management system that includes standards and procedures covering health, safety, environment and security elements, including crisis, emergency and incident management. The management system provides a clear, common HSES framework applicable across the Company, including in the field, regional and local offices, and for contractors and employees. In PNG, Oil Search has an Environmental Management System that is externally certified to ISO14001, the international standard for environment management systems.

The HSES function includes specialist health, safety, environment and security specialists who work with Oil Search's business units to help them manage HSES risks and identify and drive performance improvements. Accountability for Oil Search's HSES performance resides with business unit leaders.

Oil Search has an incident management system that supports detailed HSES incident reporting, robust investigation and ongoing data analysis to continually improve performance. Dedicated environmental and health databases capture data on areas such as water quality laboratory results, patient treatments etc.

MONITORING HSES PROGRESS

Oil Search uses a range of indicators to track HSES performance against objectives, review the success of

management plans and benchmark performance against industry performance. These include:

- A number of leading and lagging safety indicators, including measures of harm to people, plant or environment, vehicle accidents, safety tours conducted etc.
- Number of Tier 1 or 2 losses of primary containment
- Spills to the environment by severity/impact
- Acuity of patients treated at company clinics and the number of medivacs conducted

The data analysis is used to identify and subsequently address improvement opportunities, monitor the health of existing risk controls and identify emerging risks.

Performance data is reported monthly to the Executive Leadership team through the HSS Group 1 meetings and from there to the Oil Search Board HSS Committee. It is also shared with HSS Groups 2, 3 and 4 and at senior operations management meetings.

Whilst spills and other incidents with an environmental impact are dealt with by the HSS Group structure, operational environmental performance is overseen by an operational management group.

EXTERNAL HSES COLLABORATION AND ENGAGEMENT

To benchmark performance, Oil Search reports safety, process safety, and environmental performance data to the IOGP and information on our greenhouse gas performance to the CDP each year. Oil Search also shares Health Service clinic data with the PNG National Department of Health to support a more complete picture of national medical data that aids with planning.

The Oil Search Health Service partners with a number of PNG hospital and universities to facilitate PNG medical student development through placements in Oil Search's clinics.

The Company routinely engages with regulatory and other government agencies that have an interest in environmental related matters.

SAFETY

Process safety

Process safety is a disciplined framework for managing the integrity of operating systems and processes handling hazardous substances to minimise or eliminate catastrophic failures.

Maintaining effective, efficient facilities and having a comprehensive process safety management plan are critical components in preventing major incidents and protecting the value of Oil Search's assets.

Oil Search is implementing a Process Safety Improvement Plan (PSIP), the purpose of which is to ensure the Company continues to design, operate and maintain production facilities that are safe and reliable.

The PSIP addresses:

- Management systems
- Risk management
- Documentation/information
- Personnel, training and competency
- Operations and maintenance
- Emergency preparedness.

Implementation of the PSIP is governed by the Process Safety Steering Group (PSSG), which is headed by the Managing Director. The PSSG oversees the work of the Process Safety Operating Committee (PSOC), a working level group of stakeholder managers who are accountable for PSIP implementation.

Development of a drilling process safety programme is underway. It will address key process safety considerations

such as well drilling and construction, well control equipment maintenance, and adherence to well control monitoring processes. The drilling process safety programme will also include the identification and monitoring of leading and lagging process safety indicators, to monitor the status of the controls used to prevent a drilling related major accident event.

Well integrity addresses process safety for wells post-drilling operations. Oil Search has in place an active well monitoring programme to ensure the continued integrity of all wells.

Contractor safety

Historically, contractors account for the majority of the Company's workforce, undertake some of the more hazardous work and consequently are involved in the majority of the Company's safety incidents. Often from diverse cultural backgrounds and with varying levels of exposure to production environments, contractors new to Oil Search's safety culture must be informed of the safety hazards present and how they are to be managed at Oil Search.

Much of Oil Search's planned future growth is expected to occur in PNG, and is dependent upon ongoing partnerships with local landowner company (Lanco) contractors. Oil Search will continue to work closely with Lancos to drive HSES performance improvements. Examples of this include:

- A Lanco Safety Incentive Scheme
- Contractor Safety Awards
- Building safety performance into Oil Search's contracts
- Using a Lanco Safety Scorecard to monitor safety performance and increase engagement
- Establishing Safety Advisor and Safety Officer roles to support contractors
- Including contractors in the Company's personal safety training programmes
- Conducting safety system and performance audits
- Auditing contractor operations to ensure they comply with Oil Search's safety procedures.

Personal safety

To achieve our goal of incident free operations, Oil Search continuously focuses on reducing risk to the lowest level reasonably possible. Key elements of the Company's approach to risk reduction include, well designed and operated facilities, competent and trained people and a robust management system.

As a global oil and gas company, Oil Search manages a wide range of risks to employees' personal safety. Oil Search's 10 Life Preserving Behaviours outline the Company's approach to ensuring a safe system of work. These behaviours outline the commitments made by each member of the workforce on aspects such as, job planning, use of safety critical devices, hazard recognition, suspended loads and notification and communication to others about risks and incidents. They are supported by various standards covering key safety risks including, working at height, lifting and hoisting, rotating machinery, stored energy sources such as pressure vessels or piping and electrically charged equipment.

One of the key elements of the Company's approach to safety is leadership. Leaders at all levels, starting with the Board and executive management team are expected to lead by example, and be visible, passionate safety champions. Operational leadership conduct regular 'deep dive' safety tours focussed on determining the success with which prior site investigation and audit findings have been applied and their impact on performance.

Safety messages are continually reinforced through various internal communications channels, such as 'safety moments' in Board, HSS Group and other team meetings, alerts, intranet or newsletter articles, and email broadcasts.

Mandatory safety training is provided to all employees and contractors to ensure they are equipped with the knowledge and skills to identify safety hazards and respond appropriately. In PNG, outstanding safety behaviour is acknowledged through a weekly safety award programme.

All Oil Search employees, contractors or partners are required to comply with Oil Search's safety standards. Everyone has a duty to report unsafe acts and is empowered to stop work should they consider an act unsafe.

HEALTH

Health care facilities and resources are often scarce in the areas where Oil Search operates. To help keep employees safe, the Company has a dedicated Health Service which manages services in our operating areas in PNG, the Kurdish Region of Iraq, and Australia.

The Oil Search Health Service focuses on three core programmes:

1. Curative medical care: The prompt and effective care of employees' acute illnesses and injuries in a way that aligns with national guidelines and expectations and international standard practice. This includes managing medical emergency response and evacuations, both domestic and international.

2. Occupational health: Providing appropriate workplace duty of care while adhering to the operating country's regulations and requirements. The approach includes:

- An integrated approach to hazard and risk reduction in association with the Safety discipline
- A workforce wellbeing programme that focuses on the prevention of lifestyle related diseases through individualised advice and support plans based on the outcomes of pre-employment and regular medicals.

3. Community medical support: Providing urgent treatment and support to local people in the area of Oil Search's operations to improve their health, maintain Oil Search's social licence to operate and therefore support the Company's core business strategy of promoting a stable operating environment. This programme runs in parallel with the work of the Oil Search Health Foundation.

All the programmes take a risk-based approach and are based on working collaboratively with local communities and within national health guidelines and legislation.

ENVIRONMENT

Environmental planning

Oil Search operates in a diverse range of environmentally sensitive regions that require sound planning and management of the potential impacts of our business. The Company's natural resource management strategy is based on a precautionary approach. Risk and impact mitigation, community collaboration and a commitment to continuous learning are central pillars to this strategy.

Oil Search routinely undertakes Environmental Impact Assessments to understand baseline conditions and assess potential impacts from our activities. Environmental Management Plans outline mitigation measures and risk controls to manage impacts.

Emissions and air quality

As an oil and gas producer, Oil Search recognises that our operations generate greenhouse gases. While not subject to any regulations governing such emissions, the Company has adopted a target to reduce the emissions intensity of operations by 12% by 2016 based on a 2009 baseline.

The most significant emissions reduction opportunities for Oil Search come from new asset and project developments. For existing assets, the Company's approach to emissions reduction includes taking advantage of feasible opportunities to reduce emissions as part of on-going facility maintenance, as well as effective flare management.

Oil Search's environment permits set air quality thresholds. The Company undertakes air monitoring to ensure operations remain within safe levels for human health and the environment.

Waste and spills management

Being able to process and dispose of waste is an ongoing challenge in countries such as PNG, where operations are remote and waste infrastructure and associated services are underdeveloped.

Oil Search's approach is to embed effective waste management practices as part of day-to-day business operations. A Waste Management Plan is prepared for each operating area to outline how this will be achieved.

Improvements in this area generally cover physical infrastructure (e.g. HotRot composting facility), processes (e.g.

the steps taken to collect, store and transport different waste streams) and behavioural norms (e.g. increasing operational accountability for waste generated).

Accidental spills and releases can have a significant impact on the environment. Spill prevention, containment and management are therefore a major focus for Oil Search.

The Company's approach to reducing the potential occurrence and impact of a spill comprises both engineering and process improvements, underpinned by a culture of awareness and engagement at the operational level. Routine housekeeping inspections are conducted to ensure risk controls outlined in management plans continue to be implemented appropriately. While prevention is the ultimate aim, spill response measures, such as bunds and spill kits near chemical storages areas, are also in place and regularly reviewed.

Any non-conformances or improvement opportunities are tracked at operations management level meetings.

Water

Oil Search recognises the importance of local water resources in supporting communities and ecosystems.

Potential risks to water resources from the Company's operations relate principally to over-extraction or water pollution, both of which could affect the beneficial uses of the water resource by the environment and community.

Oil Search has a number of measures in place to mitigate and monitor these risks. These are tailored to each location and the nature of the activity being conducted and documented in Environmental Management Plans.

For example, our drilling sites track water extraction through the use of meters to ensure no more is taken than the environment can support. Ecological effects assessments occur at surface water extraction locations as an additional measure. Potential pollution source controls are established at source.

All water extraction and discharge activities are subject to regulatory approval and review. They are also generally tightly scrutinised by local communities. Extraction and discharge limits are set and monitored by the environmental regulator and included in Oil Search's permits. Water quality is regularly monitored to ensure concentrations are within acceptable limits.

Biodiversity

Some of Oil Search's operations are in remote environments where there has been little or no other development. As biodiversity is a key contributor to the goods and services an ecosystem can provide, Oil Search is sensitive to possible impacts its activities can have.

To ensure Oil Search impact on biodiversity is minimised, the Company implements a number of measures. To understand the biodiversity sensitivities and features of a particular area, baseline studies are undertaken for all new project areas. Important information such as background ecology, the presence of protected animals or plant species or critical habitats is collected. This informs an assessment of the possible impacts of operations and shapes the mitigation measures implemented and the scope of monitoring programmes.

At a regional level in PNG, Oil Search is continuing to build the Company's understanding of biodiversity features across the areas in which we operate. The sources drawn on to build this understanding include data obtained from Oil Search's ongoing environmental monitoring programme, covering aspects such as water quality, revegetation and aquatic ecosystems and the findings of the various baseline studies. This holistic view, coupled with the results of individual baseline studies, will be used to support business decisions and stakeholder awareness.

SECURITY

Oil Search operates in complex security environments such as PNG, the Kurdistan Region of Iraq, Yemen and Tunisia. The Company's security discipline protects Oil Search's people, assets and operations during exploration and production activity.

The security discipline is managed by a Corporate Security Manager, who leads Oil Search's security strategy. This takes into account three key factors:

- Monitoring and assessing threats

- Identifying and mitigating risks
- Analysing criticality and limited vulnerabilities.

Security controls are continuously adjusted according to the identification and analysis of risk factors.

The Oil Search Threat Assessment Procedure enables credible, consistent and objective assessment of security threats by:

- Providing a qualitative description of the threat environment and a quantitative representation of the threat level
- Weighting the threat to reflect its potential impact on the business and Oil Search's ability to control it
- Ensuring information and intelligence is effectively utilised to inform appropriate security controls and response preparedness.

The Oil Search Security Management System draws from industry standards, which have been adapted to fit Oil Search business needs. The system is risk-based, intelligence-led and ensures appropriate, cost-effective and scalable mitigation measures are in place.

For information on Oil Search's security approach in relation to human rights, see the Human Rights section.

Sustainable development

Current priority areas for PNG

- Healthcare
- Food security
- Women's empowerment
- Education
- Water access and sanitation

Current priority areas for Kurdistan

- Healthcare
 - Education
 - Water access
-

STRATEGY AND TARGETS

Social responsibility is core to achieving Oil Search's company vision. Our sustainable development activities are one tangible way in which we can demonstrate this commitment. Our sustainable development approach is embodied in the five principles of our Social Responsibility Policy - in particular to generate shared value, enhance our social licence to operate and continuously improve our performance.

Oil Search's contribution to sustainable development is achieved through our community development and local business development activities, as well as our local content approach. Oil Search's community activities include partnerships, joint community contribution projects, sponsorships and donations. The Company supports local business by providing guidance to local enterprises to develop their business capabilities and skills such that they can participate in the local economy. Local content includes both employing and upskilling local staff directly and indirectly through the supply chain, as well as supporting local business development; all three elements support the progress of the others.

Societal needs, not just conventional economic fundamentals, define our operating environment and influence our ability to operate successfully. Realising opportunities to generate value shared by both the business and society is therefore of critical importance to our success. The focus of Oil Search's sustainable development activities is determined by community need as identified through socio-economic surveys, community requests and on-going engagement. Oil Search periodically reviews and updates the Company's sustainable development priorities to ensure it continues to target the areas where Oil Search can make the most impact. Where possible, Oil Search looks to align this focus with priorities identified by the Governments where we operate.

The principles of this sustainable development approach apply in PNG, the Kurdistan Region of Iraq, Yemen and Tunisia, although the scale and on ground delivery method may differ to suit the local context.

Sustainable development activities are often one of the first instances local communities get to know Oil Search when it enters a new region. They are an important way to build trust with local communities and to share with them the benefits of the Company's growth and success. In this way, sustainable development contributes to supporting our strategic goal of ensuring a stable operating environment, particularly in PNG.

MANAGING SUSTAINABILITY DEVELOPMENT

Oil Search's Social Responsibility Policy contains a set of principles and commitments that together guide our approach to sustainable development. A set of standards and procedures exist to support our policy commitments including requirements that support sustainable development, minimise the impact of our activities on local stakeholders, respect human rights and ultimately by maintaining our social licence, ensure the continuity of our operations. These standards and procedures cover key areas such as planning, impact and needs assessments, monitoring and measurement, stakeholder engagement and management, community relations, sustainable development approach, and land access.

These are supported by an information management system that contains all company community related information, including contacts and meetings held, as well as issues raised.

The Community Affairs (CA) discipline includes specialists with the following areas of expertise: relationship management, sustainable development, lands management, business development, and information systems. There are 67 people in the team and they are present across all active Oil Search sites. The CA team is supported by a network of Village Liaison Officers (VLOs) and project specific Village Liaison Committees, who play a key role in Oil Search's collaborative approach to sustainable development and community engagement.

The Executive General Manager - External and Government Affairs and Sustainability is the executive sponsor for sustainable development activities. In PNG, general day-to-day activities are under the supervision of the General Manager Operations ensuring potential issues can be monitored and addressed in a way that minimises operational impact.

Community Affairs is part of the Stakeholder Engagement Function. As well as Community Affairs, sustainable development is supported by Oil Search's Health Service, Health Foundation, Special Projects and Corporate Sustainability disciplines.

MONITORING SUSTAINABLE DEVELOPMENT PROGRESS

Measuring the actual and potential social impacts of Oil Search's operations and sustainable development projects is essential. It means we can ensure the impacts are positive or minimised and the projects are appropriately targeted, planned and managed.

Oil Search has a range of monitoring and measurement tools in place which we will continue to improve and expand as we refine our approach. These include:

Project planning tool: The impact of Oil Search's community projects in PNG is measured by a project planning and measurement tool that captures consistent project information, allowing for accurate performance analysis. This tool plays an important role in Oil Search's plans to improve sustainable development activities through better planning, performance analysis and stakeholder communication.

Surveys: Oil Search conducts a regular socio-economic household and village survey in PNG to measure local community trends on indicators across a range of topic areas including: demographics, education levels, literacy, water supply, sanitation, village infrastructure, nutrition, and expenditure patterns. Regular and targeted health surveys are also conducted by the Oil Search Health Foundation and the Oil Search Health Service team. The results of these surveys are reported to the Government and used to inform planning for community programmes.

Progress meetings: Quarterly progress and planning sessions bring members of our Community Affairs teams together to assess project progress, seek input for performance improvement and other project developments and discuss trends in community interactions and incidents.

Board reports: Material issue updates and information are presented to Oil Search's Health, Safety and Sustainability (HSS) Board committee.

Informal feedback: The VLO and CA networks provide ongoing on the ground feedback about the impact of operations and community projects.

All of these tools are supported by a Community Affairs Management system that houses community and community project-related data, including community interactions and Oil Search's response to them. The system provides Oil Search's corporate, Community Affairs and operational teams with essential information for forward

planning and issues management.

EXTERNAL COLLABORATION AND ENGAGEMENT

Oil Search's sustainable development approach is underpinned by a number of partnerships, collaborations and joint projects.

In PNG through the Oil Search Health Foundation, the Company regularly engages with key contributors and stakeholders including the Global Fund to Fight AIDS, Tuberculosis and Malaria, the PNG and Australian Governments, and peers.

Oil Search also works with Local Level Governments (LLGs) near where we operate to understand and help formalise local area development plans.

The Company also regularly engages with the Lake Kutubu Wildlife Management Authority (WMA). The WMA is a group of local community representatives tasked with managing area around Lake Kutubu, a Ramsar listed area, to preserve its unique biodiversity.

In Kurdistan, Oil Search participates in the Kurdistan Oil and Gas Humanitarian Initiative (KOGHI), which was founded in September 2014 with United Nations support.

HEALTH CARE

Health services are limited across our countries of activity due to their remoteness, lack of skilled medical personnel, limited supporting infrastructure, security issues and lack of government funds.

In countries such as PNG, minimum health standards are often not met, impacting quality of life. For every 1000 people in PNG, there is only 0.58 health workers, well below the World Health Organization's recommended 2.5 per 1000 people.

As a foundation for economic stability and sustainable development, it is vital to help improve health services to ensure their accessibility and reliability for communities.

Oil Search support PNG in meeting their health goals through:

- **Ongoing support of the Oil Search Health Foundation.**
- **Continued investment and operation of six health clinics** in PNG treating our workforce and communities
- **Participation in PNG Tax Credit Scheme** which delivers infrastructure and facilities for improved healthcare.
- **Programs and training** facilitated by Oil Search's Health Service Team

FOOD SECURITY

Over 80% of PNG's population are semi-subsistence smallholder farmers. The majority of the country's food supply comes from this source.

This is however, changing as increases in population and urbanisation put pressure on traditional food security systems, threatening quality of life and health, as well as the environment. In addition, existing food supplies are often not particularly diverse and include many items of low nutritional value fuelling nutritional deficiencies.

Supporting food security can encourage economic independence, land conservation, opportunities of women, improved health and diversification of food sources.

Oil Search help local project area communities maintain food security by:

- **Supporting the establishment of sustainable agricultural enterprises**, usually run by women, including skills development, materials and access to markets.
- **Targeted agricultural training** (vegetable and poultry) to maintain traditional practices whilst at the same time diversifying food sources.

- **Working with partners** to build the skills and processes necessary for communities and landowner groups to commercialise agricultural and animal husbandry activities.

WOMEN'S EMPOWERMENT

Violence and gender equality in PNG remains a significant sustainable development challenge.

In PNG 70% of women suffer from physical or sexual violence. Gender equality is poor with the country ranked 135 out of 148 countries in the Gender Inequality Index (GII).

When women are empowered to claim their rights and access education, land, leadership opportunities and choices, the outcomes for them and their families include:

- Economic development
- Better food security and nutrition
- Improved education opportunities
- An improved outlook for current and future generations.

Oil Search support the maximisation of opportunities for women in PNG by:

- **Encouraging women to participate in all Oil Search sustainable development projects** as they are able to significantly influence the success of a project and through this, develop independent income sources. This is a key theme of all our sustainable development programs.
- **Supporting efforts to eliminate violence against women** through on-site and community awareness presentations, posters and events through Oil Search's Health Service Team and Health Foundation.
- **Empowering women and men** through workforce and community education to reduce violence against women.

EDUCATION

Having access to education opportunities can improve employment prospects and develop more sustainable livelihoods. Developing a diverse and skilled workforce contributes to more opportunities, greater local stability, and a resilient economy.

The completion rate for primary education is 59% in PNG and attendance is 55%. These figures are lower in the regional and more remote areas where Oil Search operates.

- It is not always valued, particularly in project areas where project benefits flow
- In remote and rural areas access can be a problem due to distance and poor road and transport infrastructure
- Low number of qualified and effective teachers, especially in rural areas, is leading to school closures and disrupted education
- Poor education infrastructure and facilities
- Cultural acceptance of teachers from other clans

Oil search is increasing education opportunities by:

- **Providing teacher skills training**, in partnerships with various local organisations
- **Building the capacity of educational institutions** by making improvements to education facilities through the Community Area Planning Projects, the Donations Programme and the Tax Credit Scheme.
- **Widening access to a quality education** through university education sponsorships for students from local communities.

WATER ACCESS AND SANITATION

Only 33% of people in rural communities have access to clean water. Easy access to clean drinking water and basic sanitation are often lacking in PNG due to poor or absent supporting infrastructure, even though water is often plentiful in the Southern Highlands where the majority of Oil Search's sites are located.

Health benefits can be achieved by improving water source quality, accessibility, sanitation and hygiene. Poor

sanitation and hygiene contribute to the spread of easily-preventable but deadly water-borne illnesses.

Oil Search support improved water quality and sanitation by:

- Working with communities through Community Area Planning (CAP) projects to deliver required infrastructure (e.g. water tanks).
 - Providing education to increase awareness of good hygiene practices that reduce the risk of diseases.
 - Participation in the Tax Credit Scheme that facilitates installation of infrastructure and other water supply improvements at local schools, churches and community centres.
-

COMMUNITY DEVELOPMENT TYPES

OIL SEARCH HEALTH FOUNDATION AND HEALTH SERVICE

Most locations where Oil Search operates are remote and lack appropriate health care infrastructure. For many years, the Company has invested substantially in health facilities and resources to support and complement the national health systems in these areas. The Oil Search Health Service team manages a network of onsite clinics and associated medical resources across our operations that provide curative medicine and emergency response services for employees and community members. In PNG, this has expanded to include providing training opportunities to local medical students and staff. In 2011 the Oil Search Health Foundation (OSHF) was established, demonstrating Oil Search's commitment to improving community health in PNG. The OSHF focuses on leveraging Company systems to reach remote and rural areas, working in partnership with the National Department of Health, Provinces and Districts and other stakeholders in PNG. The Foundation supports a number of core public health interventions in the fields of HIV, malaria, and maternal health.

PNG TAX CREDIT SCHEME

Since 2003, Oil Search has participated in the PNG Government's voluntary Tax Credit Scheme (TCS). The scheme permits Oil Search to apply an agreed percentage of gross assessable income to delivering infrastructure projects approved by the PNG Government. The TCS enables Oil Search to apply project management expertise to deliver much needed infrastructure in Provinces across PNG that otherwise receive very little service. The projects involve improvements to roads, health, education, economic development and law and order infrastructure. The scheme also supports local businesses and their skills development.

COMMUNITY AREA PLANNING (CAP) PROGRAMME

CAP projects operate on a model of shared responsibility between Oil Search and the community to deliver health, education, water and power infrastructure and equipment. The programme combines Oil Search's materials and funding with community contributions in the form of labour and land. CAP Project Committees, comprising members of Oil Search and the community, select projects that address local needs, that cannot be fulfilled with current skills or materials, and will involve the local community and deliver maximum benefit. Projects include school and health buildings, water tanks and basketball courts.

SUSTAINABLE AGRICULTURE

Food security is an issue in most areas where Oil Search operates. Building agricultural skills can help to diversify food sources, improve nutrition and offer an alternative form of income, particularly for women. Oil Search's trains interested community members in the skills required for poultry, pig and vegetable farming. The Company also supports new and established women's agricultural co-operatives to ensure they have access to seeds, materials, training and markets to sell produce.

TERTIARY EDUCATION SPONSORSHIPS

Oil Search sponsors students from local communities to complete tertiary education courses. Potential recipients are nominated by project area communities and the Project Impact Area Committee allocates the sponsorships. The

Committee is made up of local community and Oil Search representatives. Oil Search also sponsors experienced primary school teachers to upskill with a Diploma in Education Primary In-service (DEPI) to meet the requirements of new education regulations which came into force in PNG in 2012.

PARTNERSHIPS

Collaborating with other institutions to achieve agreed outcomes can increase the reach, impact and sustainability of Oil Search's sustainable development activities. Oil Search works with key NGO and institution partners including:

- Business for Millennium Development (B4MD) – to investigate the viability of a commercial piggery in rural PNG.
- Community Development Initiative (CDI) Foundation (PNG) – to deliver training on farming and life skills (e.g. cooking, sewing and nutrition), primary, secondary and tertiary education opportunities and teacher qualification upgrades around communities close to Oil Search operations.
- Fresh Food Development Corporation – to provide training to communities on food production and food handling.
- PNG National Agricultural Research Institute (NARI) – to diversify and improve the number of protein sources available for communities in the Lake Kutubu area.
- Coffee Industry Corporation (CIC) – to provide training for coffee growers through their field extension services.

DONATIONS AND CHARITABLE GIVING

Each of Oil Search's areas of operation has a donations programme tailored to local requirements. The PNG Sponsorship and Donations Committee oversees the Company's community donations programme in Port Moresby, providing funding to local health, women's and cultural institutions. This includes regular contributions (monetary and in kind) to the PNG Cancer Foundation, City Mission, Cheshire Homes, Operation Open Heart, and Coalition for Change. Our field operations teams in PNG and Kurdistan distribute items such as wheelbarrows, generators, milling machines and sewing machines to help local co-operatives and institutions improve their effectiveness.

Working with suppliers

About our supply chain

The Company has approximately 4,000 suppliers, ranging from international corporations and small manufacturers to landowner companies (Lancos) and niche consultants. These companies provide a wide range of goods and services, including:

Services: Drilling, well services, aviation, camp services (e.g. catering and accommodation), manual labour, construction, logistics, engineering, exploration, data analysis, testing, vehicle hire, freight, security.

Products: Chemicals, valves, pumps, drilling equipment and supplies, personal protective equipment, office equipment/stationery, vehicles and auto parts, instrumentation, electrical equipment.

In 2014, the total cost of these goods and services was US\$622 million. The majority were sourced from Australia, New Zealand, USA, PNG and Europe.

STRATEGY AND TARGETS

Building the capability and capacity of Oil Search's supply chain and logistics aligns with our strategic priorities of supporting gas growth in PNG and optimising the value of existing assets.

Good supply chain management supports the efficient management of operations by ensuring everything from food to spare parts is delivered on time to the right location.

The total amount spent on suppliers represents a significant proportion of Oil Search's overall capital expenditure, and has the potential to generate significant economic benefit to local communities.

Our supply chain is a mechanism through which companies like Oil Search can exert positive social, economic and environmental influence. It represents both a risk and an opportunity. As a major purchaser in PNG, Oil Search is well placed to take advantage of opportunities to focus on local supplier performance and work closely with them to evolve their practices.

This approach supports our vision of executing our business in a socially responsible manner and demonstrates the application of our social responsibility principles to operate with integrity and enhance our social licence to operate.

Oil Search is continually expanding and the complexities, costs and challenges of securing supply are growing. Every aspect of the process is regularly reviewed, with an emphasis on cost efficiency, streamlining processes and managing risks.

MANAGING OUR SUPPLY CHAIN

Oil Search's worldwide operations are supported by the Supply Chain discipline, which is made up of three specialist areas: Contracts, Purchasing and Supply and Logistics. Over 100 team members provide support in the PNG field, Port Moresby, Lae, Brisbane, Sydney and Kurdistan.

Key procurement and contracting guidelines and procedures include the Corporate Oil Search Procedures for Contracts, Purchasing and Supply and Logistics. The procedures describe the mandatory elements for these

processes, including criteria new suppliers must meet to qualify.

Oil Search's procurement policies, procedures and processes were certified in 2012 under the Corporate Certification Standard endorsed by the Chartered Institute of Procurement and Supply (CIPS). CIPS is a leading global body for Procurement and Supply, promoting best practice and serving as a certification body for Supply Chain teams.

The Corporate Contracts Review Committee (CRC) – which comprises all Oil Search's senior executives - oversees and reviews all major contracts and initiatives.

MONITORING SUPPLY CHAIN

Oil Search conducts an annual supplier audit programme focused on business resilience and compliance and aviation safety. Audit findings are addressed in improvement plans monitored by the Audit and Financial Risk Committee or Health, Safety and Sustainability Committee as appropriate and inform an ongoing dialogue with suppliers.

As a CIPS certified company, the key elements of Oil Search's procurement approach are regularly subject to independent review and continual improvement.

MANAGING SUSTAINABILITY RISKS

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

The Company encourages and expects suppliers to act in a responsible, safe and socially responsible manner that aligns with Oil Search's standards around integrity, community responsibilities, personal safety, environmental protection and good governance.

These expectations are increasingly being incorporated into all contract terms, with clauses in place covering:

- Legal compliance
- Compliance with the Oil Search Code of Conduct
- Environmental protection
- Local staffing
- Health and safety.

Since 2014, new contracts and purchase agreements have also included a clause to uphold Oil Search's zero tolerance for corruption, specifically corrupt payments.

In PNG, each landowner company (Lanco) has an agreed work plan to ensure ongoing compliance with laws and regulations, such as paying superannuation and publishing financial performance. Compliance is monitored by Oil Search contract owners and Lanco representatives and the Company provides assistance if it is needed.

Oil Search has begun to develop a Sustainable Supply Chain Strategy and this work will continue in 2015.

DEVELOPING LOCAL BUSINESSES

One of Oil Search's supply chain objectives is to help develop the capacity of local people and businesses so they can provide a wide range of goods, services and skills to acceptable standards. We do this by utilising local suppliers, providing opportunities for business improvement and leveraging the Company's buying power to effect change.

There are often cheaper overseas alternatives available for goods and services however, Oil Search balances the short-term costs of preferring local businesses against the long-term benefits of having a thriving and sustainable local economy.

The success of PNG's landowner companies (Lancos) in particular is not only important for community shareholders

and employees, but for mitigating landowner-related problems. It also supports PNG National Government policy of developing local small-to-medium sized businesses (SMEs) and aligns with Oil Search's business development and sustainable development strategies.

To ensure a consistent approach to supporting local businesses, local purchasing guidelines were introduced in 2013 for Oil Search's PNG operations. Where local businesses demonstrate they can provide goods to the quality standards required, under commercially acceptable terms, Oil Search prioritises purchasing or sourcing from these businesses.

The Company also works with local suppliers to improve their governance and safety practices.

Oil Search supports PNG Lanco partners in a number of ways:

- Providing dedicated onsite business development specialists.
 - Seconding Oil Search staff to help build up their management systems.
 - Training Lanco directors to improve governance and business and financial management.
 - Advising and supporting Lancos on business structure.
 - Providing onsite training in personal and process safety.
 - Seeking out opportunities for their learning and business growth e.g. embedding the use of Lancos into other Oil Search contracts.
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Our people

Our workforce

Oil Search has operations in PNG, the Kurdistan Region of Iraq, Yemen, and Tunisia as well as offices in Australia and Dubai and employees from all over the world.

The Company's employment strategy is to recruit and develop high calibre people from the regions in which we operate, supplemented by expatriate skills and experience as required. To do this, Oil Search targets competitive reward and benefit arrangements. These may vary between locations depending on local business arrangements (e.g. joint venture or standalone) and the characteristics of the country's labour market (e.g. regulatory framework, legal requirements, and talent pool).

Oil Search invests in a wide range of training and development programmes. By improving skills levels, this investment helps individuals to progress their careers, benefits local communities and has long term economic benefits for areas where we operate.

Development of local citizen workforces is a key priority, often performed via a combination of formal competency training and on the job mentoring and coaching from expatriate staff employed for that purpose.

Like the rest of the international oil and gas industry, Oil Search relies on a mobile, highly-skilled workforce that includes high numbers of specialists. Management, senior technical and senior supervisory positions are often filled by people with extensive, multi-national industry experience; these include specialist engineering and drilling roles.

Due to its fluid nature, the industry also employs large numbers of contractors. Approximately 80% of the hours worked for Oil Search in 2014 were worked by service company personnel.

STRATEGY AND TARGETS

The 2014 Strategic Review identified organisational capability as critical to the Company's future and a key contributor to the success of Oil Search's 2015 strategic objectives.

Oil Search's human resource plan focusses on aligning the workforce with these objectives by sourcing, developing, motivating and retaining the right people and ensuring they are placed appropriately within an organisational structure that positions Oil Search to succeed.

To implement the plan, the Company's human resource activities focus on a number of core areas. These include helping to review and improve organisational structure at a business unit, function and enterprise-wide level so it continues to evolve in line with Oil Search's changing needs.

Having a pool of managers with the right skills and competencies to lead Oil Search to success was highlighted as a priority in the Strategic Review.

The human resource plan aligns with this goal by developing and implementing leadership, graduate, talent and succession management programmes that support current and future leaders and by taking a strategic approach to diversity and inclusion.

Oil Search operates in a highly competitive marketplace for talent, particularly in PNG. To acquire, develop and

retain high calibre people, the Company uses targeted workforce planning and an integrated recruitment-to-exit approach. Attraction, retention and performance are further improved by developing, communicating and enhancing an attractive rewards and benefits programme.

Oil Search uses a range of key performance indicators (KPIs) to track performance across these areas and targets are in place for many of them, including diversity and inclusion, remuneration competitiveness, and succession bench strength and performance.

The underlying human resource systems are designed to support Oil Search's vision, values and behaviours. These systems also provide data that optimises workforce decision making and improves business performance.

MANAGING OUR PEOPLE

Oil Search's human resource activities are guided by Oil Search human resource standards, which specify the essential and common requirements for people management at Oil Search. The standards are supplemented by procedures tailored to suit the variety of locations where Oil Search operates.

These standards and procedures help the Human Resource function to ensure the health, safety and general wellbeing of Oil Search's people, maintain a fair and productive work environment, and promote ethical and efficient work practices across the business.

Oil Search's human resource standards cover requirements relating to a number of different areas including:

- Remuneration and benefits
- Leave
- Social media
- Employee records
- Anti-discrimination
- Grievance resolution
- Termination
- Performance management/improvement.

The standards are supplemented by policies on key aspects such as diversity and by the Code of Conduct, which sets behaviour. For more information on how Oil Search conducts business ethically, see *Operating with Integrity*.

The standards framework is supported by HR procedures, which articulate how Oil Search recruits, selects, manages, develops and rewards Oil Search employees and informs how the Company interacts with contractors. These are location-specific to ensure compliance with local requirements and legislation.

The Human Resource function is predominantly located in Australia and PNG, with regional support for our MENA operations. Human Resources consultants in PNG rotate in and out of field operations to provide on the ground support.

The Executive General Manager Human Resources is responsible for Oil Search's workforce management and performance framework, including remuneration and benefits, recruitment, leadership development, employee labour rights and organisation and development.

MONITORING PEOPLE PROGRESS

The principal tools Oil Search uses to monitor progress against Human Resource targets are regular data collection and analysis and target-specific reviews.

Oil Search uses range of indicators to track performance across key human resource areas including:

- Diversity – numbers of females and PNG nationals in leadership, management and graduate and apprentice roles.
- Learning and development – training hours and costs
- Succession planning – percentage of management roles with succession plans in place and percentage of successors who help address Oil Search's diversity objectives
- Remuneration – benchmarking against competitive practice.

Performance data on the areas above, plus any other areas requested by the Board, are reported to the People and Nominations Committee quarterly.

EXTERNAL PEOPLE COLLABORATION AND ENGAGEMENT

The Oil Search Human Resource function engages with external organisations such as the National Rewards Group (NRG), Aon Hewitt, and Digby Morgan to help benchmark and improve both the Company's HR Policy framework and practice and its remuneration and benefits practices. These collaborations also help to enhance the Company's training programmes and participation in campaigns that aligns with our Human Resource plan.

Every year, Oil Search contributes people data to the Australian Government's Workplace Gender Report, which is produced by the Workplace Gender Equality Agency. For more information, go to <https://www.wgea.gov.au/public-reports-0>

LEADERSHIP FRAMEWORK

The Oil Search Leadership Framework articulates the values that individual employees must adhere to and the behaviours they must demonstrate if we are to achieve the Company's vision. It is designed to embed certain behavioural expectations across the organisation. These include: demonstrating leadership; being innovative and forward-thinking; and helping Oil Search to lead the industry in every aspect of doing business.

The framework is one of the four components of Our Way and is the foundation of all our people systems globally. It is being embedded into the recruitment process, performance and development plans and talent processes.

Oil Search's Leadership Framework consists of:

- The Oil Search Company **vision statement**
- Seven **Values** that are integral to behaviour analysis and behaviour improvement
- Six **Leadership Behaviours** that help to ingrain the Values in our organisational culture.

LEADERSHIP DEVELOPMENT

Oil Search's leadership development approach includes structured, semi-structured and self-directed options. These include:

- A one-year accelerated programme for emerging and senior level leaders
- A three-year graduate programme covering specialist disciplines
- Short courses in topics such as Project Management and Safety Leadership
- Individual and group mentoring.

To support Oil Search's business growth, a particular focus is developing frontline operational leadership through targeted supervisor development.

EMPLOYEE DEVELOPMENT

Oil Search is recognised in PNG as a provider of apprentice qualifications and is sought after for the experience and skills training the Company can provide.

By investing in learning and development, Oil Search is creating a workforce of competent people who are willing and able to achieve the Company's objectives and a pipeline of people who are prepared to transition into leadership roles.

Annual individual performance reviews, professional development opportunities and competency assurance are key elements in the approach, which includes:

- Individual development plans
- Access to higher education in PNG and Australia

- Succession planning and talent development
- Competency based vocational assessment and development
- Courses in business skills such as Project Management
- Access to self-directed online leadership and professional skills development
- Local and overseas secondments.

Oil Search has historically emphasised safety and technical competence. As the business becomes more complex, leadership development is emerging as a further priority.

GRADUATE DEVELOPMENT AND VOCATIONAL PROGRAMMES

Being able to source employees skilled in the oil and gas industry can often be a challenge due to high international demand and difficulty sourcing suitably skilled candidates locally. Having in place a strong graduate and vocational training programme ensures Oil Search has access to and attracts the best future oil and gas specialists.

Oil Search's apprentice programme takes four years to complete and currently consists of four streams: Process Tech, Fitting and Machining, Electrical and Mechanical trades. Some Electrical apprentices are dual-traded in Instrumentation.

Participants are employed by KutMor, a PNG landowner company, and receive a combination of on-the-job and in-house training from Oil Search. Certain trades also receive externally-based training.

The apprentice programme forms part of Oil Search's competency assurance programme, meaning the skills apprentices develop ensure they are competent to complete that role correctly and safely. It is managed by the Oil Search Maintenance Production Training Group, based on site, which ensure apprentices work closely with specialist technicians in their field chosen field of study.

Oil Search has hired graduates in PNG since 2006 and in 2014 launched its current Graduate Development Programme (GDP). Graduates on this programme are from various technical disciplines including oil and gas field, production and maintenance engineering, environmental management and finance.

The majority of graduates are PNG citizens. This is a reflection of the relative scale of Oil Search's operations in PNG and the Company's commitment to helping develop the skills of PNG people.

This three-year programme develops technical, business and personal leadership skills primarily through job placements, mentoring and formal training. It is structured to involve more senior graduates in the development of more junior recruits providing a valuable real-life perspective of life at Oil Search.

The performance of the programme against a number of KPIs is tracked regularly.

For further information on either the GDP or the Apprentice Programme, visit the Oil Search careers page.

DIVERSITY AND INCLUSION

Oil Search has a long history of cultural diversity and a robust Diversity Policy. Wherever practical, preference is given to local people when recruiting. In PNG in 2014, 83% of Oil Search's workforce are PNG nationals.

Several of our PNG national workers have progressed into senior management and this is expected to increase in line with Oil Search's growth. Nationals and women are the focus of our diversity policies for succession planning.

The Oil Search Diversity and Inclusion Strategy improves the representation, development and retention of different employee groups from the communities where the Company operates. It supports the overall business strategy by enabling the individual backgrounds, skills, talents and views of employees and potential employees to be recognised, valued and encouraged. This ensures Oil Search has a diverse and skilled workforce, creates a workplace culture that displays fair practices and behaviours and improves employment access and participation for diversity groups.

The Strategy also supports Oil Search's sustainable development approach. Employing and developing citizen employees not only helps them to progress their careers, it benefits local communities and has long term economic benefits for areas where Oil Search operates.

The Diversity and Inclusion Strategy targets results in six areas:

- Committed leadership
- Measurement
- Organisational integration
- Aligned culture and systems
- Intensive communication
- Targeted diversity policies and programmes.

These results will be achieved by:

- Aligning the diversity and inclusion strategy with talent and business strategies
- Focusing diversity and inclusion conversations on the resulting business value
- Developing diversity metrics and holding leaders to account
- Using an evidence-based approach to identify and tackle diversity and inclusion barriers
- Prioritising initiatives for maximum impact
- Addressing unconscious bias for sustained impact of diversity and inclusion initiatives
- Monitoring progress against Board approved annual diversity objectives.

Our Human Resource standards and Code of Conduct both support the provision of a workplace where employees can work without discrimination or harassment.

TALENT MANAGEMENT

With Oil Search evolving and growing so rapidly, effective talent management is essential in order to provide the expanded workforce required and to keep up with changing skills requirements. It also plays a role in continuing Oil Search's social licence to operate, which relies in part on increasing local employment in line with expansion.

Oil Search operates in a competitive labour market with a very skilled, specialist workforce. This emphasises the importance of growing experienced workers and keeping them within the Company.

These factors impact the kind of people Oil Search needs, how they are recruited, and how succession planning is handled.

Reporting and participation

Reporting

Oil Search is committed to transparent and consistent stakeholder communication on our social responsibility performance. Regular reporting demonstrates accountability for performance outcomes and management response.

The Company publishes information on its social responsibility management approach and performance in various formats, in response to varying stakeholder information needs.

Oil Search publishes information on its social responsibility management approach and performance in various formats, in response to varying stakeholder information needs. Oil Search's social responsibility reporting includes:

1. **Social responsibility website** – a microsite developed for our investors, partners, government, employees and informed community members. It contains:
 - **Management approach** – disclosures on our approach to managing social responsibility priorities, including payments transparency.
 - **Performance** – annually discloses our recent performance across social responsibility priorities, including operating with integrity, HSES, sustainable development, working with suppliers and our people.
 - **Data centre** – an online hub of multi-year social responsibility data for a number of performance indicators, supported by a Basis of Preparation document.
 - **Case studies** – a collection of deeper dives into recent projects or programme.
2. **Social Responsibility at Oil Search - 2014** – a high-level summary of the key elements of Oil Search's social responsibility performance for investors, analysts, employees and other stakeholders new to Oil Search or looking for a recent snapshot.
3. **PNG Perspective: In-Country Sustainability Report** – an annual printed, bi-lingual sustainability performance summary update for Oil Search people and partners in PNG.

Copies of current and prior year reports can be accessed from the Downloads page.

Oil Search has compiled its social responsibility reporting using GRI's G3.1 Sustainability Reporting Guidelines since 2010 and incorporated the Oil and Gas Sector Supplement once it was released in 2012.

The Sustainability Report Working Group, which consists of functional and business representatives from across Oil Search, works with the Corporate Social Responsibility discipline to compile Oil Search's sustainability reporting. All information is reviewed by senior management and the executive management team. Oil Search's annual Sustainability Performance disclosures are endorsed by the Health, Safety and Sustainability (HSS) Committee.

Participation

Oil Search participates in a number of sustainability initiatives that seek to achieve change in areas that align with our social responsibility principles.

DOW JONES SUSTAINABILITY INDEX

The DJSI Indices are a benchmark of companies who are implementing sustainable best practices. Investors use this information to integrate into their portfolios.

Oil Search has been included on the Australian Dow Jones Sustainability Index (DJSI) since 2013. Oil Search has submitted a response to the DJSI questionnaire since 2014.

UNITED NATIONS GLOBAL COMPACT (UNGC)

The UNGC consists of 10 Principles which offer guidance on what constitutes leading practice in sustainability, including human rights, labour, anti-corruption and the environment.

Oil Search became a signatory to the UNGC in 2011 and as a signatory annually report on progress towards implementing the ten principles of the UNGC. Oil Search is an active member of the UNGC local area network in Australia, and participates regularly in leadership groups on anti-corruption, environment and human rights.

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EITI)

EITI is a coalition of governments, companies and civil society. It promotes a global transparency standard that encourages more openness around the payments that governments receive for the use of natural resources.

Oil Search has been an EITI Supporting Company since 2013. When requested, Oil Search contributes payment data for inclusion in national reconciliations. In 2014 PNG was accepted as an EITI candidate country. Oil Search actively supports and participates in this journey, and has published payments data since 2012.

For more information see the Payments Transparency page.

CDP

CDP holds the largest collection globally of self-reported climate change, water and forest-risk data. which is used by its 800+ institutional investors holding US\$92 trillion in assets.

Oil Search has been reporting greenhouse gas management and performance data to CDP since 2010. Water performance data and management has been reported since 2014.

INTERNATIONAL ASSOCIATION OF OIL AND GAS PRODUCERS (IOGP)

The IOGP is a body that represents its members from the international oil and gas industry. It seeks to promote safe, responsible, and sustainable operations.

Oil Search became a member of the IOGP in 2005, and submits safety and environmental data annually for inclusion in the IOGP's industry performance reports.

Assurance

Oil Search obtains independent assurance over its social responsibility reporting to provide stakeholders with an independent opinion on the robustness of the report compilation process and to help identify improvements to its reporting approach.

The sustainability report 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 provides 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.

Deloitte's assurance findings report is presented to senior management and the HSS Committee. As Deloitte is also

Oil Search's financial assurance provider, our relationship is subject to similar independence and approval processes. The Audit and Financial Risk Committee is aware of this and all other work done for Oil Search by our financial assurance provider.

The Assurance Statement below outlines the scope and basis of the assurance provided. Oil Search's sustainability reporting has been subject to independent assurance since 2011. We intend to continue obtaining assurance over this data in future and seek to expand the scope of assurance as our systems and processes mature.

A copy of Deloitte's 2014 assurance statement is available from the Downloads page.
