





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.¹

¹ Premier does not sell oil or gas products to the general public. We sell oil to the market and gas to defined users. Material safety data sheets are prepared for our crude oil and gas products, where relevant.

Premier is a leading FTSE 250 independent upstream oil and gas company. Our strategy is to focus on growing the underlying value of the business through disciplined investment in high quality projects where we see the potential for attractive returns to shareholders.

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Performance highlights¹



United Kingdom

Number of employees: 216 (p22)
Anti-corruption training: 100 per cent (p13)
Greenhouse gas intensity: 287 (p40)
Community investment: US\$151,014 (p59)

Norway

Number of employees: 27 (p22)
Anti-corruption training: 100 per cent (p13)
Greenhouse gas intensity: n/a (p40)
Community investment: US\$19,330 (p46)

Vietnam

Number of employees: 79 (p22)
Anti-corruption training: 100 per cent (p13)
Greenhouse gas intensity: 343 (p40)
Community investment: US\$109,321 (p52)

Pakistan²

Number of employees: 15 (p22)
Anti-corruption training: 100 per cent (p13)
Greenhouse gas intensity: n/a (p40)
Community investment: US\$102,218 (p51)

Indonesia

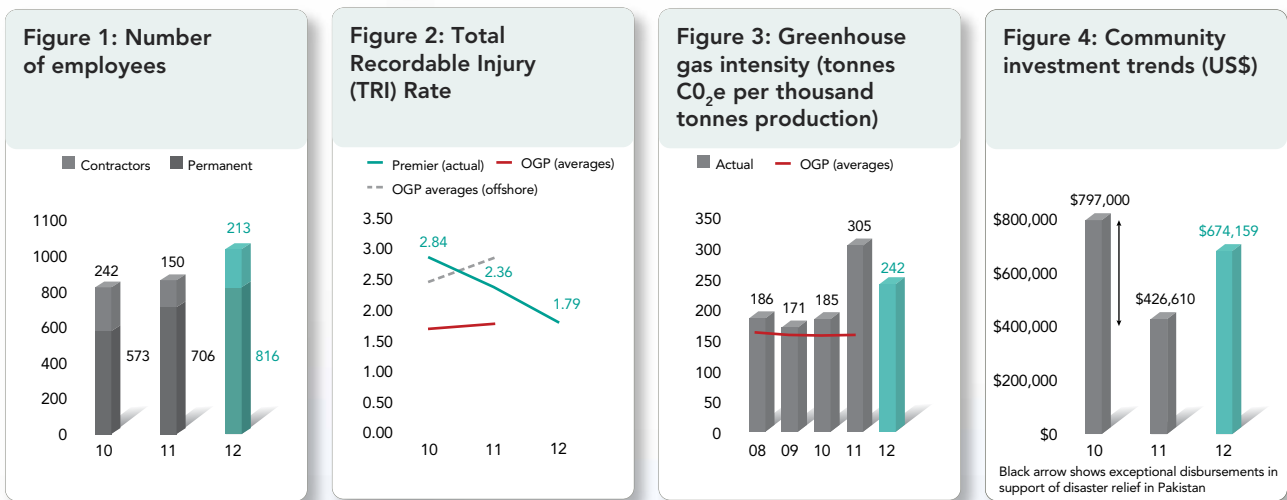
Number of employees: 449 (p22)
Anti-corruption training: 100 per cent (p13)
Greenhouse gas intensity: 163 (p40)
Community investment: US\$268,312 (p47)



Falkland Islands

Business unit established in November 2012 with recruitment and corporate responsibility planning still in progress.

During 2012, we achieved material growth in our revenues, profits and cash flows. Over the same period, we increased the size and skills of our workforce, recorded a significant decline in injury rates and in greenhouse gas intensity. This demonstrates our ability to deliver growth whilst improving health, safety and environmental performance.



20%

Increase in size of workforce in 2012

23%

Reduction in greenhouse gas emissions in 2012

58%

Increase in community investment in 2012

25%

Decline in Total Recordable Injury Rate in 2012

¹ Our Shelley facility in the North Sea was decommissioned in 2012. None of our other facilities are 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 included on our website at www.premier-oil.com/premieroil/operations. Greenhouse gas intensity (measured in tonnes CO₂e per thousand tonnes of production) includes drilling.

² Our assets in Pakistan are owned through a non-operated joint venture.

CHIEF EXECUTIVE'S REVIEW

PREMIER REMAINS COMMITTED TO UPHOLDING THE PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT. THIS REPORT PROVIDES EVIDENCE OF OUR COMMITMENT TO THESE PRINCIPLES, TO OUR OWN POLICIES AND TO CONTINUED IMPROVEMENTS IN OUR BUSINESS ETHICS, SOCIAL AND ENVIRONMENTAL PERFORMANCE. IT ALSO EXPLAINS SOME OF THE AREAS OF OUR BUSINESS WHERE WE ARE CHALLENGED.

Q //
What were Premier's main corporate responsibility achievements in 2012?

The 2012 headline is about improvements in our corporate responsibility performance. Most importantly, we improved our health and safety performance, where our Total Recordable Injury Rate (TRIR) decreased from 2.4 in 2011 to 1.8 in 2012. This positive trend in our TRIR performance was largely due to significant advances at our North Sea operations. Premier also put a new structure in place to provide improved management of occupational health and safety and associated process and technical safety disciplines. This included the establishment of a new Group Technical Safety Manager. We expect these measures to drive continued improvements in 2013 and beyond.

We also changed the structure (and title) of this report in order to reflect the increased scope of issues covered as well as our improved alignment with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (G3.1). These changes to the report structure were accompanied by a refresh of our Corporate Responsibility Policy, Human Rights Policy and our Community Investment Policy, to align more closely with best practice standards, in particular the United Nations Guiding Principles on Business and Human Rights. We see this policy refresh as a next step in our continuous improvement, with further enhancements to our underlying management systems as well as employee training to be carried out in 2013 and beyond. GRI verified this year's report at the B+ Application Level.



Q //
What is Premier doing to address its growing greenhouse gas emissions profile?

In 2012, our greenhouse gas (GHG) emissions intensity reduced to 242 tonnes per thousand tonnes of production (2011: 305 tonnes). This was mainly due to reduced flaring at Chim Sáo in Vietnam. Additional contributing factors included a reduction in development drilling and increased overall production from our Asian and North Sea assets. Our target is to achieve greenhouse gas emissions (GHG) intensity for steady-state production operations in line with the industry median. In 2012, this median was 159 tonnes per thousand tonnes of production. Meeting this target will remain challenging over the medium-term, but Premier remains committed to exploring all opportunities for emissions reductions.

In 2012, in line with this commitment to net emissions reductions, Premier participated in a bid to be part of the UK Government's Carbon Capture and Storage (CCS) commercialisation programme as a partner in the Teesside Low Carbon Consortium (TLC). In addition to removing excess GHG emissions from the atmosphere, we believe the strategic use of CCS is an important element of the UK's energy security, in that it can support the continued supply of coal and fossil fuel production (the injection of CO₂ underground can facilitate Enhanced Oil Recovery (EOR) in the Central North Sea (CNS) region). This in turn would stimulate the CNS oil and gas sector, open up around three billion barrels of otherwise unrecoverable oil, generate billions of pounds in tax revenue over time and defer field decommissioning costs. Disappointingly (from Premier's perspective) the Department of Energy & Climate Change (DECC) decided to progress with alternative bids that do not facilitate EOR opportunities and instead opted for CO₂ storage in aquifers or depleted gas fields. We remain a strong advocate for the potential socio-economic and environmental benefits that our collaboration could deliver. The implications for UK energy security, potential oil taxation revenues and the large Teesside industrial centre are, self-evidently, significant. Premier has since re-engaged DECC proposing the development of a viable CO₂ transport and storage system that links industrial and power capture sources in England to the storage and EOR opportunities in the CNS. We will continue to work with the UK Government and partners in other countries to achieve emissions reduction opportunities.

Q //
How can an oil company say it pursues sustainability?

Premier recognises that its licence to operate as an international upstream oil and gas company must be earned through behaviour that does not compromise the wellbeing of current or future generations, i.e. that contributes positively to sustainable development. We believe the right to development is a basic human right and a key determinant of our long-term business success. We see our oil and gas products supporting sustainable development in host countries as well as in the markets where they are used. This includes through the taxes and royalties we pay to host governments, the wages we pay to employees, our commitment to local recruitment and development, as well as our community investment activities to support local development goals. We increasingly integrate these principles into our business strategy, planning, decision-making and operating management systems. Last year, our refreshed Corporate Responsibility Policy incorporated a sharpened focus on the delivery of value-creation (through responsible and effective exploitation of their natural resources) to host governments and communities. We expect this framework to be further developed in 2013.

Q //
What are your key plans for 2013?

This next year will be a significant year for Premier. The company will continue to grow. We will strive to enhance our production, advance our exploration and development projects and secure new licenses. Corporate responsibility will be a key part of this delivery process as we seek to deliver value-creation and positive impact for our employees, host governments and communities. Each of the functional areas in this report (business ethics, human rights, employees, health and safety, environment, and community investment) have prepared action plans to ensure the continuous improvement of our corporate responsibility performance. We will continue to implement these plans throughout the year and look forward to reporting again on our performance in 2014.

Simon Lockett, Chief Executive

1 Our approach

WE RECOGNISE THAT OUR LICENCE TO OPERATE AS AN INTERNATIONAL UPSTREAM OIL AND GAS COMPANY HAS TO BE EARNED THROUGH RESPONSIBLE BEHAVIOUR THAT DOES NOT COMPROMISE THE WELLBEING OF CURRENT OR FUTURE GENERATIONS. THIS RESPONSIBLE BEHAVIOUR IS A KEY DETERMINANT OF OUR BUSINESS SUCCESS. OUR PERFORMANCE IN THIS AREA IS ARTICULATED THROUGHOUT THIS CORPORATE RESPONSIBILITY REPORT. THIS REPORT COVERS ALL OF OUR OWN OPERATIONS AND DOES NOT INCLUDE NON-OPERATED JOINT VENTURES EXCEPT WHERE SPECIFIED.



About this report

This is our seventh report on corporate responsibility, the previous report having been issued in 2012. Premier reports annually on its corporate responsibility performance. Previous editions of this report were entitled Sustainability Reports or Social Performance Reports. This new report adopts the title of Corporate Responsibility Report, as we feel this better reflects the broader set of issues covered and our aspiration to report in accordance with the International Petroleum Industry Environmental Conservation Association (IPIECA) and Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (G3.1). There were no significant changes in the scope of our operations, reporting boundaries or measurement methods in this versus previous reports.

GLOBAL REPORTING INITIATIVE

The GRI has verified that this report is prepared according to its Sustainability Reporting Guidelines (G3.1) at Application Level B+ (p57). The report covers all of the profile disclosures, disclosures on management approach and performance indicators required to achieve this level of transparency. Further disclosure on our alignment with the GRI is presented on p56. This report is also our annual Communication on Progress to the United Nations Global Compact.

AUDITS AND ASSURANCE

We have policies and procedures in place to ensure that our investment and operational decisions take appropriate account of the impacts that might arise from our activities.¹ These policies cover business ethics, human rights, human resources, health, safety and environment, and community investment. All policies are compliant with relevant legislation and take due account of appropriate standards, industry guidance and relevant best practice.

Premier commissions independent reviews or audits of its policies and their supporting management systems to evaluate compliance with the requirements of the following bodies: the GRI; IPIECA Oil and Gas Industry Guidance on Voluntary Sustainability Reporting 2010; the Carbon Disclosure Project; FTSE4Good and the United Nations Global Compact. This report discusses how we have evolved, applied and delivered on our stated policies in 2012, and explains any areas where we have not complied. It also includes a separate assurance statement from ERM CVS on safety and environmental data integrity (p55).

Further details on our policies and procedures are available on our website at www.premier-oil.com.

ACCOUNTABILITY

In 2012, Premier reorganised its Executive Committee to deliver clearer accountability for business unit and support function performance and to enhance our focus on growth and strategy. This reorganisation included the establishment of a Corporate Services function comprised of legal, audit, risk management, public affairs and other non-finance, non-technical functions. The Corporate Services Director and Finance Director represent the Executive Committee at meetings of the Board's Audit and Risk Committee. Production of this Corporate Responsibility Report is the responsibility of the Group Audit, Risk and Public Affairs Manager. Further information on the restructured Executive Committee is included in our Annual Report and Financial Statements 2012.

¹ Further details on our approach to governance, financials and production are included in our Annual Report and Financial Statements 2012.

OUR APPROACH (continued)

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

Tony Durrant, Finance Director



Continuous improvement

Our last report identified improvement opportunities relating to our corporate responsibility performance. Steps were taken in 2012 to address each of these areas and to strengthen further our underlying management systems. A summary of key actions taken is presented in Figure 5 with further enhancements to our policies and practices presented throughout this report. This includes revisions to the Corporate Responsibility Policy, Human Rights Policy and Community Investment Policy.

We are committed to continuous improvement in our corporate responsibility performance, and have included next steps for 2013 and beyond where appropriate throughout this document.

Figure 5: Delivering on our commitments

Report section	Our commitment in 2012	Actions taken over the last year	Page
Business ethics	Delivery of online ethics training on our Code of Conduct and anti-corruption for use by employees	Online training was introduced in 2012 and completed by all employees and consultants	p13
	Review of our Code of Conduct to ensure alignment with employee feedback and external benchmarking	The Code of Conduct was confirmed to align with new guidance on facilitation payments issued by the United Kingdom Serious Fraud Office	p13
Employees	Continued roll-out of our People Strategy to support continued growth in exploration and production	Significant progress was made in areas of recruitment, development and the retention of high calibre employees	p21-22
Health and safety	Continued implementation of our Golden Rules to support continuous improvement in our safety performance	Reinforcement of the Golden Rules helped improve our safety performance including a reduction in Total Recordable Injury Rates from 2.36 in 2011 to 1.79 in 2012	p27, 29
	Review Loss of Primary Containment (LOPC) reporting metrics	Greater alignment of LOPC monitoring and reporting with OGP guidance	p31-32
Environment	Achieving a greenhouse gas emissions intensity in line with the OGP industry average	Significant reduction in greenhouse gas emissions intensity from 305 tonnes CO ₂ e per thousand of production tonnes in 2011 to 242 in 2012, but still not aligned with the OGP industry average	p40
	Increased precision in emissions accounting	Installation-specific data have now been applied in all greenhouse gas emissions accounting and have been externally assured by ERM CVS	p39-40
Community investment	Focus on the development of local capacity and educational initiatives that deliver social and economic returns for local communities and host governments	Premier launched a new Community Investment Policy with greater focus on contributing to development goals and value creation for host communities. In-depth reporting on the increased alignment of local programmes with these commitments is included in the community section	p44-53

OUR APPROACH (continued)

Engagement and transparency

Proactive and transparent stakeholder engagement is at the heart of our business philosophy. Premier has developed a programme of engagement with different stakeholders in order to build a greater understanding of their concerns relating to 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 influences how we benchmark, evaluate and report on our performance over time.

Our engagement activities fall into two types:

- 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 (p7).

All of our operations identify, prioritise and directly engage stakeholder groups that have the potential to affect our production, financial and corporate responsibility performance. Our corporate and regional management teams also implement an ongoing programme of direct and indirect engagement with key stakeholder groups. Relevant outcomes from operational and strategic stakeholder engagement are logged and addressed as part of Premier's risk management process (p11). Premier intends to review these processes in 2013 in order to achieve greater consistency in rigour and application across the business.

Figure 6: How we engage our stakeholders

Stakeholders	Engagement mechanisms
Investors	
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
Employees	
Employees	Employee engagement, direct dialogue, 360° reviews
Contractors	Direct dialogue, integration into workforce, contract agreements
Organised labour	Collective labour agreements, regular meetings
Society	
Government	Direct dialogue including with the Falkland Islands Government, members of the legislative assembly, the UK Foreign & Commonwealth Office, the Indonesian Ministry of Environment
Regulatory authorities	Direct dialogue including with DECC, the United Kingdom Health and Safety Executive, SK Migas and the Petroleum Safety Authority Norway
Media, NGOs, opinion formers	Direct dialogue through industry bodies including the International Association of Oil and Gas Producers (OGP), IPIECA, Oil & Gas UK, Step Change as well as those NGOs we engage through our community investment programmes (p44-53)
Potential business partners	Direct dialogue and contract agreements including with Teesside Low Carbon Consortium and joint venture partners
Suppliers	Direct dialogue and contract agreements with seismic contractors, drilling rig owners, Floating Production Storage and Offloading (FPSO) facility owners, construction companies and shipyards
Local communities	Direct dialogue and community investment programmes (p44-53)

Risk and opportunities

Our approach to corporate responsibility is to manage and mitigate those risks that are most relevant and material to stakeholders and that can affect our commercial interests. Premier's Risk Management Policy was implemented in 2011 specifically to ensure:

- our people and our assets are safeguarded and protected;
- 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; and
- compliance, stakeholder confidence and trust.

Our Risk Management Policy is aligned with the International Organization for Standardization (ISO) 31000 principles and guidelines; a global benchmark for risk management practices. It helps inform the Board decision on risk appetite, identify and evaluate those risks that most impact our business and ensures the necessary risk controls and mitigating measures are in place and effective. It also supports our efforts to achieve the highest levels of corporate governance and associated requirements for listed businesses. This report focuses on the key corporate responsibility impacts, risks and opportunities for our business.



2 Business ethics

INTEGRITY, HONESTY AND FAIRNESS ARE FUNDAMENTAL TO THE WAY WE CONDUCT OUR BUSINESS. WE WILL NOT ENGAGE IN ANY ACTIVITIES, INCLUDING BRIBERY OR CORRUPTION IN ANY FORM, THAT UNDERMINE THE LEGITIMATE BUSINESS ENVIRONMENT. WE ARE COMMITTED TO TRANSPARENCY IN ALL OF OUR DEALINGS.



Global Code of Conduct

In June 2011, Premier issued its Global Code of Conduct and the associated due diligence process. The Code of Conduct is available in both English and Bahasa Indonesia for those employees and contractors based at our operations in Indonesia (our largest business unit abroad). It will be translated and made available in Vietnamese during the course of 2013. The Code of Conduct is compliant with the United Kingdom's Bribery Act and covers the following key areas:

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

In October 2012, the United Kingdom's Serious Fraud Office (SFO) issued revised guidance on the Bribery Act. This guidance confirmed facilitation payments as illegal bribes. It also made clear that self-reporting / transparency of any offence is a critical part of any internal investigation and due diligence process; and will be a key feature in any SFO investigation. Our Code of Conduct, its supporting policies, training materials and disclosures are consistent with this updated guidance.

SCOPE OF APPLICATION

The Code of Conduct applies to employees at every level in the business and those associated with Premier such as contractors; all of whom are required to behave ethically and with personal integrity. This includes adhering to laws in the countries in which we operate, explore and have joint venture interests (p2). All employees and associates are required to perform their duties in accordance with the Code of Conduct, and to disclose any potential and actual conflicts between personal interests and those of Premier. The Code of Conduct requires all transactions relating to Premier to be recorded in proper detail and according to applicable accounting and reporting standards. Any breach of the Code of Conduct 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 of Conduct.

TRAINING AND MONITORING

Our legal team delivered a comprehensive set of workshops on the Code of Conduct and its requirements to all business units worldwide during 2011 and 2012. Each of our business units is analysed for risks relating to corruption, some being more exposed than others depending on geography and area of work. The content of our training was refined to take account of local nuances and cultural norms and thus better equip local teams to manage business ethics risks. An additional online training course was introduced in 2012 and was completed by all employees and consultants. All new employees and consultants are expected to complete the online ethics training programme within one month of joining the company. A briefing on the content of the Code of Conduct is also included in the induction programme.

We followed up on this implementation in 2012 with an employee survey to establish how well our Code of Conduct has been understood by employees and is effectively embedded in the way we work. The survey was conducted with a cross-section of employees at each business, with over 98 per cent confirming that they understood both how the Code of Conduct works and how it affects them in their job. About 95 per cent confirmed that they found the training helpful. An online refresher training programme and questionnaire were also developed in 2012 and will be completed by all employees annually and monitored by the human resources department (p21).

BUSINESS ETHICS (continued)

Suppliers and contractors

Our Code of Conduct prohibits bribery and corruption in any form by employees and those working for or connected with the business. This includes facilitation payments and 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 of our business relationships in all areas of operation and we promote our Code of Conduct with all of our business associates.

WORKING WITH INTERMEDIARIES

Premier sometimes uses intermediaries, agents or other independent parties in its engagements with governments, 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 third party references and information searches. Intermediaries are formally obliged under our standard contracts to adhere to our Code of Conduct and, if appropriate, may 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 also based on the business ethics, environmental, safety and human rights records of suppliers.

Those who work on 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. Procedures have been established and communicated at all business units requiring approval for gifts / hospitality above certain limits and for any accepted gifts to include a record of approval. Our tender process requires suppliers and contractors to document their compliance with and commitment to our Code of Conduct.

INCLUSION IN CONTRACT AGREEMENTS

Anti-bribery wording is explicitly included in all of our agreements. This includes either the acceptance of the Premier Code of Conduct, the appropriate anti-corruption and business ethics clauses in contract agreements or the existence of the counterparties' own Code of Conduct and supporting policies and procedures. We acknowledge that local, social, political and cultural conditions may make it impossible 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 withdraw from relationships where no positive progress is made over time.

Public policy and government relations

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

Premier does not and has not made any political donations or contributions during the reporting period. Premier is a member of a number of local industry bodies, some of which participate in lobbying activities. Examples include the Association of Oil and Gas Producers (OGP), Oil & Gas UK Limited and the Pakistan Petroleum Exploration and Production Companies Association.

Promoting transparency and compliance

Employees are expected to report bribery or attempted bribery to their line managers, even if only suspected or attempted. Any allegation of corruption will 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 think the company, or anyone working on behalf of the company, has not acted in accordance with our Code of Conduct. 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.

CONFIDENTIAL THIRD PARTY HOTLINE

We recognise that in certain circumstances employees might not feel comfortable talking to their line manager. Premier 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 business ethics and compliance, health and safety, environment and human rights. A series of reminders were issued during the year about the existence of this confidential 'whistle-blowing' facility. No reports have been made through this service in 2012 or at any point over the last three years.

AUDITING AND REPORTING

In 2012, we completed audits at our Indonesia and Vietnam business units to assess the extent to which the Code of Conduct and its supporting policies are being applied. All employees were found to have a clear understanding of the Code of Conduct and its requirements and to be implementing them effectively.

Premier was not subject to any fines or non-monetary sanctions for breaches of laws or regulations, or to any legal actions relating to business ethics or anti-competitive behaviour during the reporting period.¹ No incidents of corruption or non-compliance with the Code of Conduct were identified in 2012.



¹ This includes no incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling. It also includes no incidents of non-compliance with regulations and voluntary codes concerning marketing communications (including advertising) promotion and sponsorship.

3 Human rights

THE LAST FEW YEARS, CULMINATING IN THE LAUNCH OF THE UNITED NATIONS GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS, HAVE SEEN THE EMERGENCE OF A GLOBAL 'PROTECT, RESPECT AND REMEDY' FRAMEWORK FOR THE ADVANCEMENT OF HUMAN RIGHTS. THE GUIDING PRINCIPLES OUTLINE A SERIES OF FOUNDATIONAL AND OPERATIONAL PRINCIPLES ON THE ROLE OF THE STATE TO PROTECT HUMAN RIGHTS, THE CORPORATE RESPONSIBILITY TO RESPECT THROUGH COMPLIANCE WITH ALL APPLICABLE LAWS AND FOR APPROPRIATE JUDICIAL, ADMINISTRATIVE OR LEGISLATIVE MEANS TO REMEDY HUMAN RIGHTS INFRINGEMENTS. 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.



Our policy framework

In 2012, Premier conducted a review of its Human Rights Policy against best practice standards and the position of 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 and complementary policy framework and management system. Our revised policy more explicitly recognises the moral, reputational and operational value of respecting and promoting human rights both inside and outside the company. It includes the need to:

- engage with stakeholders in our efforts to respect and promote these rights (p10);
- recognise the development and cultural rights of external stakeholders as basic human rights (p45);
- recognise our responsibility to respect the rights of indigenous peoples in all countries where we operate (p37)¹;
- help prevent, manage and resolve conflict where we are in a position to do so;
- ensure we are in no way involved or associated with the issue of forced, involuntary or child labour (p25);
- ensure our security practices do not undermine the human rights of local communities (p35);
- encourage joint venture partners to adopt the principles in this policy;
- consider withdrawal from relationships with business partners 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.

Our Human Rights Policy is based on the fundamental rights set out in the Universal Declaration of Human Rights and is guided by those rights enshrined in the core labour conventions of the International Labour Organisation and by the United Nations Global Compact. Our policy addresses the rights of our employees, including their health and safety as well as their security arrangements and working conditions; and the development rights of our external stakeholders, in particular local communities. Summaries of performance across all aspects of this policy are presented throughout this report.

There were no reported violations of our Human Rights Policy in the review period.¹

www.premier-oil.com

www.ohchr.org

www.unglobalcompact.org

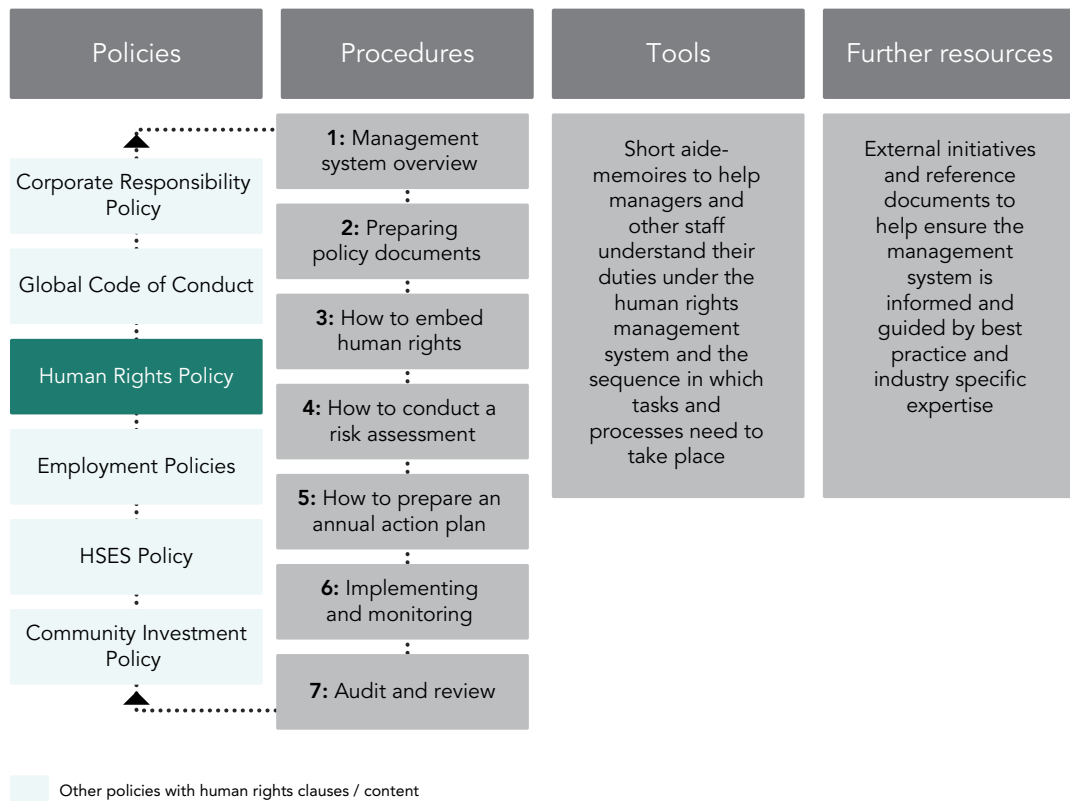
¹ There were no violations involving rights of indigenous people in 2012. There were also no disputes with indigenous peoples in 2012. No involuntary resettlement activities took place in 2012. All of our operations are currently located offshore.

HUMAN RIGHTS (continued)

Our management system

In 2009, Premier developed its first draft human rights management system based on the identification, evaluation, management and resolution of human rights risks and conflict. These procedures are integrated into our business management system and are available to local business units and all employees across the group (Figure 7). They were initially developed to support local functions in their country-specific programmes, including the identification of appropriate local initiatives and partners to deliver on our policy commitments. Premier is committed to continuous improvement in its human rights performance and is currently revising these due diligence processes to align as closely as possible with our updated Human Rights Policy.

Figure 7: Our human rights due diligence framework





OUR APPROACH

BUSINESS ETHICS

HUMAN RIGHTS

EMPLOYEES

HEALTH AND SAFETY

ENVIRONMENT

COMMUNITY INVESTMENT

4 Employees

PREMIER IS COMMITTED TO UPHOLDING THE PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT. THIS REPORT PROVIDES EVIDENCE OF OUR COMMITMENT TO THESE PRINCIPLES, INCLUDING THE LABOUR STANDARDS PRINCIPLES THAT ARE DERIVED FROM THE INTERNATIONAL LABOUR ORGANIZATION'S DECLARATION ON FUNDAMENTAL PRINCIPLES AND RIGHTS AT WORK.



Our policy framework

We aim to provide our staff with safe working conditions and just and competitive terms of employment. This is a core part of our business and People Strategy. This means respecting all individuals regardless of ethnic origin, creed, age or gender. We are an equal opportunities employer. When recruiting, developing and dealing with employees and service providers, people will be treated fairly, equally and without prejudice. We respect the right of individual employees to join a legitimate trade union. Through training and appraisal, we encourage staff to develop their own professional skills to the advantage of both the individual and company.

This sentiment is embedded in our employment policies which apply to all permanent, contractual and temporary staff as well as all job applicants. There were no reported violations of these policies in 2012. There were also no reported instances of discrimination and no use was made of our formal grievance procedures.

In 2011, Premier launched a new People Strategy to support its continued growth in exploration and production. The strategy is accompanied by a suite of updated tools and processes to facilitate the recruitment, development, deployment and retention of high calibre employees. It promotes efficiency, innovation, knowledge sharing and leadership all of which are essential to the delivery of our business goals. 2012 saw the continued roll-out of this strategy across the group.

🌐 www.premier-oil.com

Employee engagement

To supplement the informal day-to-day feedback by employees to line managers and human resources functions, Premier also completes structured employee satisfaction and engagement surveys. Premier first surveyed employees on their satisfaction with company employment practices in 2008, with a follow-up survey undertaken in 2011. The surveys covered employee viewpoints on commitment, compensation, retention, the work environment and other issues. Each of our business units responded to the results of these surveys in 2012, through the implementation of local mitigation measures thereby contributing to our wider People Strategy and the recruitment, development and retention of top talent. The next survey will be conducted in 2013.

Additional feedback is obtained through a variety of mechanisms including our risk questionnaire, Code of Conduct survey (p13), IT questionnaires, as well as through our performance and development review processes (p24-25). Our policy is to encourage free communication between employees and managers to ensure that issues are aired and where possible resolved quickly to the satisfaction of all concerned. A formal, confidential grievance procedure is available in local languages where employees feel uncomfortable raising concerns through informal discussion and the normal management channels; and will not prejudice the aggrieved employee's current employment or future career prospects. Our external whistle-blowing hotline (p15, 60) further ensures employees are able to raise such issues without fear of recrimination.

EMPLOYEES (continued)

Employee numbers

At the end of 2012, Premier had 816 (2011: 706) employees, the majority of whom are located in the United Kingdom and Asia. This represents an increase of 16 per cent (2011: 23 per cent) due mainly to the expansion of our operations in Indonesia and the North Sea, with a 37 per cent increase in permanent workers in Aberdeen alone (2011: 14 per cent). This reflects the on-streaming of our Huntington and Rochelle fields in 2013, as well as a general increase in our exploration, drilling and project development activities across the group. 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. This last year also saw a significant increase in the employment of contractors (from 142 to 213) especially at our North Sea operations and new Falkland Islands business unit.

Figure 8: Employees by country¹

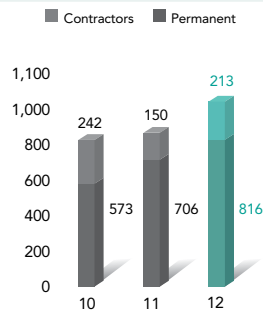
Location	2010	Turnover	2011	Turnover	2012	Turnover
Falkland Islands	n/a	n/a	n/a	n/a	16	-
Indonesia	327	16	433	42	449	28
Norway	23	1	23	2	27	3
Pakistan	15	3	16	-	15	1
Singapore	14	1	14	-	14	-
United Kingdom	132	10	149	9	216	6
Vietnam	62	2	71	4	79	4
Total	573	33	706	57	816	42

Figure 9: Employees by gender and age group

Country	Gender		Age group				
	Male	Female	18-25	26-40	41-50	50-65	Over 65
Falkland Islands	14	2	-	3	7	6	-
Indonesia	389	60	6	238	141	64	-
Norway	18	9	-	10	11	4	2
Pakistan	14	1	1	6	6	2	-
Singapore	5	9	0	5	4	5	-
United Kingdom	144	72	8	86	61	57	4
Vietnam	35	44	5	47	19	7	1
Total	619	197	20	395	249	145	7

¹ Does not include contractors. Employee turnover includes those that leave the organisation voluntarily or due to dismissal, retirement, or death in service. Figures for 2010 and 2011 have been re-stated using data from our new People Portal, in order to ensure consistency in approach with 2012.

Figure 10: Number of employees²



Pay and benefits

Our 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. The 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.

Our reward programme identifies employee reward as comprising of four main categories: core salary, annual performance 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 market in which we operate. The policy is approved by the Remuneration Committee which also reviews and approves the remuneration of Premier's executive directors and senior managers.

SALARIES AND BENEFITS

We commissioned two independent benchmarkings of our salary and pay scales in each business unit during 2012 to ensure that our salary and benefit packages remain competitive both locally and globally. We continue to aim to pay top-quartile base salaries in each country of operation where this is supported by individual performance. This supports our ability to retain and recruit the right skills for our growing pipeline.

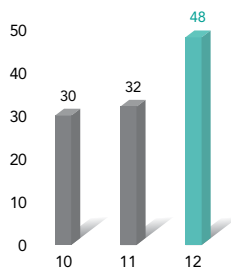
Premier provides a set of core benefits including bonuses and pensions to all employees. The precise manner in which these and other benefits are implemented may differ from country to country depending on national employment legislation and local circumstances. Benefits are provided to both full and part-time employees (on a pro-rata basis).

Premier provides all employees with a total reward statement for the calendar year. The statement includes a detailed breakdown of all payments to employees 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 of our operations and employee types, will be implemented in 2013.

² 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 hired by suppliers, such as those involved in the construction of rigs in Indonesia or Vietnam or cleaning services. Note: all of the above groups are included in our health and safety statistics.

EMPLOYEES (continued)

Figure 11: Average hours of training per year (per employee)¹



PERFORMANCE MANAGEMENT

A performance management and appraisal system is 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 and feedback from managers throughout the year. The appraisal system enables an individual performance rating that is calibrated against group wide data to inform salary and bonus recommendations. This consistent development and reward process continues to be a vital part of our People Strategy. It also provides additional flexibility in people transfers around the business as we bring a number of new projects on-stream over the next few years.

At the end of the year, performance against an individual's targets is assessed and a recommendation is made by the line manager via a new online performance rating tool implemented in 2012. We completed training roadshows on the performance management process at all business units to help ensure that a consistent approach to employee compensation and development is applied for all our people worldwide. All of our employees received performance and career development reviews in 2012.

BONUS AND LONG-TERM INCENTIVE SCHEMES

Premier recognises outstanding performance through its reward programmes. Annual non-pensionable and discretionary bonuses may be paid to all employees on the achievement of a challenging range of corporate and team targets. The company also offers a Long-Term Incentive Plan (LTIP). The plan 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 primary incentive vehicle for the company. The Remuneration Committee also has discretion to grant Conditional Share Awards to new employees. Further details on bonus and performance related pay schemes are contained in the Remuneration Report presented as part of Premier's Annual Report.

Developing our workforce

Premier aims to expand its operations principally in four distinct regions: Asia, the Middle East, 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 to enhance their effectiveness at all levels within the organisation. Nationals occupy senior roles including those of chief accountant, human resource manager, HSES manager, senior drilling engineer, as well as senior geoscientist and project engineering roles. Premier is also looking progressively 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 2012, 95 per cent of our employees were nationals (locals) (2011: 96 per cent) with the remaining small number being expatriates.

¹ Excludes training hour information for our London office as this is not currently recorded other than as payments of invoices. In 2012, Premier spent a total of £138,000 on 53 training events at our London office.

RECRUITING, DEVELOPING AND RETAINING TALENT

In 2012, Premier implemented a global Recruitment Policy and procedure. It also issued a recruitment tool-kit to all managers and is in the process of establishing an in-house recruitment function. In 2012, we recruited 134 new employees (2011: 133).

We continue to support all employees in their personal development. This includes mentoring, coaching, annual performance reviews (p24) and e-learning, as well as part-time and full-time training courses where relevant and applicable (Figure 11). We monitor the training provided to employees around a set of individual development objectives. In 2012, Premier implemented a global competency model with a focus on the development of business, leadership, behavioural and health, safety and environment skills in all employees. This includes structured internal and external training programmes, short courses and professional qualifications. Further opportunities can include specifically tailored leadership and development programmes for those transitioning to general management roles. These are now aligned with our succession management planning. Specialist human resources functions have been engaged in Indonesia and at our North Sea operations to focus on learning competency and training of key employees in the region.

The average time spent in training increased significantly from 32 hours per employee per year in 2011 to 48 hours in 2012. Much of this increase was in the North Sea region where it increased from 44 hours to 58 hours and in Vietnam where it increased from 32 hours to 61 hours. This reflects our increased development activity in each region and the first year of full production from the Chim São field in Vietnam.

GROUP WIDE SUCCESSION MANAGEMENT PROGRAMME

Premier's succession management programme for senior managers, including both national and international staff, identifies potential successors for key positions. An equivalent process of succession management was initiated for each business unit in 2011 and was completed in early in 2012. Our human resources functions continue 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 resources. This includes tailored capacity building, experiential learning and individual development plans for future leaders. Ongoing progress is monitored by the Nomination Committee.

Freedom of association and collective bargaining

Premier employees tend to occupy either administrative office-based or highly technical roles and are paid significantly more than the minimum wage. 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 business unit currently has a formal collective labour agreement 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. At the end of 2012, our 449 employees in Indonesia represented around 55 per cent of the total Premier permanent workforce (2011: 60 per cent).

Premier provides its employees and their elected representatives (where relevant) with one month's notice regarding any significant operational changes that might affect them.

Forced labour and child labour

Our commitment to the United Nations Global Compact (UNGC) recognises the need to eliminate all forms of forced and compulsory labour. The UNGC also promotes the abolition of child labour. These commitments are reinforced in our Human Rights Policy (p17). None of our operations has been identified as being at significant risk for incidents of forced labour or child labour. This relates partly to the nature of the work and our employment of individuals in largely administrative office-based or highly technical roles. No incidents of forced labour or child labour were recorded at our operations in 2012.

5 Health and safety

Health, Safety, Environment and Security Policy

Premier is committed to operating responsibly and will never knowingly compromise our health, safety or environmental standards to meet our operational objectives.

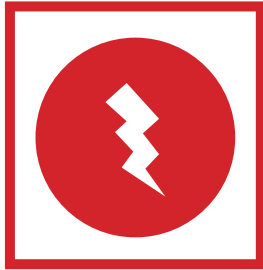
Our goals are to ensure the safety of everyone involved with our operations and to protect the environment.

To achieve this we will:

- 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 processes;
- 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

In 2010, Premier implemented and communicated a new Health, Safety, Environment and Security (HSES) Policy at all operations worldwide. Our focus since this time has been on the structured and consistent roll-out of this policy across the group. In 2011, we introduced and communicated our Golden Rules. Both the policy and our Golden Rules are endorsed by our Chief Executive.

The Golden Rules reinforce our HSES Policy, procedures and standards, and were designed to help prevent the most common causes of serious incidents at operating facilities in our industry. Reinforcement of the Golden Rules during 2012 has been a key part of our commitment to excellence and continuous improvement in health and safety performance.

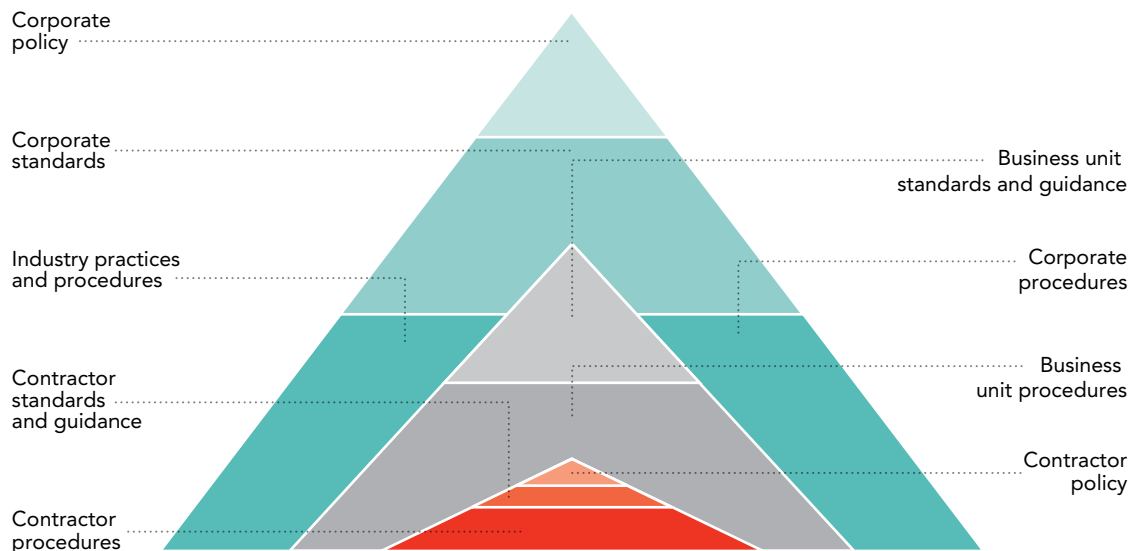
Premier also provides education, training and risk-control programmes to assist and prevent employee exposure to disease. This has included risk assessment modules on HIV and AIDS for our previous operations in Africa. We align with the Oil & Gas UK guidance on fitness for work. Premier also has a policy of strictly prohibiting alcohol and drug use and provides counselling to support any individual that is found to be affected.

Our management system

Our HSES management system is aligned with the industry model prepared by the International Association of Oil and Gas Producers (OGP). It is supported by a number of internal standards. These are based on the seven elements of the OGP HSE management system model: leadership and commitment, policy and strategic objectives, organisation and resources, evaluation and risk management, planning, implementation and monitoring, and audit and review. Each area of our business (exploration, drilling, project development, project execution, production operations and office facilities) references these HSES standards and processes within its own management system (Figure 12). The management system prescribes how HSES will be addressed, monitored and measured across our global operations and in major contracts.

Premier continues to review and update its corporate HSES management system on an ongoing basis to facilitate continuous improvement and to ensure alignment and compliance by the business units as new processes are implemented. Our HSE management system was further updated in 2012 to include new process safety reporting metrics and further upgrading of our Electronic Accident and Incident Reporting System (EARS). This now includes process safety indicators and Golden Rules fields. Further improvements planned for 2013, include the addition of further safety metrics to EARS and new environment data fields in the Premier Oil Environmental Management System (POEMS).

HEALTH AND SAFETY (continued)

Figure 12: Tiered hierarchy of our HSES management system**LEADERSHIP AND COMMUNICATION**

The Chairman and the Board are committed to achieving excellence in HSES performance through our HSES management system. A summary of our HSES performance is reported each month and reviewed by the Board and by the Executive Committee who also review HSES performance and a series of quarterly performance reviews held with each business unit.

Over 75 per cent of employees are represented in formal joint management-worker health and safety committees. Our drilling and construction operations have Premier HSES advisors supported by safety officers from the workforce. They conduct regular safety meetings to discuss health and safety issues with employees. We also require our employees and contractors working offshore to have a two-yearly medical assessment in accordance with Oil & Gas UK Guidelines for Medical Aspects of Fitness for Offshore Work. Premier also participates actively in dialogue with industry bodies such as OGP, Oil & Gas UK, Step Change as well as the Health and Safety Executive in the United Kingdom. Together these activities facilitate a sharing of best practice and ensure we are continuously reviewing our processes, procedures and practices to integrate them into our standard way of working.

In 2012, Premier implemented a new structure to facilitate improved management of the occupational health and safety and associated process and technical safety disciplines. This included the establishment of a dedicated new Group Technical Safety Manager position focused on process and technical safety. Our structure includes dedicated HSES and process and technical safety personnel in both project and production operations, as well as a more structured support and assurance process across all levels of the organisation. We are reviewing and updating the standards and processes in our HSES management system and will be implementing a number of enhancements, new initiatives and consistent ways of working across the business in 2013.

④ www.ogp.org.uk

④ www.oilandgasuk.co.uk

④ www.hse.gov.uk

EMPLOYEE ACCOUNTABILITY

Premier continues to ensure that every employee, contractor and individual at our operations understands company policies and expectations. Every employee is accountable and has a personal responsibility for health, safety and environment. Employees are expected to 'stop the job' if they see or believe something can be better controlled or is unsafe.

HSES awareness is emphasised as part of the induction process for all employees. Employees who work on, or travel to, offshore facilities are also required to complete a basic offshore survival induction and emergency training programme and every four years they complete an offshore emergency training refresher. Last year saw the development of our e-learning programme for Golden Rules. Premier is now also reviewing other opportunities for e-learning and further use of this medium in the future e.g. minimum industry safety training.

Team performance contracts are prepared for each operational function and asset team and individual performance contracts are 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. These key people are members of our HSES Forum and are supported by regular communication on HSES issues such as company-wide safety alerts after each high potential incident (p31).

AUDIT AND ASSURANCE

As part of the HSES management system, Premier implements an ongoing process of both internal and external review and audit. This includes external audits and certifications to OHSAS 18001 (on health and safety management) and ISO 14001 (on environmental management) for production and drilling.

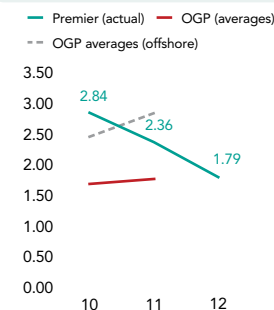
Premier has been certified to OHSAS 18001 and ISO 14001 since 2004 for global drilling and since 2006 for our Indonesian production operations. In 2012, we completed a number of OHSAS 18001 and ISO 14001 surveillance audits on our production and drilling operations. During 2012 drilling, Anoa and Balmoral production retained their certifications and Gajah Baru was added to the scope of our Indonesian production operations certificate. Our Chim Sáo production operation in Vietnam is working towards OHSAS 18001 and ISO 14001 certification in 2013.

Targets and performance

Each year we benchmark our operations against OGP's annual safety performance averages in order to inform the setting of group wide and function-specific safety targets for the following year. The Board agrees annual targets and these form part of any employee bonus award. Targets are monitored and measured monthly, reviewed quarterly by the Executive Committee and reported to the Board. All of our safety performance data includes both Premier employees and (directly and indirectly employed) contractors on our operations. They also relate to all areas of our business: drilling, construction and production.

Our two main safety indicators are TRIR (Total Recordable Injury Rate) for occupational safety and HIPOR (High Potential Incident Rate) for process safety. We are in the process of enhancing our process safety metrics by including data on LOPC (Loss of Primary Containment) and will report this metric in future reports.

HEALTH AND SAFETY (continued)

Figure 13: Total Recordable Injury (TRI) Rates¹

Occupational safety

In 2012, we worked 6.1 million man-hours (2011: 7.2 million man-hours). This decrease on the previous year was due to reductions in drilling man-hours (from 1.7 million man-hours in 2011 to 0.8 million man-hours in 2012) and in construction (from 2.8 million in 2011 to 2.0 million in 2012). Most of these man-hours (4.3 million vs. 5.9 million in 2011) were worked by contractors on our operations. We expect to see a progressive increase in man-hours during 2013 with a number of projects moving into the construction phase.

TOTAL RECORDABLE INJURY RATES

Our overall TRIR performance improved significantly from 2.4 in 2011 to 1.8 in 2012, reflecting continued improvement in performance over the last three years and meeting our 2.0 target. TRIR performance at our construction operations was exceptional at 0.0 (2011: 1.8), much improved at our production operations at 2.8 (2011: 6.1), but poor at our drilling operations at 7.5 (2011: 0.0). This overall positive trend in our TRIR performance was largely due to significant improvements at our North Sea operations where rates improved from 9.4 in 2011 to 4.5 in 2012; following a series of site-specific safety initiatives and leadership courses to address the previously high number of mostly minor accidents including slips, falls and finger injuries at our production facilities. Our operations in Asia continued to perform well with a TRIR score of 0.9 (2011: 1.5). Our TRIR target for 2013 is 2.0 with a stretch target of 1.4. This aligns with the OGP median and top quartile respectively.

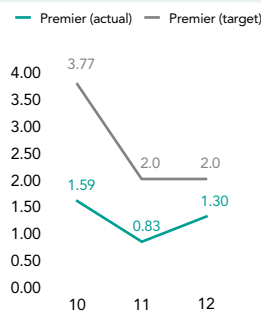
We also monitor all cases of occupational illness, with none identified or reported in 2012 (2011: 1).

Figure 14: Occupational safety data

Parameter	2010	2011	2012
Man-hours	8,817,234	7,191,107	6,139,735
Fatalities	1	1	0
Lost Work Day Cases (LWDC) ²	4	7	5
Restricted Work Day Cases (RWDC)	9	3	2
Medical Treatment Cases (MTC)	10	5	4
Key Performance Indicators (KPIs)			
Target Total Recordable Injury Rate (TRIR)	n/a	2.0	2.0
Actual Total Recordable Injury Rate (TRIR)	2.84	2.36	1.79

Note: All safety statistics include both Premier employees and contractors. Premier uses the same definition for LTI, RWDC and MTC as OGP where LTIs are identified as 'a fatality or lost work day case and the number of LTIs is the sum of fatalities and lost work day cases.' 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' or being assigned to other work or performing a restricted set of duties. 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.'

¹ This measure captures all Lost Time Injuries (LTI), Restricted Work Day Cases (RWDC) and less significant Medical Treatment Cases (MTC) per million man-hours. It thus helps benchmark our performance against a rigorous assessment of performance independent of injury severity. Note: OGP averages are calculated in May of the following year and therefore OGP averages for 2012 were not available at the time of issuing this report.

Figure 15: High Potential Incident (HIPO) Rate

Process safety

HIGH POTENTIAL INCIDENTS

Insight into HIPOs and their rate of occurrence enable us to learn how to mitigate future incidents, often by addressing the root causes. We believe these HIPOs act as a leading indicator of risk and potential injury and complement well the continued testing of asset integrity through our Project Safety Reviews (PSRs) and safety case processes.

Last year saw a slight increase in high potential incidents per million man-hours from 0.8 in 2011 to 1.3 in 2012. This was well within our target of 2.0. The increase in rate from 2011 was due to a significant decrease in the number of man-hours but a small increase in the number of high potential incidents from six in 2011 to eight in 2012 (seven of which occurred at our Asia operations). Performance improved at our construction operations where there were zero high potential incidents in 2012 (2011: one). All of the eight high potential incidents identified in 2012 were investigated in-depth, corrective actions identified and their implementation monitored. Safety alerts based on each incident were made available to employees in order to share learning across the group. Safety alerts are mandatory for all HIPOs and may also be issued where there are incidents or events that require heightened awareness and caution. Our HIPOR target for 2013 is 1.5 with a stretch target of 1.0

Figure 16: Process safety data

Parameter	2010	2011	2012
High Potential Incidents (HIPO)	14	6	8
Key Performance Indicators (KPIs)			
Target High Potential Incident (HIPO) Rate	3.77	2.0	2.0
Actual High Potential Incident (HIPO) Rate	1.59	0.83	1.30

LOSS OF PRIMARY CONTAINMENT

Measurement of LOPC is a new metric proposed by OGP. We recognise that further work is required to harmonise process safety performance measurement across the industry; and we continue to work with OGP as a member of its process safety sub-committee to develop an industry approach to indicators and reporting that includes leading metrics. It is anticipated that OGP will publish the first LOPC industry data in 2013, and that this will be used to set future Premier targets.

In 2012, there were 41 LOPC events (2011: 35) at our operations. Of these none were Tier 1 LOPC events (2011: one). There were seven reported Tier 2 events (2011: five). The remaining minor events (34) included small gas leaks and contained oil spills that did not reach the environment. Tier 1 events are those where there is a significant loss of containment from a process system, i.e. gas over 500kg and oil over 1,000kg (outdoor). Tier 2 events are those releases of lesser consequence i.e. gas over 50kg and oil over 100kg (outdoor) and some events defined by API.

² OGP defines a Lost Work Day Case (LWDC) 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. 'Any day' includes rest days, leave days, public holidays or days after ceasing employment'.

HEALTH AND SAFETY (continued)



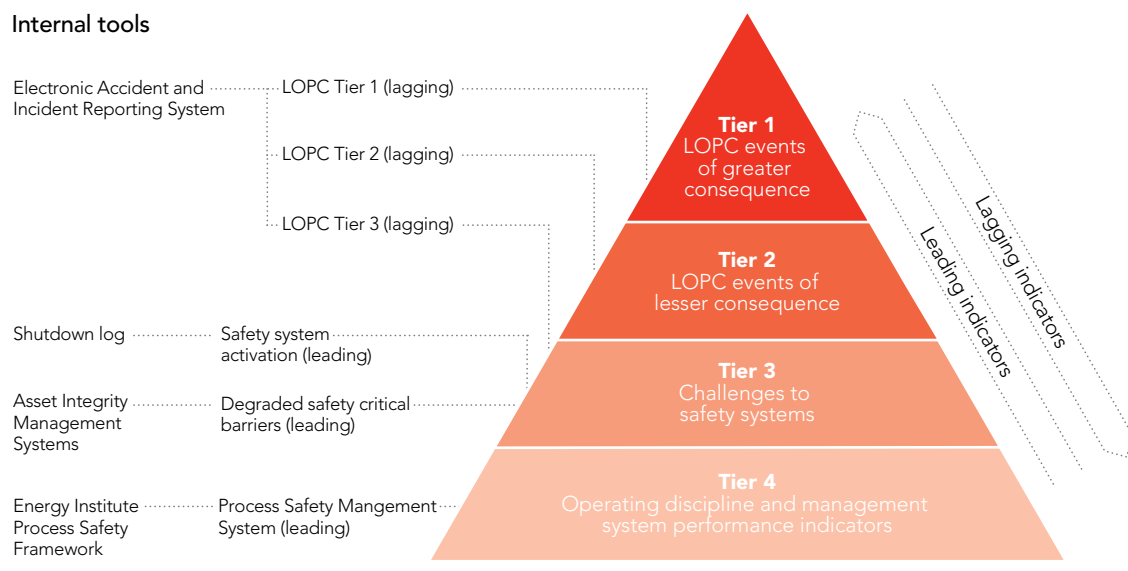
CASE STUDY: MEASURING PROCESS SAFETY

In 2011, Premier recognised that it did not have visible metrics focusing on the assessment of process safety. In 2012, it set out to identify and implement process safety KPIs across the business. Having conducted a review of process safety metrics present in various industry guidelines (UK Health and Safety Executive, Oil & Gas UK, Step Change, API and OGP) we decided to align with the emerging combined OGP / API standard.

This standard recognises that major incidents (losses of primary containment) rarely result from a single cause, but are instead the outcome of multiple sequential failures of risk control or management systems. OGP also identifies 'lagging' and 'leading' indicators. The former measure failures (retrospective or outcome focused). The latter evaluate a company's performance in maintaining robust risk controls (forward looking and input based). Most reporting focuses on lagging indicators, but a dual approach is increasingly recommended to facilitate proactive identification and mitigation of risks in order to prevent major accidents before they occur.

To structure this combination of measures, OGP recommends a four-tier framework of process safety key performance indicators. Selecting leading Tier 3 indicators that proactively improve process safety is a challenge, with no clear industry consensus on the detail of implementation. Figure 17 outlines our proposed approach, where Tier 3 includes safety system activation / shutdowns and degraded safety critical barriers such as non-compliance with asset integrity and maintenance management systems. Each non-compliance requires a corrective action that will be tracked monthly for all operations and reported by installation to senior management in 2013. Tier 4 indicators are intended to measure the robustness of the process safety management system, and we have selected the Energy Institute process safety approach as our performance metric, which commenced with a survey of Balmoral in the North Sea in late 2012.

Figure 17: Our proposed LOPC reporting framework



Safety by design

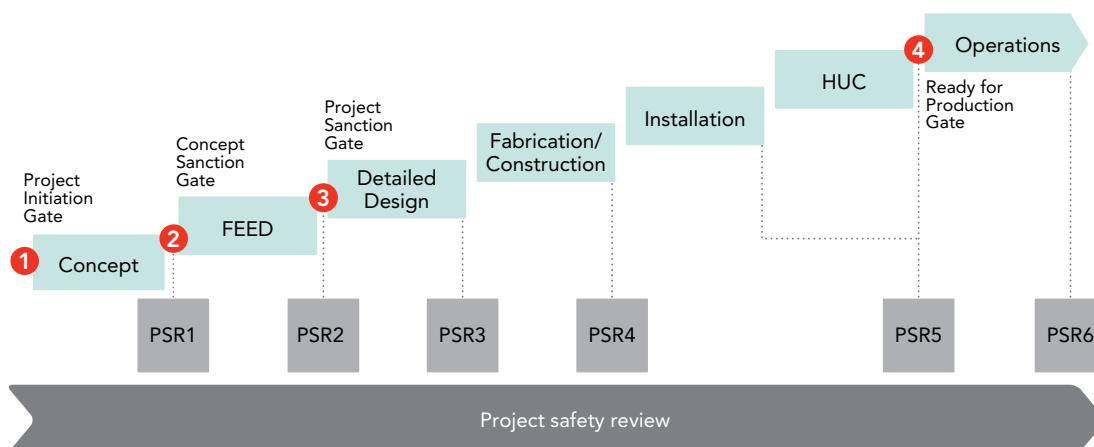
“ Process safety is a disciplined framework for managing the integrity of operating systems and processes handling hazardous substances. It is achieved by applying good design principles, engineering, and operating and maintenance practices. It deals with the prevention and control of events that have 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 (2011, p1). Process Safety – Recommended Practice on Key Performance Indicators.
Report No. 456.

PROJECT SAFETY REVIEWS AT FACILITIES IN DEVELOPMENT

Premier has integrated process safety protocols into the PSRs of all its projects. These reviews provide assurance that material HSES issues have been identified and are being effectively managed throughout the project lifecycle. A typical project lifecycle will require six strategic reviews as the project moves from concept to construction and then to operation. These PSRs align with our project approval gates, at which time strategic decisions are made either to progress a project further towards the operations stage or to delay or divest.

Figure 18: Project safety reviews and the project pipeline



Note: FEED = Front End Engineering Design. HUC = Hook Up and Commissioning

HEALTH AND SAFETY (continued)

SAFETY CASES AT OUR OPERATED INSTALLATIONS

Safety cases are in place at all of our operated installations. This safety case regime is aligned with the regulated standards in the United Kingdom. We believe this represents best practice and we are committed to implementing such cases at all of 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 and becomes more detailed as it nears the operation stage. A safety case must be in place before production commences.

Each case includes a review and impact assessment of the relevant process safety risks, the requirement to meet established safety benchmarks and to take any further steps that are required to reduce risks to a level that is as low as is reasonably practicable (the ALARP principle). For our operating assets, these 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 that they comply with our standards.

We actively encourage drilling contractors to adopt the International Association of Drilling Contractors HSE Case for all drilling operations, although this is not always possible in some of the countries in which we operate. In all cases, we ensure 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's 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 (e.g. blowout preventers).

WELL EXAMINATION SCHEME

The Premier 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, SI 1996/913. This legislation requires the well operator to have a written scheme of examination in place to ensure that, as far as is 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 of 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 further mitigate risk, as well as what changes were implemented.

Emergency preparedness

All of our operations have emergency response plans which are continually reviewed. In 2012, we conducted a number of exercises to test their effectiveness. At Balmoral in the North Sea this included duty manager training for the ditching of a routine crew change helicopter to sea and associated possible environmental impacts. Balmoral also conducted three oil pollution emergency plan exercises, plus a selection of emergency response training drills for helicopter crashes, ship collision, turbine fires and gas release.

UNIVERSAL WELL CAPPING DEVICE

Premier supports work currently being undertaken by the Oil Spill Prevention and Response Advisory Group (OSPRAG). In November 2010, Oil & 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 Limited, assembled with industry partners, tested during the Summer and unveiled at Offshore Europe 2011 in September. It is now kept in a readiness state available for immediate deployment if needed. Premier is an associate member of Oil Spill Response Limited and as such is entitled to call on any of its equipment to assist in the management of an oil spill at any of our drilling and production locations worldwide.

BUSINESS CONTINUITY

We continue to enhance and test our business continuity plans. In 2011, we conducted a business continuity exercise at our office in Pakistan. This followed a similar exercise completed at our London office in 2010. Similar exercises are scheduled for our Indonesia and Vietnam offices in 2013.

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 of its employees and is a member of International SOS, which provides medical assistance, international health care 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. This last year saw continued instability in Pakistan and preparations by Premier for visits to our new non-operated joint venture in Iraq. Both warranted special travel risk assessments and enhanced security and evacuation precautions.

There were no significant security incidents in 2012 or in 2011.

SECURITY SERVICES AND HUMAN RIGHTS

Our Human Rights Policy includes a clear commitment to ensuring 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 of our current exploration, drilling and production activity occurs offshore and away from local communities. This offshore focus means that Premier does not currently employ or contract security personnel. The only security personnel associated with our activities are those provided by the landlords at our office locations.



6 Environment

PREMIER IS AN INTERNATIONAL OIL AND GAS EXPLORATION AND PRODUCTION COMPANY WITH ACTIVITIES IN 11 COUNTRIES. ALL OF OUR OPERATED ACTIVITY IS CONDUCTED OFFSHORE WHERE WE DRILL FOR AND EXTRACT OIL AND GAS FROM RESERVOIRS UNDERGROUND. OUR MOST SIGNIFICANT ENVIRONMENTAL IMPACT RELATES TO THE PRODUCTION OF GREENHOUSE GASES AND OTHER EMISSIONS ASSOCIATED WITH ENERGY CONSUMPTION AND FLARING AT OUR OPERATIONS. OTHER IMPACTS INCLUDE WATER, DISCHARGES AND POLLUTION.



Impact assessment

Environmental assessment, management and reporting form a major part of Premier's HSES risk management process. We conduct baseline surveys and Environmental and Social Impact Assessments (ESIAs) for each new operated activity. This involves an assessment of the physical, socio-economic and biological environments, including the rights of indigenous peoples and biodiversity.¹ We measure and review each impact in turn and gauge both its significance and how it can be reduced to a level that is as low as is reasonably practicable. Potential actions to improve environmental performance are screened based on cost, duration and impact to determine which are feasible for implementation. We periodically review these environmental impacts and actions for our existing facilities to ensure we are complying with our policy of continuous improvement.

ENSURING CONTINUOUS IMPROVEMENT

Our ambition is to reduce our impact in line with our stated policy to a level that is as low as is reasonably practicable.² We conduct periodic reviews of operations performance and identify where improvements can 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 environment-friendly dry low emissions turbines and minimal routine flaring. As a field matures, production decreases and fluid handling increases due to an escalation 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 a corporate environmental impact or emissions intensity improvement target year-on-year. Our current profile of four producing facilities (Anoa, Gajah Baru, Chim São and Balmoral) and a number of large projects in development means that any 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, the commissioning of our Chim São operation in Vietnam, and the necessary flaring as part of this process, continued to impact on our greenhouse gas emissions for 2012.

¹ Premier is a signatory to the Energy & Biodiversity Initiative. Previous Social Performance Reports reported in detail on biodiversity. This has been discontinued as baseline surveys and ESIAs have found none of our existing operations to have significant impacts on the biological environment. A number of our community investment programmes in Indonesia (p47) and Pakistan (p51) actively support biodiversity protection and rehabilitation. Our offshore seismic surveys are compliant with all marine mammal standards and requirements.

² 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 on 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.

ENVIRONMENT (continued)



REPORTING ON PERFORMANCE

We report our environmental performance in line with the IPIECA Oil and Gas Industry Guidance on Voluntary Sustainability Reporting 2010 (p58) and the GRI Sustainability Reporting Guidelines (p56). We also capture in-depth monitoring by facility / source across a range of environmental metrics in our EARS and POEMS management systems (p27).

Premier's emissions performance is benchmarked against an industry database compiled and published by the OGP (p39). As an oil company with production facilities in the North Sea, we also comply with the European Union Emissions Trading Scheme and submit an annual, externally verified report on our emissions profile to the Department of Energy and Climate Change (DECC). We also participate in the Carbon Disclosure Project (CDP) where we achieved a carbon disclosure score of 66 (out of 100) in 2012 (2011: 66).

Figure 19: Environment data

Parameter	2010	2011	2012
CO ₂ (tonnes)	327,607	543,545	797,028
CO (tonnes)	995	1,924	2,392
N ₂ O (tonnes)	21	31	12
CH ₄ (tonnes)	1,086	2,923	4,292
VOCs (tonnes)	513	1,350	1,941
NOx (tonnes)	2,563	4,449	4,747
SOx (tonnes)	247	455	447
GHG (tonnes)	350,421	614,507	890,809
GHG (per thousand tonnes of production)	185	305	242
Flared gas (tonnes) ¹	30,260	82,571	122,298

¹ Includes total mass of hydrocarbon gas sent to operational flare systems at our facilities.

Figure 20: Total operated greenhouse gas emissions (thousand tonnes)²

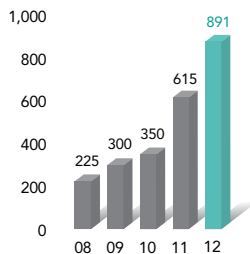
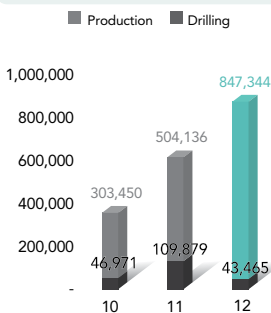


Figure 21: Greenhouse gas emissions per function (tonnes)



Climate change and greenhouse gas emissions

We manage our operations in accordance with our policy of reducing our impact (including greenhouse gas emissions from transport, power generation, flaring and venting) to a level that is as low as is reasonably practicable. In doing so, we focus on effective design (including the adoption of new technologies where practicable), efficient operation, and responsible energy use.

EMISSIONS REDUCTION TARGETS

Premier believes that all targets should be SMART (specific, measurable, attainable, relevant and timely) and we will not commit to an artificial target that cannot be realistically achieved. We conduct environmental ALARP studies for every project. Our target is to achieve an annual greenhouse gas emissions intensity for steady-state production operations in line with the industry median (as published annually by OGP).³

DIRECT EMISSIONS⁴

This last year has again seen a number of changes to our emissions profile. This is mainly due to the continued development of new assets that increase our scope. Our greenhouse gas accounting over this same period has 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 a better insight into progress towards our stated emissions reduction ambition and ALARP commitment.

OUR TOTAL GREENHOUSE GAS EMISSIONS

Greenhouse gas emissions associated with hydrocarbon combustion at our operations amounted to 890,809 tonnes in 2012 (2011: 615,000 tonnes) (Figure 22). This increase in total emissions was largely due to a full year of production from our Gajah Baru and Chim São operations in Asia, versus only a limited number of months in 2011. Premier's absolute emissions will likely increase over the short to medium-term as a number of new operations come on-stream in 2013-2018.

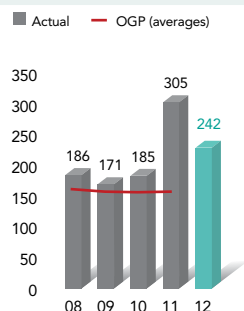
² Our greenhouse gas accounting has in the past used a standard set of OGP conversion factors for all operations. In 2012, we improved our accounting by using installation-specific factors for all facilities.

³ In 2011, the OGP published average was 159 tonnes per thousand tonnes of production.

⁴ Represents our total Scope 1 emissions including combustion emissions; flaring and venting; significant stationary and mobile sources.

ENVIRONMENT (continued)

Figure 22: Greenhouse gas intensity (tonnes CO₂e per thousand tonnes production)¹



OUR GREENHOUSE GAS INTENSITY

Our operated emissions intensity decreased from 305 tonnes per thousand tonnes of production in 2011 to 242 in 2012. This was mainly due to reduced flaring at Chim Sáo in Vietnam versus 2011. Additional contributing factors included a reduction in development drilling and increased overall production from both our Asian and North Sea assets. Our Anoa and Gajah Baru facilities in Indonesia delivered strong performance with an average intensity of 175 tonnes per thousand tonnes of production (2011: 139) and 119 tonnes per thousand tonnes of production (2011: 228) respectively. Our performance at Gajah Baru was lower than the 159 tonnes industry average published by OGP. Despite the overall reduction of around 20 per cent, we failed to meet our intensity target, mainly due to unexpected flaring at Chim Sáo.

We calculate our greenhouse gas (CO₂ equivalent or CO₂e) emissions both for operated assets and on an equity basis for production across our global portfolio. Greenhouse gas intensity from flaring and fuel gas combustion associated with our full equity portfolio amounted to 170 tonnes per thousand tonnes of production (2011: 172).

INDIRECT EMISSIONS

We are continuously making efforts to improve our indirect emissions performance. This includes emissions not associated with our machinery, but those associated with, for example, purchased electricity at our offices. At our London Head Office, all electricity is supplied from renewable sources. We have implemented light sensors and automatic night time shut-down of air conditioning systems to reduce energy consumption. Additional energy saving features for laptops are currently being evaluated by our IT function. We also try to minimise the volume of 'hard copy' company information (including the Annual Report) sent to shareholders and stakeholders by encouraging them to receive this information electronically. We continue to donate £1 to Climate Care for every shareholder that registers for e-communication.²

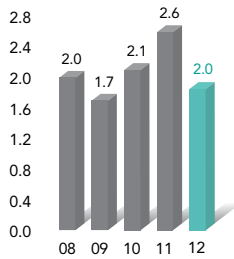
EMISSIONS FORECASTING

Our forecast growth over the next few years is likely to result in increased total emissions from the 2012 figure as we continue to expand our operations. Last year saw the development and implementation of a new production forecasting methodology that better enables us to forecast our production operations emissions and enhances our understanding of likely future emissions performance. Premier is 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 also undertake environmental ALARP assessments; which reflects our concern to identify areas where we might reduce emissions to a level that is as low as is reasonably practicable.

¹ Actual emissions include all emissions from all sources as per Figure 20.

² Climate Care is a not-for-profit organisation that funds global sustainable energy and forest restoration projects aimed at reducing greenhouse gases.

Figure 23: Energy use (gigajoules) per tonne of production



THE IMPACTS OF CLIMATE CHANGE ON OUR OPERATIONS

Premier recognises that its operations may be impacted by climate change. 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. It concluded that our facilities are already designed to withstand once in 100 years storm cases. Possible increases in the frequency of such storms would not present significant additional operational risks.

Our project risk assessment process takes climate change risks into account, including both extreme weather events and sea level changes. For example, this included a climate change risk assessment during the design process of the steel legs (jackets) and moorings for Chim São in Vietnam. Meteorological and oceanographic studies are also carried out for all new projects.

ENERGY CONSUMPTION

Energy consumption in 2012 was 7,186,336 gigajoules (GJ) (2011: 5,224,245 GJ). Of this, 4,814,891 GJ was from fuel gas, with the remaining 2,371,444 GJ being from diesel. Energy consumption per unit of production decreased from 2.6 GJ per tonne in 2011 to 1.96 GJ per tonne in 2012.

This increased total energy consumption from 2011 to 2012 was mainly due to the inclusion of Gajah Baru in Indonesia and Chim São in Vietnam as they came on-stream in late 2011 and 2012. The inclusion of Huntington and Rochelle in 2013 will see a further increase in our energy profile. Our drilling activities in 2012 accounted for just 8 per cent of energy consumption versus 28 per cent in 2011 explained by our increased focus on project delivery and production.

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

OTHER GASEOUS EMISSIONS

SOx (sulphur oxides) emissions amounted to 447 tonnes in 2012 (2011: 455 tonnes). The majority of these emissions resulted from our production facilities and were mainly a consequence of energy use and flaring at our Chim São operation in Vietnam, that accounted for 36 per cent of all SOx emissions. The reduction in SOx emissions from 2011 was largely due to the increased use of fuel gas versus diesel at our operations. NOx (nitrogen oxides) emissions amounted to 4,747 tonnes in 2012 (2011: 4,449 tonnes). About 80 per cent of these emissions resulted from our production facilities (2011: 50 per cent), with the remainder from diesel use during drilling.

ENVIRONMENT (continued)

Figure 24: Oil in produced water (ppm-wt)

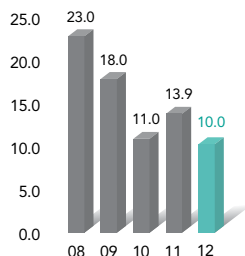


Figure 25: Oil in produced water (tonnes)

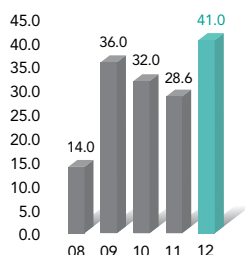
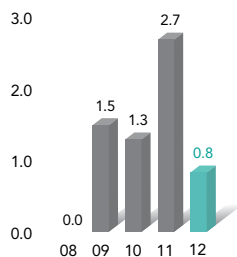


Figure 26: Hydrocarbon spills to the environment (tonnes)



Pollution prevention

Our HSES Policy requires the prevention of pollution and protection of 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, p27). The Premier environmental management system is independently certified to ISO 14001 and data in this report is externally assured.

PLANNED DISCHARGES

All of our operated activity is conducted offshore where we drill for and extract oil and gas from reservoirs underground. In extracting oil and gas from these 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. In general, the gas is either exported for sale or used locally for fuel gas. The entrained water is cleaned and either discharged into the sea or re-injected into the reservoir for pressure support. This entrained water is called 'produced' water. None of these reservoirs are significantly affected by the withdrawal of water as they are oil and gas reservoirs.¹

The total volume of produced water discharged from our operations in 2012 amounted to 3,905,611 tonnes (2011: 2,055,878 tonnes). Over 90 per cent of the total was produced by our North Sea operations, with the increase in 2012 being largely due to the Balmoral field after a period of shut-down in 2011.

The average oil in produced water decreased from 13.9 parts per million weight (ppm-wt) in 2011 to 10.0 ppm-wt in 2012. This decrease in the oil concentration of produced water was mainly due to a reduction at Balmoral, in the North Sea, that averaged 10.3 ppm-wt (2011: 14.0 ppm-wt). The average concentration of oil in produced water discharged by our Anoa facility in Indonesia also reduced to 10.7 ppm-wt from 13.3 ppm-wt in 2011.

UNPLANNED DISCHARGES

In 2012, there were 13 spills to the environment (2011: 20 spills), 11 of these were hydrocarbon spills (2011: 16 spills), eight of which were upsets of the produced water system at Balmoral in the North Sea. Only two spills were over one barrel of oil and classified as significant. The largest of these was three barrels (2011: 5.4 barrels). Premier has a target of zero significant spills, where 'significant' is defined as any spill over one barrel of oil.

The total volume of spills amounted to 0.8 tonnes (2011: 2.7 tonnes); 100 per cent (2011: 90 per cent) of which was associated with spills at our production operations. 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. Two other chemical spills occurred at our drilling operations in 2012 (2011: four spills) totalling 0.02 barrels and 0.002 tonnes (2011: 1.3 tonnes).

¹ We do not report on total water withdrawal by source or fresh water as our operations are offshore and we do not expect to have any meaningful onshore fresh water data to report.

WASTE MANAGEMENT

In 2012, 2,059 tonnes of waste materials (2011: 1,021 tonnes) were collected from our global drilling and production operations and returned to shore for disposal; 1,437 tonnes (2011: 184 tonnes) was hazardous waste, 622 tonnes (2011: 688 tonnes) was non-hazardous waste, e.g. scrap metal, wood, plastic, etc. Hazardous waste was mostly used oil that was sent for recycling. We attempt to segregate and recycle as much of our waste as possible where this is feasible and supporting recycling infrastructures are available.



7 Community investment



Our policy framework

Premier recognises that our licence to operate as an international upstream 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. For Premier this means:

- acting with respect for people, communities and the environment;
- acting transparently with all stakeholders while fully respecting 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 operating management systems.

We believe the right to development is a basic human right, without which other human rights cannot be secured or sustained. It is therefore our intention to make a positive difference by contributing to development goals in the communities and countries where we operate. These tenets of our policy inform how we deliver community investment projects. As a result our investment is increasingly focused on projects that 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.

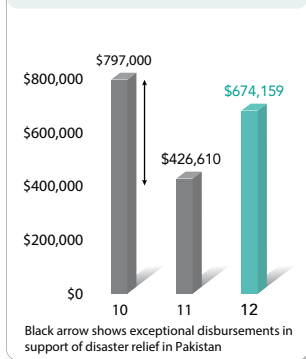
POLICY DEVELOPMENT AND MANAGEMENT SYSTEMS

Since our last report, Premier has conducted a review of its Community Investment Policy against best practice standards and the position of our peers in the oil and gas sector. This was motivated partly by the need to enhance the impact of our engagements in host countries. Our revised Community Investment Policy recognises the value of building positive external relationships and partnerships with communities, governments, NGOs, joint venture partners and other stakeholders. It also includes the need 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 engagement 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 access to appropriate grievance mechanisms; and
- encourage joint venture partners to adopt the principles in this policy.

COMMUNITY INVESTMENT (continued)

Figure 27: Community investment trends (US\$)



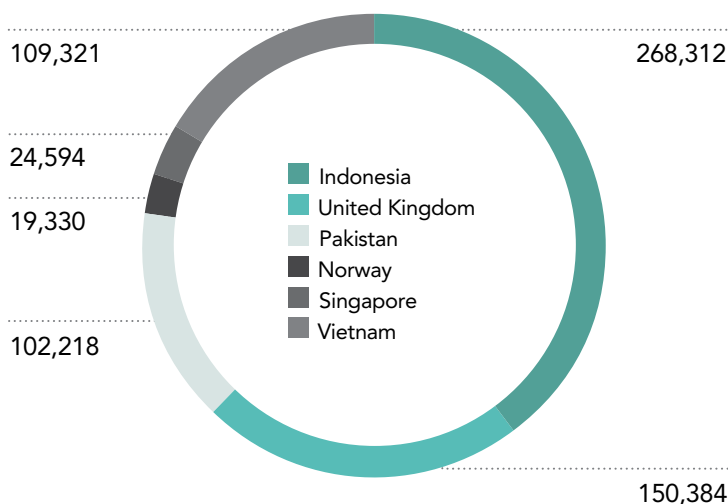
This Community Investment Policy is supported by a community investment management system that is aligned with IPIECA standards and that facilitates the systematic identification, management, evaluation and budgeting of disbursements and engagements in host countries. The procedures in this system have been available to local business units via our business management system since late 2010 and were first used in 2011 to build country-specific community investment programmes; including the identification of appropriate local initiatives and partners to deliver on our policy commitments. Whilst some legacy projects remain in place, all new projects identified and added in 2012 are assessed and managed using these procedures. All our operations have implemented local community engagement, impact assessment, and development programmes.

No non-compliances with this policy were reported in 2012.

INCREASED COMMUNITY INVESTMENT IN 2012

All of our operations globally are supported by local community engagement and development programmes. In 2012, Premier disbursed a total of US\$674,000 on charitable donations and community projects (2011: US\$427,000).¹ Approximately 40 per cent (2011: 30 per cent) of this was disbursed in Indonesia on long-standing community and environmental projects (Figure 27). The progressive increase in our community investment reflects the inclusion of charitable donations from our London, Norway and Singapore offices, as well as our more mature operations in country (Figure 28). We expect these investments to increase as Premier develops new upstream production operations in Indonesia, Vietnam, the North Sea and the Falkland Islands (p2). Further details of our disbursements in operating countries are included in the following pages.

Figure 28: Our community investment profile in 2012 (US\$)



¹ All Premier operations 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 (p47). Premier has partnered with local community members to address this impact by establishing fish nurseries and developing alternative livelihoods.

Indonesia

Premier Indonesia completed numerous community development projects in 2012. The positive impact of our disbursements helped us earn the Blue Award for PROPER 2012.² Our community investment engagements in 2012, relate largely to local capacity building and economic development in the Anambas region near our offshore Anoa production operations. This investment focuses mainly on agriculture, education, social infrastructure and environmental integrity.

Community investment in Indonesia totalled US\$268,000 in 2012 (2011: US\$170,000). This significant increase on our 2011 disbursement was largely due to new projects implemented in partnership with SK Migas and reflects our progressive increase in production levels.³

ENHANCING AND DIVERSIFYING THE LOCAL AGRICULTURAL ECONOMY

Premier has supported the development of a formalised local agriculture economy in the Anambas region since 2010. This included the assessment of potential farming areas, hands-on training of local communities on organic rice farming and horticulture, as well as support on composting, fertilizers, natural non-harmful pesticide use and integrated pest control techniques. Both of the engaged villages (Langir and Rintis) have established local institutions to support this more organised farming business. These cooperatives help manage the needs of members including the provision of revolving fund / capital structures, nurseries for seeds, farming shops, the management of compost production and maintenance of compost milling machines. They also help with the marketing of produce to local and national consumers.

This project has had significant positive impacts on agricultural yields, diversity and farmer income. By the end of 2012, more than 10,000m² of rice paddy (up from 3,000m² on project initiation) had been established in Langir village, as well as over 50,000m² of fixed vegetable plantation. The latter includes new varieties not previously grown locally such as cucumber, celery, spring onion, sweet corn and peanuts. Fixed vegetable plantations in Rintis village now cover an area of more than 40,000m² and have generated successful harvests in 2011 and 2012. Farming methods in both villages have also transitioned from the environmentally harmful 'slash and burn' approach to one based on a fixed location using organic fertilizers and integrated pest control techniques. Earnings from both Langir and Rintis have increased by around US\$200-250 per month per person.



² PROPER is an acronym for Program Penilaian Peringkat Kinerja Penataan dalam Pengelolaan Lingkungan (the Company's Environmental Performance Rating Programme) which includes community development as part of its assessment criteria.

³ SK Migas was established by the state 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 SK Migas helps ensure our oil and gas activities contribute to the sustainable development goals of host communities and government.

COMMUNITY INVESTMENT (continued)

PROMOTING EDUCATION AND LOCAL CAPACITY

Our engagement in Indonesian education initiatives started with the construction of a kindergarten in the Anambas region in 1999. Premier has now built a total of six kindergartens that enrol around 400 children spread out amongst six remote Anambas villages. We continue to cover operational costs for teaching and learning activity in the Anoa Kindergarten as well as school management operations and assistance in the procurement of teacher and student uniforms. We are also supporting 27 kindergarten teachers from Anambas to complete their bachelor degree in Education for Children in Early Years at the Open University. A total of 18 teachers have already achieved their degrees with the remainder due to complete theirs in 2013.

Premier also supports tertiary education in the form of full tuition and board scholarships for university students. In 2012, we continued our support to 20 students originating from the Anambas Islands who were selected as scholarship beneficiaries for a bachelor degree in agricultural studies. This programme is now in its third year, with the local government providing an additional 10 scholarships. The programme was assembled together with the local government of Anambas as part of a sharing programme developed by the Institut Pertanian (Agriculture Institute) located in Yogyakarta, Indonesia.

In 2012, Premier also supported the economic empowerment of local fisherman through a fish nursery project. This included the rehabilitation and expansion of fishing nets for the nurseries, the establishment of 7,500 grouper fingerlings as capital assistance for the fishermen and support for growing the fish. The nursery infrastructure has had immediate positive impacts leading to an alternative income source, reduced reliance on offshore fishing in the vicinity of oil and gas operations, and helping build cohesiveness amongst the fishermen.

We are also working in collaboration with the KNPI (National Committee of Indonesian Youth) and local government to stimulate local business and build the entrepreneurial capacity of local youth. The programme (and related KNPI collaborative engagements noted below) also helps promote the social role of KNPI within the local community.

COMMITMENT TO LOCAL INFRASTRUCTURE DEVELOPMENT

The development and support of local infrastructure remains a significant part of our commitment to the Anambas local government. This has included public health centres, libraries, school class rooms and multi-purpose facilities used for local meetings, national holiday ceremonies and cultural events. Continued support and maintenance of the six kindergartens mentioned and these other general facilities built by Premier remain a central part of our community investment work in 2012 and 2013. The initiation of a new library in Letung village, in coordination with the KNPI, further reinforces our commitment to both education and infrastructure.

In 2012, Premier also supported the installation of a power generator as part of a joint commitment with SK Migas, the West Natuna Consortium (that includes Premier, StarEnergy and ConocoPhillips) and PT. PAN. This generator initiative forms part of the SK Migas 'Bright and Green' work programme to meet the electricity needs of around 3,600 inhabitants in Payalaman village, which borders our onshore supporting facility.

SUPPORTING BIODIVERSITY AND ECOSYSTEM HEALTH

Premier continues to support turtle habitat preservation on Durai Island in the Anambas region, which is an important nesting area for the endangered green and hawksbill species of sea turtles. The programme employs two local community members who guard the conservation area in Durai Island. In 2010, the programme successfully protected 915 turtles so they could securely nest on the island with more than 61,000 hatchlings being returned to the sea naturally. By the end of 2012, this cumulative impact and number had reached over 2,300 nesting turtles with over 160,000 hatchlings returning to the sea.

In 2012, Premier also assisted in the delivery of a tropical forest conservation and tree planting programme on Siantan Island. The initiative (also part of the 'Bright and Green' programme) focuses both on the planting of native trees in partnership with local government and NGOs, as well as awareness raising and capacity building of local communities to prevent deforestation. Premier's support builds on a pilot initiated in 2011 and is being delivered collaboratively with the KNPI. Once complete, the project is expected to have planted 5,000 mangroves and 5,000 other native tree species.

ENGAGEMENTS AND PLANS FOR 2013

In addition to the above programmes that will continue in 2013, Premier plans to implement several related initiatives that will further enhance our focus on community engagement and empowerment. These include:

- economic empowerment of a local minority tribe and fishing community that is sometimes unable to benefit from existing funding programmes;
- further training and mentoring of farmers and fisherman in the Anambas community through an enhanced co-operatives' management structure that will enhance economic welfare; and
- support to achieve the Provincial Government of Riau Islands' poverty alleviation target through the refurbishment of housing in the Anambas region.

This addition of new activities, in line with our increased oil and gas production, is focused on additional groups that need support or that might be impacted by our operations; partly to enhance our relationships with local communities but also to build sustainable livelihoods that last beyond our operations.

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United Kingdom

Our community investment in the United Kingdom is mainly through charitable donations and in-kind support that promotes education, empowerment of marginalised groups and the generation of local economic opportunities. This includes longer term engagements with key local organisations and short-term philanthropy to local charities. These initiatives were identified by our employees as important to our host communities.

Community investment in the United Kingdom totalled US\$150,000 in 2012. This includes US\$104,000 in the vicinity of our North Sea operations (2011: US\$22,000) and US\$46,000 from our head office in London.

SUPPORTING LONGER TERM FUNDRAISING PROJECTS IN ABERDEEN

Our disbursements in 2012 included support for a number of longer term fundraising projects that contribute to local infrastructure and education.

- Archway Respite Care, an independent Aberdeen-based charity that delivers innovative community-based services to improve the opportunities and quality of life for people with learning disabilities. Premier has supported Archway since its purchase of the North Sea operations in 2009. In 2012, this included the donation of £10,000 to fund the establishment of an annex facility called 'Betty's Place' (following a legacy donation from Betty Sheldon, a local patron, in 2010). The new facility will include further day-care services, supported work opportunities, support accommodation and holiday accommodation. Archway anticipates the project will take five years to complete and has already raised over £150,000 of the £250,000 needed to secure an appropriate site. Once a site is secured, Archway will raise the additional funds needed to deliver the new services
- Premier donated £10,000 to Cornerstone Community Care for its recently launched 'home is where the heart is' fundraising campaign. The campaign aims to develop an area of unused land in Portlethen near Aberdeen into new homes for six local people with disabilities. Using innovative solutions to improve building structure, Cornerstone expects to increase independence, privacy and opportunities for the disabled people who will live in the development. The overall cost of the project is £1.2 million, of which just over £300,000 has been secured from the Scottish Government Innovation Fund. The balance is to be funded via Cornerstone resources and a commercial loan which means that Cornerstone needs to raise £300,000 through this fundraising campaign
- The Friends of Hazlewood School (for young people with complex learning difficulties) launched a campaign last year to assist in the replacement of a school minibus. The bus will enable over 60 pupils and staff to link with other schools in the locality, visit places of historic and educational interest and improve the pupil learning experience. The bus will be specially adapted with the Friends of Hazlewood contributing £28,000 to the total costs. Premier donated £7,000 to this total with the remainder being covered via local fundraising activities

COMMUNITY INVESTMENT (continued)



SHORT-TERM SUPPORT FOR IMMEDIATE LOCAL PROJECTS

In addition to the above, Premier also continued to support a number of charities in both Aberdeen and London. These include Archway Respite Care and Aberdeen Care and Repair on specific shorter-term projects as well as assistance to new charities selected by the Aberdeen staff, including:

- The donation of £9,000 to Archway Respite Care for the refurbishment of a room at their Two Mile Cross facility to create an interactive 'snoozelen' as well as purchasing a portable interactive unit for their Westburn Road facility. Both items have proved extremely popular with Archway users, enabling them to produce light effects by the push of a button or the sound of a voice
- Aberdeen Care and Repair is involved in the welfare of older and disabled people resident in Aberdeen. It provides free advice and technical assistance with housing, repairs and adapting homes for the elderly. In 2012, Premier donated £5,000 to support minor assistance and home accident prevention projects that were implemented at over 90 households in the Aberdeen area
- Premier also donated £4,500 to the Aberdeen School for the Deaf that was used in a classroom refurbishment project. Premier's donation allowed the school to purchase an interactive whiteboard which has proved a great way of motivating the children, especially for singing songs, drawing, games and listening skills
- A further £2,000 was donated to Homestart Aberdeen as match funding for two colleagues who raised support during their participation in the Edinburgh Marathon. Homestart is a family support charity that helps parents build better lives for their children

ENGAGEMENTS AND PLANS FOR 2013

Our work in 2013 will continue to support the needs of those who are homeless and vulnerable in the community, in particular through the funding of prevention and resettlement services, and support to obtain employment.

④ www.archway.org.uk

④ www.cornerstone.org.uk

④ www.aberdeencareandrepair.co.uk

④ www.homestartaberdeen.org.uk

Pakistan

Premier is a shareholder in four non-operated production operations in Pakistan: Bhit, Kadanwari, Zamzama and Qadirpur. Premier financially supports community projects undertaken by our joint venture partners and also collaborates with the Pakistan Petroleum Exploration and Production Companies Association. During 2012, Premier also instigated a number of additional community investment initiatives. This report refers only to these additional initiatives instigated by Premier.

Community investment in Pakistan totalled US\$102,000 in 2012 (2011: US\$98,000).

SUPPORTING ECO-TOURISM AND ENVIRONMENTAL PROTECTION

In 2010, Premier initiated a long-term environmental project in the vicinity of our Islamabad office at Margallah Hills National Park. The park stretches along the northwest border of Islamabad and covers an area of approximately 50 square miles. The project, which is a joint public-private partnership in collaboration with the Himalayan Wildlife Foundation (HWF) and the Capital Development Authority (CDA) focuses mainly on the remediation of environmental damage caused partly by the continued impacts of local communities. The project was formally inaugurated in January 2013 by Pakistan's Federal Minister for Information and Broadcasting

Over the last three 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 valued M.Phil research into rare, threatened and endangered species. Findings from this research were presented at a seminar in December 2012 to senior representatives of the CDA, Premier, and HWF, as well as faculty and students from the Department of Wildlife Management, Pir Mehr Ali Shah Arid Agriculture University Rawalpindi. A number of protection measures, including a watch and ward system, have now also been implemented to safeguard endangered antelope and ungulate species.

A detailed map of the park and its trails has been developed and is readily available from HWF and the project website. Based on the flora and fauna studies of the area sponsored by Premier, posters of the flowers and reptiles have been printed. The posters are distributed among students and journalists whose visits to the national park are arranged by the HWF.

ANNUAL ACADEMIC AND LOCAL CHARITY SUPPORT

Premier continues to support the following organisations through regular contributions:

- **Academic chair:** Premier 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
- **Care for Special Persons:** Premier provides monthly donations to the Care for Special Persons Foundation (CSPF). CSPF is a local charity that provides education, training and psychotherapy to the mentally and physically handicapped of poor families. In 2012, we helped CSPF to replace a minivan used as part of the children's transportation fleet

In addition to the above independently funded initiatives, Premier also contributes its share of the costs for projects undertaken by the operators of our four joint ventures in the respective local communities. Small grants of about 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.

COMMUNITY INVESTMENT (continued)



ENGAGEMENTS AND PLANS FOR 2013

All of the above projects will continue in 2013. This includes our engagement in the Margallah Hills National Park. In 2013, the CDA and HWF will progressively move towards capacity building activities and sustainability of the constructed information centre and trails.

④ hwf.org.pk

④ www.cda.gov.pk

④ www.ppepca.com

④ www.kalinjartrails.com

④ www.change.org.pk

Vietnam

Our community investment programme in Vietnam continues to be guided by the national socio-economic plan with goals and programmes related to economic growth, poverty reduction, job creation, education and vocational skills development. In 2012, we continued the successful implementation of our community investment strategy. The development of young people and protection of the environment continue to be our key focus areas. Our work in these areas is delivered in partnership with reliable partner organisations such as Friends for Street Children, Saigon Children's Charity and the Vietnam Red Cross. This helps ensure the appropriate expertise is applied as well as effective and sustained project delivery.

Community investment in Vietnam totalled US\$109,000 in 2012 (2011: US\$101,000).

DEVELOPING OPPORTUNITIES FOR DISADVANTAGED CHILDREN

In 2012, we continued our long-term funding commitment to the Binh Tho Development Centre which is located in Thu Duc district, Ho Chi Minh City and is run by Friends for Street Children. The centre provides educational and vocational training and health care to 150 disadvantaged children of poor families. It assists the integration of younger children into junior public high schools and older children to find meaningful employment. In addition to funding, Premier employees also visit and volunteer at the centre in person to raise awareness of career opportunities and act as positive role models to the children.

Premier also supports infrastructure and scholarship schemes managed by the Saigon Children's Charity. In April 2012, we completed the Kieng Phuoc kindergarten in Tien Giang province. The kindergarten currently serves an average of 100 children aged 3-5 every day in four classrooms.

Another kindergarten for 55 children aged 3-5 in Tra Vinh province is under construction and is expected to be handed over for use in 2013. Of the 56 students sponsored on scholarship schemes by Premier and Premier staff (2011: 48), four graduated from high school in 2012 and two entered higher education. One is studying to become an electrician and another is studying land management at the University of Agriculture and Forestry.

ENHANCING AND PROTECTING ECOSYSTEM INTEGRITY

Premier also worked in partnership with the Vietnam Red Cross on the planting of around 30,000 trees on five hectares of mangrove in Soc Trang province. Soc Trang is an area of significant environmental sensitivity. These mangroves help protect the coastline, offset CO₂ emissions, enhance the natural ecology of the inter-tidal zone and thereby improve aquaculture harvests for local communities. This work contributes to a wider series of projects focused on integrated coastal zone management including livelihood diversification, and helps address the conflict between economic development and sustainable management of natural resources.

ENGAGEMENTS AND PLANS FOR 2013

Our work in 2013 will continue to focus on the development of young people in Vietnam through the provision of scholarships, school building and continued support for the Binh Tho Development Centre. Following the success of our pilot mangrove project with the Vietnam Red Cross, we expect to expand our engagement to cover around 20 hectares in 2013. This will further enhance the natural ecology and improve the livelihoods of coastal populations.

www.ffscvn.org

www.saigonchildren.com

www.redcross.org.vn

Falkland Islands

In July 2012, Premier announced its agreement to acquire a 60 per cent interest and operatorship of Rockhopper Exploration plc's acreage in the Falkland Islands. This includes the Sea Lion, Casper and Casper South development projects. All projects are still in the exploration and development phase with sanction of the Sea Lion project anticipated in 2014 and first oil in 2017. The early stage of our engagement means our presence in country is light and work to date has focused mainly on the review of existing impact assessment materials and engagement with local stakeholders. Potential community investment activities are still being evaluated together with local actors including government, local businesses, communities and non-governmental organisations.

Our manager and teams on-site are in ongoing consultation with the Falkland Islands Government (FIG) and Department of Mineral Resources, communities, non-governmental organisations, businesses and other key stakeholders. This includes direct discussions with FIG on how to ensure local people and companies benefit to the fullest extent possible from opportunities generated by oil and gas exploration and production, including:

- sourcing goods, services and human resources from within the Falkland Islands;
- providing employment and training opportunities to local residents;
- improving the ability of local suppliers to support the oil and gas industry; and
- areas of interest for future community investment, e.g. technical education.

Premier is working actively with the FIG to support a governance framework for oil and gas development and local content. This includes enhanced understanding of the fiscal, health and safety and logistical requirements to support oil and gas development, and how this might positively impact local society and the economy. It also includes continued engagement with environmental groups and the Offshore Hydrocarbon Environmental Forum to understand and mitigate the negative impacts of our activities on marine fauna and flora. Premier will maintain a constructive, transparent and responsible engagement process with all stakeholders including industry peers as the project moves forward over the next year.

www.falklands.gov.fk

External Review of Reported Corporate Responsibility

Maplecroft was commissioned by Premier Oil plc to:

- Confirm the accuracy of all policy and corporate responsibility statements presented in this report
- Confirm the Global Reporting Initiative (GRI) G3.1 application level claim stated by Premier Oil on p7

Maplecroft recognises that it is not an independent party due to its role as an advisor to Premier on previous engagements. Maplecroft did not verify any of the data relating to Health, Safety, Environment and Security (HSES) or economic performance. It did however confirm the existence of HSES policy statements and actions as well as management systems, the rigour of internal reporting / review processes and plans for 2013.

Methodology

Our review of Premier corporate responsibility involved the following activities over the period of 12 weeks in early 2013, during which we worked together with the company at its London offices. Our activities included the following:

- **Review of standards:** Including those of the United Nations Global Compact, GRI, International Petroleum Industry Environmental Conservation Association (IPIECA), FTSE4Good requirements and Equator Principles. This included engagement with Premier on the potential for further public reporting to meet emerging investor and stakeholders expectations
- **Gap analysis:** This was used to identify and where feasible address gaps in Premier's existing reporting practices
- **Corporate responsibility:** The outcomes from the review of standards and gap analysis were used to help develop this enhanced report, which (a) reports on progress to address the gaps and commitments made in previous reports; and (b) provides enhanced disclosures / transparency on Premier's activities and performance – including on issues relevant and material to investors

Materiality and completeness

Maplecroft is satisfied that the narrative content presented in this report is an accurate representation of current Premier Oil processes and activities. We also believe the Premier statement that it has applied the GRI G3 guidelines at B+ level is fairly stated. Premier has reported on its management approaches and on more than 20 of the GRI core / additional performance indicators – with at least one in each performance area.

Recommendations

Premier might consider the following suggestions as it progressively enhances and refines its corporate responsibility management / reporting disclosures:

- Enhanced detail and analysis around Premier operating contexts (for example in terms of socio-economic conditions, governance and/or the environment) to provide greater insight as to the company's potential and actual impacts (both positive and negative)
- Additional detail around engagement activities in the corporate responsibility area, including the process for the identification of relevant stakeholders, the potential for such stakeholders to impact on business objectives, relevant and material stakeholder issues, and how Premier has addressed these issues
- Enhanced insight as to how Premier is planning to implement the UN Guiding Principles on Business and Human Rights in its operational activities and strategic decision-making – with particular emphasis on human rights due diligence
- Further analysis of – and insight into – Premier's approach to and rationale for its community investment contributions, as well as the impact of these contributions in terms of both Premier's own risk management performance and on local community development
- Increased focus on those corporate responsibility issues of specific relevance to Premier and its operations including, for example, the potential for marine pollution, marine safety issues and preparedness for major on-rig emergency incidents

Alyson Warhurst

Kevin Franklin

Professor Alyson Warhurst and Dr Kevin Franklin
16 April 2013

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Independent Assurance of Reported, Health, Safety and Environmental Performance

Our Brief

ERM Certification and Verification Services (ERM CVS) was commissioned by Premier Oil Plc (Premier Oil) to provide limited independent assurance on environment, health and safety (HSE) data and information provided in the 2012 Corporate Responsibility Report (the Report).

Our engagement objectives were to provide limited assurance on the following HSE data and information:

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

Assurance Conclusion

Based on the approach and limitations described below, nothing came to our attention to suggest that, in all material respects, the HSE data and information as set out in Our Brief are misstated.

Assurance approach and limitations

We performed our work in accordance with ERM CVS' assurance methodology, which is based on International Standard for Assurance Engagements 3000: Assurance Engagements other than Audits or Reviews of Historical Information issued by the International Auditing and Assurance Standards Board (ISAE 3000) and ISO 19011:2012 Guidelines for auditing management systems.

The criteria used when undertaking our assurance work was Premier Oil'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, January 2011

We planned and performed our work to obtain all the information and explanations that we believe were necessary to provide a basis for our assurance conclusion.

We have not verified data or claims related to social or economic performance and we were not commissioned to provide an opinion on GRI G3 application level claims.

During February and March 2013 we

- undertook face-to-face interviews to understand Premier Oil's processes for managing and collating HSE data.
- performed limited testing of collated HSE data to review the completeness and robustness of the reporting system
- reviewed the presentation of information relevant to the scope of our work in the Report to ensure consistency with our findings

This work was undertaken at Premier Oil Head Offices in London only. We did not undertake any source data verification at any operated facilities.

Respective responsibilities and independence

Premier Oil is responsible for preparing the Report and the information contained within it. Our responsibility in performing our assurance activities is to the management of Premier Oil only and in accordance with the terms of reference agreed with them. We do not accept or assume any responsibility for any other purpose or to any other person or organisation.

The work that ERM CVS, a member of the ERM group, conducts for clients is solely related to independent sustainability assurance activities and training programmes related to auditing techniques and approaches. Our processes ensure that the work we undertake with clients is free from bias and conflict of interest.

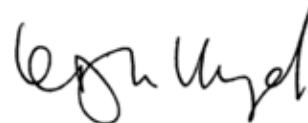
ERM CVS undertakes 3rd party ISO 14001 and OHSAS 18001 certification for Premier Oil's global drilling operations and production operations in Indonesia and the North Sea. Preassessment audits have been carried out in Vietnam, but the operation is not yet certified. ERM CVS also provides independent verification of emissions reporting for Balmoral in the UK North Sea under the EU Emissions Trading Scheme.

ERM CVS and the staff that have undertaken this work provide no consultancy related services to Premier Oil in any respect.

Recommendations

As a result of our review our key recommendations are:

- Implement a standard reporting format and definitions across all operational facilities to reduce the likelihood of consolidation errors and improve the efficiency of year-end reporting
- Complete the improvement plan initiated in 2012, in particular focussing on reviewing GHG methodologies to ensure they take account of current best practices and adopting ISO-14064 as GHG accounting standard incorporating Premier's Scope 2 emissions



Leigh Lloyd, Managing Director

15 April 2013

ERM Certification and Verification Services, London

www.ermcvs.com / Email: post@ermcvs.com



Global Reporting Initiative

THE TABLE BELOW PROVIDES A SUMMARY OF THE APPLICATION OF THE GLOBAL REPORTING INITIATIVE (GRI) SUSTAINABILITY REPORTING GUIDELINES G3.1 (AND ASSOCIATED OIL AND GAS SECTOR SUPPLEMENT) IN THIS 2012 CORPORATE RESPONSIBILITY REPORT. EACH TICK REPRESENTS THE SATISFACTION OF EACH SET OF STANDARD DISCLOSURES TO APPLICATION LEVEL B+. A FULL TABLE SHOWING THE APPLICATION OF ALL RELEVANT DISCLOSURES AND INDICATORS CAN BE FOUND ONLINE AT WWW.PREMIER-OIL.COM.

Standard disclosures: Profile		Labor Practices and Decent Work	✓
Strategy and analysis	✓	Employment	Partial
Organisational profile	✓	Labour/management relations	Partial
Report parameters	✓	Occupational health and safety	Partial
Report profile	Full	Training and education	Partial
Report scope and boundaries	Full	Diversity and equal opportunity	Full
GRI content index	Full	Equal remuneration for men and women	Not reported
Assurance	Full	Human rights	✓
Governance, commitments, and engagement	✓	Investment and procurement practices	Partial
Governance	Full	Non-discrimination	Full
Commitments to external initiatives	Full	Freedom of association and collective bargaining	Not reported
Stakeholder engagement	Partial	Child labour	Partial
Standard disclosures: Management approach		Forced and compulsory labour	Partial
Economic	✓	Security practices	Partial
Environmental	✓	Indigenous rights	Not reported
Labor practices and decent work	✓	Assessment	Partial
Human rights	✓	Remediation	Full
Society	✓	Society	✓
Product responsibility	✓	Local community	Partial
Standard disclosures: Performance indicators		Corruption	Full
Economic	✓	Public policy	Full
Economic performance	Partial	Anti-competitive behaviour	Full
Market presence	Partial	Compliance	Full
Indirect economic impacts	Partial	Product responsibility	✓
Environmental	✓	Customer health and safety	Partial
Materials	Not reported	Product and service labelling	Partial
Energy	Partial	Marketing communications	Partial
Water	Partial	Customer privacy	Not reported
Biodiversity	Partial	Compliance	Not reported
Emissions, effluents and waste	Partial		
Products and services	Partial		
Compliance	Full		
Transport	Not reported		
Overall	Not reported		



Statement GRI Application Level Check

GRI hereby states that **Premier Oil** has presented its report "Corporate Responsibility Report 2012" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B+.

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

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

Amsterdam, 27 March 2013

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a large, faint watermark of the GRI globe logo.

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

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 12 March 2013. 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 (2011)		Page	Status
Environmental indicators			
E1	Greenhouse gas (GHG) emissions	p38-40	Reported
E2	Energy use	p41	Reported
E3	Alternative energy sources	p40	Reported
E4	Flared gas	p38	Reported
E5	Biodiversity and ecosystem services	p37,48	Reported
E6	Fresh water	p42	Reported
E7	Other air emissions	p38,41	Reported
E8	Spills to the environment	p42	Reported
E9	Discharges to water	p42	Reported
E10	Waste	p43	Reported
Health and Safety indicators			
HS1	Workforce participation	p21,24-25,28,29	Reported
HS2	Workforce health	p26-34	Reported
HS3	Occupational injury and illness incidents	p30	Reported
HS4	Product stewardship	IFC, p15	Reported
HS5	Process safety	p31-32	Reported
Social and economic indicators			
SE1	Local community impacts and engagement	p37,44-53	Reported
SE2	Indigenous peoples	p17,37	Reported
SE3	Involuntary resettlement	p17	Reported
SE4	Social investment	p44-53	Reported
SE5	Local content practices	p45	Reported
SE6	Local hiring practices	p24	Reported
SE7	Local procurement and supplier development	p45,53	Reported
SE8	Human rights due diligence	p18	Reported
SE9	Human rights and suppliers	p14,17	Reported
SE10	Security and human rights	p35	Reported
SE11	Preventing corruption	p12-15	Reported
SE12	Preventing corruption involving business partners	p12-15	Reported
SE13	Transparency of payments to host governments	p12-15	Reported
SE14	Public advocacy and lobbying	p14	Reported
SE15	Workforce diversity and inclusion	p21,24	Reported
SE16	Workforce engagement	p21-25	Reported
SE17	Workforce training and development	p25	Reported
SE18	Non-retaliation and grievance mechanism	p15,21	Reported

United Nations Global Compact



United Nations Global Compact: Our Communication on Progress (CoP) against the Ten Principles		Page	Status
Human rights			
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights	p16-18,20,25,26-35	Communicated
Principle 2	Businesses should make sure they are not complicit in human rights abuses	p16-18,20,25,26-35	Communicated
Labour			
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	p16-18,21,25	Communicated
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labour	p16-18,25	Communicated
Principle 5	Businesses should uphold the effective abolition of child labour	p16-18,25	Communicated
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation	p16-18,21,24	Communicated
Environment			
Principle 7	Businesses should support a precautionary approach to environmental challenges	p31-34,36-43	Communicated
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility	p36-43,45,48,51,53	Communicated
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies	p34,40	Communicated
Anti-corruption			
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery	p12-15	Communicated

FTSE4Good



FTSE4Good: Sustainability criteria		Page	Status
Environmental criteria			
Policy		p26-27	Compliant
Management		p27-29,37,38-43	Compliant
Reporting		p38-43	Compliant
Social and stakeholder criteria			
Policy		p17, 47	Compliant
Management		p45-46	Compliant
Reporting		p46-53	Compliant
Human rights criteria			
Policy		p17,26-27	Compliant
Management		p18,27-29	Compliant
Reporting		p17,25,30-35	Compliant
Supply chain labour standards criteria			
Policy		p14,17	Compliant
Management		p14,18	Compliant
Reporting		p15,17	Compliant
Countering bribery criteria			
Policy		p13	Compliant
Management		p13,15	Compliant
Reporting		p13-15	Compliant

GLOSSARY

ALARP	as low as is reasonably practicable
API	American Petroleum Institute
CDA	Capital Development Authority
CDP	Carbon Disclosure Project
DECC	Department of Energy and Climate Change
EARS	electronic accident and incident reporting system
ESIA	environmental and social impact assessment
FEED	front end engineering and design
GRI	Global Reporting Initiative
HIPOR	high potential incident rate
HSES	health, safety, environment and security
HWF	Himalayan Wildlife Foundation
HUC	hook up and commissioning
IPIECA	International Petroleum Industry Environmental Conservation Association
ISO	International Organization for Standardization
KPI	key performance indicator
LOPC	loss of primary containment
LTI	lost time injury
LTIP	long-term incentive plan
LWDC	lost work day case
MTC	medical treatment case
OGP	International Association of Oil and Gas Producers
OSPRAG	oil spill prevention and response advisory group
POEMS	Premier Oil environmental management system
PSR	project safety review
RWDC	restricted work day case
SFO	United Kingdom Serious Fraud Office
TRIR	total recordable injury rate

ACKNOWLEDGMENTS

Prepared, designed and produced by Maplecroft
www.maplecroft.com
 Printed by Taylor Bloxham

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DISCLAIMER

This report contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil and gas exploration and production business. Whilst the group believes the expectations reflected herein to be reasonable in light of the information available to it at this time, the actual outcome may be materially different owing to factors beyond the group's control or otherwise within the group's control but where, for example, the group decides on a change of plan or strategy. Accordingly, no reliance may be placed on the figures contained in such forward-looking statements.

Note: Environmental data used for this report is subject to a degree of uncertainty caused by limitations in measurement and estimation. Premier has in some cases been obliged to make estimates or use different approaches to data calculation to ensure all data covers the same scope. Data presented in this report include our office, production and drilling operations; but not the sub-contracted construction entities. The exception is our health and safety statistics that also include these construction entities.

WHISTLE-BLOWING HOTLINE

United Kingdom: 0800 915 1571

Vietnam: 1800 545411


Indonesia: 001 803 440 884

Singapore: 001 800 7233 2255

Norway: 00 800 7233 2255


Pakistan: 00 800 900 44 036

United Emirates: 8000 441 3376



NO SHORT CUTS: WE HAVE A DUTY TO DO THINGS IN THE RIGHT WAY. WE ASSESS AND MANAGE ALL RISKS. WE ALWAYS FOLLOW PROCEDURES. IT'S A PERSONAL RESPONSIBILITY, IT'S YOUR SAFETY.

HEALTH, SAFETY & ENVIRONMENT. WE'RE ALL RESPONSIBLE.



NO EXCEPTIONS: WE ARE ALL ACCOUNTABLE. WE SHARE A RESPONSIBILITY FOR HEALTH, SAFETY & ENVIRONMENT. IF YOU SEE SOMETHING UNSAFE, SAY SO. IT'S YOUR JOB. WE ARE SAFER WORKING TOGETHER.

HEALTH, SAFETY & ENVIRONMENT. WE'RE ALL RESPONSIBLE.



NO INCIDENTS: WE HAVE A RESPONSIBILITY TO ENSURE THAT OUR OPERATIONS CAUSE NO HARM TO PEOPLE OR THE ENVIRONMENT. THIS IS A PRIORITY. WE EACH HAVE A ROLE TO PLAY.

HEALTH, SAFETY & ENVIRONMENT. WE'RE ALL RESPONSIBLE.





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