



Corporate Responsibility Report  
Year to 31 December 2013



DELIVERING VALUE

# DELIVERING VALUE

Premier is a listed business with headquarters in London and approximately 800 employees. The majority of these are located in the United Kingdom and Asia.



<sup>1</sup> Premier solely sells crude oil to major upstream refiners and gas to defined users. We do not sell any products to the general public. As such, the health and safety impacts of any products/services or the nature of information on products/services are not relevant to our business. We also do not conduct any surveys regarding customer satisfaction. Material Safety Data Sheets are prepared for our crude oil and gas products, where relevant.

<sup>2</sup> At the end of 2013, Premier's estimated reserves and resources were 794 million barrels of oil equivalent. Production in 2013 averaged 58.2 thousand barrels of oil equivalent per day. Operating cash flow was US\$832.6 million and profit after tax was US\$234.0 million. Further information is available in our Annual Report.

Premier is a leading FTSE 250 independent exploration and production company with oil and gas interests in the North Sea, South East Asia, Pakistan and the Falkland Islands.<sup>1</sup> Our strategy is to grow shareholder value through investment in high quality projects within a disciplined financial framework. We seek to maintain the highest standards of corporate responsibility.<sup>2</sup>

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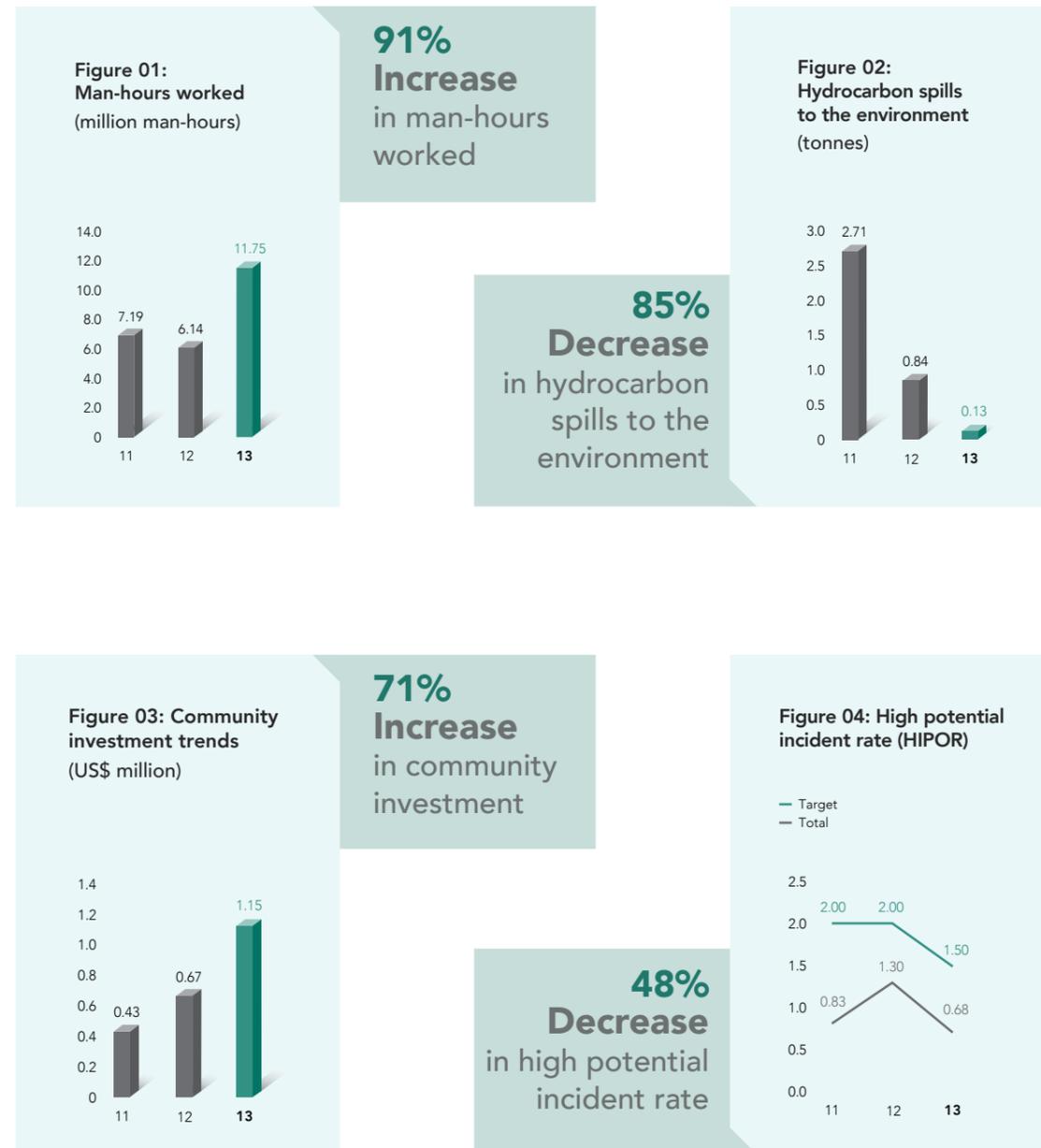
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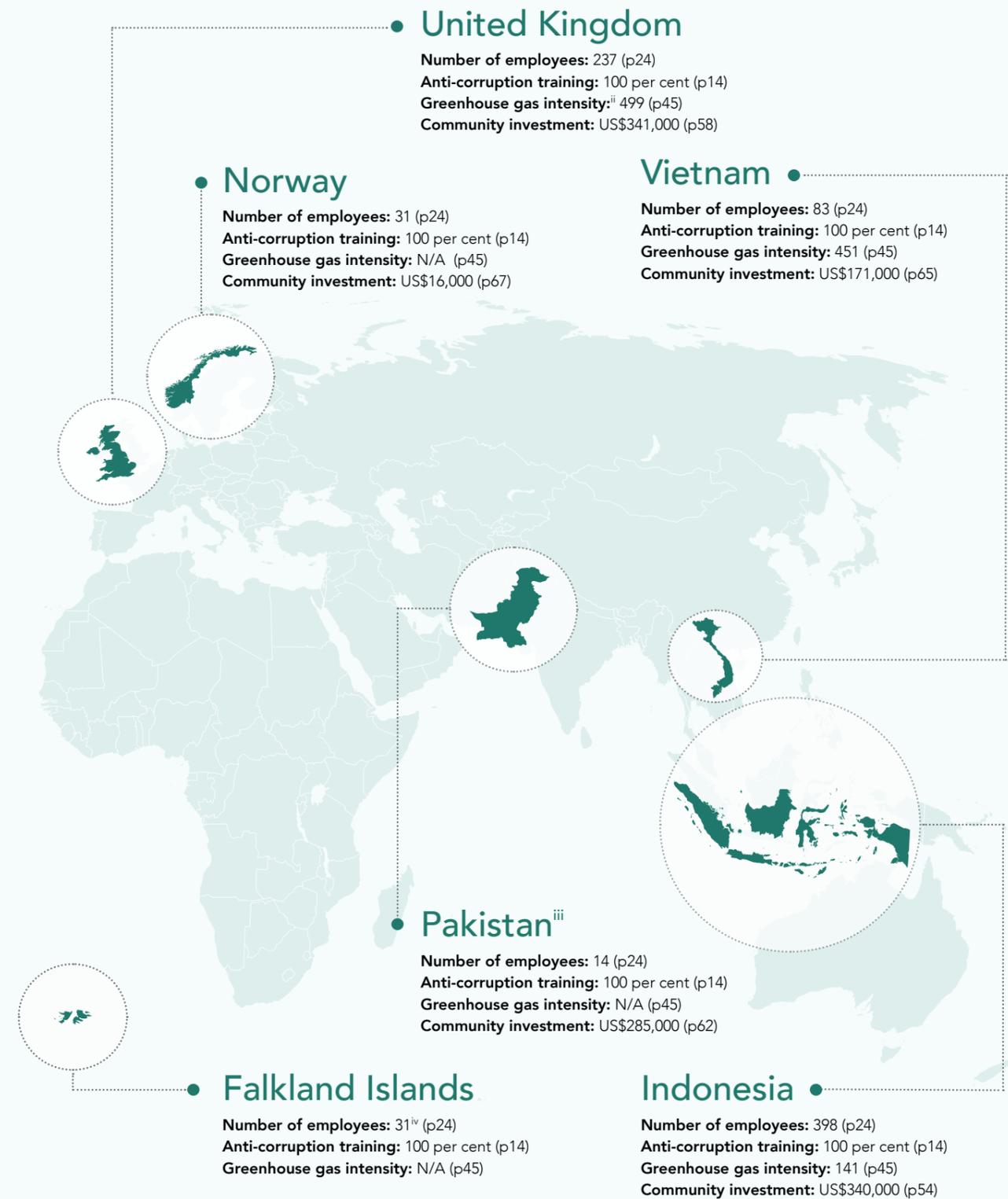
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# Performance highlights

During 2013, we achieved material growth in our reserves and resources, production levels and cash flows. Over the same period, we increased the number of man-hours worked, recorded a decrease in the high potential incident rate, reduced spills to the environment and expanded community investment. This demonstrates our ability to deliver growth whilst improving our health, safety and environmental performance.



## Map of our key operations and performance metrics<sup>i</sup>



<sup>i</sup> None of our facilities is currently in the process of being decommissioned. A complete list of all operations, stages of development as well as where we have equity in joint ventures is available on our website at [www.premier-oil.com/premieroil/operations](http://www.premier-oil.com/premieroil/operations).  
<sup>ii</sup> Greenhouse gas intensity is measured as GHG tonnes per thousands tonnes of production. The United Kingdom GHG intensity figure is distorted by lower production levels in 2013.  
<sup>iii</sup> Non-operated joint venture.  
<sup>iv</sup> The majority of employees in the Falkland Islands business unit were based in London in 2013.

# Chief Executive's review

While our strategy is to add value for shareholders through commercial success in exploration and production, we recognise that our social licence to operate has to be earned through best practice and responsible actions where we do business. This involves a commitment to continuous improvement in our performance on business ethics, human rights, employees, health, safety, environment and community investment. We remain focused on applying the high standards necessary to maintain our reputation as a responsible oil and gas company.

**Q: What were Premier's main corporate responsibility achievements in 2013?**

**A:** 2013 presented a number of operational advances, including six discoveries from seven exploration wells, the capturing of new acreage, and several projects entering the development phase. Reflecting our ability to deliver growth while ensuring rigorous health, safety and environment (HSE) standards, Premier's high potential incident rate decreased from 1.30 per million man-hours in 2012 to 0.68 in 2013 – well below our target rate of 1.50. This positive trend was driven by strong HSE performances in particular at our drilling and production operations.

The progressive increase in our community investment has also made a significant social, economic and environmental impact in the areas where we operate. In 2013, Premier disbursed a total of US\$1.15 million on an array of charitable donations, local development projects and community partnerships. Premier recognises that delivering lasting returns for local communities and host governments enables us to consolidate and build on existing relationships as well as enter new geographies and acquire new licenses. Community investment complements our stakeholder engagement as part of planning for new country entries. We expect to see a progressive increase in the impact from community investment and stakeholder engagement compared with previous years.

Guided by the United Nations Global Compact and Guiding Principles on Business and Human Rights, we also made substantive progress – from an already healthy position – on human rights during 2013. This included upgrading our Human Rights Management System and introducing a training package for employees on human rights and security forces. In anticipation of potential onshore operations, Premier plans to apply for membership of the Voluntary Principles on Security and Human Rights in 2014.

Recognising our progress on corporate responsibility, the Global Reporting Initiative (GRI) has confirmed that this report is prepared in accordance with its Sustainability Reporting Guidelines (G3.1) at Application Level A+. It is our intention to align with the GRI's G4 guidelines, once we have reached this level of reporting.

**Q: Were there any areas for improvement in terms of corporate responsibility?**

**A:** The reporting period saw the total recordable injury rate (TRIR) increase from 1.79 per million man-hours in 2012 to 3.40 in 2013, significantly above our overall target rate of 2.00 per million man-hours. This included a TRIR of 3.61 for contractors working at contractor-operated sites and a TRIR of 5.72 for contractors working at Premier-operated sites.

In spite of our best efforts to provide active management support to address HSE performance at construction sites, we did not see improvements until late in the reporting year. In order to build on lessons learnt and improve our HSE performance across the group, we have implemented a more proactive approach to manage the issues, including at contractor facilities. Premier recognises that there is always room for improvement.

We experienced a rise in greenhouse gas (GHG) emissions, particularly at our Chim São site in Vietnam. This was largely due to unexpected flaring at the facility and third party damage to the gas export pipeline. I am pleased that a conclusion is in sight to the protracted contractual negotiations over operations and maintenance at the Chim São FPSO. This will enable accelerated implementation of the environmental controls and standards which are expected of us.

I am also pleased to report that, while the group's GHG emissions and GHG intensity rose during 2013, there were improvements in our ability to deal with hydrocarbon leaks. Premier remains committed to ensuring our emissions are as low as reasonably practicable (ALARP) and to achieving a GHG emissions intensity for steady-state production operations in line with the current industry median of 160 tonnes of GHG per thousand tonnes of production.

Meeting this target will remain challenging over the short to medium term due to the increasing age of our operations, in addition to flaring often associated with the commissioning of new facilities. Nevertheless, Premier is committed to exploring all opportunities for net emissions reductions. This includes a new focus on measuring our carbon footprint. In 2013, we initiated a pilot study to capture data on terrestrial energy consumption and travel mileage, supporting our progress towards buying carbon offsetting credits where we operate.

**Q: Which areas of the group experienced the most change in terms of corporate responsibility?**

**A:** The Falkland Islands represents a core area of Premier's expanding activities. While Premier's presence on the islands themselves was limited during 2013, a significant amount of planning work was undertaken by the business unit at our other offices. This included the identification of stakeholders within the Falklands in order to carry out an impact assessment of potential impacts of our operations, as well as to ensure Premier brings tangible financial, social and environmental benefits to the islands.

The health, safety, environment and security (HSES) functional area also experienced a number of changes during 2013. This included progress towards implementing a new HSES reporting tool in order to combine Premier's existing data management systems. The tool will enable us to track actions and report on key performance indicators (KPIs) on one centralised system. Our understanding of environmental management was also enhanced following a comprehensive assessment of Premier's water use and discharges, including an analysis of the local water situation at all our individual operations.

The creation of a Corporate Services Director position on our Executive Committee in 2012 has more generally enabled an increasingly coherent and effective approach to corporate responsibility from the relevant functional areas of the group (including legal, HSES, human resources, supply chain and audit and risk). This is reflected by improved outcomes and a higher level of reporting during 2013.

**Q: What are your key corporate responsibility plans for 2014?**

**A:** 2014 will be another important year for Premier. We will continue to expand our operations, including the planned start-up of the Pelikan, Naga, Dua and Solan fields, sanction of the Catcher project, progress in front end engineering and design studies for the Sea Lion prospect offshore the Falkland Islands, and realisation of value from our disposal programme. We will also maintain our ongoing efforts to increase production, advance exploration activities and secure new licences.

While I shall be stepping down as Chief Executive later this year, corporate responsibility will remain a key focus of Premier's management team during 2014. Each of the relevant functional areas of the group have implemented action plans to ensure continued progress in our corporate responsibility performance. We look forward to maintaining this trajectory of continuous improvement through 2014 and beyond.

**Simon Lockett**, Chief Executive



# 1 / Our approach

WE RECOGNISE THAT OUR SOCIAL LICENCE TO OPERATE AS AN INTERNATIONAL UPSTREAM OIL AND GAS COMPANY HAS TO BE EARNED THROUGH RESPONSIBLE BEHAVIOUR WHICH DOES NOT COMPROMISE THE WELLBEING OF CURRENT OR FUTURE GENERATIONS. RESPONSIBLE BEHAVIOUR IS A KEY DETERMINANT OF OUR BUSINESS SUCCESS. PREMIER'S PERFORMANCE IN THIS AREA IS SET OUT IN OUR CORPORATE RESPONSIBILITY REPORT, WHICH COVERS ALL OUR OWN OPERATIONS FOR THE 2013 CALENDAR YEAR. NON-OPERATED JOINT VENTURES ARE NOT INCLUDED EXCEPT WHERE SPECIFIED.

## About this report

This is our eighth annual Corporate Responsibility Report, with the previous report issued in 2013 covering the 2012 calendar year. We report in accordance with the International Petroleum Industry Environmental Conservation Association (IPIECA) and the Global Reporting Initiative (GRI). There have been no significant changes in scope, boundary or measurement methods in this report versus previous reports.

Premier has an active exploration and business development programme that in future years will see entry and operatorship in new geographies. This may include the addition of operated onshore assets to our current offshore portfolio.



### GLOBAL REPORTING INITIATIVE //

Our Corporate Responsibility Report is aligned with the GRI's Sustainability Reporting Guidelines. The GRI guidelines represent the most comprehensive and authoritative guidance available to oil and gas companies on sustainability reporting.

The GRI has confirmed that this report is prepared in accordance with its Sustainability Reporting Guidelines (G3.1) at Application Level A+ (p73). The report covers all the profile disclosures, disclosures on management approach and performance indicators required to achieve this level of transparency. Specific information on our alignment with the GRI is presented on p72. The report is also our annual Communication on Progress to the United Nations Global Compact (UNGC), which represents a public disclosure to stakeholders required by all UNGC business participants.

It is our intention to adopt the GRI G4 guidelines when we are ready to do so, reflecting our commitment to continuous improvement and enhanced disclosure. Aligning with the G4 guidelines will require a review of current reporting procedure and mechanisms used to identify issues relevant and material to stakeholders.

### DEFINING REPORT CONTENT //

Defining the materiality of the report content involved the identification of those issues most relevant to Premier's sustainability footprint as an international oil and gas exploration and production company. Through a review of our internal risk registers, engagement with our internal and external stakeholders, analysis of media coverage of the company, conducting independent risk assessments of our impacts, and holding various internal discussions, we selected six key areas for reporting: business ethics; human rights; employees; health and safety; environment; and community investment. Each of these key areas is discussed on the following pages, informing the structure of this Corporate Responsibility Report.

Materiality of report content was determined by a broad range of internal stakeholders, including senior managers in the company, functional heads and the Audit and Risk Committee of the Board. A balanced and objective approach was taken during this process, in order to ensure that the report content was aligned to Premier's overall business strategy whilst also considering the reasonable expectations of the organisation's various internal and external stakeholders.

### AUDITS AND ASSURANCE //

Premier's policies and procedures are designed to ensure that our investment and operational decisions take appropriate account of the impacts that might arise from our activities. These policies cover Premier's Global Code of Conduct, as well as relevant policies on human rights, employees, health, safety and environment, and community investment. All policies are compliant with applicable domestic and international legislation and take due account of appropriate standards, industry guidance and relevant best practice.

We commission independent reviews or audits of our policies and supporting management systems to assure compliance with the requirements of the following bodies: GRI; IPIECA Oil and Gas Industry Guidance on Voluntary Sustainability Reporting (2010); Carbon Disclosure Project; FTSE4Good; and UNGC.

This report discusses how we have applied and delivered on our stated policies in 2013, and explains any areas of non-compliance. It also includes a separate assurance statement from ERM Certification and Verification Services (CVS) on safety and environmental data integrity (p71). Further details of our policies and procedures are available on our website at [www.premier-oil.com](http://www.premier-oil.com).

This Corporate Responsibility Report has been prepared by the Group Audit, Risk and Public Affairs function. Further information on the governance structure of the company is contained within our Annual Report. There were no significant changes to Premier's organisational structure in the reporting period.

## 1/OUR APPROACH

**Figure 05: Delivering on our commitments**

Report section	Our commitment in 2013	Actions taken during 2013	Page
Business ethics	Implementation of the Global Code of Conduct, with training across all business units	<ul style="list-style-type: none"> <li>Continued to ensure that training on the Global Code of Conduct and its requirements were provided to all business units</li> <li>Followed up on surveys carried out on the Code, to understand which key functions/areas of the business are most likely to encounter incidents of corruption and require additional support to address these risks</li> </ul>	p12
Human rights	Completion of annual human rights risk assessments and ongoing improvement of Premier's Human Rights Management System	<ul style="list-style-type: none"> <li>Upgraded our Human Rights Management System in alignment with our revised Human Rights Policy</li> <li>Introduced a screen-based training package on human rights and security forces, to be rolled out in 2014. Also prepared application to join Voluntary Principles on Security and Human Rights</li> </ul>	p18
Employees	Emphasis on employee development, talent and succession planning, in a year of significant emphasis on construction and project development	<ul style="list-style-type: none"> <li>Continued to implement our People Strategy, which focuses on the recruitment, development and retention of top talent. This also included the establishment of a global talent team.</li> <li>Devised new ways to improve communication across the workforce, such as the introduction of regular 'video blog' (vlog) sessions given by our Chief Executive</li> </ul>	p22
Health and safety	Enhance clarity of reporting on process safety and occupational safety metrics, in alignment with the continuous development of international health and safety standards	<ul style="list-style-type: none"> <li>Introduced a new HSES reporting tool which combines our existing health and safety data management systems and improves reporting of key performance indicators (KPIs), to be rolled out during 2014</li> <li>Devised a pilot system for assessing process safety and asset integrity risks at the company's operated assets, employing 'risk picture' scorecards that show safety case compliance and assess the performance of people, procedures and plant</li> </ul>	p30
Environment	Enhanced insight into the local water situation and the company's carbon footprint in countries where we operate	<ul style="list-style-type: none"> <li>Initiated a study to measure our terrestrial carbon footprint, capturing data on metrics such as office energy consumption and travel mileage. Recording this data will support our progress towards buying carbon offsetting credits in 2014.</li> <li>Conducted a comprehensive assessment of water use and discharges, analysing the local water situation where we operate</li> </ul>	p42
Community investment	Implementation of further community investment programmes relevant to each site of operation	<ul style="list-style-type: none"> <li>Increased community investment spending (71 per cent), in particular from the UK, Indonesia and Vietnam business units. Community investments have also complemented our increased focus on stakeholder engagement.</li> </ul>	p50

## Continuous improvement

We are committed to continuous improvement in our corporate responsibility performance. Each year our Corporate Responsibility Report identifies opportunities and planned actions for the forthcoming year. Actions were taken in 2013 to address gaps and further strengthen our underlying management systems. These involved significant revisions to the new Premier Oil Business Management System (BMS) architecture, including updated standards and procedures on human rights, health, safety, environment and security (HSES), and community investment. The BMS will be further developed by the key functions and business units during 2014. All corporate policies are endorsed by the Chief Executive and the Board.

A summary of key actions taken in 2013 is presented in Figure 05, with further information on these developments presented throughout the report.

## Engagement and transparency

Proactive and transparent stakeholder engagement is at the heart of our business philosophy. Premier has developed a programme of engagement with various stakeholders in order to build a greater understanding of their concerns about the impact of our operations, and to ensure we address issues that are relevant and material to our stakeholders. The result of this ongoing dialogue with stakeholders influences how we benchmark, evaluate and report on our performance over time.

Our engagement activities consist of:

- direct engagement, including organised dialogues, roundtable discussions, one-on-one meetings, internal surveys and regular engagement with local communities at each operation and project; and
- indirect engagement, including the use of external benchmarks and standards that are designed to reflect and address societal expectations (p07).

All our operations – including our corporate management and business units – identify, prioritise and directly engage stakeholder groups that have the potential to affect our production, financial and corporate responsibility performance. Feedback from our operational and strategic stakeholder engagement is logged and addressed as part of Premier's risk management process (p10).

Premier will continue to evolve its stakeholder engagement programmes and structures in 2014, in order to align with the GRI G4 requirements. We intend to provide greater detail on the identification of stakeholder groups; the process and frequency of engagement with stakeholders; and the key areas of interest to our stakeholders.



1/OUR APPROACH



## Risk and opportunities

Our approach to corporate responsibility is to manage and mitigate those risks that are most relevant and material to stakeholders and which can affect our commercial interests. Premier's Risk Management Policy seeks to ensure:

- our people and our assets are safeguarded and protected;
- an increased likelihood of achieving our business objectives;
- effective learning from and resilience to changing events and crises;
- effective identification, evaluation and analysis of uncertainty;
- high quality decision making and planning;
- compliance with laws and regulations; and
- stakeholder confidence and trust.

**Figure 06: How we engage our stakeholders**

Stakeholders	Engagement mechanisms
<b>Investors:</b>	
Current shareholders	Annual Report, Corporate Responsibility Report, website, direct dialogue
Potential shareholders	Annual Report, Corporate Responsibility Report, website, direct dialogue
Investment analysts	Annual Report, Corporate Responsibility Report, website, direct dialogue
<b>Employees:</b>	
Employees	Employee engagement, direct dialogue, 360° reviews
Contractors	Direct dialogue, integration into workforce, contract agreements
Organised labour	Collective labour agreements, regular meetings
<b>Society:</b>	
Government	Direct dialogue, including with the UK Foreign and Commonwealth Office, Falkland Islands Government (FIG), members of the Falkland Islands legislative assembly, Indonesian Ministry of Environment, Indonesian Ministry of Finance, Vietnamese government
Regulatory authorities	Direct dialogue, including with the UK Department of Energy and Climate Change, UK Health and Safety Executive, FIG Department of Mineral Resources, Petroleum Safety Authority Norway, SKK Migas in Indonesia
NGOs, opinion formers and media	Direct dialogue through industry bodies including the International Association of Oil and Gas Producers (OGP), IPIECA, Oil and Gas UK, Step Change, forums such as the Falkland Islands Offshore Hydrocarbons Environment Forum, as well as NGOs that we engage with through our community investment programmes
Current and potential business partners	Direct dialogue on contract agreements and joint projects
Suppliers	Direct dialogue and contract agreements with seismic contractors, drilling rig owners, floating production storage and offloading (FPSO) vessel owners, construction companies and shipyards
Local communities	Community investment programmes and direct dialogue with public and private sector groups

“As of the end of December 2013, Premier retained its inclusion within the FTSE4Good Index for the 10th year in a row.”

Tony Durrant Finance Director

Our Risk Management Policy is aligned with the principles and guidelines of the International Organization for Standardization (ISO) 31000, which represents a global benchmark for risk management practices. This policy sets the standards for our risk appetite, helps to identify and evaluate those risks that most impact our business, and ensures that the necessary risk controls and mitigating measures are in place and are effective. It also supports our efforts to achieve the highest quality of corporate governance and associated requirements for listed businesses.

Standards and procedures supporting the implementation of these requirements are logged in the Premier Oil BMS and are reviewed and updated on an ongoing basis.

Premier also carried out a risk management survey amongst senior management during 2013. The survey focused on issues such as: the company's risk appetite; attitudes to the Risk Management Policy; understanding of risk ownership, the effectiveness of risk management procedures; and the extent to which risk management procedures have been disseminated amongst the workforce.

The findings of this survey led to a number of new initiatives being rolled out in late 2013, including a focus on those group functions and business units undergoing the most organisational change (especially Norway and Falkland Islands). The survey has also helped to embed a culture of best practice in risk management across the organisation. During 2014, Premier will continue to focus on embedding risk management procedures within all business units and group functions.

This report and its associated disclosures focus on the key corporate responsibility impacts, risks and opportunities for our business.

[www.premier-oil.com](http://www.premier-oil.com)

[www.globalreporting.org](http://www.globalreporting.org)

[www.ipieca.org](http://www.ipieca.org)

[www.cdp.net](http://www.cdp.net)

[www.ftse.co.uk](http://www.ftse.co.uk)

[www.ermcvs.com](http://www.ermcvs.com)

[www.iso.org](http://www.iso.org)

[www.unglobalcompact.org](http://www.unglobalcompact.org)



# 2 / Business ethics

A CULTURE OF INTEGRITY, HONESTY AND FAIRNESS IS FUNDAMENTAL TO THE WAY IN WHICH WE CONDUCT OUR BUSINESS, AND WE ARE COMMITTED TO TRANSPARENCY, RESPONSIBILITY AND COMPLIANCE IN ALL OF OUR BUSINESS ACTIVITIES. WE WILL NOT ENGAGE IN ANY ACTIVITIES – INCLUDING BRIBERY OR CORRUPTION IN ANY FORM – WHICH UNDERMINE THE LEGITIMATE BUSINESS ENVIRONMENT.



## Global Code of Conduct

Premier's Global Code of Conduct – and associated due diligence process which provides assurance regarding compliance with the Code – is embedded across the group. For those employees and contractors based in Indonesia (our largest business unit abroad, representing 49 per cent of the workforce in 2013), the Code is available in both English and Bahasa Indonesia. Our staff in Vietnam (representing 10 per cent of the workforce in 2013) currently complete the Code in English but have access to supplementary explanatory material in Vietnamese. Availability of the Code in local languages is to ensure employees at Premier's overseas production operations have every opportunity to address any gaps in their understanding of the Code.

Our Global Code of Conduct is compliant with the United Kingdom Bribery Act, and covers:

- anti-corruption;
- facilitation payments;
- gifts and hospitality (given and received);
- charitable and political donations; and
- appointment of intermediaries.

Premier reviews all new guidance issued by the United Kingdom Serious Fraud Office to ensure that the Code, its supporting policies, training materials and disclosures are consistent with government expectations and best practice.

### SCOPE OF APPLICATION //

The Code applies to employees at every level of the organisation and those associated with Premier such as contractors, all of whom are required to behave ethically and with integrity. This includes adhering to laws in the countries in which we operate, explore and have joint venture interests (p03). Our newer joint venture engagements include the right to request an annual certificate of compliance, confirming alignment with the Code.

All employees and associates are required to perform their duties in accordance with the Code, and to disclose any potential and actual conflicts between personal interests and those of Premier. The Code requires all transactions relating to Premier to be recorded in proper detail with appropriate supporting evidence and in accordance with applicable accounting and reporting standards. Any breach of the Code will result in disciplinary action, and in extreme cases will result in instant dismissal. The Audit and Risk Committee assists the Board in monitoring ethical business conduct as well as the effectiveness of the Code and its supporting policies. There were no disciplinary actions or dismissals for breaches of the Code in 2013.

## 2/BUSINESS ETHICS

## TRAINING AND MONITORING //

During 2013, our legal team continued to ensure that training on the application of the Code was provided to all business units. The training programme includes a comprehensive set of workshops and an online course, which is made available to both employees and contractors. All our business units are analysed for risks relating to corruption, some being more exposed than others depending on geography and area of activities. A poster campaign on the Code was also rolled out for employees and contractors based in Indonesia during 2013.

The content of our training takes account of local nuances and cultural norms, in order to equip local teams to manage risks related to business ethics. All Premier employees and consultants have now completed the training programme. A briefing on the content of the Code is also included in the induction programme for new employees and consultants, all of whom are expected to complete online training on the Code within one month of joining the company.

An employee survey was carried out in 2012 which sought to establish how well the Code has been understood by employees and is effectively embedded in the way we work. We reinforced this in 2013 in each of our business units, through discussions with personnel from the key functions and areas of the organisation most likely to face potential incidents of corruption.

Plans are in progress to implement video tutorials during 2014 which will cover aspects of the Code relating to corruption and bribery. The video tutorials are designed to simulate real-life scenarios in which staff face challenging decisions over matters, such as how to handle requests for bribes and how to deal with gifts from suppliers or through other business engagements. This approach aims to bring compliance issues to life for personnel through recognising the various cultural contexts in which Premier operates.

Premier has also implemented a new online platform for registering gifts and entertainment which will be rolled out across the organisation in 2014.

## Suppliers and contractors

Premier's Global Code of Conduct prohibits bribery and corruption in any form by employees and those working for or connected with the organisation. This includes facilitation payments and also gifts made or received that might create an obligation or expectation of something in return. All business transactions must be properly recorded and accounted for. We expect the same ethical standards to be applied in all our business relationships in all areas of operation and we promote the Code with all our business associates.

## WORKING WITH INTERMEDIARIES //

Premier sometimes uses intermediaries, agents or other independent parties in its engagements with government, government agencies, other oil and gas companies and third party service providers. These individuals are appointed in accordance with our Intermediaries Policy, including due diligence screening procedures relating to corruption and other aspects of business ethics. This may include obtaining third party references and information searches. Intermediaries are formally obliged under our standard contracts to adhere to our Global Code of Conduct and, where appropriate, receive training on the obligations of the policy.

## SCREENING OUR SUPPLIERS //

Premier's suppliers and contractors play a critical role in our business. We make decisions about the purchase of goods and services not only on the basis of price, quality, delivery, service and reputation, but on the business ethics, environmental, safety and human rights records of suppliers.<sup>3</sup> During 2014, Premier will evaluate how to implement more comprehensive screening measures which systematically ensure contractors are not subject to international sanctions. This will also require the completion of a pre-tender questionnaire to evaluate what measures are currently in place, to ensure these risks are well managed.

Those involved in the selection of suppliers and contractors are required to avoid conflicts of interest, such as personal relationships, inappropriate gifts and entertainment, or any other kind of favouritism that might compromise selection. This ensures that the award of contracts is made entirely on the basis of merit. All business units require approval for gifts/hospitality above certain limits, and any accepted gifts require a record of approval. Our tender process requires suppliers and contractors to confirm their compliance with and commitment to our Global Code of Conduct.

Premier has also initiated activities to support the development of local suppliers and contractors that engage with our operations. Such engagement is also aligned with local content requirements. For example, we are developing the technical competencies of our Vietnam-based suppliers that provide offshore services and supply/maintain FPSO vessels, through mentoring their offshore crew/technicians at the Chim Sáo production operation. During the course of 2014, we will take further steps to enhance the capabilities of our suppliers, in particular those working at our Vietnam and Indonesia operations.



<sup>3</sup> Premier has not identified any specific risks in its activities related to 'significant' investment agreements/contracts or Tier One suppliers, including: the right to freedom of expression/collective bargaining; the use of child labour; and the use of forced/compulsory labour. 'Significant' is defined as those contracts worth US\$50 million or more.

## 2/BUSINESS ETHICS

## INCLUSION IN CONTRACT AGREEMENTS //

Anti-bribery provisions are explicitly included in all of our agreements, either in the form of an obligation to comply with Premier's Global Code of Conduct, the inclusion of appropriate anti-corruption and business ethics clauses in contract agreements, or confirmation that the counterparty will ensure compliance with their own Code of Conduct.

Premier acknowledges that local, social, political and cultural conditions may make it difficult for our business partners to conform to our standards immediately. In such circumstances we will look for evidence of their commitment to work towards such standards. Premier will, nevertheless, withdraw from such relationships where measurable progress is not made.

## Public policy and government relations

Premier recognises that in order to increase trust and develop enduring close relationships with governments, communities and civil society organisations, it must be proactive, open and clear in its dealings with these stakeholders.

Premier did not make any political donations or contributions during the reporting period, and did not receive any significant financial assistance from governments. Premier is a member of a number of local industry bodies, some of which participate in lobbying activities. Examples include the OGP, Oil and Gas UK, Pakistan Petroleum Exploration and Production Companies Association, Indonesian Petroleum Association and Falkland Islands Petroleum Licensees Association. During 2013, Premier also acted as chair to the Association of British Independent Oil and Gas Exploration Companies (BRINDEX).

We also adhere to national laws and standards related to marketing communications of the company, including advertising, promotion and sponsorship.

## Promoting transparency and compliance

Employees are expected to report bribery or attempted bribery to their direct managers, even if only suspected or attempted. Any allegation of corruption would be investigated immediately and reported to the Audit and Risk Committee.

## ENCOURAGING A CULTURE OF OPENNESS //

Premier encourages employees, contractors and agency workers to voice their concerns to line managers if they believe the company or anyone working on behalf of the company has not acted in accordance with our Global Code of Conduct and associated policies. Individuals are able to report potential breaches of policy without fear of recrimination; and can do so in the knowledge that their report will be promptly and properly investigated with due regard to the maintenance of confidentiality.

## AUDITING AND REPORTING //

Our legal team reviews adherence to the Code by business units on a cyclical basis. In 2013, reviews were carried out in Aberdeen, Norway and Pakistan, including a review of gift registers and contract implementation. All employees were found to have a clear understanding of the Code and its requirements, and to be in compliance with the Code.

Premier was not subject to any fines or non-monetary sanctions for breaches of laws or regulation, or to any legal actions relating to business ethics or anti-competitive behaviour during the reporting period.<sup>4</sup> No incidents of corruption or non-compliance with the Code were identified in 2013. There were also no incidents of loss of customer data reported.

### Confidential third party hotline

We recognise that in certain circumstances employees might not feel comfortable talking to their line manager. Premier therefore provides a confidential and well-publicised independent third party reporting hotline that is available 24 hours a day, seven days a week and allows employees to lodge concerns and questions about issues such as business ethics and compliance, health and safety, and human rights.

Information on this confidential 'whistle-blowing' facility is available in the Premier Employee Handbook and on the BMS, and is provided during the induction day for new starters. A poster campaign also publicised the existence of this confidential 'whistle-blowing' facility throughout 2013. No reports were made via this service during the reporting period.

[www.ogp.org.uk](http://www.ogp.org.uk)

[www.oilandgasuk.co.uk](http://www.oilandgasuk.co.uk)

[www.safecall.co.uk](http://www.safecall.co.uk)

[www.sfo.gov.uk](http://www.sfo.gov.uk)

[www.brindex.co.uk](http://www.brindex.co.uk)

[www.ppepca.com](http://www.ppepca.com)

[www.ipa.or.id](http://www.ipa.or.id)

<sup>4</sup> This includes no incidents of non-compliance with regulations or voluntary codes concerning product and service information and labelling. It also includes no incidents of non-compliance with regulations or voluntary codes concerning marketing communications, including advertising, promotion and sponsorship.



# 3 / Human rights

PREMIER'S HUMAN RIGHTS POLICY EXPLICITLY RECOGNISES THE MORAL, REPUTATIONAL AND OPERATIONAL VALUE OF RESPECTING AND PROMOTING HUMAN RIGHTS, BOTH INSIDE AND OUTSIDE THE COMPANY. THE POLICY ADDRESSES THE RIGHTS OF OUR EMPLOYEES AS WELL AS OUR EXTERNAL STAKEHOLDERS, IN PARTICULAR THE LOCAL COMMUNITIES WHERE WE OPERATE.



## Our policy framework

A global "protect, respect and remedy" framework for the advancement of human rights has emerged in recent years, culminating in the launch of the United Nations Guiding Principles on Business and Human Rights. These outline a series of foundational and operational principles on the role of the state to protect human rights, the responsibility of businesses to respect human rights, and the obligation of governments to provide access to appropriate judicial, administrative or legislative means to remedy human rights violations. Global and industry sustainability reporting standards increasingly require organisations to report on the extent to which robust policy and due diligence processes have been implemented to meet these expectations.

Premier's Human Rights Policy is based on the fundamental rights set out in the Universal Declaration of Human Rights, and is guided by the rights enshrined in the core labour conventions of the International Labour Organization (ILO) and the principles of the United Nations Global Compact. Our policy addresses the rights of our employees – including their health and safety, security arrangements and working conditions – and the development rights of our external stakeholders, in particular local communities. Promoting and respecting human rights includes requirements to:

- engage with stakeholders in our efforts to respect and promote human rights;
- recognise the development and cultural rights of local communities as basic human rights;
- recognise our responsibility to respect the rights of indigenous peoples where we operate;<sup>5</sup>
- help prevent, manage and resolve conflict where we are in a position to do so;
- ensure we are in no way involved in or associated with forced, involuntary or child labour;
- ensure our security practices do not undermine the human rights of local communities;
- encourage joint venture partners to adopt the principles in this policy;
- consider withdrawal from relationships with business partners including suppliers where there is no evidence that they are moving towards the application of international human rights standards; and
- use our legitimate influence to promote human rights outside our areas of operation.

Premier's Human Rights Policy has been benchmarked against best practice standards – including the United Nations Guiding Principles on Business and Human Rights and the GRI – as well as the position of our peers in the oil and gas sector. This review was completed at the same time as an assessment of our corporate responsibility and community investment frameworks, in order to build a cohesive policy framework and management system. During the course of 2014, Premier will evaluate the feasibility of implementing more formal human rights clauses in significant investment agreements.

Premier is also looking at ways to monitor suppliers and contractors with regard to human rights risks. This might, for example, include an evaluation of how to add human rights requirements into future agreements with our suppliers and contractors.

There were no reported violations of our Human Rights Policy during the reporting period.

<sup>5</sup> There were no violations involving the rights of indigenous peoples in 2013. There were also no disputes with indigenous peoples, and no involuntary resettlement activities took place. All our operated activities are currently located offshore.

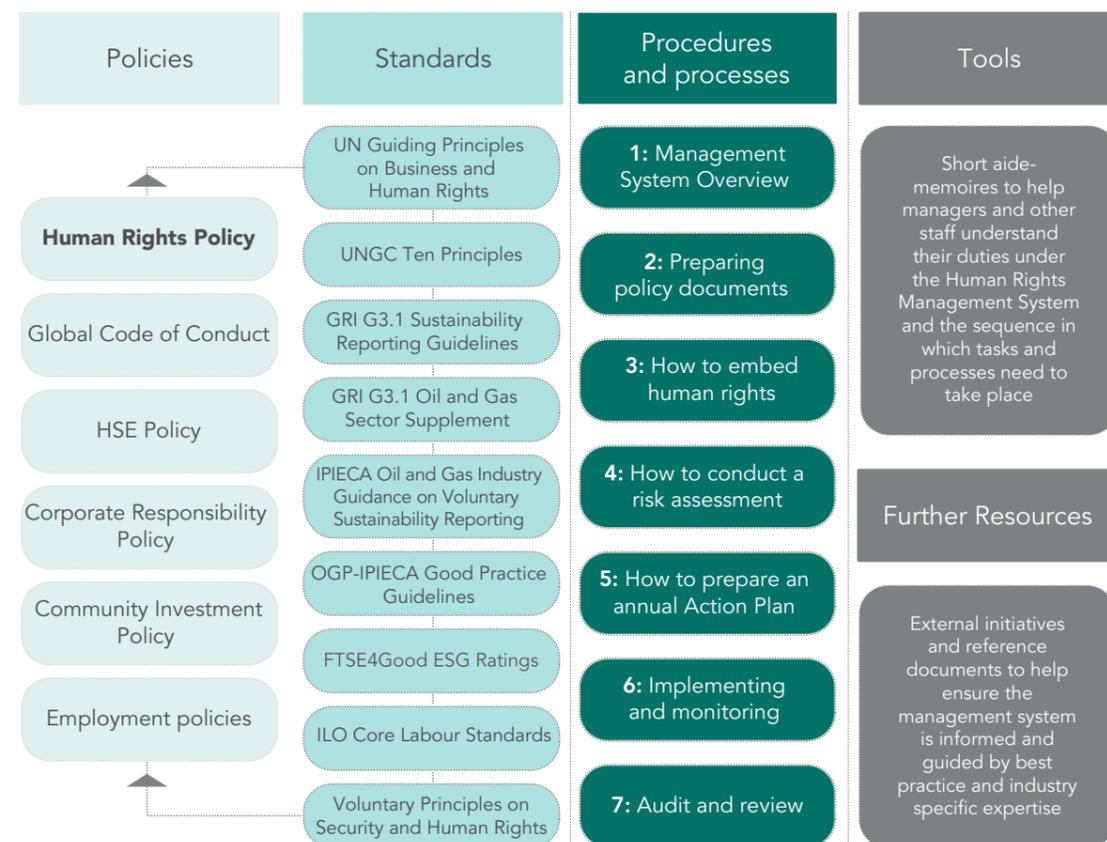
3/HUMAN RIGHTS

## Our Human Rights Management System

Premier is committed to continuous improvement in its human rights performance. During 2013, we revised and upgraded our Human Rights Management System (which is subject to routine and non-routine audit), in alignment with our revised Human Rights Policy. The system is based on the identification, evaluation, management and resolution of human rights risks and conflict. These procedures are integrated into the corporate responsibility and public affairs section of our BMS, and are available to local business units and all employees across the organisation (Figure 07). These enable us to identify appropriate local initiatives and partners to deliver on our policy commitments.

During 2013, a screen-based training package on human rights and relevant issues surrounding security forces was added to the BMS. This material is to be enhanced and rolled out to all employees as part of more formalised training on human rights in 2014. Premier will continue to evaluate the need for human rights training on other areas relevant to both our operations and sub-contractor engagements.

Figure 07: Our human rights framework



### RISK ASSESSMENT //

Premier's portfolio currently includes only offshore operated assets, which reduces the risk of operations having a significant impact on the local community. This is reflected by no incidents of human rights violations being registered during the reporting period.

Premier prepares environmental and social impact assessments (ESIAs) at each operated asset, as part of the standard planning process for exploration and development activities. These ESIAs provide an assessment of broader socio-economic impacts from Premier's activities, including the identification of any potential human rights impacts and appropriate solutions such as engaging directly with those who may be at risk. Future operations will abide by best practice, with human rights risk assessments carried out at all sites.

Premier conducted a human rights risk assessment of all operations globally in 2013, completed by a third party. The human rights risk assessment included an evaluation of the following criteria in each business unit: corruption, indigenous peoples, security forces, working conditions, freedom of association and collective bargaining, forced or involuntary labour, discrimination in the workplace, child labour, human security, and civil and political rights. The assessment is accessible group wide from the Human Rights Management System.

This research helps Premier to assess whether or not we would be comfortable operating in each new country – assessing our risk appetite. It also helps identify strategic social investment opportunities by which we can help further local development opportunities and contribute to long-term human rights advancement.

During 2013, Premier confirmed the alignment of the company with the Voluntary Principles on Security and Human Rights, which provide human rights guidelines specifically for extractive sector companies. Initiatives included the review of our Human Rights Management System, preparatory consultation with our exploration and production partners and the development of a training module that contains specific material on the Voluntary Principles. Premier intends to apply for Voluntary Principles membership in 2014, reinforcing our commitment to best practice approaches to human rights across the organisation.

### IDENTIFYING METRICS //

Premier is evaluating a number of metrics and targets on human rights, including: (a) the number of employees trained in human rights, as well as the inclusion of human rights issues in induction programmes for all employees, (b) the number of human rights related grievance from employees / local communities and other stakeholders, and (c) the speed of 'redress' through internal and external mechanisms (for example, grievance procedures). Premier will continue to evaluate these metrics in 2014 with pilot reporting to be tested for inclusion in our 2014 Corporate Responsibility Report.

[www.un.org/en/documents/udhr](http://www.un.org/en/documents/udhr)

[www.ilo.org](http://www.ilo.org)

[www.voluntaryprinciples.org](http://www.voluntaryprinciples.org)

[www.maplecroft.com](http://www.maplecroft.com)

[www.ohchr.org](http://www.ohchr.org)

# 4 / Employees

PREMIER IS COMMITTED TO PROVIDING STAFF WITH FAIR AND COMPETITIVE TERMS OF EMPLOYMENT AND SAFE WORKING CONDITIONS. WE ARE AN EQUAL OPPORTUNITIES EMPLOYER. THIS ENTAILS RESPECTING INDIVIDUALS REGARDLESS OF RACE, CREED, COLOUR, NATIONALITY, ETHNIC ORIGIN, AGE, RELIGION OR BELIEF, GENDER, SEXUAL ORIENTATION, MARITAL STATUS OR DISABILITY.



## Our policy framework

This report provides evidence of our ongoing commitment to upholding the principles of the United Nations Global Compact, which includes labour standards derived from the ILO's Declaration on Fundamental Principles and Rights at Work.

During 2013, we began the transition to the next phase of development of our human resources strategy. This involved the development of new employee initiatives, the restructuring of the global human resources team and the streamlining of existing frameworks. The new agenda will be rolled out in 2014, with an emphasis on global talent management and a focused rewards strategy.

When recruiting, developing and dealing with employees and service providers, we will treat people fairly, equally and without prejudice. We also respect the right of individual employees to join a legitimate trade union. Through training and appraisal, we encourage staff to develop their professional skills to the advantage of both the individual and the company. This sentiment is embedded in our employment policies, which apply to all permanent, contractual and temporary staff, and also to all job applicants.

During 2013, we continued to roll out our People Strategy across the organisation, supporting Premier's continued growth through the recruitment, development and retention of high calibre employees. The People Strategy promotes efficiency, innovation, knowledge sharing and leadership, all of which are essential to the delivery of our business goals.

There were no reported violations of our employment policies in 2013, no reported incidents of discrimination, and no use was made of our formal grievance procedures.

## Employee engagement

Premier encourages open communication between employees and managers to ensure that issues are aired and, where possible, resolved quickly to the satisfaction of all concerned. To supplement the informal day-to-day feedback by employees to line managers and human resources, Premier carries out structured employee satisfaction and engagement surveys from time to time. Premier first surveyed employees on their satisfaction with company employment practices in 2008, with a follow-up survey undertaken in 2011. The surveys sought employee viewpoints, such as on commitment, compensation, retention and the work environment.

Premier continued to implement the findings of the surveys during 2013, through a focus on mentoring and workforce communication. The surveys have also enabled us to roll out our wider People Strategy, enabling us to recruit, develop and retain top talent. Additional feedback from employees has been obtained through a variety of mechanisms, including screen-based surveys on Premier's Global Code of Conduct and the regular performance and development review processes.

A formal, confidential grievance procedure is available in local languages in cases where employees feel uncomfortable raising concerns through informal discussion or the normal management channels. This procedure will not prejudice the aggrieved employee's employment or future career prospects. Our external 'whistle-blowing' hotline (p17) further enables employees to raise such issues without fear of recrimination.

During 2013, Premier focused on new ways in which to improve communication across the workforce. This included Chief Executive Simon Lockett giving regular 'video blog' (vlog) sessions on current exploration and production projects, which are made available on the Premier corporate intranet. Premier will continue to look at ways of engaging with its employees as the organisation expands during 2014.

## 4/EMPLOYEES

## Employee numbers

At the end of 2013, Premier had 807 employees (2012: 816) and 240 contractors (2012: 213), the largest single group of whom were located in Indonesia. This represents a slight increase in total employee and contractor numbers from the previous year, reflecting the continued expansion of Premier's exploration, drilling and project development activities. Most business units saw increases in employee numbers, especially the Falkland Islands. As Premier continues to grow we will recruit and develop additional skilled employees across largely technical disciplines such as drilling, engineering, geoscience and in offshore roles.

Premier holds information on employees by employee contract, employee grade, gender, age group, nationality and geographical location, with the data stored in the People Portal (a new human resources database formally rolled out in 2013). As our business develops, we are planning to collect information on minority group membership and other indicators of diversity, provided by employees on a voluntary basis.

Premier recognises that employees, especially those with dependents, sometimes require flexibility in order to manage their work and home life. All employees who took parental leave during the reporting period returned to work in 2013, or have indicated plans to do so in 2014.

**Figure 08: Employees by core country<sup>6</sup>**

Location	2011	Turnover	2012	Turnover	2013	Turnover
Falklands	N/A	N/A	16	-	31	-
Indonesia	433	42	449	28	398	36
Norway	23	2	27	3	31	1
Pakistan	16	-	15	1	14	-
Singapore	14	-	14	-	13	1
United Kingdom	149	9	216	6	237	25
Vietnam	71	4	79	4	83	4
<b>Total</b>	<b>706</b>	<b>57</b>	<b>816</b>	<b>42</b>	<b>807</b>	<b>67</b>

**Figure 09: Employees by gender and age group<sup>7</sup>**

Location	Gender		Age group				
	Male	Female	18-25	26-40	41-50	51-65	Over 65
Falklands	22	9	-	13	10	8	-
Indonesia	340	58	2	209	135	52	-
Norway	21	10	-	11	12	6	2
Pakistan	13	1	-	6	6	2	-
Singapore	5	8	-	3	5	5	-
United Kingdom	161	76	5	101	70	58	3
Vietnam	37	46	4	50	22	7	-
<b>Total</b>	<b>599</b>	<b>208</b>	<b>11</b>	<b>393</b>	<b>260</b>	<b>138</b>	<b>5</b>
<i>Composition of senior management</i>	94%	6%	0%	4%	49%	45%	2%

<sup>6</sup> Figures do not include contractors. Employee turnover includes those who leave the organisation voluntarily or due to dismissal, retirement, or death in service. Figures for 2011 have been re-stated using data from our new People Portal, in order to ensure consistency in approach with 2012 and 2013.

<sup>7</sup> Figures do not include contractors. 'Senior management' is defined as grade five and above.

## Pay and benefits

Premier's strategy is to provide a superior remuneration package in return for superior demonstrated performance. All contracts of employment include information on roles and responsibilities, hours of work, conditions of employment, intellectual property stipulations and non-disclosure and confidentiality obligations. Our terms of employment are explained to all new employees during the offer of employment process, and on the first day of work during the induction process.

The development and rewards process continues to be a vital part of our People Strategy. It also provides flexibility in people transfers around the organisation as we bring a number of new projects on-stream over the coming years. In 2014, the human resources team will be focusing on the two key pillars of rewards and global talent management – to further boost Premier's 'employee value proposition'.

Premier's rewards programme identifies four main components of employee rewards: core salary, bonus, benefits and long-term incentives. Our Global Pay and Benefits Policy provides a framework to ensure that pay and benefits for all employees are appropriate for the markets in which we operate. The policy is approved by the Remuneration Committee of the Board, which also reviews and approves the remuneration of the company's executive directors and senior managers.

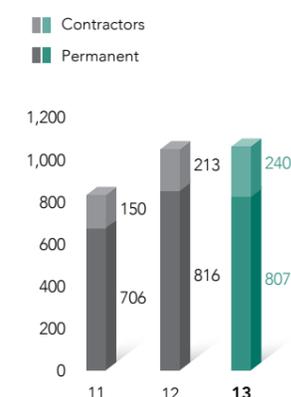
### SALARIES AND BENEFITS //

We commissioned independent benchmarkings of our salary bandings and pay scales in each business unit during 2013 in order to ensure that our salary and benefits packages remain competitive both locally and globally. Premier continues to aim to pay top-quartile base salaries in each country of operation where these are supported by individual performance. This policy supports our ability to recruit and retain the right skills for the growing activities of the company.

Premier provides a set of core benefits which include bonuses and pensions to all employees. The precise form in which these and other benefits take differs from country to country depending on national employment legislation and local circumstances. Benefits are available to both full and part-time employees.

Premier provides all employees with a total rewards statement for the calendar year. The statement includes a detailed breakdown of all payments to the employee including base pay and allowances, annual bonus and other benefits, as well as long-term bonus opportunities. Specific guidance on salary reviews and awards – to ensure a consistent approach is applied across all our operations and employee types – was implemented as part of a new human resources strategy during 2013.

**Figure 10: Total number of employees and contractors<sup>8</sup>**



<sup>8</sup> The term 'contractors' relates to individuals employed directly by Premier but on a fixed term contract (often related to project delivery). It does not include contractors working for suppliers, such as those involved in the construction of rigs in Indonesia or Vietnam or cleaning services. Note that all of these groups are included in our health and safety statistics.

## 4/EMPLOYEES

**Figure 11: Ratio of female to male salaries, at significant operations<sup>9</sup>**

Employee grade	UK female to male salary (as a percentage)	Indonesia female to male salary (as a percentage)	Vietnam female to male salary (as a percentage)
Grade 12	90	N/A	N/A
Grade 11	105	47	N/A
Grade 10	N/A	122	N/A
Grade 9	100	118	N/A
Grade 8	87	121	N/A
Grade 7	88	106	106
Grade 6.2	78	91	70
Grade 6.1	91	98	58
Grade 5	117	N/A	38
Grade 4	105	N/A	N/A

**PERFORMANCE MANAGEMENT //**

Premier established a global talent team in 2013, starting with the appointment of a Global Talent Manager. The team plans to carry out a global talent review during the course of 2014, in order to ensure that high potential employees across the organisation are identified. This initiative will build on the current performance management and appraisal system in place for all employees, including a review against performance targets set at the beginning of each calendar year.

Performance is monitored through regular dialogue with managers throughout the year. At the end of each calendar year, performance against the individual's targets is assessed and feedback is provided by the line manager via an online performance rating tool. All our employees received performance and career development reviews in 2013.

The appraisal system also provides an individual performance rating which is calibrated against group wide data to inform salary and bonus recommendations. During 2013, functional managers from our corporate office in London additionally reviewed the performances of employees across the organisation, in order to ensure consistency and objectivity in performance reviews across the group.

**Bonus and Long-Term Incentive plans**

Premier recognises outstanding performance through its rewards programmes. Annual non-pensionable and discretionary bonuses may be paid to all employees on the achievement of a range of corporate and team performance targets. Premier also offers a Long-Term Incentive Plan (LTIP), which is designed to encourage employee focus on longer-term performance and alignment with shareholder interests. The LTIP encourages greater individual share ownership by all employees and is the principal incentive scheme offered by the company. The Remuneration Committee also has discretion to grant Conditional Share Awards to new employees. Further details on bonus and performance related pay plans are contained in our Annual Report.

In order to ensure that Premier continues to attract and retain the talent needed by our expanding business, a review of our rewards strategy will be carried out in 2014. Consultation with managers, employees and their representatives, shareholders and other stakeholders will be carried out regarding any proposed changes.

<sup>9</sup> Employee grades A-D are not included here due to the small sample size. N/A denotes employee grades in business units where only one gender was represented. Salary ratios are only indicative and do not reflect the differential in pay level between national and expatriate employees, or between onshore and offshore workers. For instance, Vietnam grades 6.2, 6.1 and 5 include female nationals and male expatriates.

## Developing our workforce

Premier aims to expand its operations principally in five distinct geographic areas: Asia, the Middle East, sub-Saharan Africa, the North Sea and the South Atlantic. Expanding our business in a sustainable way means recruiting, developing and retaining the best people.

**LOCAL EMPLOYMENT //**

Premier's strategy is to employ nationals wherever they are suitably qualified, and to invest in the development of their skills, knowledge and experience, in order to enhance their effectiveness at all levels within the organisation. Nationals occupy various senior roles including those of vice-president government affairs and business support, chief accountant, human resource manager, HSES manager, senior drilling engineer, as well as senior geoscientists and project engineers.

Premier is also looking to transfer positions occupied by expatriate managers (those employed on overseas contracts) to nationals. This process is now tracked and reported in our People Portal, as part of our recruitment programme and ongoing commitment to the 'nationalisation' of various roles within the business units. In 2013, 96 per cent of our employees were nationals (locals) (2012: 95 per cent). Of Premier's senior management employees (defined as grade five and above), 84 per cent were nationals (2012: 82 per cent).

**RECRUITING, DEVELOPING AND RETAINING TALENT //**

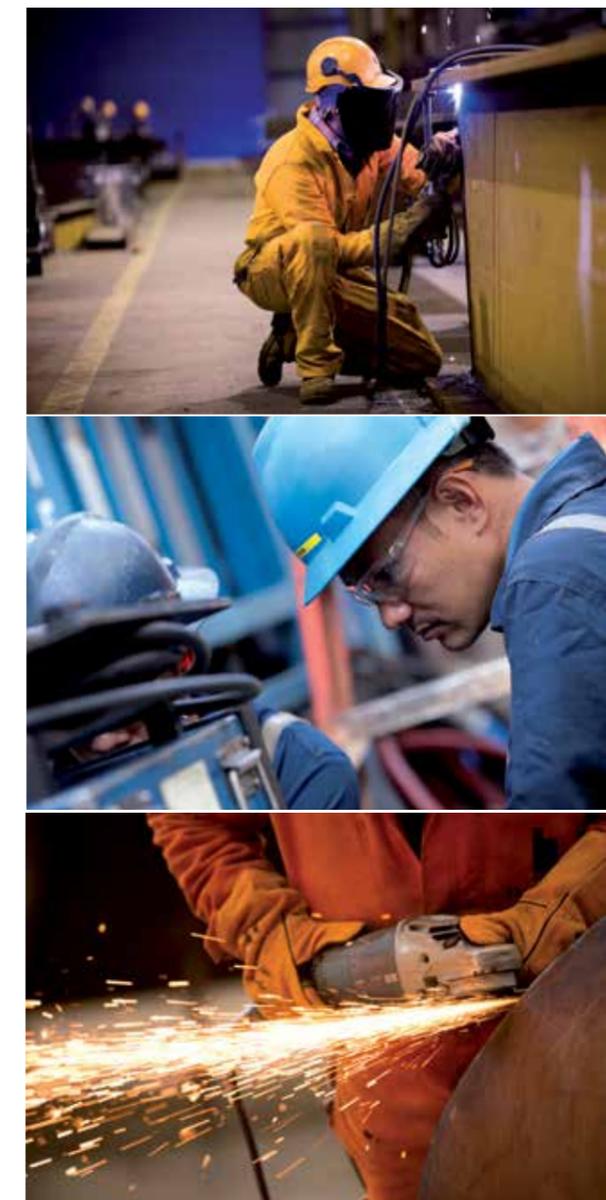
Premier implemented a new global recruitment procedure in 2013. All hiring managers and interviewing staff are given a 'recruitment tool kit', which provides information on interviewing techniques and Premier's employment policies to help them recruit new talent to our organisation. Premier recruited 117 new employees in 2013 (2012: 134).

We continue to support all employees in their personal development, providing additional training and support where required. This includes mentoring and coaching, annual performance reviews, and also part-time and full-time training courses where relevant and applicable. The amount of time that Premier employees spent in training in 2013 was 20,814 hours (an average of 25 hours per employee).<sup>10</sup>

In order to develop the technical skills of our operational employees, Premier has begun to identify employee competencies for each role to formulate bespoke training plans. Employees and their line managers will be able to refer to these competencies via an online navigator tool in 2014, in order to devise individual development and training plans.

For those transitioning to management roles, there are also training opportunities. In 2013, Premier introduced a new mentoring system for managers, enabling managerial staff to receive guidance on improving their leadership skills.

<sup>10</sup> The number of training hours in 2013 is less than the 2012 figure (48 hours of training per employee), due to training hour data from the London office not being available for the 2012 report. During 2014, Premier will look at ways to record information on training received by staff according to employee grade and indicators of diversity such as gender.



4/EMPLOYEES

GROUP WIDE SUCCESSION MANAGEMENT PROGRAMME //

In 2013, we piloted a new methodology for succession planning, which we plan to roll out during 2014 in all business units as part of the new talent management review process. Premier's succession management programme for senior managers, including both national and expatriate staff, aims to identify potential successors for all key positions.

Our human resources team continues to work with each business unit to build ownership of the development process for key individuals and to implement plans for recruiting, developing and retaining key personnel. This includes tailored capacity building, experiential learning and individual development plans for future leaders. Ongoing progress is monitored by the Nomination Committee of the Board.

GRADUATE SCHEME //

In 2013, Premier launched a graduate programme for the United Kingdom, after having engaged with the relevant stakeholders – such as universities, student representatives and Premier managers – to develop the project scope, management strategy and graduate development objectives. Five offers were made and taken up for placements in 2013 (and seven offers were made for 2014 placements). A project plan for the 2014 scheme was also established.

## Freedom of association and collective bargaining

Premier employees tend to occupy either administrative office-based or highly technical roles, and are paid more than the minimum wage (in those countries where the minimum wage applies). This is reflected by the significantly higher salary levels at entry grade as compared to the local minimum wage shown in Figures 12 and 13.

We respect the right of employees to join a legitimate trade union, and we comply with all local legislation regarding collective bargaining. Only our Indonesia operations currently have a formal collective labour agreement in place between the local labour union and the company. The agreement regulates employee terms and conditions specific to Indonesia, including wage scales, working hours, overtime, shift work, national holidays and annual leave, health, safety, medical treatment and training. This agreement was renegotiated in 2011 with the labour union opting to adopt Premier's group salary benchmarking and performance review standards. Of the 398 employees at Premier's Indonesia operations, 210 were members of a trade union in 2013.

Our Norway operations also have a trade union presence, although no employees were known to be members during 2013. In Vietnam, there were 19 employees (out of a total of 83) who were members of a trade union. In total, 28 per cent of Premier employees were covered by collective bargaining agreements in 2013.

Premier provides its employees and their elected representatives (where relevant) with one month's notice on any significant operational changes that might affect them.<sup>11</sup> During 2014, Premier will consider the screening of significant suppliers for risks concerning the right to exercise freedom of association and collective bargaining.

## Forced/compulsory labour and child labour

Our commitment to the United Nations Global Compact recognises the need to eliminate all forms of forced and compulsory labour. The United Nations Global Compact also promotes the abolition of child labour. These commitments are reinforced in our own Human Rights Policy (p19). None of our operations has been identified as being at significant risk for incidents of forced/compulsory labour or child labour, and no incidents of forced/compulsory or child labour were recorded in the reporting period. Our employees largely hold administrative office-based or highly technical roles.

During 2013, Premier also began considering ways of ensuring that our suppliers and contractors do not use forced/compulsory or child labour, with a particular focus on our operations in South East Asia as well as contracted sites where the risk of such practices tends to be higher than elsewhere.

[www.ilo.org/declaration/lang--en/index.htm](http://www.ilo.org/declaration/lang--en/index.htm)

Figure 12: Local minimum wage as a percentage of Premier standard entry wage<sup>12</sup> (females)

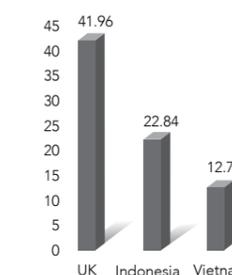
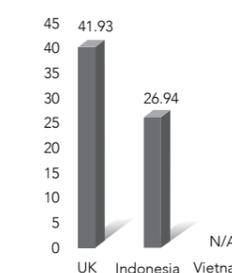


Figure 13: Local minimum wage as a percentage of Premier standard entry wage<sup>12</sup> (males)



<sup>11</sup> In cases of redundancy, employees are entitled to receive services from an outplacement provider.  
<sup>12</sup> Standard entry grade for graduate technical roles is defined as grade nine. Salary ratios are only indicative and do not reflect the differential in pay level between national and expatriate employees, and between onshore and offshore workers. In 2013, males at grade nine in Vietnam were expatriates on a graduate scheme, and are therefore not included in the data (N/A).

# 5 / Health and safety

PREMIER IS COMMITTED TO OPERATING RESPONSIBLY IN ORDER TO ENSURE THE SAFETY OF EVERYONE INVOLVED IN OUR OPERATIONS AND TO PROTECT THE ENVIRONMENT. WE WILL NEVER KNOWINGLY COMPROMISE OUR HEALTH AND SAFETY STANDARDS TO MEET OUR OPERATIONAL OBJECTIVES.

## Health, Safety and Environment Policy

Our goals are to ensure the safety of everyone involved with our operations and to protect the environment. Our HSE Policy recognises the need to:

- encourage open and honest communication;
- seek ways to continually improve our performance;
- assess and manage risks;
- provide appropriate resources;
- maintain clean, safe and healthy workplaces;
- investigate and learn from any incidents;
- plan and prepare for potential emergencies;
- maintain high quality documented systems and process;
- seek external certification of key management systems; and
- meet or surpass statutory requirements.

It is the responsibility of everybody involved in Premier to comply with our policies and to assist the company in their implementation.

## Our policy framework

During 2013, we continued to focus on the reinforcement of our HSE Policy and associated Golden Rules at all operations worldwide. The HSE Policy is formally reviewed annually. No amendments were made in 2013.

The Golden Rules underpin our HSE Policy, procedures and standards, and are designed to help address the most common causes of serious incidents at operating facilities in our industry. Reinforcement of the Golden Rules during 2013 has been a key part of our commitment to excellence and continuous improvement in health and safety performance.

Our policy on fitness for work is aligned with the Oil and Gas UK guidance. Premier has a policy of strictly prohibiting alcohol and illegal substances, and counselling is available to any individual who is found to be affected.

## Our HSES Management System

Premier reviews and updates the corporate HSES Management System on an ongoing basis to facilitate continuous improvement and to ensure compliance by the business units as new processes are rolled out. At the end of 2013, Premier began work on implementing a new HSES reporting tool in order to combine Premier's existing HSES data management systems, e.g. EARS, PATS and POEMS. The new reporting tool will enable us to track actions and report on key performance indicators (KPIs) on one centralised system.

Being able to differentiate risks at the successive stages of projects will enable us to identify the root causes and contributing factors. The tool will be rolled out by business units in 2014, starting in Vietnam.

Premier's HSES Management System is aligned with the industry model prepared by the OGP and supported by a number of internal standards. It is made up of the following elements: leadership; risk; goals; organisation; contractors; procedures; emergencies; incidents; checking; and review.

The HSES Management System, which forms part of the broader Premier Oil BMS (Figure 14), prescribes how HSES issues will be addressed, monitored and measured in each area of our business (exploration, drilling, project development, project execution, production operation and office facilities) and in major contracts. Each business unit also holds 'bridging' documents, which serve to align HSES working practices of contractors with Premier's requirements.

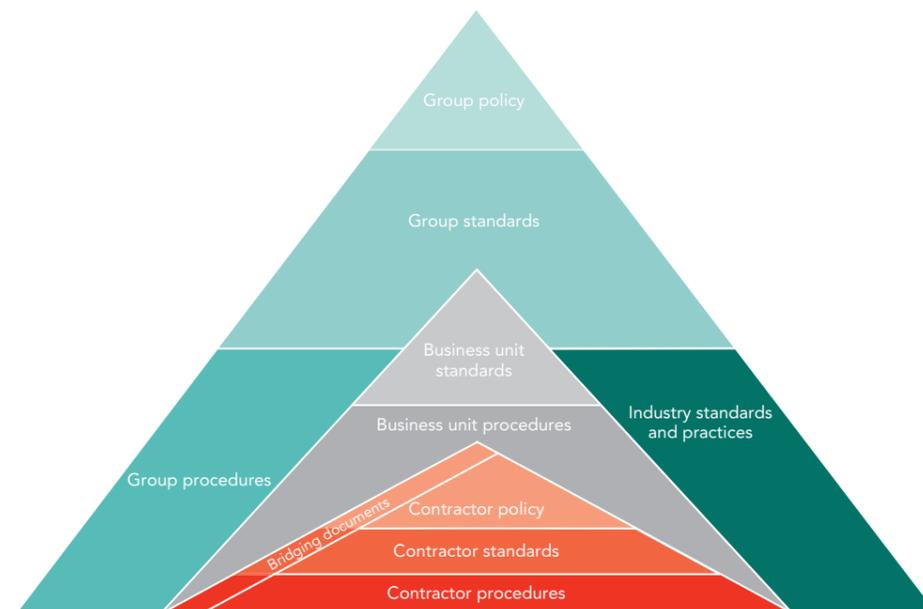
### LEADERSHIP AND COMMUNICATION //

The Board is committed to achieving excellence in HSES performance. A summary of our HSES performance is reported each month and reviewed both by the Board and by the Executive Committee, which also reviews performance through quarterly performance reviews with each business unit.

All Norway business unit employees are represented in formal joint management-worker health and safety committees. Whilst our employees at other operations are not formally represented in such committees, there are procedures in place for them to receive direct communications on HSES issues from senior managers/supervisors. These senior personnel are members of our HSES Forum, which facilitates company-wide communication on HSES issues, including the issuing of safety alerts. Furthermore, Premier HSES advisors – supported by safety officers from the workforce – have a presence at all our production, drilling and construction operations. They conduct regular meetings to discuss health and safety issues with employees.



## 5/HEALTH AND SAFETY

**Figure 14: Tiered hierarchy of our HSES Management System**

Premier requires all employees and contractors working offshore to have a medical assessment every two years, in accordance with the Oil and Gas UK Guidelines for Medical Aspects of Fitness for Offshore Work. Premier participates actively in dialogue with industry bodies such as OGP, Oil and Gas UK, Step Change in Safety, as well as the Health and Safety Executive in the United Kingdom. These activities facilitate a sharing of best practice and ensure that this approach is integrated into our standard ways of working.

During 2013, we reviewed and began updating the standards and procedures in our HSES Management System, and will be implementing a number of enhancements and new initiatives during 2014. This will build on work undertaken in 2013 to strengthen the management of occupational health and safety and associated process/technical safety disciplines. Our organisational structure includes dedicated HSES and process/technical safety personnel in both project and production operations, as well as a support and assurance process across all levels of the organisation.

**EMPLOYEE ACCOUNTABILITY //**

Every Premier employee is accountable and has a personal responsibility for the health, safety and environment of the organisation. Employees are expected to 'stop the job' if they see or believe something is unsafe or can be better controlled.

HSES awareness is emphasised as part of the induction process for all new employees. Employees who work on, or travel to, offshore facilities are also required to complete a Basic Offshore Safety Induction and Emergency Training (BOSIET) programme, and every four years to complete a Further Offshore Emergency Training (FOET) refresher programme.

A curriculum was distributed in 2013 to all HSES functional staff via the new e-learning system, following the launch of our online programme on the Golden Rules. Training material – published in English, Vietnamese Bahasa Indonesia and Norwegian – will be distributed in 2014. Premier is now reviewing other opportunities for e-learning, for example the OPITO-approved Minimum Industry Safety Training course.

Team HSES performance contracts are prepared for each operational function and asset team, with individual performance contracts set for individuals whose leadership and commitment is required to influence HSES performance. At an operational level, senior managers and supervisors are tasked with ensuring HSES matters maintain a high profile and that their personal commitment is visible to the workforce.

During 2013, Premier also worked with external organisations to develop a process safety competency framework, 'Professional Process Safety Engineers'. This will focus on hazard and incident identification, and provide a framework for enhancing the expertise of technical safety personnel.

**AUDIT AND ASSURANCE //**

An ongoing programme of both internal and external review and audit is built into the HSES Management System. This includes external audits and certifications to OHSAS 18001 (on health and safety management) and ISO 14001 (on environmental management) for production and drilling.

Premier has been certified to OHSAS 18001 and ISO 14001 since 2004 for global drilling, and since 2006 for our Indonesian production operations. Our Chim São production operation in Vietnam was audited by ERM CVS in December 2013. The facility is progressing well towards full certification, with a third assessment audit scheduled for 2014. During 2013, Anoa and Gajah Baru in Indonesia and Balmoral in the North Sea retained their drilling certifications.

**Targets and performance**

In 2013, Premier launched the Process Safety Management Standard (PSMS). The PSMS defines Premier's objectives and minimum requirements for process safety in all operations, including the responsibilities, verification and validation required to achieve them. Together with the Process Safety Performance process, the PSMS enables a systematic approach to the management of process safety in production operations, helping to ensure:

- legislative compliance;
- a consistent approach to process safety management;
- clear organisation and assignment of responsibilities;
- effective and timely maintenance, testing and inspection of safety critical systems, equipment and structures;
- sound risk management and decision making;
- timely and effective repair of degraded safety critical systems, equipment and structures;
- and consistent management reporting and oversight at asset, business unit and company level.

HSES performance targets are monitored and measured monthly, reviewed quarterly by the Executive Committee and reported to the Board. All our safety performance data includes both Premier employees and (directly and indirectly employed) contractors at our operations and covers all areas of our business: drilling, construction and production. In 2013, the Process Safety Performance Reporting Guidelines were launched to boost competency in this area.

## 5/HEALTH AND SAFETY

## Occupational safety

In 2013, we worked 11.75 million man-hours (2012: 6.14 million man-hours). The increase in man-hours on the previous year was mainly due to a number of projects moving into the construction phase (from 2.00 million man-hours in 2012 to 7.59 million in 2013). The majority of these man-hours were worked by contractors (2013: 9.75 million man-hours; 2012: 4.31 million man-hours). There were no construction projects at Premier-operated sites during 2013.

### TOTAL RECORDABLE INJURY RATES //

The total recordable injury rate (TRIR) for Premier employees at Premier-operated sites was 0.00 per million man-hours for 2013. The TRIR for Premier employees at contractor-operated sites was also 0.00 for 2013. Both these TRIR figures – well within our performance target of 2.00 per million man-hours – reflected the strong HSES performance of Premier employees. Significant improvements were reported at our Chim São site in Vietnam, where employee and contractor injury rates decreased from 2.77 per million man-hours in 2012 to 0.78 in 2013.

Nevertheless, our overall TRIR performance deteriorated, with an increase from 1.79 per million man-hours in 2012 to 3.40 in 2013. This included a TRIR of 3.61 for contractors working at contractor-operated sites and a TRIR of 5.72 for contractors working at Premier-operated sites.

In order to improve HSES performance and build on lessons learnt, in late 2013 we instigated a more proactive approach to manage the issues at contractor facilities – an approach that is continuing in 2014 and will be maintained.

We also monitor all cases of occupational illness. Three cases were reported in 2013 (2012: zero), two of which occurred at our UAE-based construction site and the other at our Chim São site in Vietnam. In 2014, occupational illness will be more comprehensively monitored and reported under our HSES KPIs. We will also implement further measures to mitigate the potential for occurrences of occupational illness.

Figure 15: Occupational safety data<sup>13</sup>

Key safety parameters and indicators	Total <sup>14</sup>			Premier sites 2013 <sup>15</sup>		Contractor sites 2013	
	2011	2012	2013	Personnel	Contractors	Personnel	Contractors
Man-hours worked (million)	7.19	6.14	11.75	1.74	2.27	0.26	7.48
Fatalities	1	-	-	-	-	-	-
Lost work day cases (LWDC)	7	5	18	-	6	-	12
Restricted work day cases (RWDC)	3	2	5	-	1	-	4
Medical treatment cases (MTC)	5	4	17	-	6	-	11
<b>Key performance indicators (KPIs)</b>							
Target recordable injury rate (TRIR)*	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Total recordable injury rate (TRIR)*	2.36	1.79	3.40	0.00	5.72	0.00	3.61

\*per million man-hours

<sup>13</sup> Premier uses the same definition for LWDC, RWDC and MTC as OGP, where LWDCs are identified as "any work-related injury other than a fatality which results in a person being unfit for work on any day after the day of occurrence of the occupational injury". OGP defines RWDCs as "any work-related injury other than a fatality or lost work day case which results in a person being unfit for full performance of the regular job on any day after the occupational injury". MTCs are "cases that are not severe enough to be reported as fatalities or lost work day cases or restricted work day cases but are more severe than requiring simple first aid treatment". "Any day" includes rest days, leave days, public holidays or days after ceasing employment.

<sup>14</sup> Occupational safety data for 2011 and 2012 aggregates Premier employees and contractors, whereas data for 2013 shows employees and contractors both separately and in combined form. We have presented additional detail on HSES performance for 2013 following our analysis of the issues that have emerged from increased construction activity.

<sup>15</sup> In 2013, our operations in Asia (Indonesia and Vietnam) accounted for three LWDCs, zero RWDCs, seven MTCs and a TRIR of 1.65. Our operations in the North Sea (UK, Norway and Dubai) accounted for 15 LWDCs, five RWDCs, 10 MTCs and a TRIR of 5.64. The 2013 data for LWDCs includes one female employee; all the other cases were males.

### HIGH POTENTIAL INCIDENTS //

Insight into high potential incidents (HIPOs) and their rate of occurrence enable us to learn how to prevent or mitigate future incidents. This involves addressing the root causes of such incidents. We believe HIPOs act as a leading indicator of potential major accidents and serious injuries. The assessment of HIPOs complements the proactive testing of asset integrity safety systems and management under our safety case regime.

There was a decrease in the number of HIPOs per million man-hours during the reporting period, from 1.30 in 2012 to 0.68 in 2013. This was well below our target frequency rate of 1.50. Eight HIPOs in total were recorded in 2013, the same number as in 2012. Five of these occurred at our North Sea operations, and the other three at our Vietnam operations. There was a significant decrease in the HIPO frequency rate in both the drilling phases (2013: 0.00, 2012: 2.49) and the production phases (2013: 1.56, 2012: 3.30). However, there was an increase in the HIPO frequency rate at construction sites working on our projects, from 0.00 in 2012 to 0.66 in 2013.

During 2013, we began enhancing our metrics for recording HIPOs in order to differentiate between incidents related to personal safety and those related to major accidents (the latter including process safety events). This new classification system aligns more closely with the OGP definition. Of the eight HIPOs identified in 2013, six were classified as personal safety incidents and two as process safety incidents. Both of the process safety HIPOs were related to loss of primary containment (LOPC; see p36).

All eight HIPOs identified in 2013 were investigated in depth for their root causes, the new classification system enabling us to identify appropriate corrective actions and to monitor their implementation. Safety alerts – citing the key incident causes and preventative actions required – were communicated to all relevant employees via the HSES Forum, in order to share learning across the organisation. Safety alerts are mandatory for all HIPOs but may also be issued when there are incidents that require heightened awareness and caution.

Figure 18: High potential incidents data

Parameter	2011	2012	2013
High potential incidents (HIPOs)	6	8	8
Target high potential incident rate (HIPOR)*	2.00	2.00	1.50
Total high potential incident rate (HIPOR)*	0.83	1.30	0.68

\*per million man-hours

Figure 16: Total recordable injury rate (TRIR)\* benchmarking<sup>16</sup>

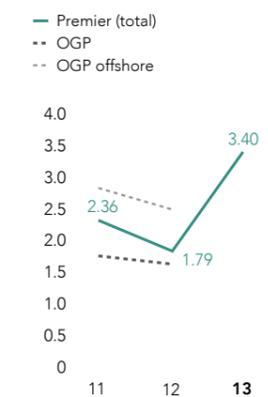
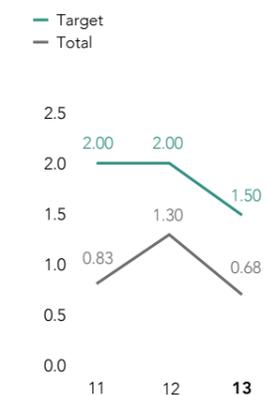


Figure 17: High potential incident rate (HIPOR)\*



<sup>16</sup> OGP averages are calculated in May of the following year and therefore OGP averages for 2013 were not available when this report was issued.

5/HEALTH AND SAFETY

## Process safety

One way of recording process safety events is through the measurement of loss of primary containment (LOPC). This is a new performance measure proposed by OGP, and adopted by Premier. Further work is required to harmonise the process safety performance measurement across the industry, and we will continue to work with OGP. We are a member of its Process Safety Subcommittee, and will assist in the development of an industry-wide approach to indicators and reporting.

### LOSS OF PRIMARY CONTAINMENT //

In 2013, we enhanced our process safety performance measures in line with the OGP, with LOPC events classified in two tiers – as defined by the American Petroleum Institute (API):

- Tier One, where there is a significant loss of containment from a process system, i.e. oil over 1,000kg or gas over 500kg (per hour)
- Tier Two, where there is a moderate loss of containment from a process system, i.e. oil over 100kg and gas over 50kg (per hour)

In 2013, there were 40 LOPC events (2012: 41) at our operations. Of these, one was a Tier One LOPC event (2012: zero) and two were Tier Two events (2012: seven). The remaining 37 incidents were events of lesser significance, which included small gas leaks and contained oil spills that did not reach the environment.

In 2014, we will look at ways of clarifying the parameters within which LOPC events are being reported. This will, for example, exclude cases of environmental non-compliance and fugitive releases (although such cases would still be captured for environmental reporting purposes). Under these new screening procedures, only 12 LOPC events would have been recorded at our operations for 2013 (2012: 20).

Figure 19: Process safety data

LOPC events	2011	2012	2013
Tier One	1	-	1
Tier Two	5	7	2
Events of lesser significance	29	34	37
<b>Total</b>	<b>35</b>	<b>41</b>	<b>40</b>

## Process safety and asset integrity scorecards

During 2013, Premier initiated a pilot scorecard system for assessing process safety and asset integrity risks across the company's operated assets. The project involved devising a base risk case model utilising the principles of API Recommended Practice 754, but extended to include safety case compliance at each operated asset. Asset-specific scorecards were developed to evaluate the performance of people, procedures and plant.

Under this new scorecard system, all the relevant process safety and asset integrity metrics are assessed using a traffic light system and a score out of 10 is assigned. The compliance levels, for each metric, are then aggregated to produce a final quantitative score.

This new risk scorecard system enables Premier to assess process safety and asset integrity performance at each operated asset. It also allows improvement targets to be set and monitored. The risk scorecard system was piloted for the Chim São site towards the end of 2013, with plans to roll this system out at Premier's other operations during 2014.

Figure 20: Process safety data collection



5/HEALTH AND SAFETY

“ Process safety is a disciplined framework for managing the integrity of operating systems and processes handling hazardous substances. It is achieved by applying good design principles, engineering, and operating and maintenance practices. It deals with the prevention and control of events that have the potential to release hazardous materials and energy. Such incidents can result in toxic exposures, fires or explosions and could ultimately result in serious incidents including fatalities, injuries, property damage, lost production or environmental damage.”

OGP Report 456: Process Safety – Recommended Practice on Key Performance Indicators (2011)

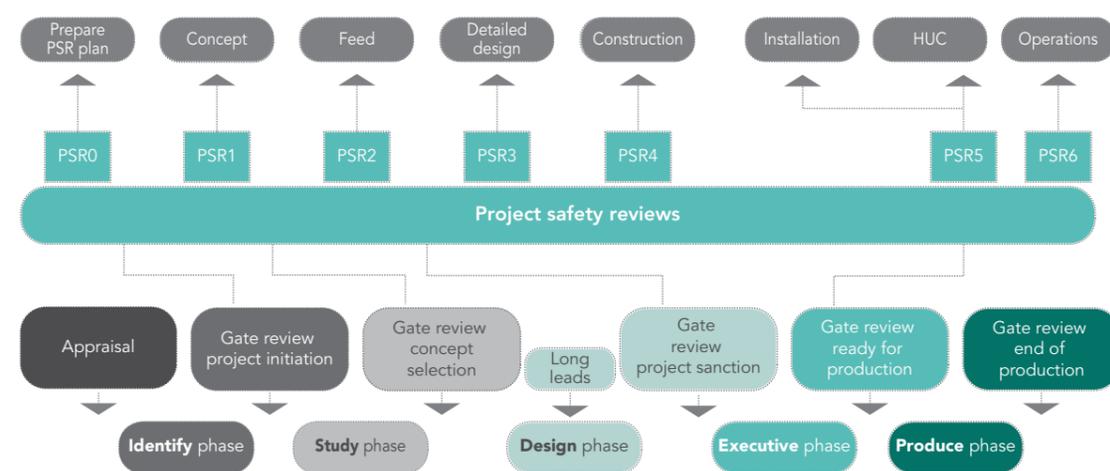
## Safety by design

### PROJECT SAFETY REVIEWS AT FACILITIES IN DEVELOPMENT //

Premier has integrated process safety protocols into the project safety reviews (PSRs) of all the company’s projects. These reviews, carried out at each project phase, provide assurance that material HSES issues have been identified and are being effectively managed throughout the project. A typical project will require six strategic reviews as the project moves from concept to construction and then to operation (Figure 21).

PSRs are closely aligned with our project approval gates, at which time strategic decisions are made to either progress a project further towards the operations stage or to delay or divest. Before progressing to the next phase, a project team must demonstrate that all risks and other key issues have been managed to an acceptable level.

Figure 21: Project safety reviews at all stages of the project pipeline



### SAFETY CASES AT OUR OPERATED INSTALLATIONS //

Safety cases are in place at all our operated installations. Our safety case regime is consistent with the regulatory standards of the United Kingdom. We believe this represents best practice and implement such cases at all our operated production facilities worldwide, even when not required by the local regulatory regime. A safety case is developed during the early stages of a project, becomes more detailed as a project nears the operations stage, and must be completed before production commences.

Each case includes a review and impact assessment of the relevant process safety risks against established safety benchmarks. When necessary, further steps are required to reduce risks to a level that is ‘as low as reasonably practicable’ (the ALARP principle).<sup>17</sup> Our operating assets are reviewed every five years to ensure continued compliance. Safety cases are reviewed by either the local regulatory authority or a competent independent third party to provide assurance of compliance.

We encourage drilling contractors to adopt the International Association of Drilling Contractors HSE Case Guidelines for all drilling operations, although this is not always practicable in some of the regions where we operate. In all cases, we obtain assurance regarding the integrity of our contracted drilling rigs at three stages before drilling commences. We conduct an initial high-level review during the bidding stage to ensure that the rig technical specifications meet our requirements. After selecting a rig we conduct a pre-hire audit. Before commencing drilling we conduct a drilling preparedness review, which includes a more in-depth assessment of crew competence, maintenance management systems and the integrity of safety and environmental critical equipment (for example, blowout preventers).

In 2013, safety cases were updated at Chim Sáo in Vietnam (inclusion of subsea tie-back) and Gajah Baru in Indonesia for the Pelikan and Naga wellhead platforms. In the North Sea, Balmoral is undergoing a five-year review and Solan was preparing for the commissioning stage at the end of the reporting period.

### WELL EXAMINATION SCHEME //

Premier’s well examination scheme was developed for all well operations we conduct on the United Kingdom Continental Shelf, to meet the requirements of the Offshore Installations and Wells Design and Construction Regulations 1996. This legislation requires the well operator to have a written scheme of examination in place to ensure that, as far as reasonably practicable, wells are designed, operated, suspended and decommissioned so that there can be no unplanned escape of fluids and that risks to the health and safety of persons are minimised.

All our well examinations are conducted by an independent, competent person to ensure that all appropriate measures have been taken to reduce risks to levels that are as low as reasonably practicable. Examinations are subject to annual review and are revised as appropriate. Each examination records all areas of risk, any recommendations regarding action to mitigate risks, and actions taken in response to those recommendations.

<sup>17</sup> Reasonably practicable implies that a computation is made in which the quantum of risk is placed on one scale and the sacrifice, whether in money, time or trouble involved in the measures necessary to avert the risk, is placed in the other. If it can be shown that there is a significant disproportion between them and that the risk is insignificant in relation to the resource required, then Premier as the duty holder discharges responsibility for proving that compliance was not reasonably practicable.

## 5/HEALTH AND SAFETY

## Emergency preparedness

All our operations have emergency response plans which are regularly reviewed. During 2013, new standards for emergency preparedness were rolled out and additional training on emergency crisis management was provided to operational employees. This also included third party training and formal media training for managers.

In addition, all relevant operated sites are required to conduct emergency response exercises on an annual basis. These drills take place offshore and are coordinated with the in-country office. They are designed to simulate real-life scenarios such as an oil spill during drilling.

Various health and safety drills also take place throughout the year at both our onshore offices and offshore facilities, such as fire evacuations and defibrillator exercises. In addition, Premier conducts business continuity exercises on a regular basis at the company's onshore offices. Several business continuity exercises were carried out in 2013, including with third party training.

### EMERGENCY PREPAREDNESS EXERCISES //

During 2013, Premier held a full emergency preparedness exercise at the Solan site in the North Sea. Premier's Crisis Management Plan was activated during the drill, which involved close coordination in crisis response between the Solan site and the group HSES management team based in the London headquarters. The exercise took place in conjunction with the United Kingdom's Department of Energy and Climate Change, which monitored Premier's preparedness and response capabilities.

The key learnings from the exercise were updated in the Crisis Management Plan, including recommendations to make the process more efficient and streamlined. During 2014, Premier is planning to carry out further full emergency preparedness drills at our operated sites in conjunction with the group HSES management team.

In 2013, a real evacuation took place at the Anoa FPSO when a contracted employee was severely injured and flown to Singapore to receive emergency medical treatment. Emergency procedures were carried out correctly and efficiently, resulting in the affected employee receiving the appropriate medical treatment.

### UNIVERSAL WELL CAPPING DEVICE //

Premier supports work currently being undertaken by the Oil Spill Prevention and Response Advisory Group (OSPRAG). In November 2010, Oil and Gas UK, through OSPRAG, took the decision to proceed with the development of a universal well capping device that could close off a well in the event of a major incident, thereby enhancing the United Kingdom's capability to respond to a major, sustained release of oil. The device was commissioned by Oil Spill Response Ltd (OSRL), assembled with industry partners, tested at operations and unveiled at the Offshore Europe event in September 2011. It is now kept in a readiness state available for immediate deployment if needed.

Premier is an associate member of OSRL and, as such, is entitled to call on any of its equipment, such as its well capping device, to assist in the management of an oil spill at any of our drilling and production locations worldwide. In June 2013, OSRL announced the opening of a new base in Singapore with enhanced response capabilities, including the capping device which can be mobilised throughout the Asia-Pacific region.

## Security

Evaluations of security risks for our operations and employees are driven by on-the-ground events in those countries where we operate, explore and travel.

### TRAVEL SECURITY ARRANGEMENTS //

Premier has a clear travel risk assessment process in place for all its employees and is a member of International SOS, which provides medical assistance, international healthcare and security services, as well as updates on health-related risks in countries. These are assessed by our team and presented to employees as travel warnings where relevant. During the reporting period, there was continuing instability in Pakistan, as well as in Iraq where Premier made preparations to visit our new non-operated joint venture. Both countries warranted special travel risk assessments and enhanced security and evacuation precautions.

There were no significant security incidents affecting Premier personnel in 2013.

### HEALTH TRAINING AND AWARENESS //

Premier provides education, training and risk-control programmes to assist and prevent exposure of employees to disease (and their families, where appropriate). This includes malaria awareness training and prevention for our employees travelling overseas. Health alerts on outbreaks of disease such as pandemic influenza and dengue fever are provided to local teams and those travelling to affected countries.

### SECURITY SERVICES //

Our Human Rights Policy includes a clear commitment to ensure that security practices do not undermine the human rights of local communities. Similar requirements would also be included in invitations to tender issued to all eligible external providers, if and where such services might be required. All our current exploration, drilling and production activity occurs offshore and away from local communities.

Owing to the offshore nature of our operated activities, Premier does not currently employ or contract security personnel, apart from those provided by the landlords at our office locations. There is also a minimal risk of security-related human rights infringements to our offshore operations, reflected by no incidents being registered in the reporting period.

During 2013, Premier carried out a human rights risk assessment of all operations globally, including a focus on security forces. This assessment was designed to acknowledge the different types of risks for onshore versus offshore locations. The assessment also evaluated the different measures that we can take to address human rights in projects where we are not the operator versus those we operate. These have been integrated into our forthcoming training, as we align company procedures with the Voluntary Principles on Security and Human Rights. Premier intends to apply for membership of the Voluntary Principles in 2014, thereby reinforcing our commitment to best practice.

[www.hse.gov.uk](http://www.hse.gov.uk)

[www.api.org](http://www.api.org)

[www.stepchangeinsafety.net](http://www.stepchangeinsafety.net)

[www.oilspillresponse.com](http://www.oilspillresponse.com)



# 6 / Environment

PREMIER IS FOCUSED ON PROTECTING THE ENVIRONMENT IN LINE WITH OUR STATED COMMITMENT TO REDUCE OUR IMPACT TO A LEVEL THAT IS AS LOW AS REASONABLY PRACTICABLE. THIS INVOLVES ONGOING ASSESSMENT, MONITORING AND REPORTING ON ENVIRONMENTAL IMPACTS AT ALL OUR OPERATIONS.

## Impact assessment

All our operated activities are conducted offshore where we drill for and extract oil and gas from reservoirs underground. Our most significant environmental impact arises from the production of greenhouse gases and other emissions associated with the energy consumption and flaring at our operations. Other impacts include water consumption and discharges as well as hazardous/non-hazardous waste management.

Environmental assessment, management and reporting form a major part of Premier's HSES risk management process. We conduct baseline surveys and prepare environmental and social impact assessments (ESIAs) for each operated activity. These involve an assessment of our potential impact on the physical, socio-economic and biological environments, including biodiversity and the rights of indigenous peoples.<sup>18</sup> We measure and review each impact in turn to gauge its significance and assess how it can be reduced to a level that is as low as reasonably practicable in line with our internal environmental ALARP principle. Potential actions to improve environmental performance are screened based on cost, duration and impact to determine which are feasible for implementation.

Baseline survey and ESIAs indicate that none of our existing operations has significant impacts on the biological environment and none of our operations is located in or adjacent to any protected areas.<sup>19</sup>

### ENSURING CONTINUOUS IMPROVEMENT //

Our ambition is to reduce our impact in line with our stated policy to a level that is as low as reasonably practicable. We conduct periodic reviews of operations performance and identify where improvements need to be made. Energy use on offshore production facilities and drilling rigs is generally driven by the original design of the facilities. New facilities are designed with the best technology available at the time. This includes the use of more environmentally friendly dry low-emissions turbines and minimal routine flaring. As a field matures, production decreases and fluid handling increases due to an expansion in produced water, leading to an inevitable rise in the intensity of emissions and discharges.

The rapidly changing mix in the age of our facilities as we invest in and commission new developments and acquire older facilities has, until recently, inhibited us from setting an emissions intensity improvement target year on year. Our current profile of only four operated production facilities (Anoa, Gajah Baru, Chim São and Balmoral) and a number of large projects in development means that exceptions, additions or changes at any of these facilities will have a significant impact on our reporting and on the attainment of any emissions or other environmental targets. In this regard, our ongoing Chim São operation – and the associated flaring – had a disproportionate impact on our greenhouse gas emissions in 2013.

Premier incurred no fines or non-monetary sanctions during 2013 for non-compliance with environmental laws and regulations.

<sup>18</sup> Premier is a signatory to the Energy and Biodiversity Initiative. Previous Social Performance Reports discussed the impact of our operations on biodiversity in detail, but this has been discontinued since baseline surveys and ESIAs have found no evidence of significant impacts on the environment. A number of our community investment programmes in Indonesia (p54), Pakistan (p62) and Vietnam (p65) actively support biodiversity protection and rehabilitation. Our offshore seismic surveys are compliant with all marine mammal standards and requirements.  
<sup>19</sup> This also mitigates the risk of operations affecting the habitats of endangered species, including those on the International Union for Conservation of Nature (IUCN) Red List.



6/ENVIRONMENT

REPORTING ON PERFORMANCE //

We report our environmental performance in line with the IPIECA Oil and Gas Industry Guidance on Voluntary Sustainability Reporting (p71) and the GRI Sustainability Reporting Guidelines (p72). Our in-depth monitoring by facility/source across a range of environmental metrics in our EARS and POEMS monitoring systems (p31) will be integrated in the new HSES reporting tool in 2014.

Premier's emissions performance is benchmarked against an industry database compiled and published by the OGP (p45). As an oil and gas company with production facilities in the North Sea, we comply with the European Union Emissions Trading Scheme (EU ETS) and submit an annual, externally verified report on our emissions profile to the United Kingdom Department of Energy and Climate Change.

We also participate in the Carbon Disclosure Project. In 2013, we achieved a carbon disclosure score of 66 out of 100 (2012: 66), which is broadly equivalent to the median average achieved by other FTSE-listed oil and gas companies.

Figure 22: Key environmental data

Parameter	2011	2012	2013
CO <sub>2</sub> (tonnes)	543,545	797,028	840,094
CO (tonnes)	1,924	2,392	2,504
N <sub>2</sub> O (tonnes)	31	12	14
CH <sub>4</sub> (tonnes)	2,923	4,292	5,432
VOCs (tonnes)	1,350	1,941	2,416
NOx (tonnes)	4,449	4,747	4,198
SOx (tonnes)	455	447	387
GHG (tonnes)	614,507	890,809	958,566
GHG (per thousand tonnes of production)	305	242	288
Flared gas (tonnes)	82,571	122,298	154,920

## Climate change and greenhouse gas emissions

We manage our operations in accordance with our commitment to restrict our impact on the environment to a level that is as low as reasonably practicable. In doing so, we focus on effective design (including the adoption of new technologies where practicable), efficient operation, and responsible energy use. This involves, for example, minimising the transport schedules of our employees, transporting material goods by sea for all operated assets, and where possible reducing greenhouse gas emissions from power generation, flaring and venting.

EMISSIONS REDUCTION TARGETS //

Premier believes that all targets should be SMART (specific, measurable, attainable, relevant and time-bound) and we will not therefore commit to an artificial target that cannot be realistically achieved. We conduct environmental ALARP studies for every project. Our target is to achieve a greenhouse gas emissions intensity for steady-state production operations in line with the industry median (as published annually by OGP).<sup>20</sup>

<sup>20</sup>The OGP published median was 160 tonnes per thousand tonnes of production for 2012 (latest data available).

DIRECT EMISSIONS //

There were a number of further changes to our emissions profile during 2013, largely due to the continued development of new assets that increase our scope. Our greenhouse gas accounting over this same period has thus sought to represent both the full scope of our higher total emissions as well as emissions intensity figures relative to our increased tonnes of production. Together these figures provide better insight into progress towards our stated emissions reduction ambition and ALARP commitment.

Total greenhouse gas emissions

Greenhouse gas emissions associated with hydrocarbon combustion at Premier-operated facilities amounted to 958,566 tonnes in 2013, an increase on 2012 emissions (890,809 tonnes) (Figure 23). This was largely due to unexpected flaring at Chim São in Vietnam and its associated offshore production, storage and offloading facility (exacerbated by third party damage to the gas export pipeline). Premier's absolute emissions are likely to increase over the short to medium term as a number of new operations come on-stream in the next five years.

Greenhouse gas intensity

Our operated greenhouse gas emissions intensity increased to 288 tonnes per thousand tonnes of production in 2013, up from 242 tonnes in 2012. This exceeded our target of the OGP median, mainly due to unexpected flaring at Chim São in Vietnam. Despite the overall increase, there were significant improvements in performance at both of our Anoa and Gajah Baru facilities in Indonesia, with an average emissions intensity of 165 tonnes per thousand tonnes of production (2012: 175 tonnes) and 104 tonnes per thousand tonnes of production (2012: 119 tonnes) respectively.

The overall increase on our 2012 figure is principally attributable to emissions increases at Chim São – from 326 tonnes in 2012, to 451 tonnes in 2013. With Chim São figures removed, the overall emissions intensity figure for 2013 is 189 tonnes per thousand tonnes of production.

As well as monitoring greenhouse gas emissions from our operated assets, we calculate greenhouse gas emissions on an equity basis for production across our global portfolio. Greenhouse gas emissions intensity from our full equity portfolio amounted to 214 tonnes per thousand tonnes of production (2012: 170 tonnes).<sup>22</sup>

<sup>21</sup> Represents our total Scope One emissions including combustion emissions; flaring and venting; significant stationary and mobile sources.  
<sup>22</sup> This amount only includes greenhouse gas emissions associated with flaring and fuel gas combustion.

Figure 23: Total operated greenhouse gas emissions<sup>21</sup>

(thousand tonnes)

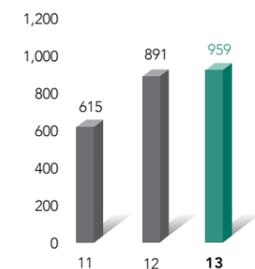


Figure 24: Greenhouse gas emissions per function (thousand tonnes)

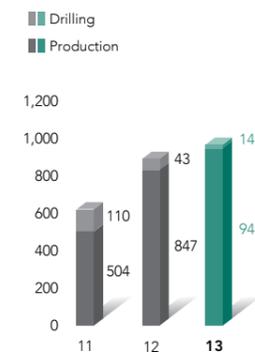
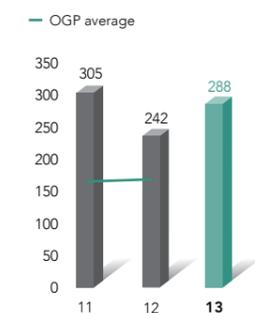


Figure 25: Greenhouse gas intensity (tonnes CO<sub>2</sub> per thousand tonnes of production)



## 6/ENVIRONMENT

## INDIRECT EMISSIONS //

Premier is continuously making efforts to improve the group's overall emissions performance. At several of our onshore offices we purchased renewable electricity from power suppliers through 'green pricing' schemes during 2013. We also procured energy saving office equipment and installed energy saving devices, such as light sensors and automatic night time shut down of air conditioning systems. Further initiatives included making greater use of video conference calls in place of travelling to other Premier sites. Electricity consumed by our Norway business unit was supplied by hydroelectric plants.

During 2013, Premier began capturing data on the energy consumption at our onshore offices and the travel mileage of our personnel, including air, train and car travel. From this data, we were able to calculate that 1,730 tonnes of carbon dioxide in total would need to be offset to make our terrestrial emissions footprint for 2013 carbon neutral. This included 736 tonnes from office energy consumption and 994 tonnes from travel.

In parallel, we investigated the purchasing of carbon offset credits (certified emission reductions, CERs), in order to create a positive impact in countries where we operate. Two local projects were identified – one in Indonesia and one in Vietnam – that provide quantifiable carbon offsetting services through reducing greenhouse gases during waste treatment. The selection of these projects was based on tangible socio-economic benefits, including: reinvestment of money in the local community; the provision of clean water; energy security; and waste recycling. In 2014, we are hoping to make further progress on capturing data on the company's terrestrial emissions footprint, and begin offsetting our emissions through contributing to the projects identified.

Since Premier's operations – which are responsible for the vast majority of the group's greenhouse gas emissions – are located offshore, it is not currently practical for the company to generate energy directly from renewable sources (including biofuels or other renewable energy-based products).

## EMISSIONS FORECASTING //

Our forecast growth over the coming years is likely to result in increased total emissions as we continue to expand our operations. A new production forecasting methodology was developed and implemented during 2013, improving our ability to forecast our emissions at our production sites, and enhancing our understanding of future emissions performance.

Premier is also looking to include emissions requirements in our arrangements with production operations contractors, to increase the incentive for them to contribute to energy efficiency at our operations. All projects undertake environmental ALARP assessments, reflecting our concern to identify areas where we might reduce emissions to a level that is as low as reasonably practicable.

## IMPACTS OF CLIMATE CHANGE ON OUR OPERATIONS //

Premier recognises that climate change may have an operational impact. We have undertaken a review of the potential impact this might have on our operations, all of which are currently offshore. The review considered rising sea levels and the increased frequency of unpredictable weather events. Our facilities are already designed to withstand once in 50 years and once in 100 years storm cases. The review concluded that possible increases in the frequency of such storms would not present significant additional operational risks.

Our project risk assessment process takes into account climate change risks, including both extreme weather events and sea level changes. This has included climate change risk assessments during the design process at our Catcher and Solan facilities in the North Sea and Chim São facility in Vietnam. A climate change risk assessment will be an integral part of the design process during 2014 for our Falkland Islands activities.

Meteorological and oceanographic studies are also carried out for all new projects.

## ENERGY CONSUMPTION //

Total energy consumption for all operations in 2013 was 6,349,108 gigajoules (GJ) (2012: 7,186,336 GJ). Of this amount, 4,298,581 GJ was from fuel gas, with the remaining 2,050,527 GJ from diesel. Energy consumption per unit of production decreased slightly from 1.96 GJ per tonne in 2012 to 1.91 GJ per tonne in 2013.

The decrease in total energy consumption between 2012 and 2013 was largely due to a reduction in drilling activities. Our drilling activities accounted for three per cent of energy consumption in 2013 versus eight per cent in 2012 – explained by our increased focus on project delivery and production. Reduced drilling activities also partly accounted for the significant reduction in drill water use, from 25,953 tonnes in 2012 to 5,544 tonnes in 2013.

Premier's offshore operations primarily use diesel fuel, with a sulfur and benzene content comparable to that in diesel products available on the international market.<sup>23</sup>

Our ALARP process and ISO 14001 certification ensure that Premier is constantly working to improve energy efficiency at its operations. Whilst this is difficult for larger items of industrial equipment which are replaced infrequently or may be in place throughout the lifetime of a project, we continue to identify smaller projects that might reduce our carbon footprint. These include more efficient travel (for example, ensuring that helicopters travel with the maximum number of passengers so as to reduce the number of flights) and energy efficient lighting at some of our offices. Larger projects such as the selling of excess gas (rather than flaring) are also investigated where appropriate.

## OTHER GASEOUS EMISSIONS //

SOx (sulfur oxides) emissions amounted to 387 tonnes in 2013 (2012: 447 tonnes). The majority of these emissions resulted from our production facilities, mainly a consequence of energy use and flaring at our Chim São and Balmoral operations (which together accounted for around 76 per cent of all SOx emissions). The overall reduction in SOx emissions was largely due to our reduced drilling activities during the reporting period. NOx (nitrogen oxides) emissions amounted to 4,198 tonnes in 2013 (2012: 4,747 tonnes). Around 93 per cent of NOx emissions resulted from our production activities (2012: 80 per cent), with the remainder from diesel use during drilling. Premier has been phasing out the use of ozone-depleting substances in all of its direct operations.

Figure 26: Energy use per tonne of production (gigajoules)

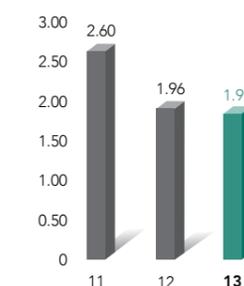


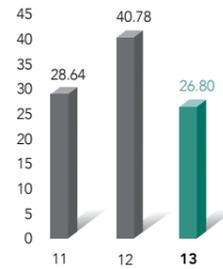
Figure 27: Energy resources use

Parameter	2011	2012	2013
Fuel gas	53,173	101,126	90,282
Diesel (platform/rig)	28,728	30,260	28,120
Diesel (vessels)	27,955	25,074	18,586
Drill water	Data not available	25,953	5,544

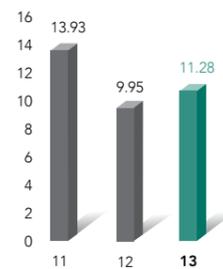
<sup>23</sup> This includes, for example, diesel with a benzene content of approximately one per cent and a sulfur content of between 15 and 5,000 parts per million (ppm).

6/ENVIRONMENT

**Figure 28: Oil in produced water (tonnes)**



**Figure 29: Oil in produced water (ppm-wt)**



## Pollution prevention

Our HSE Policy commits us to preventing pollution and to protect the environment, including water sources and waste management. We measure and report water use as well as waste production monthly in our Premier Oil Environmental Monitoring System (POEMS, p31). POEMS is independently certified to ISO 14001, and environmental data in this report is independently reviewed by third parties.

### PLANNED DISCHARGES //

All our operated activities are conducted offshore where we drill for and extract oil and gas from reservoirs underground. In extracting oil and gas from offshore reservoirs we encounter ground water, which is entrained within the well fluid coming to surface. The oil, water and gas are separated from each other in our offshore processing systems and the oil is exported. For the most part, the gas is either exported for sale or used locally for fuel gas. The entrained water is cleaned and then either discharged into the sea or re-injected into the reservoir for pressure support. This entrained water is called 'produced' water.

The total volume of produced water discharged from our operations decreased from 3,905,611 tonnes in 2012 to 2,262,998 tonnes in 2013. None of the reservoirs where we operate is significantly affected by the withdrawal of water as they are oil and gas reservoirs.<sup>24</sup> In addition, we do not operate in protected areas, thereby mitigating the impacts from water discharges on significant areas of marine biodiversity.<sup>25</sup> The average oil in produced water increased from 9.95 ppm-wt in 2012 to 11.28 in 2013. In 2013, the volume of drill water used was 5,544 tonnes, a significant decrease from the 2012 figure (25,953 tonnes), which was mainly due to reduced drilling activities.

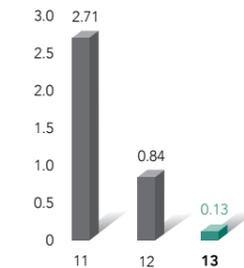
In 2013, Premier conducted a comprehensive assessment of our water use and discharges. We analysed the water situation in each of the countries where we have operated assets (plus non-operated assets in Pakistan due to the country's extreme water insecurity), using a variety of indicators and maps to highlight the associated risks. In 2014, we will be reviewing ways in which to expand our data collection. In addition, we will look at ways to reduce freshwater use where possible.

### UNPLANNED DISCHARGES //

Premier has a target of zero significant spills, where 'significant' is defined as any spill over one barrel of hydrocarbon. In 2013, there were 12 spills to the environment (2012: 13 spills), five of which were hydrocarbon spills (2012: 11 spills) and seven of which were chemical spills (2012: two spills). Of the hydrocarbon spills, three occurred at Balmoral in the North Sea and two at Chim Sáo in Vietnam. None of these spills was over one barrel of hydrocarbon; the total volume spilt was 0.97 barrels (bbls) or 0.13 tonnes (2012: 6.58 bbls or 0.84 tonnes).

The seven chemical spills to the environment included one at Balmoral, one at Chim Sáo, four at our drilling operations in the North Sea and one at a contractor site. The total volume of chemicals spilt was 4.97 bbls or 0.66 tonnes (2012: 0.02 bbls or 0.002 tonnes). We maintain oil spill contingency plans for each of our operations and have ongoing contracts with oil spill response specialists to provide support in the unlikely event of a major incident.

**Figure 30: Hydrocarbon spills to the environment (tonnes)**



### WASTE MANAGEMENT //

In 2013, 2,462 tonnes of waste materials (2012: 2,059 tonnes) were collected from our global drilling and production operations and returned to shore for disposal; 1,930 tonnes (2012: 1,437 tonnes) was hazardous waste, and 532 tonnes (2012: 622 tonnes) was non-hazardous waste (for example, scrap metal, wood, plastic, etc.). Hazardous waste was mostly used oil that was sent for processing.<sup>26</sup> We attempt to segregate and recycle as much of our waste as possible, where this is feasible and supporting recycling infrastructures are available.<sup>27</sup>

Premier also encourages the use of recycled input materials where possible.<sup>28</sup> Recycled paper and other recycled products are used at our offices and operated sites. We also try to minimise the volume of 'hard copy' company information sent out to shareholders and stakeholders by encouraging them to receive this information electronically (including the Annual Report). In 2013, we continued to donate £1 to Pure Leapfrog for every shareholder that registered for e-communication.<sup>29</sup>

<http://ec.europa.eu/clima/policies/ets/indexen.htm>

[www.iucnredlist.org](http://www.iucnredlist.org)

[www.theebi.org](http://www.theebi.org)

[www.pureleapfrog.org](http://www.pureleapfrog.org)

<sup>24</sup> We do not report on total water withdrawal by source or freshwater as our operations are predominantly offshore, using desalinated seawater, and we do not expect to have any meaningful data to report on onshore freshwater.  
<sup>25</sup> Water discharges involve cleaned entrained water, with no runoff.

<sup>26</sup> No treated/untreated waste deemed hazardous under the terms of the Basel Convention (Annex I, II, III, and VIII) was imported or exported during the reporting period. In addition, no such waste was shipped internationally.

<sup>27</sup> The reclaiming of packaging materials on products sold is not relevant to Premier's operations.

<sup>28</sup> Other than water, the majority of Premier's input materials used in exploring, extracting and producing hydrocarbons are chemically-based and are not available in recyclable form.

<sup>29</sup> Pure Leapfrog is a United Kingdom-based carbon offsetting charity dedicated to combatting climate change.

# 7 / Community investment

WE RECOGNISE THAT OUR WIDER SOCIAL LICENCE TO OPERATE AS AN INTERNATIONAL OIL AND GAS COMPANY MUST BE EARNED THROUGH BEHAVIOUR THAT DOES NOT COMPROMISE THE WELLBEING OF CURRENT OR FUTURE GENERATIONS. THIS RESPONSIBLE BEHAVIOUR IS A KEY DETERMINANT OF OUR LONG-TERM BUSINESS SUCCESS.



## Our policy framework

Premier recognises that the right to development is a fundamental human right. It is therefore our intention to make a positive difference by contributing to development goals in the communities and countries where we operate. This tenet informs our approach to community investment projects and, accordingly, our investment focuses on projects which address the impacts of our activities, contribute to local education and capacity, and deliver lasting social, economic and environmental returns for both local communities and host governments.

For Premier this means:

- operating with respect for people, communities and the environment;
- acting transparently with all stakeholders, in compliance with the rule of law and human rights;
- contributing to the development goals and value creation objectives of host countries; and
- integrating the principles of sustainable development and corporate responsibility into our business strategy, planning, decision making and management systems.

During 2013, we increased community investment substantially across the organisation. Steps were also taken to broaden the impact of community investment by applying both a local and a regional focus on projects in the areas of our operations.



7/COMMUNITY INVESTMENT



**POLICY DEVELOPMENT AND MANAGEMENT SYSTEMS //**

Our Community Investment Policy has been benchmarked against best practice standards and the position of our peers in the oil and gas sector. The policy recognises the value of building positive external relationships and partnerships with communities, governments, NGOs, joint venture partners and other stakeholders. It also includes requirements to:

- maintain timely, constructive and transparent ongoing engagement with all stakeholders;
- treat neighbours with respect and understanding, acknowledging community governance and seeking free and informed consent prior to initiating operations that have a potentially significant social impact on the community;
- work to achieve a net positive socio-economic impact on local communities, promoting opportunities which enhance sustainable benefit;
- support the socio-economic sustainability and wellbeing of communities through local procurement and other engagements with local business;
- invest in well-planned social projects that support the development priorities of host communities and governments, and seek to ensure that these are implemented in a way that leads to enduring benefit;
- provide fair and adequate compensation for any losses for which we are liable;
- provide local communities with access to appropriate grievance mechanisms; and
- encourage joint venture partners to adopt the principles in this policy.

Our Community Investment Policy is supported by a Community Investment Management System which is aligned with IPIECA standards and facilitates the systematic identification, management, evaluation and budgeting of disbursements and engagements in host countries. The procedures were first followed in 2011 to build country-specific community investment programmes. This includes the identification of appropriate local initiatives and partners to deliver on our policy commitments.

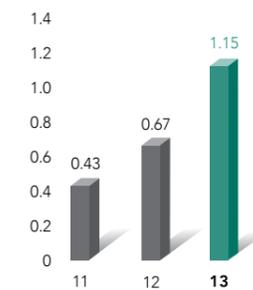
Those new projects in 2013 were assessed and managed using these procedures. All our operations have implemented local community engagement, impact assessments, and development programmes. In 2014, Premier intends to audit formally all community investments and other related disbursements across the organisation.

**INCREASED COMMUNITY INVESTMENT IN 2013 //**

All our global operations are supported by local community engagement and development programmes. In 2013, Premier disbursed a total of US\$1.15 million on charitable donations and community projects, a 71 per cent increase on the amount in 2012 (US\$674,000).<sup>30</sup> The progressive expansion of our community investment reflects in particular increased charitable donations from our London, Indonesia and Vietnam offices, as well as the inclusion of non-operated joint venture community projects in Pakistan (Figure 32).

Premier has also increased its financial support for community environmental projects, as part of its commitment to sustainability. Total disbursements for environmental projects in 2013 amounted to US\$231,000 (representing 20 per cent of the total amount of community investment). This included both onshore and offshore initiatives, such as mangrove planting, reforestation, restoration of a National Park and the development of a fish nursery.

**Figure 31: Community investment trends (US\$ million)**



**Figure 32: Our community investment profile in 2013 (US\$)**



<sup>30</sup> All of Premier's operated activities are currently located offshore with minimal direct negative impact on local communities. A potential exception to this includes offshore local community fisherman in the vicinity of our Indonesia facility (p54). Premier has partnered with local community members to address potential impacts by establishing fish nurseries and developing alternative livelihoods.

## 7/COMMUNITY INVESTMENT

# Indonesia

Premier Indonesia continued to contribute to a range of community development projects in 2013. The positive impact of our disbursements helped us earn the CI Award from the Riau provincial government. We were also awarded the Blue Award for PROPER 2013 and recognised by SKK Migas (the upstream authority) for financial reporting, business process and corporate behaviour in 2013.<sup>31</sup> Our community investment during 2013 focused predominantly on projects in the Anambas Islands near our offshore Anoa production operations – supporting education, social infrastructure, environmental integrity, local capacity building and economic development (particularly agriculture and fishing). We also initiated some new community projects in the Natuna region, associated with the Tuna exploration block.

Community investment in Indonesia totalled US\$340,000 in 2013, a 27 per cent increase on the amount disbursed in 2012 (US\$268,000). This significant increase was mainly attributable to additional funding for scholarship programmes of Anambas students and the renovation of the Tanjung Pala jetty in the Natuna region.

## ENHANCING AND DIVERSIFYING THE LOCAL AGRICULTURAL ECONOMY //

Premier Indonesia has supported the development of the local agricultural economy in the Anambas Islands since 2010. Initiatives included an assessment of potential farming areas, training of local communities on organic rice farming and horticulture, and support with composting, organic fertilisers and integrated pest control techniques. Both of the engaged villages – Langir and Rintis – have established local institutions to develop these more organised farming activities. Cooperatives help manage the needs of members through the provision of revolving fund / capital structures, seed nurseries, the management of compost production and the maintenance of compost milling machines. They also help with the marketing of produce for local and national consumers.

This project continues to have a significant positive impact on agricultural yields, diversity and farmer incomes. More than 10,000m<sup>2</sup> of rice paddy (up from 3,000m<sup>2</sup> at the initiation of the project) has been established in Langir village, as well as over 50,000m<sup>2</sup> of fixed vegetable plantation. The latter includes new varieties not previously grown locally such as cucumber, celery, spring onion, sweetcorn and peanuts. Fixed vegetable plantations in Rintis village now cover an area of more than 40,000m<sup>2</sup>, and have generated successful harvests over the past few years. Farming methods in both villages have transitioned from the environmentally harmful 'slash and burn' approach to one based on fixed location using organic fertilisers and integrated pest control techniques.

During 2013, Premier Indonesia continued to assist in expanding agricultural capacity in the Anambas Islands. This included supporting the construction of two screen houses to address challenges associated with extreme weather, thereby helping local farmers to maintain stable incomes.



## PROMOTING EDUCATION AND LOCAL CAPACITY //

Premier's engagement in Indonesian education began with the construction of a kindergarten in the Anambas Islands in 1999. We have now built a total of six kindergartens which enrol around 400 children from six remote Anambas villages. We continue to cover operational costs for teaching and learning activity at Anoa Kindergarten as well as school management operations and assistance in the procurement of teacher and student uniforms. The Anoa Kindergarten will be handed over to the Anambas government in 2014.

We are also supporting 27 kindergarten teachers from the Anambas Islands to complete their bachelor degrees in 'Education for Children in Early Years' at the Open University. All but one of the participants completed degrees in the reporting period, with the remaining teacher to complete studies in 2014. Two alumni have been appointed as the lecturer and tutor of the study programme.

Premier Indonesia supports tertiary education in the form of full tuition and board scholarships for university students originating from the Anambas Islands. The programme was developed with the local government, as part of a sharing programme developed by the Institut Pertanian in Yogyakarta, Java. In 2013, we maintained our support to 20 students who were selected as scholarship beneficiaries for a bachelor degree in agricultural studies. This programme is now in its fourth year, with the local government providing an additional 15 scholarships. In addition, we are supporting 17 local undergraduate students and two local graduate students whose socio-economic research is expected to enhance community development programmes in the Anambas Islands. During 2013, Premier Indonesia launched two scholarships for a Master of Arts programme at the Jakarta Arts Institute. The scholarships support students who are interested in preserving and developing Malay culture and arts.



<sup>31</sup> PROPER is an acronym for Program Penilaian Peringkat Kinerja Penataan dalam Pengelolaan Lingkungan (the company's Environmental Performance Rating Programme) which includes community development in its assessment criteria.

As part of our commitment to increasing local capacity, we have developed a fish nursery project in Ladan village to support the economic independence of local fisherman. Assistance provided in 2013 included extra fishing nets for the nursery, grouper fingerlings as capital investment for the fishermen, and additional support in growing the fish. The nursery infrastructure has made an immediate positive impact by reducing the reliance of local fisherman on offshore fishing in the vicinity of oil and gas operations, as well as providing an alternative income source.

Developing local capacity has also included support for the building of central cooperative units in the engaged villages, including Ladan, Langir and Putik. Meanwhile, Premier Indonesia is working in collaboration with the National Committee of Indonesian Youth (KNPI) and local government to build the entrepreneurial capacity of youth. This initiative is also helping to promote the role of KNPI within the local community.

#### COMMITMENT TO LOCAL INFRASTRUCTURE DEVELOPMENT //

The development of local infrastructure remains a significant part of Premier's commitment to the Anambas government. This has included providing assistance for the construction and maintenance of a public health centre, school classrooms and multi-purpose facilities used for local meetings and cultural events.

In 2013, we worked together with the KNPI and local government to build a new public library on Jemaja Island. This included construction of the facility and supplying equipment and books. The library serves two villages, Jemaja and East Jemaja – with a total population of more than 6,000 people.

Premier Indonesia has also supported the installation of a power generator on the Anambas Islands as part of a joint commitment with SKK Migas, the West Natuna consortium (which includes Premier, StarEnergy and ConocoPhillips) and PT Peralahan Arnebatara Natuna.<sup>32</sup> Forming part of the SKK Migas 'Bright and Green' programme, this initiative has met the electricity needs of the 3,600 inhabitants in Payalaman village which borders our onshore supporting facility.

In 2013, we supported several projects on Pulau Laut (the outermost island of the Natuna region), as part of our commitment to community investment during the exploration phase of the Tuna Block. Projects included the renovation of the jetty in Tanjung Pala village and the refurbishment of 10 housing units in Air Payang village.



#### SUPPORTING BIODIVERSITY AND ECOSYSTEM HEALTH //

During 2013, Premier Indonesia continued to assist in the delivery of a tropical forest conservation and tree planting project on the island of Siantan, in collaboration with KNPI. The initiative (also part of the 'Bright and Green' programme) promotes the planting of native trees in partnership with local government and NGOs – contributing to awareness raising of local communities to prevent deforestation.

In particular, mangrove planting is serving to enhance the local coastline in the Anambas Islands, which previously experienced high levels of illegal mangrove logging. During the course of 2013, around 10,000 additional trees were planted in the eastern region of Siantan, including 5,000 mangroves and 5,000 other native tree species. The project was carried out in conjunction with the KNPI.

#### Engagements and plans for 2014

Premier's existing community investment programmes in Indonesia will be maintained in 2014, with a continued focus on the Anambas Islands, including the Natuna region. We are also planning to implement several new initiatives to enhance community empowerment and engagement:

- developing the village of Desa Mandiri as a pilot project in sustainability on the Anambas Islands;
- supporting the economic independence of local Anambas fishing communities, through assistance in sustaining the marine environment on which livelihoods depend; and
- renovating existing buildings (kindergarten, public library, public health centre and multi-purpose facilities used for local meetings) that were originally developed by Premier.

These new activities, in line with Premier's increased oil and gas production, will target other groups that need support or who may potentially be impacted by our operations. In addition to enhancing our relationships with local communities, such initiatives help to build sustainable livelihoods that last beyond our operations.

[www.skspmigas-esdm.go.id](http://www.skspmigas-esdm.go.id)

[www.instiperjogja.ac.id](http://www.instiperjogja.ac.id)

[www.dkpp.go.id](http://www.dkpp.go.id)



<sup>32</sup> SKK Migas was established by the Indonesian government to manage upstream oil and gas business activities under a cooperation contract and to enhance both the benefits and revenue to the state as well as the welfare of local communities. Engagement via SKK Migas helps to ensure that our oil and gas activities contribute to the sustainable development goals of host communities and government.

# United Kingdom

Community investment by Premier in the United Kingdom during 2013 involved continued support for charities promoting the empowerment of marginalised groups, local economic opportunities and access to educational activities. We engaged in longer-term relationships with key local organisations as well as providing financial support to local charities. Beneficiaries selected by our employees were identified as important to our host communities.

Beneficiaries selected by our employees were identified as important to our host communities.

Community investment in the United Kingdom totalled US\$341,000 in 2013, a significant increase on the amount disbursed in 2012 (US\$150,000). This was in part due to increased donations from the corporate office based in London, including for charities such as Newborns Vietnam, The Passage and the Welsh Guards Afghanistan Appeal Fund. There were also significant donations to Aberdeen-based charities such as Absafe, HorseBack UK and GeoBus.

## SUPPORTING CHARITABLE PROJECTS IN ABERDEEN //

The United Kingdom business unit based in Aberdeen has a Charitable Donations and Sponsorship Committee which coordinates community investment activities. The Aberdeen office has committed to provide long-term support to three local 'evergreen' charities. We donated approximately US\$7,800 to each of these in 2013:

- Aberdeen Seafarers Centre: provides comfort, welfare, practical help, care and friendship as well as recreational activities to seafarers visiting the Port of Aberdeen.
- Kincardine & Deeside Befriending: aims to reduce social isolation and loneliness experienced by older people by matching them on a one-to-one basis with a volunteer befriender, in order to provide companionship, practical and emotional support, and improve physical and mental wellbeing.
- Archway: provides innovative community based services to support around 200 children and adults in Aberdeen and the north-east of Scotland with learning disabilities through respite, shared and permanent care services.

The Aberdeen office also helped support a large number of other local good causes throughout 2013, in the form of donations and sponsorship. These included donations to Archway to provide a specially-adapted minibus (approximately US\$42,100), Stepping Stones to refurbish the Forfar playgroup (approximately US\$9,400) and Barnardo's Aberdeen to expand their mentoring service for young people (approximately US\$6,200; 50 per cent of which was raised by staff). Other beneficiaries included Sandpiper Trust, Aberdeen Care and Repair, Scottish Traditional Skills Training Centre, Scottish Snowcross Championship, Westhill District Amateur Swimming Club and Newtonhill Scout Group.

## COMMUNITY INVESTMENT PARTNERSHIPS IN ABERDEEN //

As part of its commitment to the community, the Aberdeen office has focused on establishing long-term links with local good causes that provide sustainable, tangible mutual benefits for both parties. Our partnerships in 2013 included:

- Absafe: Absafe is an Aberdeen-based safety awareness charity which aligns closely with Premier's safety culture. Through hands-on learning experiences, Absafe promotes safety awareness to children on topics such as road, fire and home safety. In 2013, Premier donated approximately US\$54,600 to help Absafe build 'The Safe' – which will house mock-up roads, railways, building sites and other sets where safety can be taught in a controlled environment. In addition, staff from the Aberdeen office provided voluntary assistance at a number of Absafe events, for example digging a community garden and promoting the use of free household safety equipment in the local community. Absafe has delivered a series of lunch and learn presentations to Premier's Aberdeen staff, covering themes such as winter driving, child safety and home safety.
- HorseBack UK: HorseBack UK is an Aboyne-based charity which provides a safe and secure environment to those who have suffered physical injury and/or acute stress as a result of serving in the United Kingdom armed forces. HorseBack UK combines western horsemanship, rural skills and adventure training to integrate serving personnel and veterans into the rural community. In 2013, Premier donated US\$25,700 to buy a minibus for HorseBack UK, enabling the charity to transport their personnel – many of whom have physical disabilities.
- GeoBus: GeoBus – developed by the Department of Earth and Environmental Sciences at the University of St Andrews – is an educational outreach project for secondary schools in Scotland and northern England. The charity promotes STEM subjects (science, technology, engineering and mathematics) through a combination of inspiring young people, providing resources not readily available to educators, and offering a bridge between industry, higher education and schools. Jointly between the Aberdeen and London offices, Premier has committed to sponsor GeoBus to the sum of approximately US\$25,000 a year for the next three years. We encourage staff with a geosciences background to volunteer to help with course input and delivery.



## 7/COMMUNITY INVESTMENT

## COMMUNITY INVESTMENT FROM THE LONDON CORPORATE OFFICE //

During 2013, Premier's corporate headquarters based in London provided sponsorship for a charity bike ride from Pembrokeshire to London, in support of the Welsh Guards Afghanistan Appeal Fund. This fund provides long-term assistance to the families of soldiers affected by their tours of duty in Afghanistan. Another area of key support was to The Passage, a Victoria-based charity providing outreach and support to the homeless. In 2013, the London office sponsored the establishment of a new post to run a weekend drop-in centre, a central element in facilitating the reintegration of The Passage's clients into society.



Another key area of community investment was the sponsorship of two UK-based undergraduate fieldtrips to the Wakatobi National Marine Park in Indonesia. The project focused on sustainability research in conjunction with the environmental expeditions organisation, Operation Wallacea.

Reflecting the integrated approach to community investment across the organisation, the London office coordinated closely with the Vietnam business unit to support the 'Cycle a Difference' bike ride in 2013. This took place in Vietnam with the funds raised donated to Newborns Vietnam, a UK-based charity dedicated to improving the survival of Vietnamese newborn infants and their mothers. Several London-based employees joined with their Premier counterparts in Vietnam to cycle the 1,500km route from Lao Cai to Danang.

During the course of 2013, the London corporate office also provided donations to a number of charities such as Macmillan Cancer Support, Great Ormond Street Hospital, Prostate Cancer UK, Save The Children, Help for Heroes and Full Circle Editions.

“Due to the generous sponsorship from Premier Oil, I was able to undertake my dissertation research for two months in Indonesia this summer with Operation Wallacea... This gave me the opportunity to study a subject I had always dreamed of working on and hopefully lead me to further work that will help protect our seas from the changes in climate.”



**Chloë Boote** Recipient of Operation Wallacea sponsorship

## Engagements and plans for 2014

United Kingdom community investment plans for 2014 include continuing financial support to Absafe, HorseBack UK, GeoBus and The Passage, amongst other organisations. Premier's London office is also looking to establish a new annual bursary (worth approximately US\$15,600) to support a larger number of undergraduate students engaged in sustainability research fieldwork. We will be in discussion with Operation Wallacea during 2014 about prospective sustainability-related projects.

In addition, Premier will continue to provide assistance to local causes that share our values, in particular organisations which help vulnerable people or promote wellbeing, through a combination of funding of prevention and practical help.

[www.aseafarer.com](http://www.aseafarer.com)

[www.archway.org.uk](http://www.archway.org.uk)

[www.kdbefriending.org.uk](http://www.kdbefriending.org.uk)

[www.absafe.org.uk](http://www.absafe.org.uk)

[www.horsebackuk.org](http://www.horsebackuk.org)

[www.geobus.org.uk](http://www.geobus.org.uk)

[www.steppingstones.org.uk](http://www.steppingstones.org.uk)

[www.barnardos.org.uk](http://www.barnardos.org.uk)

[www.sandpipertrust.org](http://www.sandpipertrust.org)

[www.aberdeencareandrepair.co.uk](http://www.aberdeencareandrepair.co.uk)

[www.traditionalskills.com](http://www.traditionalskills.com)

[www.westhilldistrictasc.org.uk](http://www.westhilldistrictasc.org.uk)

<http://opwall.com>

[www.welshguardsappeal.com](http://www.welshguardsappeal.com)

[http://passage.org.uk](http://http://passage.org.uk)

[www.macmillan.org.uk](http://www.macmillan.org.uk)

[www.gosh.nhs.uk](http://www.gosh.nhs.uk)

[http://prostatecanceruk.org](http://http://prostatecanceruk.org)

[www.savethechildren.org.uk](http://www.savethechildren.org.uk)

[www.helpforheroes.org.uk](http://www.helpforheroes.org.uk)

[www.fullcircle-editions.co.uk](http://www.fullcircle-editions.co.uk)

# Pakistan

Premier is a shareholder in four non-operated production operations in Pakistan: Bhit, Kadanwari, Zamzama and Qadirpur. During 2013, Premier Pakistan continued to fund a number of community investments directly, while also supporting community projects undertaken by our joint venture partners and in collaboration with the Pakistan Petroleum Exploration and Production Companies Association.

Community investment in Pakistan during 2013 totalled US\$285,000 (2012: US\$102,000). This figure includes US\$91,000 in direct contributions from the Premier Pakistan business unit, together with US\$194,000 in contributions to non-operated joint venture community projects.



## SUPPORTING ENVIRONMENTAL PROTECTION AND LOCAL ECO-TOURISM //

In 2010, Premier initiated a long-term environmental project in the vicinity of our Islamabad office at Margalla Hills National Park. Located to the north of Islamabad in the foothills of the Himalayas, the park covers an area of approximately 67 square miles. The project is run as a joint public-private partnership in collaboration with the Himalayan Wildlife Foundation (HWF) and the Capital Development Authority. Formally inaugurated in January 2013, the project focuses on the remediation of environmental damage which is partly caused by the continued impacts of local communities.

Over the past four years, the project has assisted in the delivery of additional eco-tourism facilities including a visitor information centre, numerous hiking trails in the hills and valleys of the park, and the opening of a biking trail to the public. It has also enabled the improvement of local vegetation management practices, the removal of invasive species and the facilitation of valuable MPhil research into rare, threatened and endangered species. A number of protection measures, including a watch and ward system, have also been implemented to safeguard endangered antelope and ungulate species.

During 2013, an old well next to the shrine in Kalinjar village was restored, providing local villagers with access to potable water. The well was cleared up to a depth of 25 feet where the water table was reached, and a winch was installed to ensure ease of access. Premier also assisted Islamabad's Capital Development Authority in capacity building, staff training and the provision of required equipment and uniforms during 2013.

A detailed map of the Margalla Hills National Park and its trails has now been developed and is readily available from the HWF and the project website. Based on the flora and fauna studies of the area sponsored by Premier, posters of the flowers and reptiles were printed and distributed during 2013 to students and journalists – whose visits to the national park are arranged by the HWF through Premier sponsorship.

Premier also sponsored five children from the remote northern town of Chitral to attend the 12th National Children's Mountain Conservation Meet, held in Abbottabad and organised by the Adventure Foundation of Pakistan. As part of the 10-day activity, children visited different areas of the Ayubia National Park in northern Pakistan and participated in tasks such as tree planting, the study of flora and fauna and mountain clean-up under the supervision of environmentalists and conservationists.

## ACADEMIC AND LOCAL CHARITY SUPPORT //

Premier Pakistan also continued to provide financial assistance to the following projects during 2013:

- **Academic Chair:** Premier Pakistan funds an academic chair in the Department of Petroleum and Gas Engineering at the University of Engineering and Technology in Lahore, a leading institution in the field. There are only four universities in Pakistan that have a petroleum engineering department recognised by the Higher Education Commission and Pakistan Engineering Council. At the University of Engineering and Technology, there are just two qualified doctorate professors hired on a contract basis, and Premier's sponsorship has helped retain a senior professor within the department.
- **Care for Special Persons Foundation:** Premier Pakistan gives regular donations to Care for Special Persons Foundation, a local charity that provides education, training and psychotherapy to the mentally and physically handicapped of poor families. In 2013, we donated new physical education and physiotherapy equipment.



## 7/COMMUNITY INVESTMENT

In 2013, Premier Pakistan also contributed US\$194,000 to the costs of charitable projects undertaken by the operators of our four joint ventures in the respective local communities. These projects primarily focused on health, education and infrastructure development, including:

- community health centres
- mobile health camps
- veterinary camps and hospital
- adult literacy centres
- scholarship awards (higher education and diploma in associate engineering)
- community schools infrastructure and management
- water supply schemes – water tanks, reverse osmosis systems
- restoration and renovation of Lloyd Barrage on the River Indus, which enables water to feed into the largest contiguous irrigation system in the world

Small grants of around US\$1,000 each were also arranged for the Institute of Chartered Accountants of Pakistan, the Youth Entrepreneurship Conference, the Pakistan Blind Foundation and Change in Education.

### Engagements and plans for 2014

During 2014, projects already in receipt of assistance from Premier Pakistan will receive our continued support. We are also looking to finance new projects in 2014 which include a focus on health, youth development, the environment and the empowerment of women:

- APNA Shelter and Learning Centre: APNA is dedicated to the care of around 25 children, most of whom are orphans aged four to eight years.
- Inspire Change Programme: The programme focuses on training for under-privileged youth and the development of communities around Islamabad.
- Margalla Hills National Park: Plans for the park will be taken to Phase Two, concentrating on the construction of wetland, a bird sanctuary and environmental awareness among youth.
- In collaboration with Dhaka Ahsania Mission Pakistan, low-income widows will be identified – in order to support them in undertaking commercial activities to help them achieve financial independence.

<http://hwf.org.pk>

[www.solf.org.pk](http://www.solf.org.pk)

[www.adventurefoundation.org.pk](http://www.adventurefoundation.org.pk)

<http://ahsaniamission.com.pk>

# Vietnam

Premier Vietnam's community investment during 2013 focused on a combination of economic growth, poverty reduction, job creation, environmental protection, education and vocational skills development, with a particular emphasis on the development of young people. Our contributions were mainly delivered in partnership with reliable partner organisations such as Friends For Street Children, Saigon Children's Charity and Vietnam Red Cross. This helps to ensure the application of appropriate expertise, as well as effective and sustained project delivery.

Community investment in Vietnam totalled US\$171,000 in 2013, a significant increase on the previous year (2012: US\$109,000). One of the main reasons for this increase was the contribution of US\$75,000 to mangrove planting in Soc Trang province. We also provided additional financial assistance in 2013 to Newborns Vietnam.

### DEVELOPING OPPORTUNITIES FOR DISADVANTAGED CHILDREN //

In 2013, we continued our long-term funding commitment to the Binh Tho Development Centre in Ho Chi Minh City, which is run by Friends For Street Children. The centre provides education as well as healthcare and vocational training to around 150 disadvantaged children of poor families. It assists the integration of younger children into junior public high schools and helps older children to find meaningful employment. In addition to funding the project, Premier employees visit and volunteer in person to raise awareness of career opportunities and act as a positive role models to the children.





Premier Vietnam also supports infrastructure and scholarship schemes managed by Saigon Children's Charity. During 2013, we opened two kindergartens in Tieu Can district, Tra Vinh province. Phu Can kindergarten, which serves an average of 55 children aged three to five years every day in two classrooms, was opened in March 2013. The Tan Hung kindergarten, which serves an average of 80 children aged three to four years every day in two classrooms, was opened in September 2013.

In 2013 we developed a new link between Premier employees and the charity Newborns Vietnam. Our employees raised US\$9,450 to buy five infant warmers for premature babies at Da Nang Hospital for Women and Children, helping save the lives of some of the most vulnerable babies. Several Premier Vietnam employees also took part in the Cycle a Difference bike ride, raising additional funds for Newborns Vietnam.

#### ENHANCING AND PROTECTING ECOSYSTEM INTEGRITY //

During 2013, Premier Vietnam contributed US\$75,000 to a mangrove project, in partnership with the Vietnam Red Cross. The funding enabled 20 hectares of mangroves (approximately 120,000 trees) to be planted in Soc Trang province, an area of environmental sensitivity where local communities are mainly dependent on aquaculture and agriculture. These mangroves help protect the coastline, offset carbon dioxide emissions and enhance the natural ecology of the inter-tidal zone, thereby improving aquaculture harvests for local communities. The planting also contributes to a wider series of projects focused on integrated coastal zone management such as livelihood diversification, helping to address potential conflicts between economic development and the sustainable management of natural resources.

#### Engagements and plans for 2014

Our work in 2014 will remain focused on the development of young people in Vietnam through the provision of scholarships, school development projects and the sponsorship of the Binh Tho Development Centre. We will also continue supporting the mangrove planting project in Soc Trang province. During 2014, we are planning to add another 20 hectares of mangrove trees in the area, further enhancing the natural ecology and livelihoods of coastal populations.

In view of the success of the sponsored bike ride that took place in 2013, we intend to maintain our support for charity events on behalf of Newborns Vietnam. This includes some of our employees participating in the Asia Business Ride, taking place in March 2014. The Vietnam office will also continue to maintain close contact with Newborns Vietnam, both through visits and charitable donations.

[www.ffscvn.org](http://www.ffscvn.org)

[www.saigonchildren.com](http://www.saigonchildren.com)

[www.redcross.org.vn](http://www.redcross.org.vn)

<http://newbornsvietnam.org>

## Norway

During 2013, Premier Norway contributed to community investment projects with a positive local impact. Three projects were selected, based on several criteria: holding a non-profit status; being situated in Stavanger or the wider county of Rogaland; supporting vulnerable groups of people; and imparting guidance to improve the future situation of local groups/individuals. All three projects received general acceptance from Premier employees, with employees given information on their activities during regular 'lunch and learn' sessions.

In 2013, Premier Norway spent a total of US\$16,000 on community investment, which was split equally between the three organisations:

- IL Brodd: Brodd uses sport to bring young people from diverse backgrounds together, including immigrants who have recently settled in Norway. This helps immigrants to develop an understanding of living within a multicultural community, thereby helping with the process of integration into Norwegian society. The sports currently on offer at Brodd are indoor hockey, football, handball and badminton.
- Cancer Care Rogaland (KOR): KOR is a local care and resources centre which provides services to families where a family member has cancer. With offices in both Stavanger and Haugesund, the charity is accessible to cancer patients and their families across the country. The majority of those who come to KOR are in particularly vulnerable situations, with often severe and incurable types of cancer. Many patients also have children, who may require extra assistance – such as counselling, mentoring and educational guidance.
- Lundsvågern Naturskole: Lundsvågern is a community-owned education centre based in Stavanger. The school contains two departments: one which provides practically-orientated day care for students who are unable to attend mainstream primary school (for instance, those with adaptability problems); and another which arranges marine biology day excursions for other primary schools in the area.

[www.kreftomsorg.no](http://www.kreftomsorg.no)

[www.brodd-il.no](http://www.brodd-il.no)



# Falkland Islands

Premier's physical presence in the Falkland Islands was limited during 2013 as the majority of technical design work was undertaken in London and Houston. Nevertheless, a significant amount of planning work was carried out over the course of the year to ensure that the new business unit is formally aligned with Premier's Corporate Responsibility Policy.

A new corporate responsibility team was established to set direction and manage corporate responsibility in the Falklands – composed of the business unit manager, the country representatives based in Stanley and managers responsible for HR and HSES.

Over the course of 2013, the team identified stakeholders within the Falkland Islands that could influence or potentially be affected by Premier's operations. The team also developed a socio-economic baseline for the Falkland Islands using latest available information, building on previous work undertaken by Rockhopper Exploration and the Falklands Islands Government (FIG).



The updated stakeholder and baseline data was used to carry out a socio-economic risk assessment, defining potential positive and negative interactions between planned Premier activities and the local socio-economic environment, thereby allowing the corporate responsibility team to prioritise issues of responsibility. These issues have driven the development of an Annual Corporate Responsibility Plan and Community Investment Principles.

During 2013, the Stanley office also continued to consult closely with the FIG Department of Mineral Resources, local communities, NGOs, businesses and other key stakeholders on a variety of corporate responsibility issues. This engagement included extensive discussions with FIG on the formulation of a local content Code of Practice for the oil and gas industry. In addition, Premier engaged with the Falkland Islands Development Corporation and the local Chamber of Commerce to ensure that local businesses are aware of Premier's HSES policies, and can plan to address these prior to bidding for any work with the company.

Further engagement has been conducted with the Falkland Islands Offshore Hydrocarbon Environmental Forum, resulting in Premier – along with other oil and gas companies – agreeing to part fund a two-year environmental research project to fill identified gaps in offshore environmental scientific knowledge. This will allow more accurate environmental impact assessments to be prepared for future planned offshore oil and gas operations.

Premier has also begun making direct investments in the local Falkland Islands community. In 2013, this included responding to an appeal for funding towards a dedicated Environmental Education Centre for the Watch Group, the junior branch of Falklands Conservation which is run for young Falkland Islanders between the ages of eight and 15. This aims to educate and enthuse young people about the environment and wildlife on the Falkland Islands. In addition, Premier responded to a request for sponsorship for a number of awards in the annual Goose Green sheep shearing competition.

## Engagements and plans for 2014

In 2014, Premier will maintain regular engagement with the Falkland Islands stakeholders, executing our new corporate responsibility plan and seeking to maximise benefits for the local community. We will also continue to invest in local community initiatives aligned with Premier's Community Investment Principles, namely:

- Falkland Islands culture and heritage;
- education and development of young people, with particular reference to oil industry awareness and career opportunities;
- health, safety and environmental protection and awareness;
- supporting oil and gas industry readiness and awareness across the Falkland Islands;
- enhancing access and opportunities for local businesses to support Premier's operations; and
- targeted donations to registered charities which best align with our Community Investment Principles.



## External Review of Reporting on Corporate Responsibility

Maplecroft was commissioned by Premier Oil plc to:

- Confirm the accuracy of all corporate responsibility statements presented in this report
- Confirm the claim stated by Premier on p07 that this report was prepared in accordance with the Global Reporting Initiative (GRI) G3.1 Sustainability Reporting Guidelines at Application Level A+

Maplecroft recognises that it is not an independent party due our role as an advisor to Premier on previous engagements. Maplecroft did not directly verify the data relating to health, safety, environment and security (HSES) or economic performance. We did however confirm the existence of Premier's HSES policy statements and actions, the veracity of management systems, the rigour of internal reporting/review processes, and the company's plans for 2014.

### Methodology

Maplecroft's review of Premier's corporate responsibility performance involved the following activities over a period of four months between late 2013 and early 2014:

- **Review of standards:** The report was informed by the standards of the following organisations:
  - GRI (G3.1 Sustainability Reporting Guidelines)
  - International Petroleum Industry Environmental Conservation Association (Oil and Gas Industry Guidance on Voluntary Sustainability Reporting)
  - United Nations Global Compact (Ten Principles and associated requirements on the annual Communication on Progress)
  - FTSE4Good (sustainability criteria)

The review also involved engagement with Premier on the potential for further public reporting to meet the emerging expectations of investors and other stakeholders as well as the GRI's G4 guidelines.

- **Gap analysis:** A gap analysis was carried out to identify and, where feasible, address gaps in Premier's existing reporting practices against the relevant reporting standards.
- **Performance enhancement:** The outcomes from the review of standards and gap analysis were used to enhance Premier's level of reporting. This report (a) discusses progress in addressing gaps and commitments made in previous reports, and (b) provides increased disclosures/transparency on Premier's activities and performance – particularly on issues relevant and material to investors. During this process, Maplecroft also identified opportunities to enhance Premier's approach to corporate responsibility, including risk management and human rights.

### Materiality and completeness

Maplecroft believes that the narrative and data presented in this report are an accurate representation of current Premier processes and activities. Maplecroft is also satisfied that Premier's claim to have applied the GRI G3.1 guidelines at A+ level is fairly stated.

Premier has reported fully on its management approaches and on 92 out of 98 GRI performance indicators – including those in GRI's Oil and Gas Sector Supplement.

### Recommendations

Premier might consider taking the following steps as it expands its commitment to corporate responsibility and associated management practices. Doing so will also enable Premier to continue its progressive alignment with the GRI's G4 guidelines:

- Improve transparency by more explicitly defining how and why material issues were identified.
- Consider the inclusion of human rights clauses in significant investment agreements and contracts, as well as the continued expansion of a structured human rights due diligence process.
- Enhance the risk assessment and management of Premier's significant suppliers and business partners, in terms of their human rights, labour and environmental performance.
- Implement a more structured and rigorous approach to stakeholder engagement in order to ensure consistency and objectivity across the group. This might include enhanced reporting on:
  - Identification of the relevant stakeholders
  - The issues that are material and relevant to stakeholders
  - Reasonable expectations of stakeholders
  - Potential impacts of such engagement on Premier's business activities

Premier might also want to consider further areas to enhance its reporting, including:

- Additional detail on Premier's operating contexts (for example, in terms of socio-economic conditions, rule of law, governance and environmental conditions/regulations), which might offer greater insight on the company's potential and actual impacts.
- Further analysis of Premier's decision-making processes around its community investment disbursements, as well as the impact of these disbursements on local community development and Premier's risk management performance.

Alyson Warhurst

Kevin Franklin

Professor Alyson Warhurst and Dr Kevin Franklin  
25 March 2014  
Maplecroft, Bath, BA1 5JZ, United Kingdom  
Web: [www.maplecroft.com](http://www.maplecroft.com)  
Email: [info@maplecroft.com](mailto:info@maplecroft.com)

## Independent Assurance Statement to Premier Oil plc

ERM Certification and Verification Services (ERM CVS) was engaged by Premier Oil plc (Premier) to provide assurance in relation to the information set out below and presented in the Premier Oil Corporate Responsibility Report 2013 (the Report).

### Engagement summary

#### Scope:

Whether the 2013 performance for the following selected IPIECA HSE indicators is fairly presented, in all material respects:

E1 Greenhouse Gas (GHG) emissions	E7 Other Air emissions	HS2 Workforce Health
E2 Energy Use	E8 Spills to the Environment	HS3 Occupational Health and Safety
E3 Alternative Energy Sources	E9 Discharges to Water	HS5 Process Safety (LOPC Tier 1 and Tier 2 events)
E4 Flared gas	E10 Waste	
E5 Biodiversity and ecosystems services	HS1 Workforce Participation	

#### Reporting criteria:

Premier's own internal guidance and definitions for the reporting of HSE which reference the International Petroleum Industry Environmental Conservation Association (IPIECA) – Oil & Gas Industry Guidance on Voluntary Sustainability Reporting, 2nd Edition, 2010

#### Assurance standard:

ERM CVS' assurance methodology, based on the International Standard on Assurance Engagements (ISAE 3000).

#### Assurance level:

Limited assurance

#### Respective responsibilities:

Premier is responsible for preparing the Report and for the collection and presentation of the information within it. ERM CVS's responsibility is to provide conclusions on the agreed scope based on the assurance activities performed and exercising our professional judgement.

### Our conclusions

Based on our activities, nothing has come to our attention to indicate that the 2013 performance for the selected IPIECA HSE indicators, as listed under 'Scope' above, are not fairly presented, in all material respects, with the reporting criteria.

### Our assurance activities

A multi-disciplinary team of sustainability, GHG and assurance specialists performed the following activities:

- A review of external media reporting relating to Premier to identify relevant sustainability issues in the reporting period.
- Interviews with relevant staff to understand and evaluate the data management systems and processes (including internal review processes) used for collecting and reporting the selected HSE indicators.
- A review of the internal reporting guidelines, including conversion factors and assumptions used.
- An analytical review of the year end data submitted by all sites included in the consolidated 2013 group data for the selected HSE indicators.
- A review of the data consolidation for completeness and mathematical accuracy.
- A review of the results of site level ISO 140001 and OSHAS 18001 certification audits undertaken by ERM CVS in the reporting year.
- Reviewing the presentation of information relevant to the scope of our work in the Report to ensure consistency with our findings.

### The limitations of our engagement

The reliability of the assured data is subject to inherent uncertainties, given the available methods for determining, calculating or estimating the underlying information. It is important to understand our assurance conclusions in this context.

Our work was undertaken at Premier head office in London only. We did not undertake source data verification at any operated facilities.

### Our observations

We have provided Premier with a separate detailed management report. Without affecting the conclusions presented above, we have the following key observations:

- In view of Premier's business strategy, including expansion in some sensitive environments, we recommend increasing coverage of environmental and biodiversity protection measures in future reports.
- Premier is committed to transparency and plans to align its 2014 reporting with the GRI G4 guidelines, which will increase the focus of the report on the determination and management of material topics, together with related performance metrics. To enhance the credibility of future reporting, we recommend aligning the report assurance with this approach by broadening the assurance scope to cover a wider range of HSE and social topics, to be identified in relation to Premier's commitments and consultation with stakeholders.

Jennifer Iansen-Rogers

Jennifer Iansen-Rogers  
Head of Report Assurance Services  
24 March 2014  
ERM Certification and Verification Services, London

## Global Reporting Initiative

The table provides a summary of the application of the Global Reporting Initiative's Sustainability Reporting Guidelines G3.1 at Level A+ (and associated Oil and Gas Sector Supplement) in the 2013 Corporate Responsibility Report

Standard disclosures: Profile disclosures		
Strategy and analysis	04-11, Annual Report	✓
Organisational profile	01-07,09, Annual Report	✓
Report parameters	06-11,76	✓
Governance, commitments and engagement	06-11,13,16-17,20, 23-25,28-29,31-33,36,40, 43-44,50-69, Annual Report, ALARP (05,39, 43-47)	✓
Standard disclosures: Management approach		
Economic	03,50-69, Annual Report	✓
Environmental	42-49,52-53	✓
Labour practices	14-15,22-29,34-35	✓
Human rights	15,18-21,28-29,41,43	✓
Society	12-21,32,36-40,43,50-69	✓
Product responsibility	01,17,36-40	✓
Standard disclosures: Performance indicators		
Economic		
Direct economic value	16,25-26,29,50-69	Full
Financial impacts of climate change	44-46	Full
Pension plan	25-26	Full
Financial assistance	16	Full
Local suppliers	14-15	Partial
Local hiring	27	Full
Infrastructure investments	50-69	Full
Indirect economic impacts	09-10,50-69	Full
Environmental		
Materials	47-49	Full
Recycled input materials	46,49	Partial
Direct energy consumption	47	Full
Indirect energy consumption	46-49	Full
Protected areas	43,48-49	Full
Impacts on biodiversity	43,48-49	Full
Strategies on biodiversity	43,48-69	Full
Greenhouse gas emissions	44-46	Full
Indirect greenhouse gas emissions	44-46	Full
Initiatives to reduce emissions	43-44,46-47	Full
Other air emissions	44,47	Full
Water	47-49	Full
Waste	48-49	Full
Spills	48-49	Full
Mitigation of environmental impact	43-44,46-47	Full
Products and packaging	49	Full
Compliance	17,43	Full
Labour practices		
Employee numbers	24-25	Full
Employee turnover	24	Full
Collective bargaining agreements	10,15,21,28-29	Full
Notice on operational changes	29	Full
Occupational health and safety	34-35,40-41	Full
Training on serious diseases	41	Full
Training and education	14,27-28,32,40-41	Partial
Diversity and equal opportunity	22-24,26	Full
Equal remuneration	26	Full
Human rights		
Investment and procurement practices	14-16,19	Partial
Screening of suppliers/contractors	14-16,19	Partial
Training	20-21	Partial
Discrimination	17,19-21	Full
Freedom of association and collective bargaining	10,15,21,28-29	Full
Child labour	15,19,29	Full
Forced and compulsory labour	15,19,29	Full
Assessment	19-21	Full
Remediation	19-21	Full
Society		
Local community engagement	09-10,50-69	Full
Corruption	12-17	Full
Anti-corruption training	12-17	Full
Remediation	12-19	Full
Public policy	16	Full
Compliance	16-17	Full
Impacts	18-21	Full
Mitigation	18-21,50-69	Full
Product responsibility		
Customer health and safety	01,17,36-39	Full
Product and service labelling	01,17	Full
Marketing communications	16-17	Full
Oil and Gas Sector Supplement		
Volume of reserves and production	01, Annual Report	Full
Renewable energy investment	46	Full
Renewable energy generation	46	Full
Assessment of biodiversity risks	21,43,48	Full
Formation or produced water	43,48	Full
Flared and vented hydrocarbon	44-45,47	Full
Drilling waste	48-49	Full
Fuel content	47	Full
Indigenous communities	19,21,43	Full
Disputes with local communities	19,21	Full
Decommissioning of sites	03	Full
Involuntary resettlement	19	Full
Process safety events	36-39	Full
Biofuels	46	Full

Core performance indicators only



### Statement GRI Application Level Check

GRI hereby states that **Premier Oil** has presented its report "Corporate Responsibility Report 2013" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see [www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf](http://www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf)

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 3 March 2014

  
Nelmara Arbex  
Deputy Chief Executive  
Global Reporting Initiative



The "+" has been added to this Application Level because **Premier Oil** has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. [www.globalreporting.org](http://www.globalreporting.org)*

**Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 5 February 2014. GRI explicitly excludes the statement being applied to any later changes to such material.

## IPIECA



IPIECA: Oil and Gas Industry Guidance on Voluntary Sustainability Reporting (2010)			Page	Status
<b>Environmental indicators</b>				
E1	Climate change and energy	Greenhouse gas emissions	43-47	Reported
E2		Energy use	47	Reported
E3		Alternative energy sources	46	Reported
E4		Flared gas	44-45,47	Reported
E5	Ecosystem services	Biodiversity and ecosystem services	43,48,54,57,63,66	Reported
E6		Freshwater	48	Reported
E7	Local environmental impacts	Other air emissions	44,47	Reported
E8		Spills to the environment	36,48-49	Reported
E9		Discharges to water	47-48	Reported
E10		Waste	49	Reported
<b>Health and Safety indicators</b>				
HS1	Workforce protection	Workforce participation	23-24	Reported
HS2		Workforce health	34-35,40-41	Reported
HS3		Occupational injury and illness incidents	34-35	Reported
HS4	Product health, safety and environmental risks	Product stewardship	01,16-17	Reported
HS5	Process safety and asset integrity	Process safety	36-39	Reported
<b>Social and economic indicators</b>				
SE1	Community and society	Local community impacts and engagement	09-10,50-69	Reported
SE2		Indigenous peoples	19,21,43	Reported
SE3		Involuntary resettlement	19	Reported
SE4		Social investment	50-69	Reported
SE5	Local content	Local content practices	15	Reported
SE6		Local hiring practices	27	Reported
SE7		Local procurement and supplier development	14-15	Reported
SE8	Human rights	Human rights due diligence	19-21	Reported
SE9		Human rights and suppliers	14-15,19-20	Reported
SE10		Security and human rights	19-21,41	Reported
SE11	Business, ethics and transparency	Preventing corruption	12-17	Reported
SE12		Preventing corruption involving business partners	12-17	Reported
SE13		Transparency of payments to host governments	16-17	Reported
SE14		Public advocacy and lobbying	16	Reported
SE15	Labour protection	Workforce diversity and inclusion	22-24,26	Reported
SE16		Workforce engagement	23-29	Reported
SE17		Workforce training and development	26-28	Reported
SE18		Non-retaliation and grievance systems	17,23	Reported

## United Nations Global Compact



United Nations Global Compact: Our Communication on Progress (CoP) against the Ten Principles			Page	Status
<b>Human rights</b>				
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights		18-21,23,28-41	Communicated
Principle 2	Businesses should make sure that they are not complicit in human rights abuses		18-21,23,28-41	Communicated
<b>Labour</b>				
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining		18-21,23,28-29	Communicated
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labour		18-21,29	Communicated
Principle 5	Businesses should uphold the effective abolition of child labour		18-21,29	Communicated
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation		18-21,22-23,27	Communicated
<b>Environment</b>				
Principle 7	Businesses should support a precautionary approach to environmental challenges		36-39,42-49	Communicated
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility		42-49,51-54,57,63,66	Communicated
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies		39-40,46,49,51-54,57,63,66	Communicated
<b>Anti-corruption</b>				
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery		12-17	Communicated

## FTSE4Good



FTSE4Good

FTSE4Good: Sustainability criteria			Page	Status
<b>Environmental criteria</b>				
Policy			30-31	Compliant
Management			31-33,43-49	Compliant
Reporting			43-49	Compliant
<b>Social and stakeholder criteria</b>				
Policy			18-19,51-52	Compliant
Management			10-11,20,51-52	Compliant
Reporting			50-69	Compliant
<b>Human rights criteria</b>				
Policy			18-19,30-31	Compliant
Management			20-21,31-33	Compliant
Reporting			19-21,28-29,34-35	Compliant
<b>Supply chain labour standards criteria</b>				
Policy			14-16,19	Compliant
Management			14-16,20	Compliant
Reporting			15,29	Compliant
<b>Countering bribery criteria</b>				
Policy			13	Compliant
Management			13-14,16-17	Compliant
Reporting			13-17	Compliant

## /APPENDIX

## GLOSSARY

ALARP	as low as reasonably practicable
API	American Petroleum Institute
BMS	Business Management System (Premier)
BOSIET	Basic Offshore Safety Induction and Emergency Training
BRINDEX	Association of British Independent Oil and Gas Exploration Companies
EARS	Electronic Accident and Incident Reporting System (Premier)
ESIA	environmental and social impact assessment
EU ETS	European Union Emissions Trading Scheme
FEED	front end engineering design
FIG	Falkland Islands Government
FPSO	floating production, storage and offloading
FOET	Further Offshore Emergency Training
GHG	greenhouse gas
GRI	Global Reporting Initiative
HIPO	high potential incident
HIPOR	high potential incident rate
HSES	health, safety, environment and safety
HUC	hook up and commissioning
HWF	Himalayan Wildlife Foundation
IPIECA	International Petroleum Industry Environmental Conservation Association
ISO	International Organization for Standardisation
IUCN	International Union for Conservation of Nature
KNPI	National Committee of Indonesian Youth
KPI	key performance indicator
LOPC	loss of primary containment
LTIP	Long-Term Incentive Plan
MIST	Minimum Industry Safety Training
LWDC	lost work day case
MTC	medical treatment case
OGP	International Association of Oil and Gas Producers
OSPRAG	Oil Spill Prevention and Response Advisory
PATS	Premier Action Tracking System
POEMS	Premier Oil Environmental Monitoring System
PSMS	Process Safety Management Standard
PSR	project safety review
RWDC	restricted work day case
TRIR	total recordable injury rate

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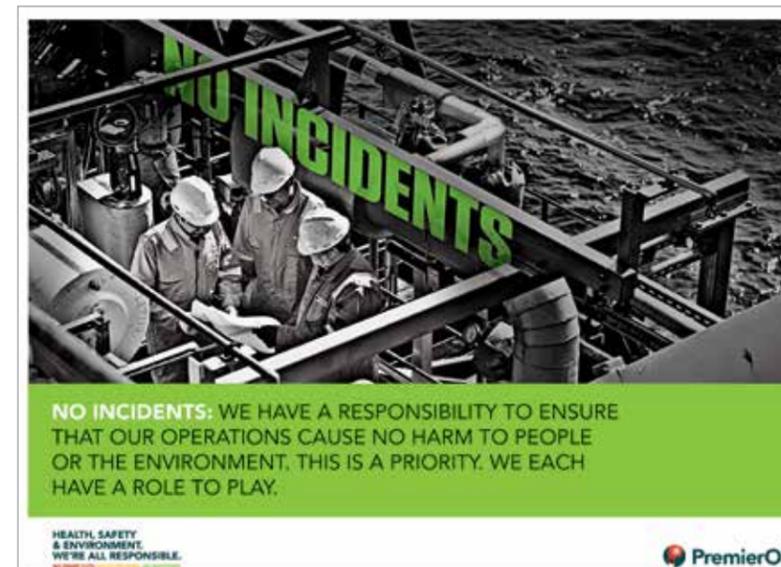
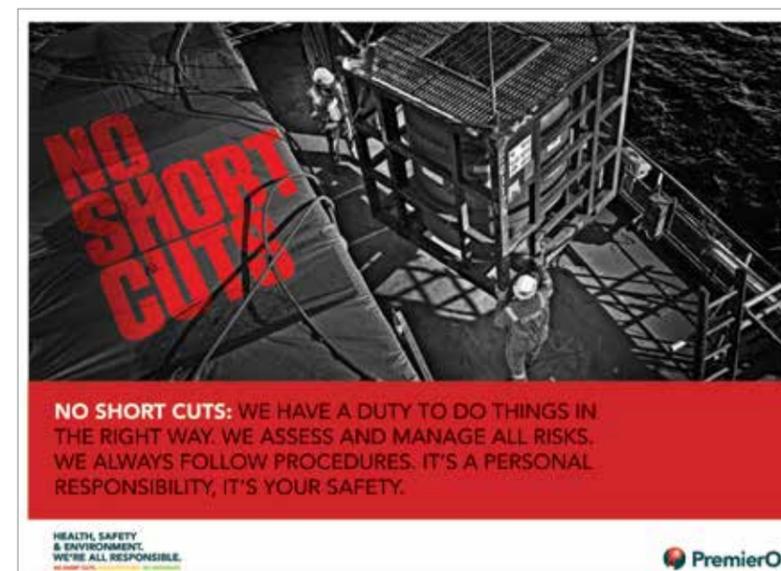


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