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## Focus On Sustainability

A New Paradigm in  
Papua New Guinea



# Overview

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- PNG has had a excellent record of Project stability over many years
- PNG is now undergoing major economic development coupled with social change
- An enhanced focus on true sustainability is required to deliver fair distribution of economic benefits and operating stability
- Oil Search wishes to take a lead role in driving appropriate social development and stability

**A key local company enhancing its social licence to operate, whilst delivering a great community outcome**



# Oil Search and PNG Strong Partners in Sustainability

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- **Oil Search is a little different:**
  - A PNG Company established in 1929
  - Operates all of PNG's producing oil and gas fields
  - Significant PNG ownership
  - Major equity owner in PNG LNG
  - Developed a corporate culture to optimise position in operations in PNG with focus on social licence to operate
  - Delivered 5 fold increase in market capitalisation over last 5 years by largely investing in PNG

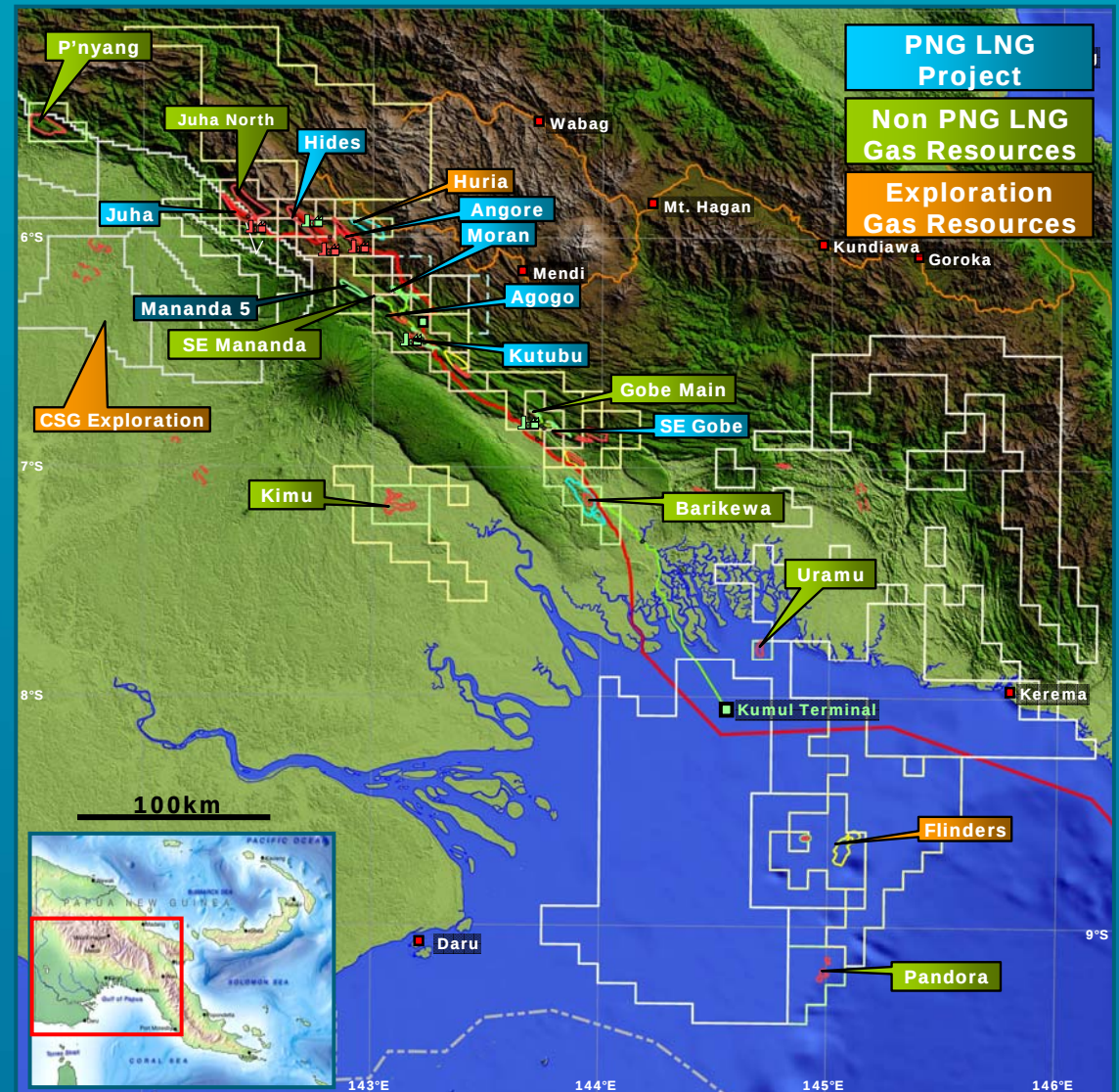
**A testament to investment management  
and stability in PNG**



# PNG – Project Area Overview

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- Facilities, pipelines & licence straddle Southern Highlands, Gulf and Western provinces
- Production, pipeline licences, retention & exploration licences = 1 million + ha.
- 3 Provinces & 7 Local level Government areas
- 13 language groups
- Resident project area population 35,000+
- 6 producing oil fields
- 1 producing gas field
- Impact of PNG LNG development







# Our Operating Environment

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# PNG Undergoing Major Economic and Social Change

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## — A changing Operating Environment

- Impact of PNG LNG
- Other major project investments being actively reviewed
- Social changes in community structures
  - Better education
  - Burgeoning young population
  - Slow decline in tribal traditions and leadership
  - Increasing expectations
  - Mobile phone, media, instant communication
- Challenges for Government delivery
- Interrelationship of politics and landowner issues

**An enhanced approach is required to manage the changing operating environment**



# The Oil Search Approach

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- It starts with a focus on safety and environmental management
- Over 90% of field personnel are from PNG
  - Diverse cultural background
  - Heavy reliance on local landowner companies
  - Passionate advocates of a world class safety culture

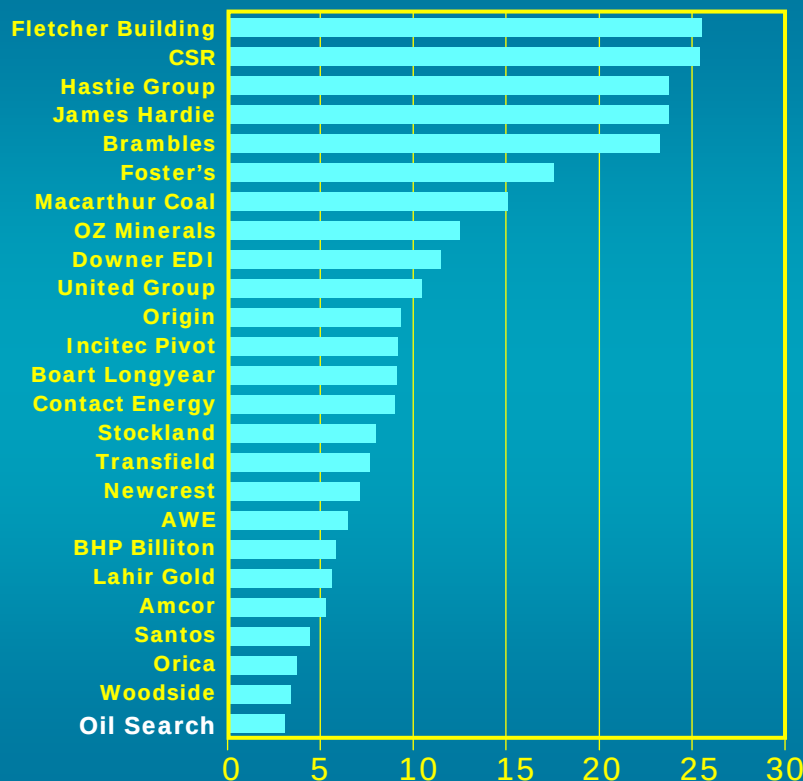


# World Class Safety Performance

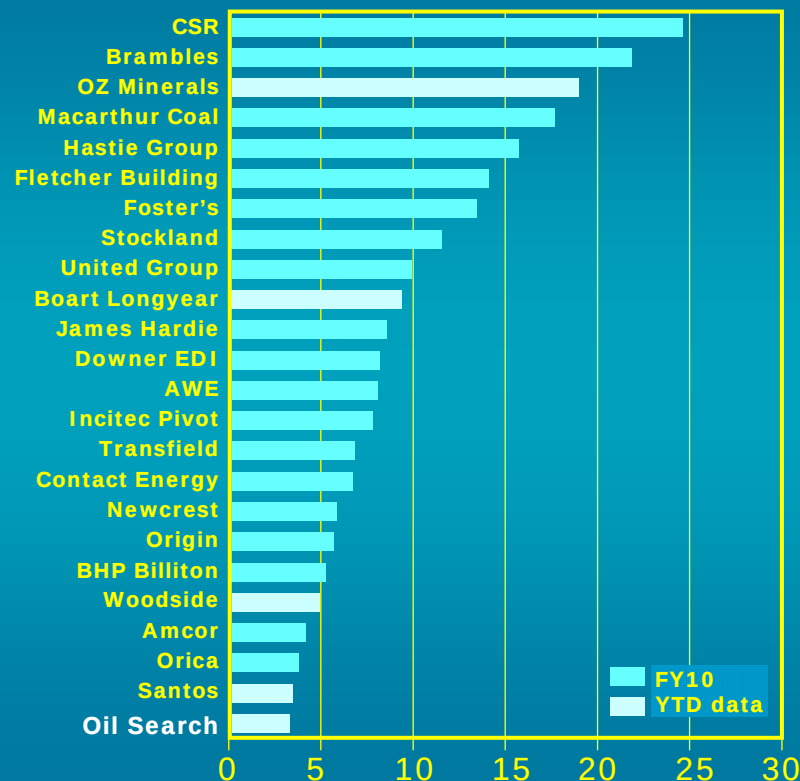
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## Total Recordable Injury Frequency Rate Data (per Million Hours Worked (All Reported Data))

2009



2010



Source: Company data, Citi Investment Research and Analysis. Note: TRIFR - Total Recordable Injury Frequency Rate per 1 million hours worked; \* Lihir Gold taken over by Newcrest. (September 2010); \*\* Citi estimate for Macarthur Coal's Group TRIFR based on operations' weighted average coal production.





# The Working Environment

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- Petroleum Projects have extended but small footprints through a large area of the country and communities

## Not an Enclave

- Project stability achieved through strong harmonious relationships with local communities
- Comprehensive strategy involving multifaceted government and community programmes



# A Comprehensive Approach to Sustainability

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## Management and Transparency of Benefits Streams

### — Project Benefits to Government and Landowners include:

- Tax Payments to Central Government
- Direct Project Royalties - An essential component
- Royalties and Development Levies
- Landowner Company Development and contract ownership
- Employment, training and education
- Community Area Projects
- Tax Credit Infrastructure
- Community Programmes (The MDG's)
  - Health Clinics
  - Malaria/TB/HIV-Aids Management
  - Women and child health
- Sustainable Community Development Initiatives
- Environmental Sustainability



# A Comprehensive Approach to Sustainability

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- **Enhanced focus following major Strategic Review**

- **Ability to more than double company value over the next 5-8 years based on value delivery from PNG Assets**
- **Dependent on maintaining stable operating environment**
- **Delivery of**
  - **PNG LNG on time on budget**
  - **LNG expansion and reserves growth**
  - **Sustained oil production**
  - **Development of other gas commercialisation initiatives**



# A Comprehensive Approach to Sustainability

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- **Oil Search Enhanced Focus**
  - **PNG Stakeholder Engagement**
    - Government
    - Landowner Leaders and Community Engagement
    - Bureaucracy capability enhancement
    - From Village to Port Moresby - outside the fence and dealing in the village
  - **Transparency in Benefits Distribution**
    - Public payment, contract awards
    - Promote governance
  - **Independent Sovereign Wealth and Funds**



# A Comprehensive Approach to Sustainability

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## — Transparency in Management

- Sustainability Report
- Stakeholder Engagement

## — Highlight our Commitment to PNG

- Oil Search Health Foundation
- Expand world class HIV/Aids and malaria management programmes
- Expand Health of the Nation Programme
  - Child and Women's health
  - Supported by Global Fund (Primary Recipient) AusAid and ADB
- Environmental Sustainability
  - ISO 14001 accreditation
  - Partnership with WWF
  - Environmental Education
  - Wild Life Management Areas

**A Major Corporate Focus to Deliver Value**





# **Sustainability A Compelling Business Case**

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- **Promotion of stable operating environment**
- **Long term legacy of improved sustainable and transparent benefits for communities delivered to the grass roots**
- **Reputation and Social Licence**

**Delivers a Compelling bottom line impact**



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