

2015 Corporate Responsibility Report

Year to 31 December

Responsible
performance
across our
business



Premier is a leading independent exploration and production company with oil and gas interests in the North Sea, South East Asia, Pakistan, the Falkland Islands and Latin America. Premier aims to deliver increasing net asset value by investing in and executing the development of high-quality oil and gas projects.

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 This symbol indicates that more detailed information is available online.



Read more online at www.premier-oil.com (Corporate Responsibility)

Overview

This report covers our own production, development and exploration operations for the 2015 calendar year, as well as non-operated joint ventures, contractors and suppliers.



About this report

This is our tenth annual Corporate Responsibility Report.

This report, which has been approved by our Board, has been prepared by Premier in accordance with the Global Reporting Initiative's G4 Sustainability Reporting Guidelines (GRI G4 Guidelines) Core option. A table of Material Aspects (as defined by the GRI G4 Guidelines) can be found on p77. Further details, including Aspect boundaries and levels of disclosure, can be found on our website.

www.premier-oil.com
(Corporate Responsibility)

Third party assurance

We have commissioned third party assurance by ERM Certification and Verification Services (CVS) of:

- The integrity of selected report data (as indicated in the ERM assurance statement on p74–75)
- The alignment of the materiality and stakeholder engagement processes used in the preparation of this report with the requirements of the GRI G4 Guidelines



Premier in numbers

2015 Highlights

Operational

Production – working interest

57.6

kboepd

Proven and probable reserves – working interest

332

mmboe

Contingent resources – working interest

426

mmboe

Financial

Operating cash flow

809.5

US\$ million

Cost reduction¹

>25

Per cent

Sales and other operating revenues

1.1

US\$ billion

Corporate responsibility

Number of employees and employed contractors

1,061

Total recordable injury rate (TRIR)

1.27

per million man hours

Greenhouse gas intensity

218

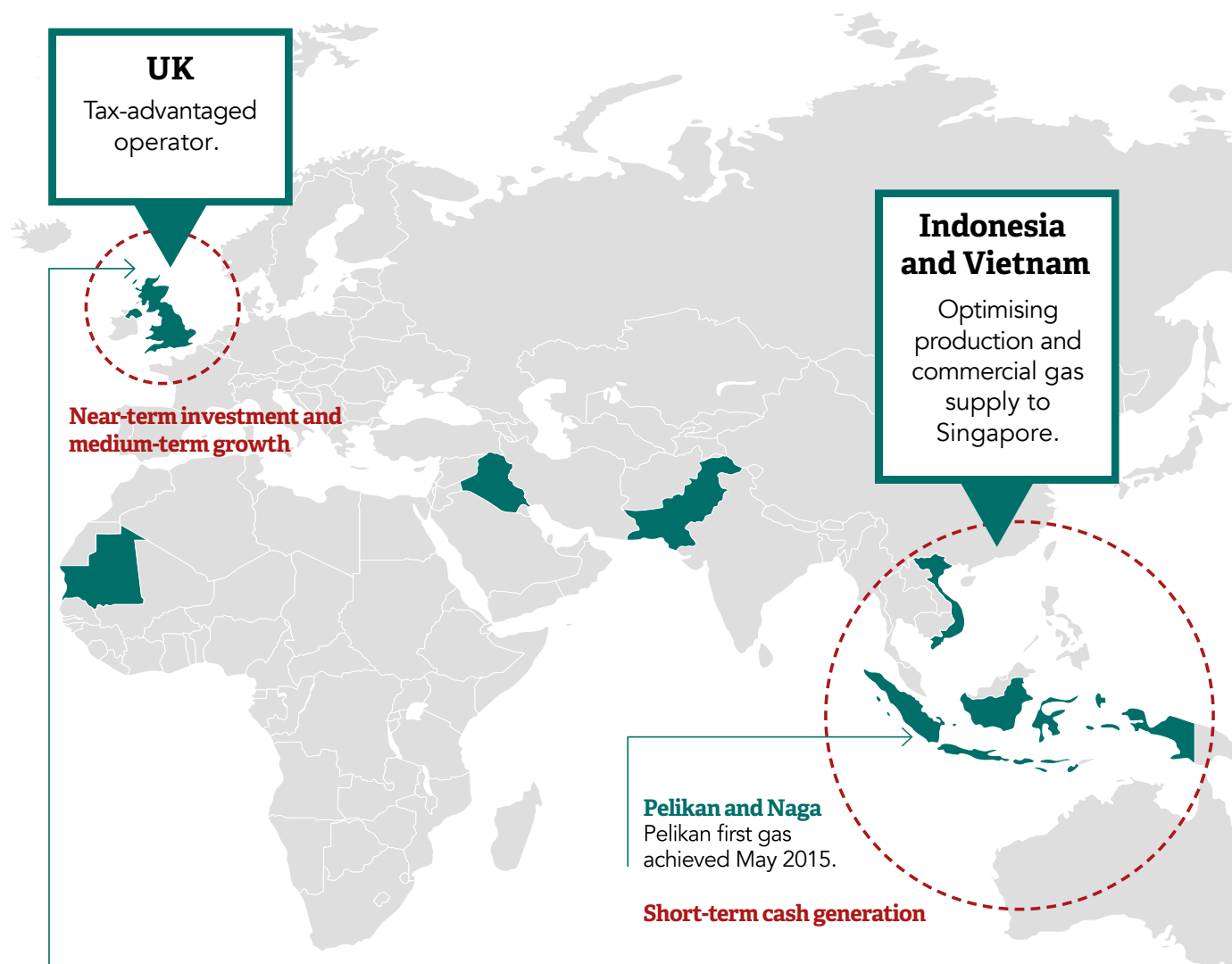
tonnes CO₂ per thousand tonnes
of production

¹ Operating costs and G&A.

Where we operate

Premier has eight offices worldwide with over 800 employees and is organised into five key business units – UK, Pakistan, Indonesia, Vietnam and Falkland Islands – with functional support provided by the corporate office in London. Premier is active both offshore and onshore, but all of the Company's operated interests are offshore.





Catcher due on-stream 2017
Construction of FPSO hull commenced; development drilling and subsea infrastructure on track.

Business units²

UK

Balmoral: Offshore oil production asset (78 per cent interest – operated)

Brenda: Offshore oil production asset (100 per cent interest – operated)

Nicol: Offshore oil production asset (70 per cent interest – operated)

Stirling: Offshore oil production asset (69 per cent interest – operated)

Kyle: Offshore oil reinstatement asset (40 per cent interest – non-operated)

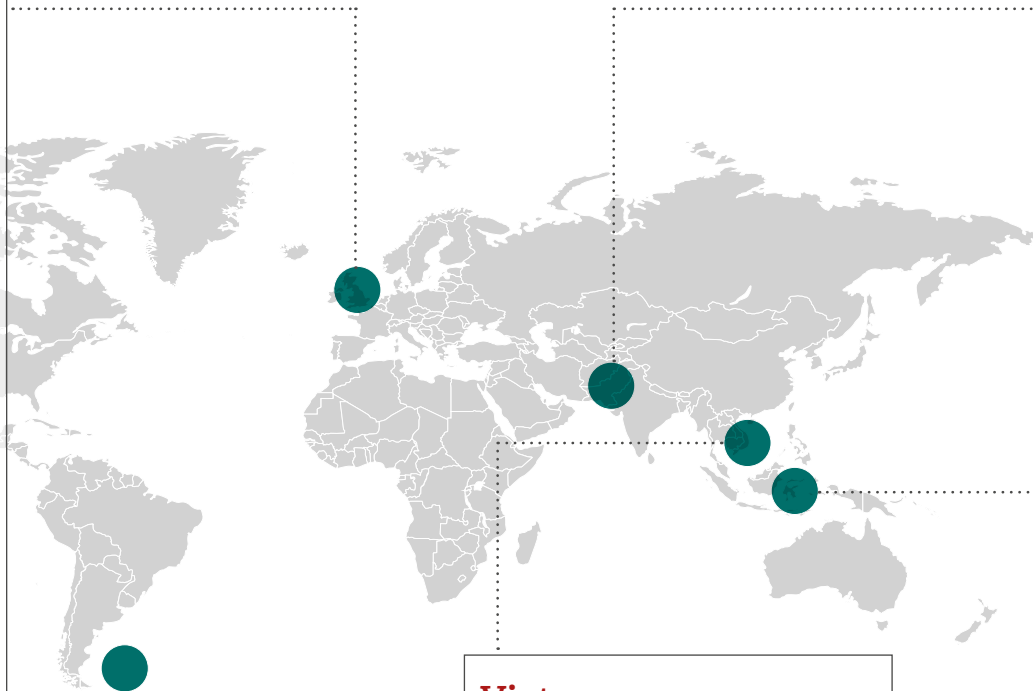
Wyth Farm: Onshore oil production asset (30 per cent interest – non-operated)

Huntington: Offshore oil and gas production asset (40 per cent interest – non-operated)³

Nelson: Offshore oil production asset (2 per cent interest – non-operated)

Solan: Offshore development project (100 per cent interest – operated)

Catcher (including Burgman and Varadero): Offshore oil and gas development project with production planned for 2017 (50 per cent interest – operated)



Vietnam

Chim Sáo: Offshore oil production asset (53 per cent interest – operated)

Dua: Offshore oil production asset (53 per cent interest – operated)

Falkland Islands

Sea Lion project: Offshore oil development project (60 per cent interest – operated)

Casper North: Offshore oil development project (60 per cent interest – operated)

Casper South: Offshore oil development project (36 per cent interest – operated)

Beverley: Offshore oil development project (36 per cent interest – operated)

Zebedee: Offshore oil development project (36 per cent interest – operated)

Isobel Deep: Offshore oil development project (36 per cent interest – operated)

Business unit ⁴		Performance indicator	
		Production (kboepd) – working interest	Employees
UK ⁵	– 2015	16.7	209
	– Change on 2014	-14 per cent ⁶	-16 per cent
Falkland Islands ⁷	– 2015	N/A	44
	– Change on 2014	N/A	-21 per cent
Pakistan ⁸	– 2015	10.1	13
	– Change on 2014	-22 per cent	-8 per cent
Indonesia	– 2015	13.9	451
	– Change on 2014	-3 per cent	-5 per cent
Vietnam	– 2015	16.9	81
	– Change on 2014	0 per cent	0 per cent
Brazil office	– 2015	N/A	6
	– Change on 2014	N/A	N/A

² Further details on our exploration interests are available in our 2015 Annual Report and on our website.

³ Pre-E.ON E&P UK proposed acquisition.

⁴ In November 2015, we sold our Norwegian business to Det norske oljeselskap, one of our long-term partners in Norway.

⁵ Including employees in Aberdeen and London.

⁶ Relative to 2014 production figures, which included production from the Scott area, disposed of in December 2014.

⁷ Including employees in Port Stanley and London.

⁸ Including production from Mauritania.

Business partners⁹

Pakistan

Qadirpur: Onshore gas production asset (5 per cent interest – non-operated)

Kadanwari: Onshore gas production asset (16 per cent interest – non-operated)

Zamzama: Onshore gas production asset (9 per cent interest – non-operated)

Bhit/Badhra: Onshore gas production asset (6 per cent interest – non-operated)

Zarghun South: Onshore gas production asset (4 per cent interest – non-operated)

Please note, the Pakistan business unit also manages the following project in Mauritania:

Chinguetti: Offshore oil production asset (8 per cent interest – non-operated)

Indonesia

Anoa: Offshore gas production asset (29 per cent interest – operated)

Gajah Baru: Offshore gas production asset (29 per cent interest – operated)

Naga: Offshore gas production asset (29 per cent interest – operated)

Pelikan: Offshore gas production project (29 per cent interest – operated)

Kakap: Offshore gas production asset (19 per cent interest – non-operated)

Tuna: Offshore gas development project (65 per cent interest – operated)

Block A, Aceh: Onshore gas development project (42 per cent interest – non-operated) – divested in 2015

Exploration

Ceará, Blocks 665 and 717 (Brazil): Offshore exploration projects (50 per cent interest – operated)

Ceará, Block 661 (Brazil): Offshore exploration projects (30 per cent interest – non-operated)

Foz do Amazonas, Block 90 (Brazil): Offshore exploration projects (35 per cent interest – non-operated)

Blocks 2 and 7 (Mexico): Offshore exploration projects (10 per cent interest – non-operated)

Service contractors

The nature of Premier's business means it is highly reliant on service contractors for the following activities (amongst others):

- Exploration and appraisal activities
- Construction, development and installation activities
- Logistics
- Operations

Individual service contracts can be very high value. Contracts have exceeded more than US\$450 million and can require highly specialised skills and capabilities. As a result, a relatively high proportion of contractors (by value) are international oil and gas service companies.

Service contractors are drawn from the following groups:

- Multi-national oil and gas service companies (many of which have corporate headquarters in OECD countries) and their local business units
- Local oil and gas service companies including those in Indonesia, the UK, Vietnam and Brazil

Suppliers

Premier and its service contractors also rely on an international network of suppliers to provide relevant input materials including, for example:

- Pipelines
- Subsea equipment
- Engineering components
- Drilling components and fluids
- Power generators
- Safety equipment
- Control systems
- Auxiliary equipment
- Fuel

Due to the nature of the products and materials being provided, a significant proportion of suppliers are drawn from Premier's local countries of operation.

Customers

Premier sells crude oil on the international market to major upstream refiners across the world. This is transported to the refineries by oil tankers, which are operated by third parties.

In addition, the Company sells gas to long-term customers, including gas utility companies in Pakistan, Singapore and Indonesia. This is transported via undersea and surface gas pipelines.

⁹ For further details on our broader set of stakeholders, see p24–25.

Our business model

Inputs

Financial

Availability of debt facilities ¹⁰ (US\$ billion)	1.6
Cash and cash equivalents ¹¹ (US\$ million)	292

Operational

Workforce ¹²	1,061
Capital spending (US\$ billion)	1.1
Operational spending (US\$ million)	324

Corporate responsibility

Significant licence interests	55
Drill water used (Tonnes)	13,472
Energy use (TJ)	8,104

¹⁰ At 1 January 2015.

¹¹ Ibid.

¹² Includes employees and contractors.

Outputs

Financial

Total revenue generated (US\$ million)	1,316
Total economic value distributed (US\$ million)	705
Total economic value retained (US\$ million)	611

Operational

Production (working interest) (kboepd)	57.6
Increase in reserves (mmboe)	89

Corporate responsibility

Greenhouse gas emissions (Thousand tonnes)	822
High Potential Incident Rate (pmmh)	1.13
Total recordable injury rate (pmmh)	1.27

Key stakeholders



Community



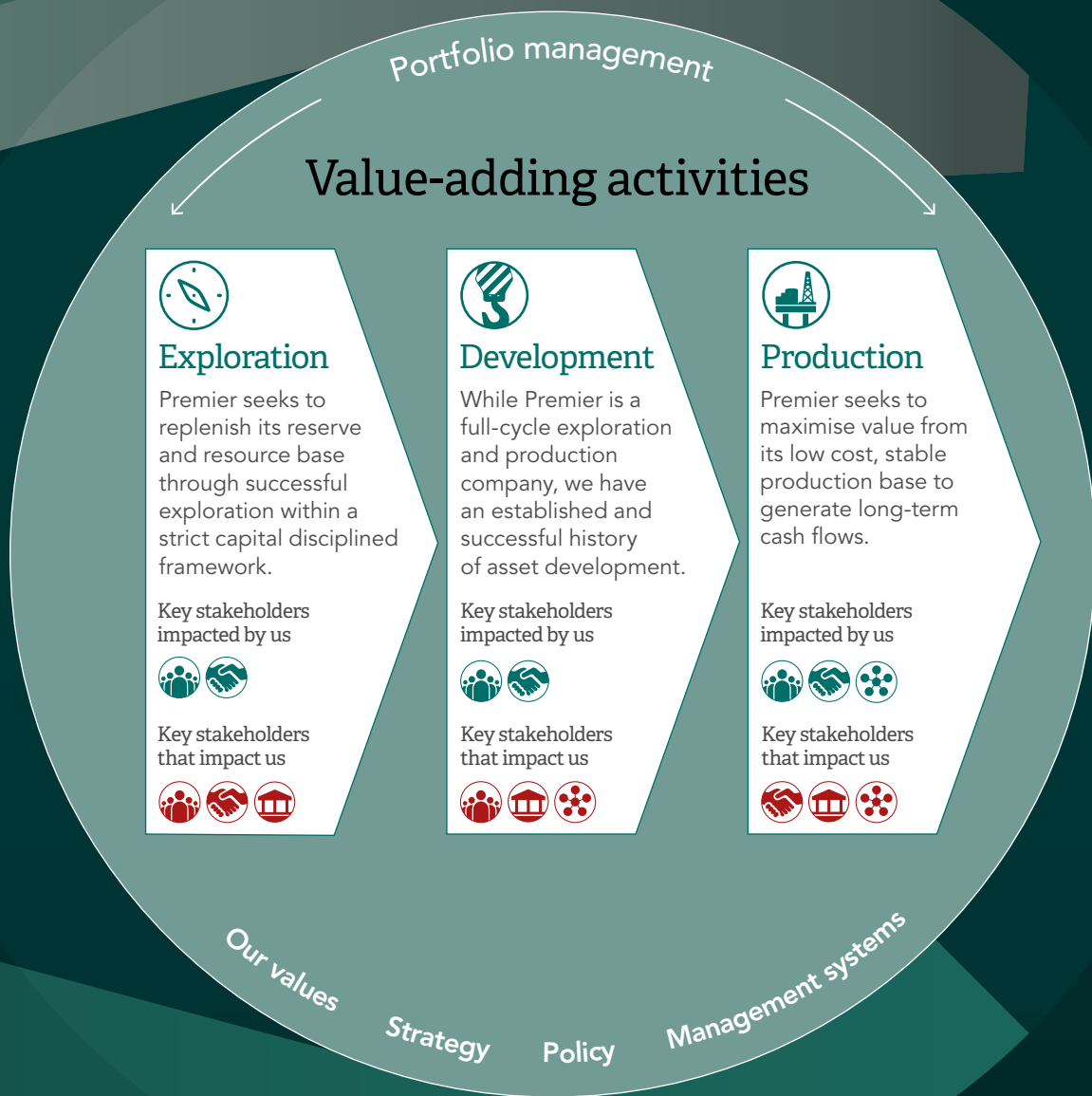
Joint venture partners



Government



Supply chain



Chief Executive Officer's review

We build responsible management into everything we do

Tony Durrant

Chief Executive Officer



Introduction

Premier has continued to respond decisively to the low oil and gas price. Indeed, efficiency improvements have helped us reduce our operational expenditure per barrel of oil equivalent from US\$19 a barrel at the end of 2014 to US\$16 a barrel at the end of 2015. Furthermore, we have successfully maintained our core skills base and are proactively managing our financial position. We are taking all appropriate actions to weather the current market conditions and, when the oil price recovers, to continue generating shared value for our shareholders and society as a whole. In addition, we have continued to enhance our portfolio through both disposal and acquisition opportunities.

In this context, we have not compromised our corporate responsibility performance and, in many aspects, have improved on it. This reflects the degree to which we have successfully integrated corporate responsibility into the core of our business. As in previous years, the Ten Principles of the UN Global Compact, to which we remain committed, have helped guide our efforts in this respect.

How does corporate responsibility support Premier's business?

We do not see corporate responsibility as being separate from the rest of our business. The latent environmental and safety challenges involved in offshore drilling and production mean we have to build responsible management into everything we do.

Indeed, our approach to responsible management is integral to supporting short-term stakeholder value by protecting not only our operational continuity, but also our business-critical relationships with host governments, investors, local communities and business partners.

Our approach also supports longer-term stakeholder value by both improving our access to new commercial opportunities and ensuring we are well prepared for evolving social attitudes and public policies.

What were Premier's corporate responsibility highlights in 2015 – and where could it improve its performance?

In 2015, we saw improved performance across the majority of our health, safety and environment indicators, as set out in Figure 1.

The overall improvement in our safety indicators reflects (amongst other things):

- The fact that our Indonesia and Vietnam business units achieved 4 million and 2 million man hours respectively without a lost work day case (LWDC)
- A year of drilling activity at our Falkland Islands business unit without a single LWDC
- Continued improvement in recordable injury performance at our Balmoral production asset in the UK

Likewise, Balmoral and our Indonesian production assets recorded no process safety-related spills to the environment, helping us reduce our process safety Loss of Primary Containment incidents (LOPCs). Meanwhile, our improved greenhouse gas performance reflects factors such as:

- The optimisation of Balmoral's power management
- The continuing impact of the installation of enhanced boilers at Chim São in 2014

Beyond these core indicators, other noteworthy achievements over the year include:

- The successful transition of Chim São to our own operational control, as well as its certification to the OHSAS 18001¹³ and ISO 14001¹⁴ management system standards
- The development and publication of a Carbon Strategy to help guide our future management of this strategic issue

- Higher levels of transparency regarding our economic contributions, including the geographical distribution of our tax and royalty payments (p71–73)
- Development of a dedicated Human Rights Grievance Procedure to support our application of the UN Guiding Principles on Business and Human Rights

In addition to these achievements, whilst current market conditions have meant we have had to reduce the number of contractors we employ, we have managed to keep employee retrenchments to a minimum. In part, this reflects our determination to retain the skills and experience enjoyed by Premier.

What are Premier's corporate responsibility plans for 2016?

In 2014, we achieved a significant step forward in terms of managing and reporting our sustainability performance. This included the application of the GRI G4 Guidelines, enhanced analysis of our stakeholder engagement activities and impacts, and the piloting of innovative business ethics and human rights risk assessment tools. This has provided us with a solid base from which to further improve our future performance.

Now, however, is a time for consolidation. As anticipated in our last Corporate Responsibility Report, market conditions mean we have had to postpone certain initiatives that would bring us further in line with international best practice. These include the application of more in-depth human rights due diligence measures. In 2016, we will examine opportunities to enhance our capabilities in this respect (and in supply chain due diligence in particular), subject to the availability of necessary resources.

In addition, we will of course ensure we are in compliance with the reporting requirements of the United Kingdom's Modern Slavery Act 2015.

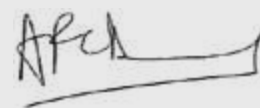
What do you see as the emerging corporate responsibility issues of the future?

Whilst the current price environment clearly calls for enhanced efficiency, we are putting every effort into ensuring this does not undermine our core competencies. Our employees carry with them valuable skills and experience that will not only help us navigate any immediate commercial challenges, but will help us secure our longer-term profitability. We have no intention of making hasty, short-term economies that undermine our future success.

Secondly, stakeholder (and regulatory) interest in companies' 'indirect' impacts (for example, those taking place through their supply chains or business partnerships) continues to grow. It is important that we achieve ever higher levels of transparency regarding the impacts, risks and opportunities associated with our supply chain and, where relevant, with our joint venture partners and host governments. This will help us maximise our positive and minimise our negative indirect impacts.

We continue to support the position set out by BG Group, BP, Eni, Royal Dutch Shell, Statoil and Total in their June 2015 letter¹⁵ to the UN Framework Convention on Climate Change (UNFCCC). This includes the establishment of clear and equitable carbon pricing frameworks at a national and, ultimately, at an international level. Because of this, we are progressively applying internal carbon pricing in our economic modelling, including at our Catcher and Solan projects.

In addition, we will pay close attention to the development of new regulatory and fiscal responses to the COP21¹⁶ meeting on climate change in Paris in December 2015.



Tony Durrant
Chief Executive Officer

Figure 1: Key health, safety and environment indicators

Indicator	2014	2015	Target	% change
Total Recordable Injury Rate (TRIR) ¹⁷	1.48	1.27	1.75	-14%
High Potential Incident Rate (HiPoR) ¹⁸	1.02	1.13	1.50	+11%
Process safety Loss of Primary Containment (LOPC)	11	8	12	-27%
Greenhouse gas emissions (thousand tonnes)	948	822	n/a	-13%
Greenhouse gas intensity (tonnes CO ₂ per thousand tonnes production)	242	218	220	-10%

¹³ Occupational health and safety.

¹⁴ Environmental.

¹⁵ See <http://newsroom.unfccc.int/unfccc-newsroom/major-oil-companies-letter-to-un/>

¹⁶ 21st Conference of Parties to the UNFCCC.

¹⁷ Per million man hours worked.

¹⁸ Ibid.

Figure 2: Delivering on our commitments

Report section	Our commitment in 2015	Achievements in 2015	Status	Page
Our approach	Enhance the quality, communication and application of Premier's management systems	<ul style="list-style-type: none"> Development of a technical specification for a functionality upgrade of the Business Management System (BMS) platform, with delivery due in 2016 Commissioning of an external review of the maturity and completeness of our business-critical management systems 	●	p18–19
	Enhance Premier's internal risk management systems	<ul style="list-style-type: none"> Roll-out of the enhanced Analysis and Reporting Risk Online Workbench (ARROW) risk management tool across the Group Initiation of additional functional enhancements to ARROW 	●	p23
	Improve corporate-level stakeholder mapping and engagement	<ul style="list-style-type: none"> Inclusion of service contractor representatives (drilling and subsea) into the Stakeholder Forum on Corporate Responsibility 	●	p26
	Maintain application of the GRI G4 Guidelines at a 'Core' level	<ul style="list-style-type: none"> Maintenance of reporting at G4 'Core' level Development of a new G4-compliant reporting procedure (subject to approval by the Executive Committee) 	●	p3, p26–27 and p77
Health, safety and security	Continuous improvement of asset integrity oversight and monitoring via Safety and Asset Integrity Performance Reporting Scorecards (STAIRS)	<ul style="list-style-type: none"> Conducting STAIRS audits at the Indonesia and Vietnam business units with an independent team (including a representative from the Energy Institute), using the Energy Institute Process Safety Survey framework 	●	p32
	Continuous improvement in health and safety performance and metrics	<ul style="list-style-type: none"> A further reduction in our Total Recordable Injury Rate (TRIR) Maintenance of a low, stable High Potential Incidents (HiPo) rate 	●	p36–37
	Implementation of new reporting guidelines in the UK on Major Accidents To The Environment (MATTE)	<ul style="list-style-type: none"> Inclusion of MATTEs into our safety cases Development of a Corporate Major Accident Prevention Policy (CMAPP) 	●	p30 and p34

Key to status

- Achieved
- Partially achieved
- Not achieved

Report section	Our commitment in 2015	Achievements in 2015	Status	Page
Environment	Enhanced management of our direct greenhouse gas emissions	<ul style="list-style-type: none"> • Application of energy efficiency measures at Balmoral (and a resulting improvement in greenhouse gas emissions performance) • Achievement of greenhouse gas intensity performance that improves on our corporate target • A decreasing overall trend in our total direct greenhouse gas emissions 	●	p41–43
	Definition of Premier's approach towards the causes and consequences of climate change	<ul style="list-style-type: none"> • Carbon Strategy published on corporate website 	●	p40
Employees	Maintenance of Premier's core competencies in a cost reduction context	<ul style="list-style-type: none"> • Minimisation of employee retrenchments, with cost reduction efforts instead focused on reducing contractor numbers 	●	p50
	Implementation of enhanced talent management and awards systems	<ul style="list-style-type: none"> • Updating our Reward Programme to further focus employees on operational excellence and project execution • Introduction of the new Premier Value Share Plan (PVSP) to further focus employees on corporate strategy and shareholder interests • Embedding our competency management tool (Navigator) in specified functions 	●	p51–52
Society	Prepare for compliance with the United Kingdom's Modern Slavery Act	<ul style="list-style-type: none"> • Development of a draft Slavery and Human Trafficking Statement (pending internal approval) 	●	p11
	Maintenance of active membership of the Voluntary Principles on Security and Human Rights (VPs)	<ul style="list-style-type: none"> • Ongoing membership of the VPs • Participation in the VPs plenary meeting in London 	●	p68
	Enhanced application of the UN Guiding Principles on Business and Human Rights	<ul style="list-style-type: none"> • Development of a dedicated Human Rights Grievance Procedure 	●	p67
	Enhanced transparency regarding economic value distribution	<ul style="list-style-type: none"> • Reporting of our economic value distribution by type/business unit 	●	p72–73

External environment

Issues influencing the oil and gas sector

Low hydrocarbon prices

Mature assets

Implications for the oil and gas sector

Pressure to reduce costs

- Cost efficiency efforts could undermine companies' strategic objectives, operational capabilities and HSES performance
- Reduced community investment could compromise companies' social licence to operate

The need to prepare for future decommissioning

Companies with mature fields need to:

- Understand – and make provision for – potentially significant decommissioning costs
- Ensure that the environmental impacts of decommissioning are minimised

How Premier is addressing these issues

Intelligent cost control and operational efficiency

As we seek to control our costs (through cost and capital discipline), we will:

- Ensure we preserve our longer-term operational capabilities
- Maintain high-quality HSES management (p29–35)
- Maximise the impact of our community investment programme (p57–63)

In addition, we will actively manage our portfolio across the cycle, focusing on highest-return assets.

Proactive management of related costs and liabilities

Our decommissioning management efforts include the following:

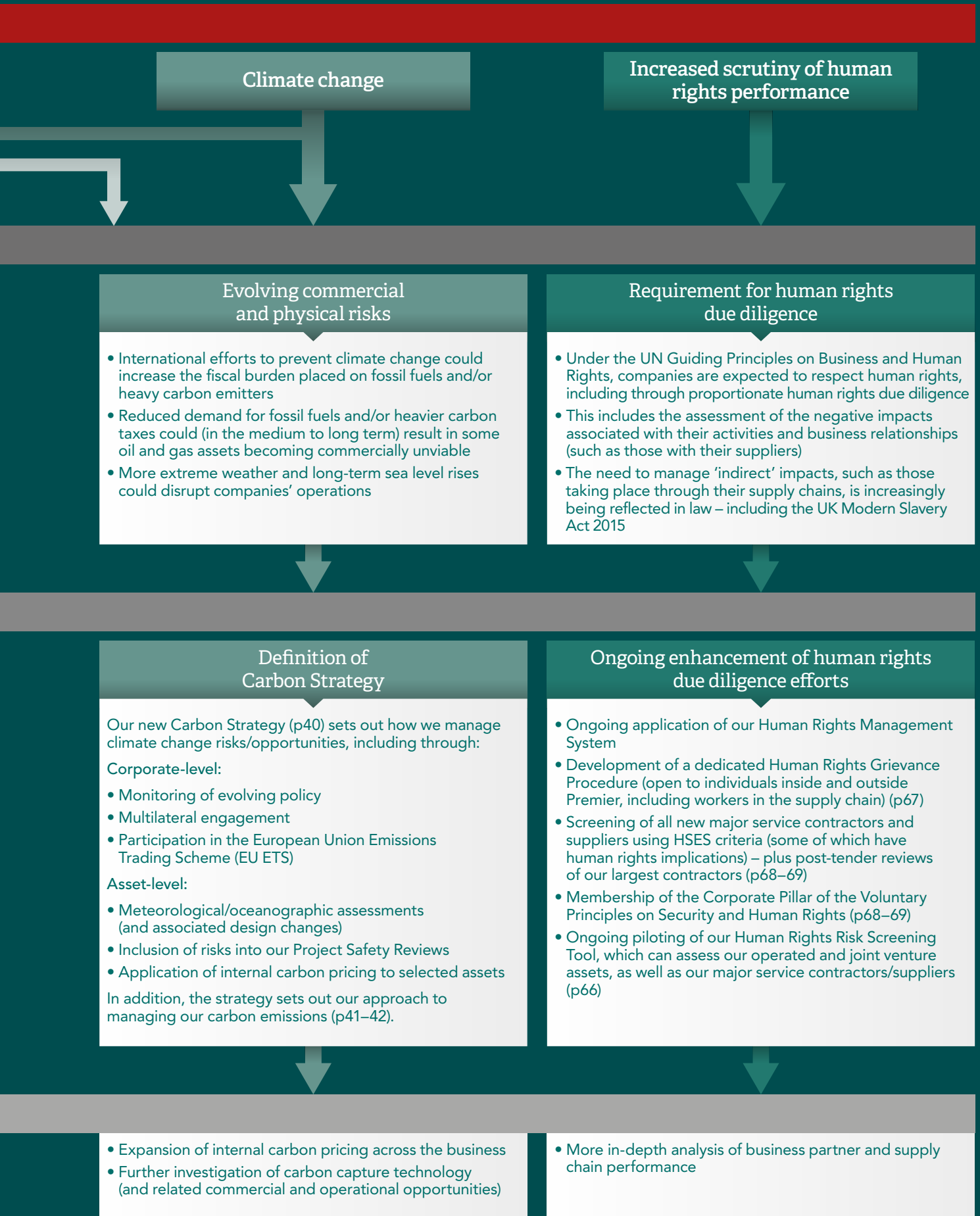
- Inclusion of decommissioning costs into all project planning
- Establishment of a decommissioning team for Balmoral in 2015
- Preparation of detailed decommissioning and active project management plans
- Application of strict environmental requirements on contractors during well, subsea and asset decommissioning

At the end of 2015, we made provision for US\$1,042 million in long-term decommissioning costs.

Future actions to consider

- Portfolio expansion (when market conditions allow), focused on low cost and/or distressed, high-quality assets and the leveraging of core Premier competencies

- Future/longer-term cessation of production at selected assets (and associated decommissioning planning)
- Adherence to new and changing regulations on decommissioning standards



Section 1: Our approach

Responsible behaviour is a key factor in obtaining and maintaining our social licence to operate – the level of approval by host communities and other stakeholders. Responsible behaviour is, therefore, a prerequisite for our business success.



Governance

Principles, frameworks and standards

As an international upstream oil and gas company, we recognise that we need to earn our social and legal licence to operate through a consistent track record of responsible and effective performance. We are guided in this respect by a range of internal and external principles and standards. A summary is set out in Figure 4, with full details available online in our GRI G4 Table.

Collectively, our policies help ensure that we avoid or minimise our negative impacts on stakeholders, whilst maximising our positive impacts. These policies, which are approved by the Board, are applied through our intranet-based Business Management System (BMS) (p19).

Corporate responsibility leadership

In line with the UK Corporate Governance Code, the Board:

- Defines Premier's strategic objectives
- Ensures that the strategic objectives are pursued in a responsible and effective manner
- Ensures that major business risks are monitored and managed in a responsible and effective manner

This includes approval of the Corporate Responsibility Policy and the management of material corporate responsibility-related risks and opportunities.

Further information on Premier's governance, including in relation to corporate responsibility, is available on p66–118 of the 2015 Annual Report.

www.premier-oil.com
(2015 Annual Report)



Corporate responsibility management

Premier’s corporate responsibility activities are overseen on a day-to-day basis by:

- The Group Development and Operations Manager, who oversees the management of HSES issues
- The Group Head of Corporate Services, who oversees human rights, government relations and risk management
- The Group Human Resources Director, who oversees human resources
- The Group General Counsel, who oversees legal and regulatory compliance, as well as ethical behaviour

These individuals report to the Chief Executive Officer, with the exception of the Group Head of Corporate Services, who reports to the Finance Director and (in parallel) to the Audit and Risk Committee. Oversight of and reporting on day-to-day corporate responsibility performance (e.g. stakeholder engagement, management system development, reporting, etc.) is the responsibility of the Group Head of Corporate Services. Any material stakeholder input or feedback is reported back to the Board.

Corporate responsibility management can also require input from other functions (including our procurement and business development teams). For example, our decision to enter into or maintain relationships with business partners, including contractors, suppliers and joint venture partners, is not only informed by commercial and operational considerations, but also by their business ethics, environmental, safety and human rights records.

Figure 3: Our values



Figure 4: Summary of principles, frameworks and standards

Internal	
Values	www.premier-oil.com (Our Values)
Vision and Strategy	www.premier-oil.com (Vision, Strategy and Business Model)
Business Ethics Policy and associated Global Code of Conduct	www.premier-oil.com (Company Policies)
Corporate Responsibility Policy	
Health, Safety, Environment and Security (HSES) Policy	
Human Rights Policy	
Community Investment Policy	
Risk Management Policy	
External	
UN Global Compact (participant)	www.unglobalcompact.org
International Association of Oil & Gas Producers (IOGP) (member)	www.iogp.org
International Petroleum Industry Environmental Conservation Association (IPIECA) (association member via the IOGP)	www.ipieca.org
OHSAS 18001 occupational health and safety management system standard (applied to all Premier-operated production assets and our drilling operations)	www.bsigroup.com
ISO 14001 environmental management system standard (applied to all Premier-operated production assets and our drilling operations)	www.iso.org
Voluntary Principles on Security and Human Rights (member of the Corporate Pillar)	www.voluntaryprinciples.org
UN Guiding Principles on Business and Human Rights	www.ohchr.org
ISO 31000 risk management system standard (which underpins our Risk Management System)	www.iso.org



Business Management System

Our BMS sets out and governs our internal controls. It is composed of the policies, standards, procedures, processes and guidelines applied by each corporate function involved in carrying out Premier's business (including the Development and Operations, Exploration, Business Development, Human Resources, Corporate Services, Legal and Finance functions), as well as supplementary local-level management system content in each business unit¹.

Premier's review programme, which is approved annually by the Audit and Risk Committee, includes reviews of the adequacy of and compliance with corporate and business unit management systems. Annual declarations are completed by the corporate-level functions and business units, either confirming their compliance with the BMS or reporting identified material control weaknesses and action plans to address them, as well as identifying opportunities for continuous improvement.

Figure 5: Corporate-level BMS elements which support corporate responsibility management

Management system	Responsible individual	Reference
Legal	Group General Counsel	p19–22
HSES	Group HSES Manager	p28–45
Human Resources	Group Human Resources Director	p46–53
Corporate Responsibility	Group Head of Corporate Services	p18 and throughout
Community Investment		p54–63
Human Rights		p64–69
Risk		p23 and p30–37 of the Annual Report
Supply Chain	Group Supply Chain Manager	p20–22 and p68–69

¹ Policies, standards, procedures, processes and guidelines that supplement Group-wide content in order to ensure compliance with local laws and regulations and address other local circumstances.

² Available in both English and Bahasa Indonesia, with supplementary explanatory material available in Vietnamese.

Business ethics

Our ability to do business is heavily reliant on the trust of actual and potential investors, host governments and societies, business partners (including suppliers) and customers, and on our compliance with applicable laws and regulations.

Furthermore, it is our responsibility to uphold and, where appropriate, enhance ethical standards in our business environments, both for our own benefit and that of our stakeholders.

Global Code of Conduct

Our commitments are set out in our Business Ethics Policy and our behaviour in this respect (including our anti-corruption efforts) is governed by our Global Code of Conduct (Code)². In 2015, we revised the Code to:

- Clearly state that if any activities are suspected of violating the terms of our Code, then they must be suspended until an investigation is completed
- Ensure the Code is aligned with the requirements of Brazil's anti-bribery and corruption legislation (following the commencement of our exploration activities in the country)

We plan to issue a revised version of the Code internally during the course of 2016. Implementation of the Code is supported by a Company-wide leadership group, made up of business ethics champions from each business unit. The group meets twice a year and addresses any opportunities for improving performance.

Our associated review processes provide assurance regarding internal compliance with the Code. The Audit and Risk Committee assists the Board in monitoring ethical business conduct, as well as the effectiveness of the Code and its supporting policies.

www.premier-oil.com
(Company Policies)

Scope of application

All employees and those associated with Premier, such as consultants, are required to adhere to the Code.

We also require our business partners, including joint venture partners, contractors, customers and suppliers, to apply the principles of the Code or equivalent standards. The main means by which we do this is the inclusion of business ethics provisions into our contracts. Depending on the nature of the relationship, we will:

- Require an undertaking by the counterparty to comply with the Code
- Require an undertaking by the counterparty to comply with their own code of ethics
- Include specific conditions and warranties relating to ethical standards in the contract

Beyond this, we also:

- Publicise the Code amongst all our business associates on an ad hoc basis (including via documentation and contractual terms)
- Require (under our standard contracts) all intermediaries and agents to adhere to appropriate standards of ethical conduct and, where appropriate, receive related training
- In the case of our more recent joint venture agreements, include a right to request an annual certificate of compliance with the Code

All business partners are able to access the Code via our website. In some cases, local, social, political and cultural conditions may make it difficult for business partners to comply with all our requirements immediately. Where this is the case, we will look for evidence of measurable progress towards compliance and will withdraw from the relationship if no such progress is made.

Communication and training

We aim to provide all employees with training on the Code within one month of their induction and, thereafter, on a triennial basis³. Training (which takes account of local norms) is delivered through interactive workshops and online modules⁴. Those working in roles with potentially higher levels of exposure to corrupt activity (for example those involved in procurement, facilities management and permitting) receive additional, targeted training.

In 2015, all new employees received induction training on the Code (2014: 100 per cent). As our training cycle works on a triennial basis, no existing employees received refresher training in 2015.

Risk assessment and due diligence

Our legal function analyses all business units for risks relating to violations of the Code, including corruption. Potential higher-risk activities may, depending on the local context, include procurement, facilities management, logistics and the obtaining of permits. The legal function also carries out screening to identify politically exposed persons, the application of sanctions and other relevant information.

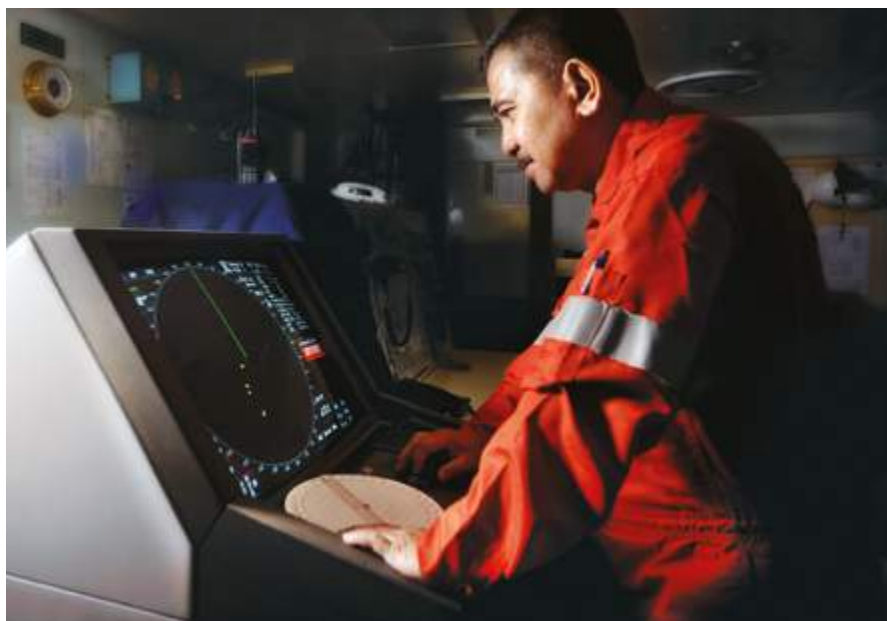
In addition, we are continuing to pilot a high-level Business Ethics Risk Screening Tool. The tool takes into account latent country risks, asset type, supplier/contractor activity and supplier/contractor governance standards. It covers:

- Premier's own assets
- The top 40 direct suppliers and contractors (by spend) for each of Premier's Indonesia, UK and Vietnam business units

The tool helps Premier prioritise and target its due diligence and anti-corruption efforts. To supplement this, in the second quarter of 2016 we plan to roll out a new questionnaire-based third party screening system. This system will 'drill down' into areas of risk and allow Premier to initiate more in-depth due diligence processes where necessary. The system will be applied to all new suppliers of goods and services to Premier.

³ Non-Executive Directors receive a formal briefing on the Code as part of induction, as well as periodic updates.

⁴ Embedded consultants are also given access to the online training modules.



In some cases, Premier uses intermediaries, agents or other third parties to support its engagements with governments, government agencies, other oil and gas companies, and service providers. We make all such appointments in line with our Intermediaries Policy, which requires us to carry out appropriate screening for corruption and to review other aspects of business ethics.

Monitoring

All business units are subject to cyclical reviews by our legal function to ensure employees understand and are adhering to the Code. In 2015, the function carried out reviews of our Pakistan, UK and Norway⁵ business units, as well as our exploration activities in Brazil and corporate office in London. These found that all employees had a clear understanding of, and were complying with, the Code.



Employees, contractors and agency workers who believe that Premier or anyone working for Premier has not acted in accordance with the Code are encouraged to report their concerns to their line managers. They can do so without fear of recrimination and on a confidential basis. All such reports are properly investigated and the results reported to the Audit and Risk Committee.

⁵ In November 2015, we sold our Norwegian business to Det norske oljeselskap, one of our long-term partners in Norway.



Individuals who are reluctant to report allegations to their managers can instead use Premier’s confidential, independently managed and well-publicised⁶ reporting hotline. This is available 24 hours a day, seven days a week, and allows employees to lodge concerns and questions about business ethics and compliance, as well as other matters of concern such as health and safety and human rights issues.

In 2015, Premier:

- Was not subject to any fines or non-monetary sanctions for legal or regulatory breaches
- Was not subject to any legal actions relating to business ethics, corruption or anti-competitive behaviour
- Did not identify any material non-compliances with the Code

➔ www.safecall.co.uk
(Whistleblowing hotline)

Enforcement

Any breach of the Code by our employees will result in disciplinary action and, in extreme cases, instant dismissal and referral to the relevant law enforcement authorities. In 2015, there were no disciplinary actions or dismissals for breaches of the Code.

Any breach of the Code by our business partners will result in either:

- An agreed corrective action plan and measures to avoid a recurrence, or
- Potential termination where this is legally permissible

In 2015, we did not terminate or fail to renew any external business relationships due to breaches of the Code.

⁶ Through induction, the Employee Handbook and the BMS. Our whistle-blower hotline is operated by Safecall, a third party provider.

Defining our Material Issues

Our Materiality Assessment process, which is described more fully on p26–27, draws on Premier's existing risk assessment process, as well as its stakeholder engagement activity.

Risk management Policy

Premier's Risk Management Policy applies the principles set out in the ISO 31000 risk management system standard. The Policy (and its associated management system):

- Sets our risk appetite
- Helps identify and evaluate the risks that affect our business
- Ensures that appropriate and effective risk controls and mitigating measures are put in place
- Supports our efforts to achieve the highest standards of corporate governance

www.premier-oil.com
(Company Policies)

www.iso.org
(ISO 31000)

Process

In 2015, Premier rolled out its integrated Analysis and Reporting Risk Online Workbench (ARROW) risk management tool, which acts as an online corporate risk register. Using ARROW, we:

- Assess all relevant risk components, including nature, causes, consequences, impact and likelihood
- Define a management approach to each risk, including risk ownership, controls and mitigating measures
- Monitor and manage our risks in real time across all business units and corporate functions

ARROW is supported by ongoing risk workshops in each of our business units to ensure a common, systematic approach to risk description and management across the Group – and to help populate the tool.

Corporate responsibility-related risks currently recorded in ARROW include those relating to:

- Catastrophic events at our operated facilities
- Fiscal pressure from host governments
- Organisational capabilities and competency management

Stakeholder engagement

Stakeholder identification, prioritisation and engagement helps us:

- Understand the impact of our activities and relationships on others
- Manage these impacts responsibly
- Monitor the effectiveness of our management actions

Stakeholder engagement also helps us to understand the potential risks that stakeholders could pose to the achievement of our business objectives, thereby enabling us to avoid or mitigate them in a proactive way. Feedback from our engagement activities is integrated into the ARROW risk management tool where relevant.

Figure 6: Stakeholder engagement at Premier

Stakeholders are selected for engagement on the basis of:

- Their actual and potential impact on Premier, and the achievement of its business objectives
- Premier's actual and potential impact, both positive and negative, on them

Engagement takes place at three different levels:



Figure 7: Stakeholder engagement – and issues raised

Category	Type	Engagement mechanism	Minimum frequency of engagement	Examples of key issues raised in 2015	Please refer to
Investors	Current shareholders	Annual Report, website, direct engagement, Stakeholder Forum, Half-Yearly Results and Trading and Operations Updates	Daily	<ul style="list-style-type: none"> • Share price performance • Progress of key projects, including the commissioning of Solan, the execution phase of Catcher and the 'Define' phase of Sea Lion • Strategic response to the low price of hydrocarbons • Asset disposals including those in Indonesia and Norway 	Annual Report
	Potential shareholders	Annual Report, website, direct engagement, Half-Yearly Results and Trading and Operations Updates	Daily	As above	Annual Report
	Investment analysts	Annual Report, website, direct engagement, Half-Yearly Results and Trading and Operations Updates	Daily	As above	Annual Report
Employees	Employees	Ongoing workplace engagement, direct dialogue, staff surveys and 360° reviews	Weekly	<ul style="list-style-type: none"> • Salaries and working conditions • Share price performance • Actual and potential retrenchments in response to current low hydrocarbon prices 	Employees
	Contractor employees	Ongoing workplace engagement, direct engagement and contractual agreements	Weekly	<ul style="list-style-type: none"> • Health and safety performance • Premier's cost-cutting measures in response to current low hydrocarbon prices 	Health, Safety and Security; Employees
	Organised labour	Regular scheduled meetings and collective labour agreements	Annual	<ul style="list-style-type: none"> • Dialogue with labour unions regarding improved remuneration for contractor workforce in Indonesia • Collective bargaining agreement in Vietnam 	Employees
Business partners	Joint venture partners	Direct engagement and contractual agreements	As required	<ul style="list-style-type: none"> • Commissioning of the Solan project in the UK • Divestment of non-core assets in Indonesia and Norway • The coordination and targeting of community investment activities in Indonesia • Seismic survey activities in Brazil • Financial challenges experienced by partners at our UK business unit 	Annual Report; Community Relations; Health, Safety and Security
	Contractors and suppliers	Direct engagement, performance monitoring and contractual agreements, including with: <ul style="list-style-type: none"> • Seismic contractors • Drilling contractors • FPSO contractors • Shipyard construction contractors • Platform commissioning contractors 	Weekly	<ul style="list-style-type: none"> • Safety and efficiency of newly built capital infrastructure • Cost, schedule and quality performance • Safe working conditions during construction and installation 	Annual Report; Health, Safety and Security
	Customers	Direct engagement, vendor processes and contractual agreements	Weekly	<ul style="list-style-type: none"> • Oil and gas prices • Oil and gas quality 	Annual Report

Category	Type	Engagement mechanism	Minimum frequency of engagement	Examples of key issues raised in 2015	Please refer to
Government	National governments	<p>Joint dialogue, including through Oil & Gas UK and BRINDEX, with the UK Government</p> <p>Direct dialogue, including with:</p> <ul style="list-style-type: none"> • Falkland Islands Government (FIG) • Indonesian government • Vietnamese government 	Monthly	<ul style="list-style-type: none"> • Policy support for North Sea oil and gas operators in a low price environment • Geopolitical dynamics around the Falkland Islands • The optimisation of Premier's economic contributions in Indonesia and Vietnam • Taxation arrangements in Vietnam and the UK • Implementing the UK Government's 'Maximising Economic Recovery of Offshore UK Petroleum' strategy 	Society
	Regulators	<p>Direct dialogue, including with:</p> <ul style="list-style-type: none"> • FIG Department of Mineral Resources • SKK Migas (Indonesia) • Petroleum Safety Authority (Norway) • Oil and Gas Authority (OGA – UK) • Department of Energy & Climate Change (DECC – UK) • Health and Safety Executive (HSE – UK) 	Monthly	<ul style="list-style-type: none"> • Divestment approval in Indonesia • Consultation with DECC on Solan's 2015 work programme and associated permitting • Flaring consent for the Huntington project in the UK • Gas flaring in Vietnam • Consultation with the OGA regarding the UK Energy Bill • Discussions with the OGA regarding extension of the Sunbeam exploration period and relinquishing of the Bonneville licence • DECC investigation into fluid releases at our Balmoral asset and Catcher project • Exploration campaign approvals in the Falklands • Operating cost reduction in Vietnam • Sale of Norwegian assets 	Annual Report; Environment; Society
Society	Civil society	<p>Direct and indirect engagement (including Stakeholder Forum) with:</p> <ul style="list-style-type: none"> • IOGP • IPIECA • UN Global Compact • Oil & Gas UK • Step Change • Various NGOs in countries of operation 	Quarterly	<ul style="list-style-type: none"> • Overall corporate sustainability performance • Local community development needs • Management of new and existing community investment programmes 	Community Relations; remaining sections
	Communities	<p>Direct engagement (via local community relations teams and business unit managers) and development-focused community investment programmes</p>	Monthly	<ul style="list-style-type: none"> • Ongoing targeting and effectiveness of new and existing community investment programmes in all locations • Environmental impact assessment and Local Content Code of Practice on the Falkland Islands • Water availability at a non-operated minority joint venture in Pakistan • Enhanced capacity building for local fishing communities in Indonesia • Potential impacts on the fishing industry in the UK • Establishment of a temporary dock facility at Port Stanley in the Falkland Islands 	Community Relations

Section 1: Our approach continued

Materiality Assessment process

In line with the Global Reporting Initiative's G4 Sustainability Reporting Guidelines (GRI G4 Guidelines), this report focuses on our most material corporate responsibility issues. Materiality has been assessed (in conjunction with third party experts) on the basis of:

- The potential/actual impact of Premier on stakeholders and their interests
- The potential/actual impact of stakeholders on Premier and the achievement of its business objectives

Material Issues

The corporate responsibility materiality matrix on p27 (Figure 9) sets out the results of the assessment process, with arrows indicating the most significant changes compared with 2014. Presentation of an issue as 'non-material' on this matrix does not mean it is irrelevant or that it is not being managed, but only that it is not of sufficient significance to be addressed in detail in this report.

Additional details regarding the implications of these findings for our disclosures under the GRI G4 Guidelines can be found on p77.

Key changes between 2014 and 2015 are indicated in the matrix and include:

- The new status of 'Responsible supply chain management' as a Material Issue – reflecting growing stakeholder expectations and a regulatory trend towards increased transparency and disclosure
- Increased prioritisation of 'Economic contributions' for both Premier and its stakeholders – reflecting: (1) the challenges posed by the current market environment; and (2) growing international focus on tax transparency
- Increased prioritisation of 'Employee engagement' for stakeholders – reflecting the actual and potential impacts of the low price environment on Premier's workforce

- Increased prioritisation of 'Climate change and GHGs' for both Premier and its stakeholders – reflecting growing international consensus on the need for stronger action to address man-made climate change. This consensus has been reflected in the outcomes of the COP21⁷ meeting in Paris in December 2015, as well as public support by a number of oil and gas majors for fair and coherent carbon pricing (p11)

Stakeholder Forum on Corporate Responsibility

On 15 October 2015, Premier held its second Stakeholder Forum on Corporate Responsibility. During the Forum, Premier asked a group of external stakeholders to review the results of Premier's Materiality Assessment (p27).

Participants in the Forum included representatives from:

- Cairn Energy
- EnSCO
- ERM Certification and Verification Services⁸
- Fauna & Flora International
- Schroders
- Subsea 7
- UN Global Compact Network UK

Key changes made in light of participants' feedback include the following:

- Increased prioritisation of 'Responsible supply chain management'
- Increased prioritisation of 'Economic contributions'
- Increased prioritisation of 'Public policy and government relations'

In addition to providing feedback on materiality, each participant was asked to highlight what they considered to be the most important current or emerging corporate responsibility issues that Premier should be cognisant of. Responses included:

- The need for the sector to maintain vigilance around health, safety and the environment despite the impact of the current market on (for example) workforce stability and procurement budgets

- The need to identify and manage companies' cumulative and collective impacts on society and the environment
- The need for closer alignment of companies' sustainability efforts with the new UN Sustainable Development Goals
- The need for 'beyond compliance' approaches towards conservation areas
- Recognition of the close link between the environment and community wellbeing

 sustainabledevelopment.un.org (Sustainable Development Goals)

⁷ 21st Conference of Parties to the UN Framework Convention on Climate Change (UNFCCC).

⁸ Observer.

Figure 8: Materiality Assessment process

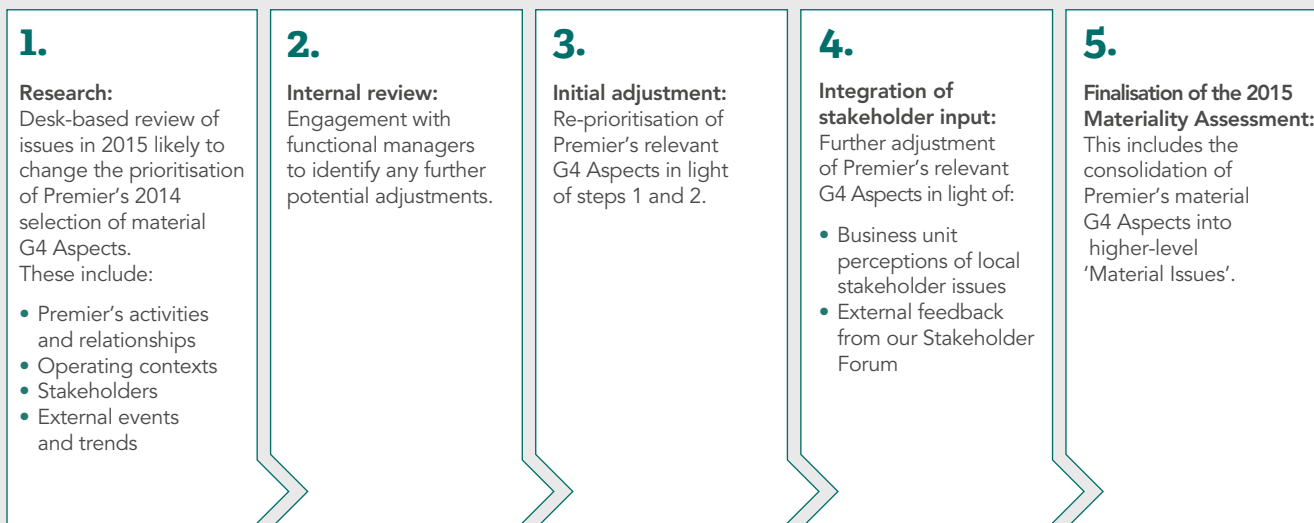
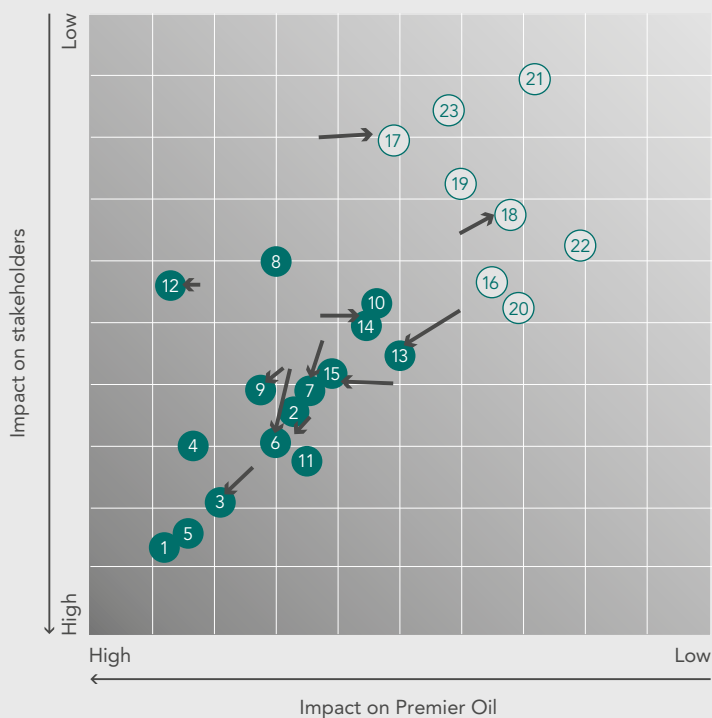


Figure 9: Corporate responsibility materiality matrix



Arrows indicate key shifts in our Material Issues since the end of 2014.

Section 2: Health, safety and security

Premier is committed to operating responsibly and will never knowingly compromise our health and safety standards to meet our operational objectives. We will do all that is reasonably practicable to prevent major accidents and ensure the safety of everyone involved in our operations.



Materiality

Given the potential risks associated with offshore oil and gas operations, health and safety is paramount in everything we do. This is not only due to the potential impacts of health, safety and security incidents on our employees and contractors, but also the need to maintain our:

- Operational continuity
- Regulatory compliance
- Corporate reputation amongst our employees, business partners, government partners and investors

Key issues in this regard include:

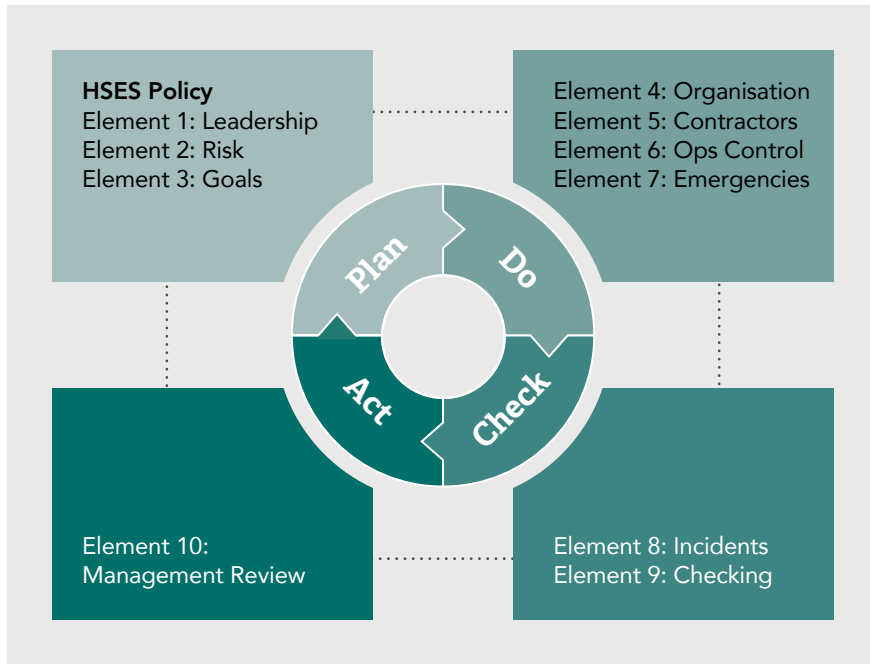
- Process safety and asset integrity
- Emergency preparedness
- Occupational health and safety
- Employee and asset protection

Managing health, safety and security

Premier's HSES Policy is implemented through our HSES Management System. The system, which underwent a major update in 2014 and was rolled out in 2015, contains a comprehensive set of standards and procedures, all of which are integrated into the overall Business Management System (BMS) (p19). These include our Golden Rules, which are designed to help address the most common causes of serious incidents at oil and gas facilities.



Figure 10: Scope and hierarchy of the HSES Management System



The HSES Management System prescribes how HSES issues should be managed throughout the hydrocarbon lifecycle (exploration, development, production and decommissioning). It applies to our operated assets and activities. Certain elements also apply to our assets that are operated by third parties and to activities that we contract out. The management system is externally certified to the OHSAS 18001 health and safety management system standard for our production facilities and drilling operations.

We aim to provide our employees, contractors, visitors, neighbours and the environment with a high level of protection and believe that all major accidents are preventable. Because of this, we carry out regular reviews of our operations to assess the risk of major accidents and to implement relevant measures to prevent their occurrence.

HSES performance is monitored, measured and reported on an ongoing basis to the Executive Committee and to the Board.

Our new Corporate Major Accident Prevention Policy

In 2015, we implemented a new Corporate Major Accident Prevention Policy (CMAPP), as required by the UK Offshore Installations (Offshore Safety Directive) (Safety Case etc.) Regulations 2015.

The policy, which is applicable to all of our operations worldwide, summarises Premier’s arrangements for controlling the risk of a major accident and how those arrangements are put into effect. It is implemented through our existing HSES Management System, which is being updated to meet the new regulations, principally the requirements to include the management and control of environmental major accident hazards into our Safety Cases.

www.premier-oil.com
(Company Policies)

www.bsigroup.com
(OHSAS 18001)

Incident reporting

In 2015, we completed the roll-out of a centralised, online occupational health and safety incident reporting tool, Synergi Life, across our operations. This has allowed us to centralise HSES incident reporting and action tracking into a single, Company-wide platform, thereby enabling us to improve our analysis of performance.

Fitness for work

Premier requires all employees and contractors working offshore to have a medical assessment every two years, in accordance with the Oil & Gas UK Guidelines for Medical Aspects of Fitness for Offshore Work. We maintain a strict prohibition on alcohol and illegal substances and strongly encourage individuals found to be affected by either to accept the professional counselling made available to them by Premier.

Employee engagement

Senior managers and supervisors are required to demonstrate visible leadership on HSES matters in the operational environment. Likewise, every Premier employee is accountable for their own HSES performance and that of their team. Employees are expected to 'stop the job' if they see or believe something is unsafe or can be better controlled. In this context, induction training places a heavy focus on HSES awareness. In addition, employees working on or travelling to offshore facilities undertake a Basic Offshore Safety Induction and Emergency Training programme. They must also attend a Further Offshore Emergency Training refresher programme every four years thereafter.

We also apply a technical safety competency framework, which is enhancing the ability of key individuals to identify and address process safety hazards and incidents. Furthermore, it is helping them achieve the recognised status of Professional Process Safety Engineers.

As part of our employee engagement process:

- Each operational function and team enters into team HSES performance contracts
- Selected senior personnel (i.e. those likely to influence HSES performance) enter into individual performance contracts. In 2016, we plan to extend these HSES elements to all individual performance contracts

Employees at our Norway¹ and UK business units (representing 13 per cent of our workforce) have representatives on formal joint management-worker health and safety committees². Although our other business units do not operate this model, Premier has procedures in place to ensure that employees receive direct communications on HSES issues (including the issuing of Safety Alerts (p37) and the sharing of best practice) from senior managers and supervisors on a regular basis.

In 2015, we introduced a new corporate HSES scorecard summarising performance across the business. We distributed this to all personnel on a monthly basis. In addition, HSES advisors as well as safety officers drawn from the workforce are present in all our production, drilling and construction operations. They conduct regular meetings to discuss health and safety issues with employees.

Monitoring and assurance

The HSES Management System is subject to an ongoing programme of monitoring and review. This includes:

- Internal auditing against our corporate HSES standards
- Third party certification of our operated production and drilling activities
- Periodic Energy Institute process safety surveys

The Board reviews HSES performance against our targets on a monthly basis and the Executive Committee reviews performance through quarterly reviews with each business unit. All safety performance data includes Premier employees and both directly and indirectly employed contractors across all our operated activities.

¹ In November 2015, we sold our Norwegian business to Det norske oljeselskap, one of our long-term partners in Norway.
² 'Workforce' includes employees and contractors.

Process safety and asset integrity

Our HSES Management System defines Premier’s objectives and minimum requirements for process safety in all operations, as well as the responsibilities, verification and validation required to provide assurance that they have been met.

Safety and Asset Integrity Performance Reporting Scorecards (STAIRS)

We apply Safety and Asset Integrity Performance Reporting Scorecards (STAIRS) across all of our operated assets, covering integrity, maintenance, control, people, procedures and recovery (i.e. emergency response) barriers. These:

- Assess monthly process safety and asset integrity performance
- Support the identification, assessment and management of associated risks
- Confirm that each asset is ‘safe to operate’
- Facilitate target-setting, monitoring and assurance (including third party auditing against the Energy Institute Process Safety Survey standard)

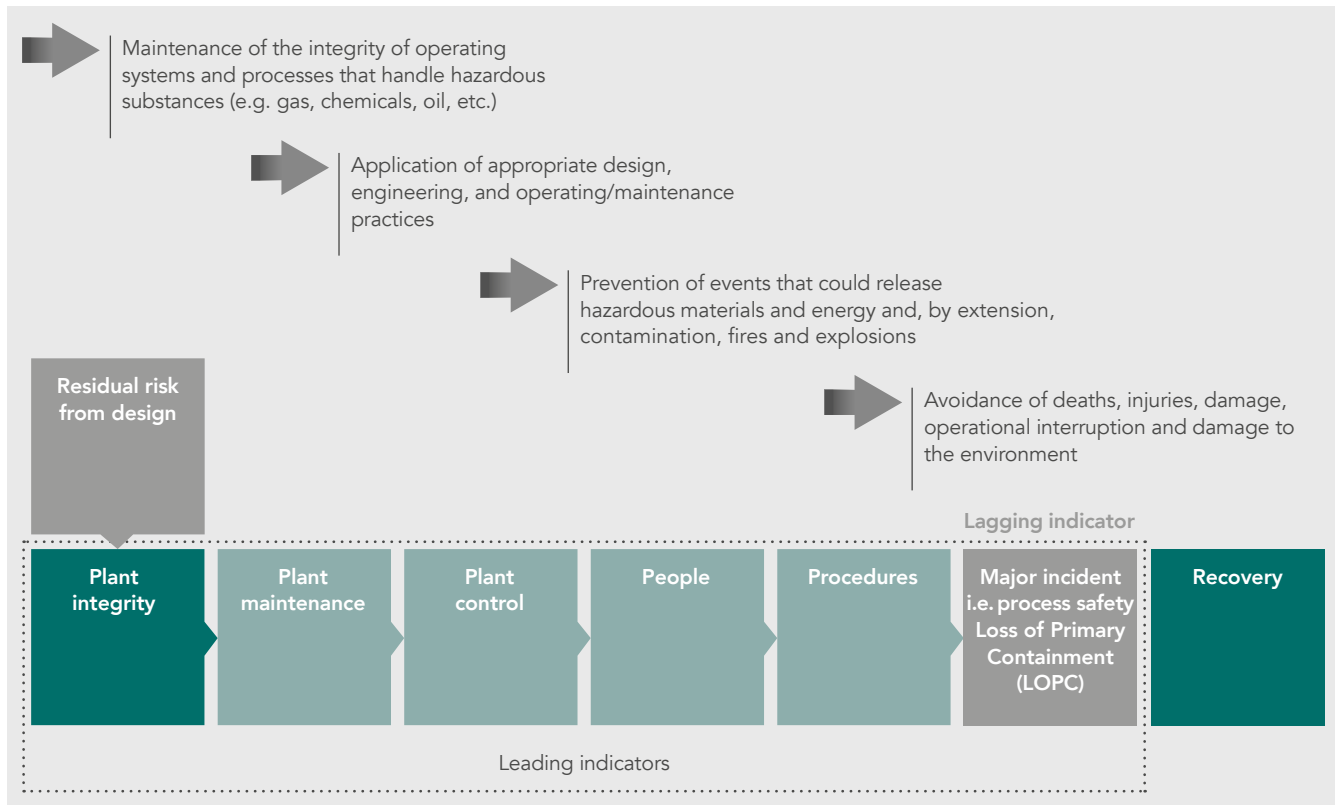
The Scorecards are based on a combination of the principles of American Petroleum Institute (API) recommended practice and the Energy Institute Process Safety Survey (EIPSS) framework. They:

- Include sufficient information to demonstrate compliance with each installation’s Safety Case, or justification for continued operation if a degraded control/barrier is found
- Evaluate a full set of process safety and asset integrity indicators for each control/barrier and assign an overall score on how each control/barrier is being managed

During 2015, all of our production assets showed improvement in their STAIRS scores. This was reflected by the fact that, at the end of the year, each asset was operating above its target score of 70 per cent. Furthermore, our Balmoral and Indonesian assets exceeded their stretch target of 80 per cent. STAIRS will remain a key area of focus in 2016, during which we plan to roll out a number of enhancements to the system.

Towards the end of the year we conducted STAIRS audits of the Indonesia and Vietnam business units with an independent team (including a representative from the Energy Institute). Using the Energy Institute Process Safety Survey framework, the audit team was able to both validate the STAIRS scores and benchmark Premier against industry peers. Premier was deemed to be above average, or an upper-quartile performer.

Figure 11: Key elements of process safety³



³ Based on IOGP Report 456: Process Safety – Recommended Practice on Key Performance Indicators (2011).

Figure 12: Process safety data

Process safety LOPC events	2013	2014	2015
Tier One	1	0	0
Tier Two	2	0	3
Events of lesser significance	37 (9) ⁴	11	5
Total	40 (12)⁵	11	8

Process safety Loss of Primary Containment

Premier records process safety events through the measurement of consequences (i.e. injury or impact) and process safety Loss of Primary Containment (LOPC) events. We classify significant process safety LOPC events into two categories (Tier One and Tier Two⁶) and report our performance annually to the IOGP for benchmarking. The exact definitions are complex but, as a generalisation, the following abbreviated definitions help to understand the metrics:

- Tier One: More than 500kg of gas or 1,000kg of oil per hour
- Tier Two: More than 50kg of gas or 100kg of oil per hour

We also record other process safety LOPC events of smaller volume for investigation and internal performance reporting.

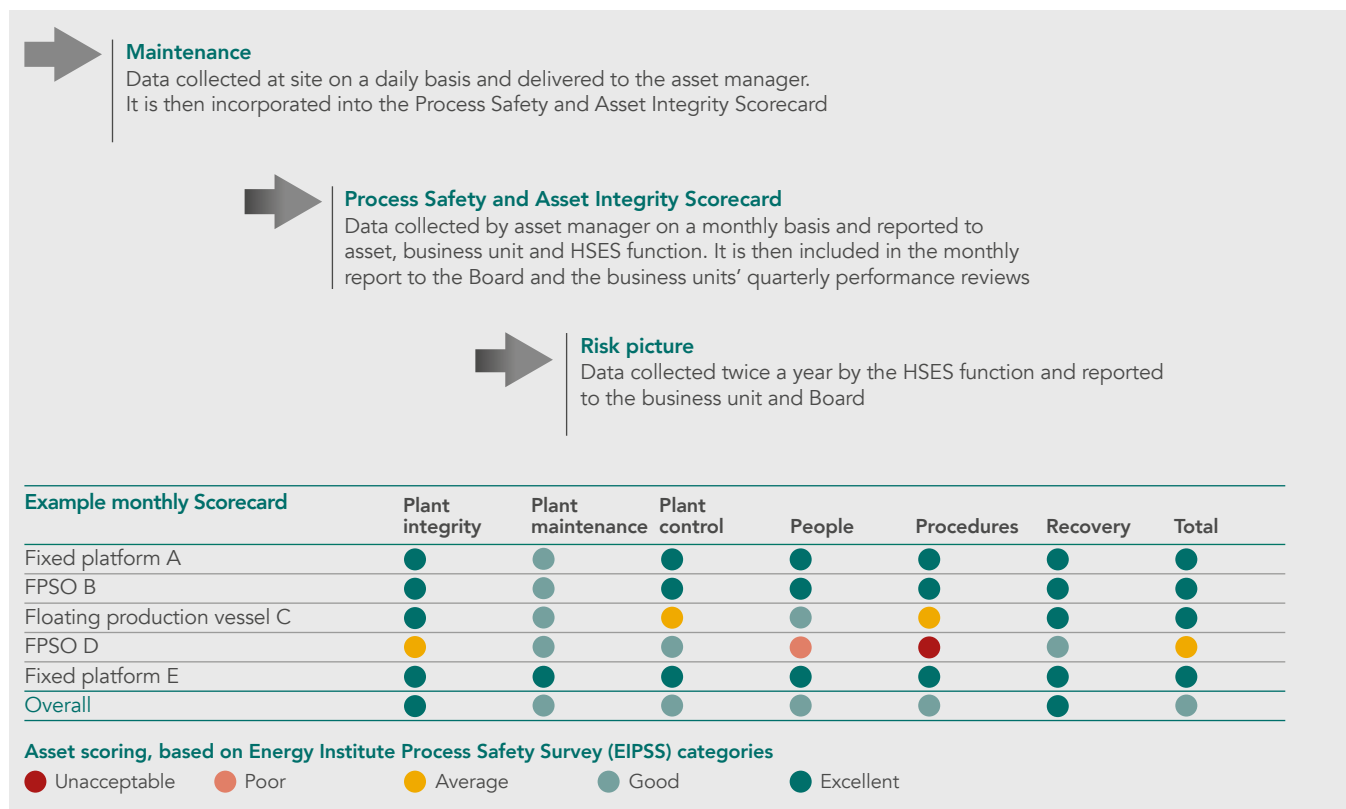
We are a member of the IOGP Process Safety Subcommittee and continue to assist in the development of an industry-wide approach to process integrity indicators and reporting.

In 2015, our operated production assets had:

- No Tier One process safety LOPC events
- Three Tier Two process safety LOPC events
- Five process safety LOPC events of lesser significance

This compares to a total of 11 process safety LOPC events of lesser significance in 2014.

Figure 13: Process safety data collection and reporting



4 Figure not in brackets for 2013 denotes process safety LOPC events as defined under our previous reporting criteria.

5 Ibid.

6 Based on IOGP Report 456: Process Safety – Recommended Practice on Key Performance Indicators (2011).

Emergency preparedness

The complex nature and offshore location of our assets means there is considerable potential for major safety incidents, infrastructure failures and other catastrophic events. Whilst Premier does its utmost to minimise the risk of such events occurring, it is important to plan carefully to mitigate the impacts of incidents should they occur.

In this context, all our operations have emergency response plans, which are subject to regular review. In addition, we conduct regular offshore drills for all personnel, as well as periodic onshore emergency exercises involving emergency response teams from our business units and corporate office. These are based on simulated scenarios such as major oil spills or fatal accidents.

Furthermore, we carry out:

- A range of more regular health and safety drills at all our onshore offices and offshore facilities
- Periodic business continuity and emergency response exercises at our onshore offices, including an interaction exercise between the Falkland Islands business unit and our corporate office in London in the first half of 2015

In the last quarter of 2015, we also established a new disaster recovery centre in Batam, Indonesia. This site provides disaster recovery support for the key communication and administrative systems used by our Indonesian business unit offices. The new facility is more physically accessible than our previous site and utilises more advanced technology – allowing us to back up business critical data more frequently and securely than before. In November 2015, a disaster recovery test was completed at the site, which confirmed that it is ready to support business continuity activities in the event of a disaster.

Well capping

We continue to support the work of the Oil Spill Prevention and Response Advisory Group, a body established by Oil & Gas UK that has overseen the development of a well capping device for the UK Continental Shelf (UKCS). This device can close off a well in the event of a major incident, thereby stopping a major and sustained oil release. The device, which is fully operational, is kept in readiness for immediate deployment where needed. As a member of Oil Spill Response Limited, we are entitled to use the device at any of our drilling and production locations on the UKCS.

We also have an agreement with Wild Well Control, which enables us to access and mobilise their subsea well containment system (on a fully staffed basis) in response to a loss of control on any Premier-operated well in the world.

Safety assessments

Project Safety Reviews

We carry out Project Safety Reviews (PSRs) at all our operated projects and at all stages of their lifecycle (including identification, study, design, execution and production). This is to ensure that we identify and effectively manage HSES risks at every stage. As a result, each project typically undergoes six PSRs from concept to operation, which are aligned with Premier's approval gate stages (see Figure 14). All HSES risks must be managed to an acceptable level before a project can proceed to the next stage.

Safety Cases

Premier operated assets

We apply Safety Cases at all our operated installations to assess relevant process safety risks against established benchmarks. Where necessary, we then reduce these risks to a level that is 'as low as reasonably practicable' (the ALARP principle⁷). Our operated assets are then reviewed every five years to ensure ongoing compliance with their Safety Cases.

We start preparing Safety Cases at an early stage for each project to identify key risk drivers and solutions. We then develop the Safety Case in detail as the project proceeds and ensure that a comprehensive and acceptable Safety Case is in place prior to production. Our Safety Cases are consistent with the regulatory standards of the UK, irrespective of location. This reflects our desire to apply best practice wherever we work. Each Safety Case is reviewed by local regulators or competent third parties, who provide assurance regarding compliance.

In 2015, the UK Government revised its Safety Case Regulations, which now require:

- The inclusion of Major Accidents To The Environment (MATTEs) in our Safety Cases
- The development of a CMAPP (p30)

During the current reporting period, we conducted five-yearly 'Thorough Reviews' of our Anoa and Gajah Baru Safety Cases. We also updated and re-issued the Balmoral Safety Case following a Thorough Review in 2014.

⁷ 'Reasonably practicable' implies that an assessment is made in which the quantum of risk is balanced against the money, time and effort involved in averting that risk.



Well examination

Our well examination scheme, which we apply across the Company, was originally developed to meet the requirements of the Offshore Installations and Wells Design and Construction Regulations 1996. These require well operators to have a scheme in place to ensure that (as far as reasonably practicable) wells are designed, operated, suspended and decommissioned in a way that prevents any unplanned escape of oil or gas, and that minimises health and safety risks.

In this context, we commission independent, competent experts to review our wells on an annual basis to ensure they continue to meet the above requirements. Each examination records:

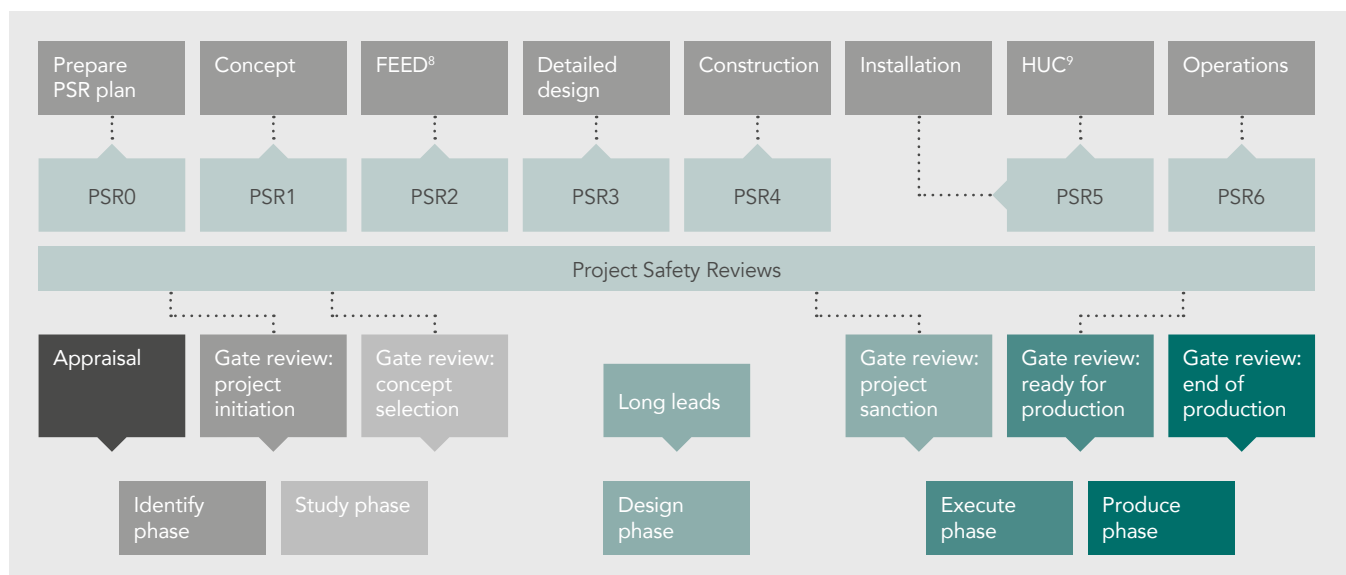
- Well risks
- Recommendations for mitigation
- Actions taken in response to those recommendations

Contractor drilling

We encourage all our drilling contractors to adopt the International Association of Drilling Contractors HSE Case Guidelines for their drilling operations. In 2015, all but one contracted drilling rig working for us had a Safety Case in place. The exception arose from the local regulatory framework, which does not require a Safety Case and did not allow us to specify one. We assess the integrity of our contracted drilling rigs prior to their deployment. This includes:

- Assessment of each drilling rig’s technical specifications during bidding to ensure they meet our requirements
- A pre-hire audit after we have selected a rig
- A drilling preparedness review that assesses crew competence, maintenance processes, and the integrity of safety-critical equipment (e.g. blowout preventers)

Figure 14: Project Safety Reviews at all stages of the project pipeline



⁸ Front-end Engineering and Design.
⁹ Hook-up and commissioning.

Occupational health and safety

In 2015, we worked 7.1 million man hours (2014: 10.8 million). The reduction in man hours in 2015 reflected reduced operational activity. We did not experience any fatalities in 2015.

Total Recordable Injury Rate

In 2015, our Total Recordable Injury Rate (TRIR) fell by 14 per cent from 1.48 per million man hours worked to 1.27. There were nine recordable injuries in 2015 compared with 16 in the previous year. Injuries in 2015 included:

- Three lost work day cases (LWDCs)
- Two restricted work day cases (RWDC)
- Four medical treatment cases (MTC)

The fall in the overall TRIR was largely accounted for by:

- Completing 4 million and 2 million man hours at our Indonesia and Vietnam business units respectively without a LWDC
- Completing a year of drilling activity at our Falkland Islands business unit without experiencing a LWDC
- Further improvements in recordable injury performance at our Balmoral production asset

In 2015, we had four confirmed cases of occupational illness.

These included:

- Two instances of deep vein thrombosis and one instance of nausea resulting from air travel
- One instance of nausea caused by solvent inhalation resulting from office maintenance work

10 Per million man hours worked.

11 Ibid.

12 Ibid.

13 IOGP averages for 2015 were not available when this report was issued.

14 This table does not include third party incidents.

15 In November 2015, we sold our Norwegian business to Det norske oljeselskap, one of our long-term partners in Norway. The high TRIR in Norway reflects the limited number of man hours worked there.

16 Ibid.

Figure 15: Occupational safety data

Key safety parameters and indicators	2013	2014	2015
Man hours worked (million)	11.8	10.8	7.1
Fatalities	–	2	–
Lost work day cases (LWDC)	18	7	3
Restricted work day cases (RWDC)	5	2	2
Medical treatment cases (MTC)	17	5	4
Key performance indicators			
Target recordable injury rate ¹⁰	2.00	2.50	1.75
Total Recordable Injury Rate (TRIR) ¹¹	3.42	1.48	1.27

Figure 16: Total Recordable Injury Rate (TRIR)¹² benchmarking¹³

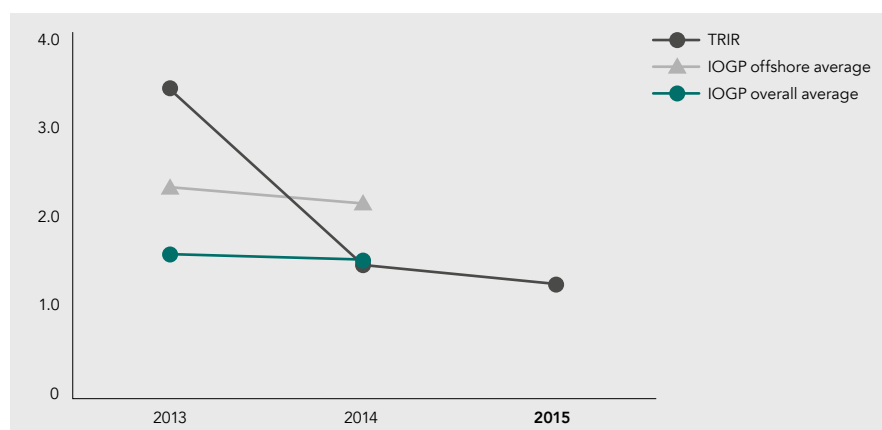


Figure 17: Total Recordable Injury Rate (TRIR) by employment type and region¹⁴

	Exploration	Falklands	Indonesia	Norway ¹⁵	Pakistan	UK	Vietnam
Employees	–	–	0.90	–	–	1.01	–
Contractors	–	2.25	–	14.86	–	1.75	1.81
Overall workforce	–	1.57	0.37	5.71	–	1.48	1.33

Figure 18: Breakdown of recordable injuries by gender and employment type

UK	3	Incidents involving two male contractors (one back strain while lifting, one hand puncture) and one female (ankle strain)
Vietnam	1	Incident involving a male contractor (thumb injury)
Norway ¹⁶	1	Incident involving a male contractor (trip resulting in broken finger)
Falkland Islands	1	Incident involving a male contractor (back strain)
Indonesia	2	Incidents involving male employees (twisted ankle and hand injury)
Corporate headquarters	1	Incident involving a female contractor (chemical burn)

High Potential Incidents

The High Potential Incidents (HiPos) metric used by Premier represents a key indicator for major accidents and serious injuries. By identifying, analysing and addressing the root cause of HiPos, we are able to reduce the likelihood or impact of future incidents. The assessment of HiPos complements the testing of asset integrity safety systems under our safety case regime.

In 2015, we identified eight HiPo events (2014: 11¹⁷), giving us a HiPo rate of 1.13 per million man hours worked (2014: 1.02). Of the HiPo events identified, all (under different circumstances), were considered to have the potential for life-changing injury, single and/or multiple fatalities, significant environmental impact and/or reputational damage to Premier. Our HiPos in 2015 included:

- One relating to commissioning
- One relating to drilling
- Five relating to production
- One relating to office maintenance

These incidents reflect the particular risks posed by offshore drilling and production operations – as well as the (more limited) potential for accidents that can occur within the office environment.

Following an investigation into the root cause of each HiPo (and in accordance with Premier's Standards) we issue Safety Alerts (where appropriate) to all relevant personnel. These set out a detailed description of the incident, the causes behind it and necessary preventative actions¹⁸.

Figure 19: High Potential Incident Rate (HiPoR)¹⁹

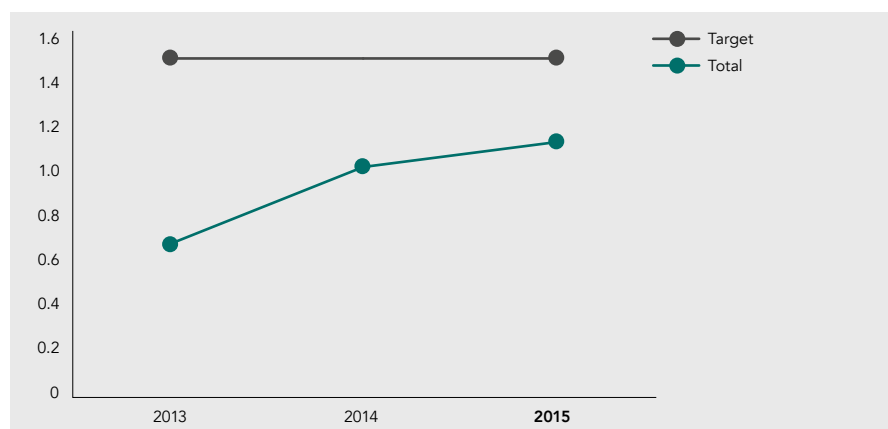


Figure 20: High Potential Incidents data

Parameter	2013	2014	2015
High Potential Incidents (HiPos)	8	11	8
Target High Potential Incident Rate ²⁰	1.50	n/a	1.50
Total High Potential Incident Rate (HiPoR) ²¹	0.68	1.02	1.13

Employee and asset protection

Our conduct of security risk evaluations for our employees and assets, whether they are involved in exploration, project development, production or general business, is guided by the latent risks posed by their locations, as well as by recent events.

In 2015, areas of higher potential security risk included:

- Iraq – linked to ongoing conflict, including the activities of Islamic State
- Kenya – linked to tribal conflict, as well as cross-border terrorist threats linked to Al-Shabaab
- Mexico – linked to potential kidnap risks during onshore business travel and employee transfer
- Pakistan – linked to security challenges
- Brazil – linked to violent crime

Our security risk exposure was considerably reduced by the end of 2015, however, due to our withdrawal from Kenya, as well as a suspension of exploration activity in Iraq. During 2015, employees worked in Pakistan and Brazil and visited Mexico. Visitors were supported by in-depth travel risk assessments and guidance, as well as enhanced physical security and evacuation precautions where appropriate.

Premier has a formal travel risk management process for all its employees. It is also a member of International SOS, which provides international medical assistance, healthcare and security services as well as updates on local health-related risks.

During 2015, there were no significant security incidents that affected Premier personnel.

Disease management

Premier provides its employees (and their families where appropriate) with relevant information on disease prevention when travelling to, or working in, high-risk areas. Medication is provided when necessary.

¹⁷ Retrospectively applying our improved HiPo assessment methodology to the 2014 dataset would have increased our reported HiPos for the year to 15.

¹⁸ Safety Alerts are also issued for non-HiPos that nonetheless require heightened awareness and caution.

¹⁹ Per million man hours worked. Please note, there was no HiPoR target for 2014.

²⁰ Per million man hours worked.

²¹ Ibid.

Section 3: Environment

Premier is committed to operating responsibly and will never knowingly compromise our environmental standards to meet our operational objectives. We will do all that is reasonably practicable to minimise our impact on the environment.





Materiality

Premier currently conducts all of its operated activities offshore, where we drill for and extract oil and gas from sub-surface reservoirs. By their very nature, offshore oil and gas operations can have a range of potential impacts on water quality, air quality and local ecosystems. Furthermore, any failure to take reasonable steps to avoid and/or mitigate negative environmental impacts poses a material risk to Premier's reputation, as well as our ability to comply with our legal and regulatory obligations.

Our most significant environmental issues relate to:

- Greenhouse gas emissions associated with energy consumption and flaring at our facilities
- Effluents and waste, including the prevention of spills and the responsible management of hazardous materials

Managing our environmental performance

We manage our environmental performance across the lifecycles of our operations and projects through our HSES Management System (p29–31). All our operated production and drilling activities are certified to the ISO 14001 environmental management standard.

Our HSES Management System, as well as our external ISO 14001 audits, help ensure that we continue to comply with relevant environmental legislation and regulations. In 2015, we spent US\$5.5 million on identifiable environmental management measures.

Impact assessment

Under our HSES Management System, we conduct baseline surveys and prepare environmental and social impact assessments (ESIAs) for each operated activity. The assessments include:

- Physical impacts
- Ecosystem impacts
- Socio-economic impacts



As part of this process, we gauge the significance of each impact and assess how we can reduce it to a level that is ‘as low as reasonably practicable’ (ALARP). In this context, we decide on the implementation of potential impact controls on the basis of:

- Efficacy
- Practicality
- Cost

Reporting our performance

Environmental metrics are gathered on a monthly basis from each business unit. These are analysed and relevant performance indicators are reported to the Board each month. In addition, we distribute an HSES scorecard to all personnel to keep them informed of Company HSES performance (p31).

Climate change and greenhouse gas emissions

Approach

We work to minimise our carbon emissions through:

- The application of effective design and, wherever practicable, energy efficient technology (p44–45)
- The efficient operation of our existing equipment and infrastructure, including the minimising of flaring and venting
- Responsible energy use

Performance constraints

Our ability to reduce our carbon emissions is constrained by the fact that the performance of our offshore production facilities is largely determined by their original design. Furthermore, as fields mature, hydrocarbon production decreases and produced water (and thus fluid handling) increases, making them more energy intensive. As a result, major changes in the greenhouse gas intensity of our operated portfolio will ultimately be driven by the age of assets within our portfolio.

We consider best available technology when designing our projects. This includes, for example, the use of dry, low-emissions turbines and flare recovery systems.

We believe that all targets should be SMART (Specific, Measurable, Attainable, Relevant and Time-bound). As such we:

- Conduct environmental ALARP studies at the design stage of every new project
- Set SMART annual greenhouse gas intensity targets to drive operational efficiency at our operated production assets
- Aspire (by pursuing the targets mentioned above) to achieve a carbon intensity for steady-state operated production that is in line with the industry median¹

We benchmark our carbon emissions performance against an industry performance database compiled and published annually by the International Association of Oil & Gas Producers (IOGP)².

Reporting

In the UK we are subject to the European Union Emissions Trading Scheme (EU ETS). In this context, we submit an annual, externally verified report on our emissions to the UK’s Department of Energy & Climate Change (DECC).

In line with OSPAR³ Recommendation 2003/5, Premier also produces an annual UK Continental Shelf (UKCS) Environmental Performance Report⁴, which includes details on greenhouse gas emissions from our North Sea assets. Our 2015 report is due to be published in summer 2016.

As a longstanding participant in the CDP⁵ we achieved a disclosure score of 96 out of 100 in 2015 (2014: 58).

We gather emissions data from our joint venture partners to enable us to quantify emissions across our entire portfolio and also to understand the emissions performance at each of our non-operated assets (p41).

 ec.europa.eu (EU ETS)

Managing climate change risks

Climate change has the potential to pose physical risks to our operations. Such risks might include, for example:

- Heightened storm risks
- Long-term sea level rises

We undertake detailed meteorological and oceanographic impact assessments for all new projects during the design phase. These take account of projections of rising sea levels and more frequent unpredictable weather events. In this respect, we continued to gather meteorological and oceanographic data at our Sea Lion project during 2015.

Premier has published a Carbon Strategy, which explains how we are managing the risks and opportunities associated with climate change, as well as our approach to managing carbon emissions. Our strategy addresses potential metocean impacts on our offshore projects and assets. It also addresses carbon- and climate-related fiscal and legislative initiatives that are evolving in the countries in which we operate.

We are also monitoring the outcomes of the December 2015 COP21⁶ meeting in Paris in order to help steer our future carbon emissions strategy.

 www.premier-oil.com (Carbon Strategy)

1 As published annually by IOGP.
 2 The IOGP published median was 153 tonnes per thousand tonnes of production for 2014 (latest data available).
 3 OSPAR is a means by which governments and the European Union (EU) work together to protect the marine environment of the North-East Atlantic.
 4 For more information, see Premier’s UKCS Environmental Performance 2014 report at <http://www.premier-oil.com/premieroil/dlibrary/panda/ospar-report-28-may.pdf>
 5 Formerly known as the Carbon Disclosure Project.
 6 21st Conference of Parties to the UN Framework Convention on Climate Change (UNFCCC).

Figure 21: Greenhouse gas emissions per function (thousand tonnes)

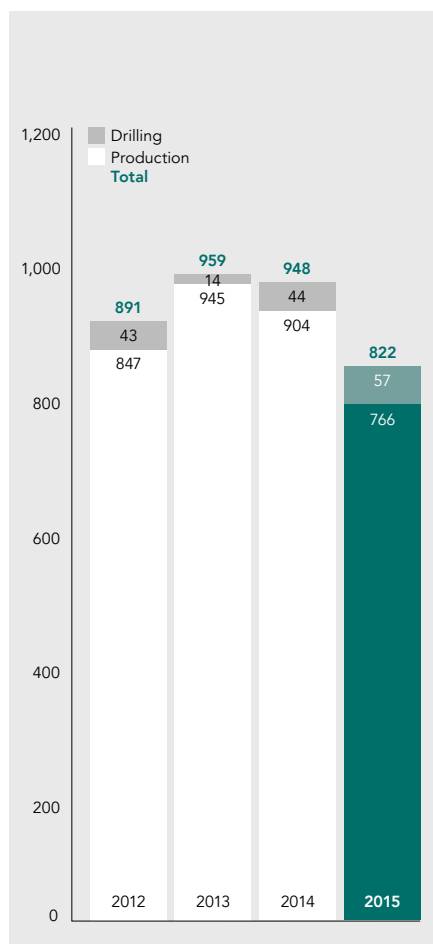


Figure 22: Greenhouse gas intensity (tonnes CO₂ per thousand tonnes of production)

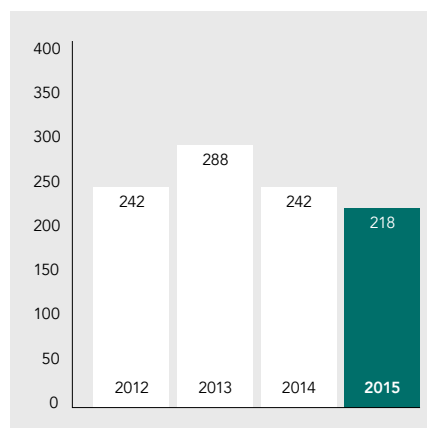


Figure 23: Flaring of gas (tonnes)

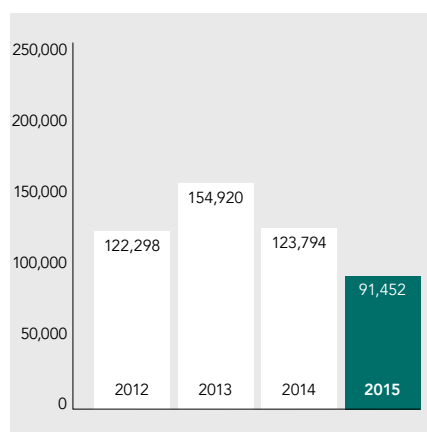


Figure 24: Flaring and venting of gas (tonnes/tonnes per tonne of production)⁷

	Indonesia	UK	Vietnam	Total
Flaring (tonnes)	24,149	10,040	57,262	91,452
Flaring per tonne produced (tonnes)	0.01	0.04	0.04	0.03
Venting (tonnes)	1,576	–	2,876	4,452
Venting per tonne produced (tonnes)	0.001	–	0.002	0.001

Direct emissions⁸

In 2015, total Scope 1 (i.e. direct) greenhouse gas emissions⁹ from our operated facilities amounted to 822,330 tonnes (2014: 947,724 tonnes). This partly reflected improved steady-state production efficiency at Chim Sáo. Significant improvements were also made at our Balmoral asset – see the case study box on p43 for more information.

Our Scope 1 emissions are likely to increase over the next five years as new production operations come on-stream.

In 2015, our operated production assets achieved a greenhouse gas emissions intensity of 218 tonnes per thousand tonnes of production¹⁰ (2014: 242 tonnes), beating our SMART 2015 target of 220 tonnes per thousand tonnes of production. In 2016, we aim to achieve greenhouse gas intensity of less than 215 tonnes per thousand tonnes.

In 2015, Scope 1 (i.e. direct) greenhouse gas emissions¹¹ from our non-operated facilities (the percentage of total emissions based on Premier's equity share) amounted to 113,155 tonnes (2014: 158,971 tonnes).

Our average emissions intensity, calculated on an equity basis, including flaring and fuel gas combustion only, amounted to 270 tonnes per thousand tonnes of production (2014: 265¹² tonnes).

⁷ For Balmoral (UK), venting quantity is not calculated because it is already included in the flaring calculation as an estimated figure. Including this data would result in double-accounting.

⁸ Greenhouse gases reported in this section include carbon dioxide, methane and nitrous oxide. We do not emit significant amounts of hydrofluorocarbons, perfluorocarbons or sulphur hexafluoride. The chosen base year is 2011 (when Gajah Baru (Indonesia) and Chim Sáo (Vietnam) came on-stream). Prior to this, our operated production portfolio was materially different, making comparison prior to 2011 much less relevant. Calculations of Scope 1 emissions (i.e. direct emissions from owned or controlled sources) are based on equations and emission factors provided in the 2009 API GHG Compendium. Global warming potential rates are taken from the IPCC (2013) Assessment Report as well as IOGP guidance. Premier does not produce any biogenic emissions.

⁹ i.e. combustion emissions; flaring and venting; significant stationary sources; and significant mobile sources.

¹⁰ Including Scope 1 emissions for production only. As explained above, the chosen base year is 2011.

¹¹ For non-operated assets emissions are calculated from fuel gas usage and flaring only and do not include diesel use.

¹² Updated figure based on audit of previous calculations.

Indirect emissions

In 2015, our indirect emissions were:

- Scope 2 (i.e. indirect greenhouse gas emissions from consumption of purchased electricity, heat or steam¹³): 1,000 tonnes from office energy consumption (2014: 979 tonnes¹⁴)
- Scope 3 (i.e. other indirect emissions, such as transport-related activities): 16,379 tonnes from global business travel (2014: 4,592 tonnes)¹⁵. This increase is related to the charter flights that were made to the Falkland Islands throughout the year, as a result of our drilling campaign

We make continuous efforts to reduce our emissions where we can. This includes:

- The purchase of renewable power for several of our onshore offices
- Reducing unnecessary air travel by (for example) using video-conferencing

Effluents and waste

Our offshore production activities pose a range of potential pollution risks in terms of planned discharges, unplanned discharges and waste management. We measure and report produced water quality as well as waste production on a monthly basis.

Planned discharges

Discharges to land and sea

All our operated offshore assets extract oil, gas and formation water from offshore reservoirs. We separate the oil, gas and water using our on-site processing plant. The constituent parts are then:

- In the case of oil, exported
- In the case of gas, exported, used by the facility itself as fuel gas, re-injected or, to the extent it cannot be put to any of these uses, flared
- In the case of water (known as 'produced water'), re-injected into the reservoir to maintain underground pressure or, if re-injection is not an option, cleaned, filtered and then discharged into the sea

In 2015, we discharged 3.17 million tonnes of produced water (2014: 2.89 million tonnes), representing an increase of nine per cent. This reflected increasing water content from our maturing production assets. All such planned discharges are cleaned to meet or exceed national standards, using standard separation techniques. During 2015, the average amount of oil in produced water was 9.1 parts per million by weight (2014: 9.0 ppm-wt).

The vast majority of produced water is discharged to the sea. Our offshore production operations, which discharge water to the sea, are not located in any protected areas.

Figure 25: Oil in produced water (ppm-wt)

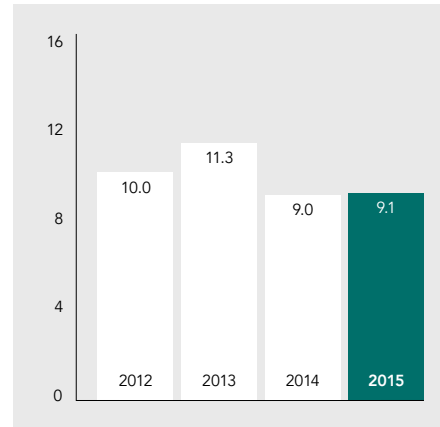


Figure 26: Oil in produced water (tonnes)

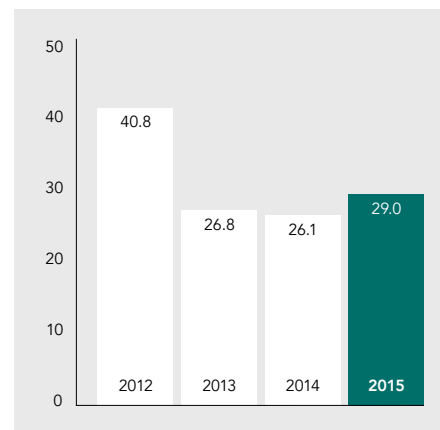
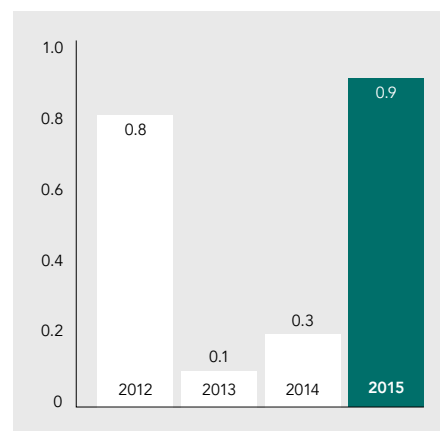


Figure 27: Hydrocarbon spills to the environment (tonnes)



¹³ Scope 2 (i.e. indirect emissions from the generation of purchased energy) calculations are based on emission factors supplied by the UK Department of Energy & Climate Change (DECC), the UK Department for Environment, Food & Rural Affairs (Defra) and International Energy Agency guidance. A different factor is used for each country, and is applied to the total energy consumption in our onshore facilities (offices and warehouses). Emission factors are used to give an estimate of CO₂ equivalent.

¹⁴ Note: Premier's offshore facilities produce their own electricity.

¹⁵ Scope 3 calculations are based on Defra guidelines and the emission factors they supply are used to calculate a CO₂ equivalent figure based on kilometres travelled. Emissions associated with end-use are not included as this is beyond our control.

Case study:**Improved turbine efficiency at Balmoral reduces greenhouse gas emissions**

Throughout 2013 and 2014, we undertook an assessment of turbine utilisation and power management at our Balmoral asset. This found that, for normal operations, power demand could be met by using only two turbines, as opposed to the three that were in use.

Following a successful trial between November 2014 and July 2015, a 'two-turbine' operating strategy was fully implemented. In real terms, using two turbines instead of three

has yielded a reduction in daily diesel consumption of approximately 18–20 tonnes per day (57–64 tonnes CO₂ equivalent per day).

Software modifications were also implemented in November 2015 to effectively bias the platform power load onto the more efficient of the two online turbines. By doing so, the power generated per unit of fuel utilised on the platform is increased. It is estimated that actual diesel consumption can be

reduced by approximately 2–2.5 tonnes per day (6.4–8.0 tonnes CO₂ equivalent per day).

We estimate that running an optimised two-turbine operation for 12 months will reduce emissions from Balmoral by 25 per cent. We are also examining the potential replacement of one of the existing turbines with a new spare turbine (currently in storage) in 2016, with the aim of further improving Balmoral's operating efficiency.



Figure 28: Key discharges to air (tonnes)¹⁷

	2013	2014	2015
N ₂ O	14	10	10
CH ₄	5,432	4,574	3,754
VOCs	17	29	17
NO _x	1,181	1,480	1,374
SO _x	95	111	83

Figure 29: Intensity of discharges to air in 2015 (tonnes per thousand tonnes of production)

Parameter	SO _x	NO _x	VOCs	CO
Production	0.016	0.334	0.004	0.120

Air pollutants

Our discharges to air (in addition to our greenhouse gas emissions – see p41–42) are set out in Figure 28 below¹⁶. In broad terms, these emissions have fallen due to decreased diesel usage in vessels.

Following an active programme of reducing the use of refrigerants and halon, there are no material emissions of ozone-depleting substances from our facilities.

Unplanned discharges

Our target is to have no significant spills to the environment (i.e. of more than one barrel of hydrocarbons or other hazardous material).

In 2015, we had a total of 37 spills amounting to 32.9 tonnes (2014: 16 spills/1.5 tonnes). Of these:

- 21 spills amounting to 29.6 tonnes were discharged to the environment (2014: 13 spills/1.3 tonnes). Of these, 12 spills released 0.9 tonnes of hydrocarbons and nine spills released 28.7 tonnes of chemicals. This performance reflects:
 - A significant chemical spill at our Balmoral asset. The spill, which amounted to 26.3 tonnes, was caused by a subsea valve passing an environmentally benign, permitted and water-based hydraulic fluid to the sea

¹⁶ In 2014, Premier conducted a thorough review of its emissions calculation methodology, resulting in our adoption of more recently published emissions factors for the full range of reported gases. To allow comparison between 2013 and 2014 data, we have back-calculated 2013 emissions using the updated methodology.

¹⁷ NO_x, SO_x and VOCs have been calculated on the basis of standard emission factors from UKOOA (now Oil & Gas UK) EEMS Guidelines for the Compilation of Atmospheric Emissions Inventory, 2002. These are applied to diesel and fuel gas use from production and drilling operations. We do not emit significant amounts of persistent organic pollutants, hazardous air pollutants or particulate matter.



Natural resources

Energy use

We seek to maximise our energy efficiency both as a matter of good commercial practice and to reduce our greenhouse gas emissions (p40–42). Our efforts in this respect are governed by the ALARP principle, as well as our ISO 14001-certified HSES Management System.

In addition, as part of our obligations under the UK Government’s Energy Savings Opportunity Scheme (ESOS), we are obliged to:

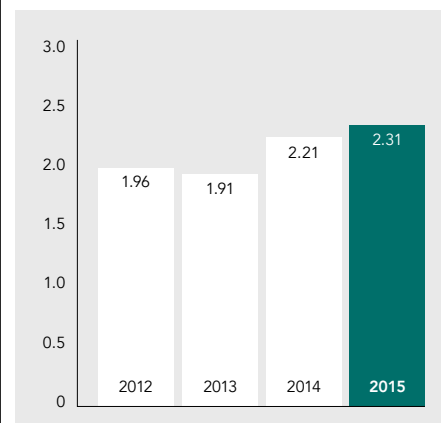
- Calculate our total energy consumption in the UK
- Identify areas of significant energy consumption in the UK
- Provide this information to the UK Environment Agency

We submitted our first ESOS assessment in 2015. The report raised a number of potential energy saving opportunities at our Balmoral asset for consideration.

Improving our energy efficiency can be challenging with respect to large items of industrial offshore equipment that are rarely replaced and may even be designed to last the entire project lifecycle. Accordingly, our efforts are focused on procuring new equipment (for example, to replace old equipment or during the construction of new projects) that offers higher levels of energy efficiency.

Our overall energy intensity was 2.31 GJ per tonne of production (2014: 2.21 GJ per tonne).

Figure 30: Energy use per tonne of production (gigajoules)



- Vessel damage to an offtake hose at Chim São, which resulted in the discharge of 0.4 tonnes of hydrocarbons to the sea. We replaced the hose sections and updated our vessel operation procedures to minimise the risk of reoccurrence
- A release of 0.4 tonnes of hydrocarbon to the sea from a subsea well at our Balmoral asset. The well has been shut in and is no longer producing
- 16 spills amounting to 3.3 tonnes were immediately captured through the use of bunding and drip pans (2014: 3 spills/0.3 tonnes). Of these, 13 spills involved 3.3 tonnes of hydrocarbons and 3 spills involved 13kg of chemicals

All of our operations maintain comprehensive oil spill contingency plans. In addition, we have ongoing contracts with oil spill response specialists to provide emergency support in the unlikely event of a major incident.

Waste management

In 2015, we collected 6,377 tonnes of waste materials (2014: 3,441 tonnes of waste materials) from our global drilling and production operations, and returned it to shore for disposal. Of this:

- A total of 3,683 tonnes was hazardous waste (2014: 1,844 tonnes of hazardous waste). All of our assets and drilling operations produce hazardous waste. This waste was largely comprised of contaminated mud and used oil
- A total of 1,128 tonnes of waste deemed hazardous under the Basel Convention (Annex I, II, III and VIII), constituting 31 per cent of total hazardous waste produced, was transported across international borders. This waste was sent to external contractors for treatment
- A total of 2,694 tonnes was non-hazardous waste (2014: 1,597 tonnes of non-hazardous waste). Compared with 2014, the increase in non-hazardous waste produced was largely accounted for by drilling activities in the Falkland Islands and Norway¹⁸. This included scrap metal, wood, plastic and other materials. Where feasible, we segregate and recycle as much of this waste as possible and encourage the use of recycled input materials¹⁹

¹⁸ In November 2015, we sold our Norwegian business to Det norske oljeselskap, one of our long-term partners in Norway.

¹⁹ Other than water, the majority of input materials used in our exploration and production activities are chemically-based and are not available in recycled form.



In 2015, our operations used 8,103,966 GJ of energy (2014: 8,240,243 GJ), including:

- A total of 6,290,024 GJ in the form of fuel gas (2014: 5,786,812 GJ), an increase of nine per cent. This was largely a result of the enhanced boilers installed at Chim São during 2014, which utilise more fuel gas and less diesel than before
- A total of 1,813,942 GJ in the form of diesel (2014: 2,453,431 GJ), a decrease of 26 per cent. This reflects operational changes and efficiency improvements, such as the boiler upgrade at Chim São

Water use

The nature of our offshore operations and our non-operated onshore exploration activities mean we typically have a limited impact on local water availability. The exception is in the

Falkland Islands, where we work with the Falkland Islands Government to manage the water consumption of our drilling operations.

In 2015, our drilling contractors used 13,472 tonnes of drill water (2014: 16,895 tonnes), reflecting lower requirements for water-based mud usage. Our production assets use a combination of freshwater and desalinated water. This consumption has no material impact on community water availability.

Our environmental and social impact assessment processes include the analysis of risks to water availability where relevant.

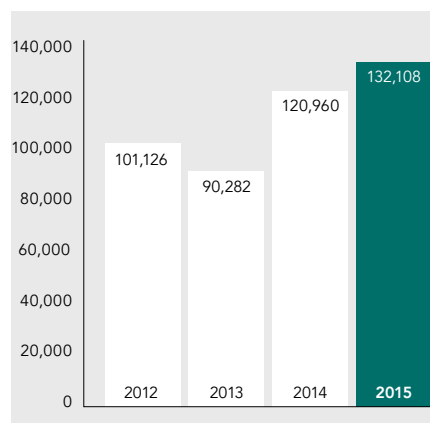
Biodiversity impacts

Although our offshore operations could pose a risk to local biodiversity

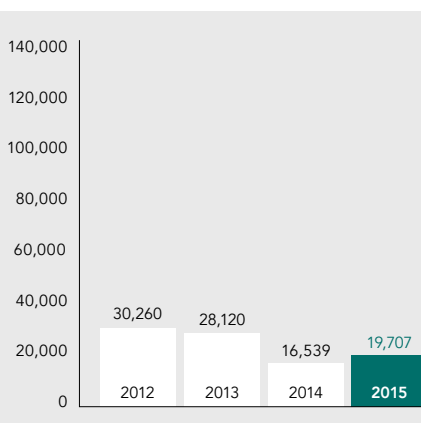
in the event of a Major Accident To The Environment (MATTE) (p34), our ESIA's have not identified any material long-term negative impacts on local biodiversity or ecosystems as a result of our routine drilling and production activities. Similarly, all offshore seismic survey activity, which is carried out by our exploration contractors, is compliant with relevant standards and requirements relating to the potential disturbance of marine mammals.

In addition to assessing and managing our biodiversity impacts through our ESIA's and associated environmental management plans, we also support biodiversity through our community investment programmes, in particular those in Indonesia (p58), Pakistan (p60) and Vietnam (p62).

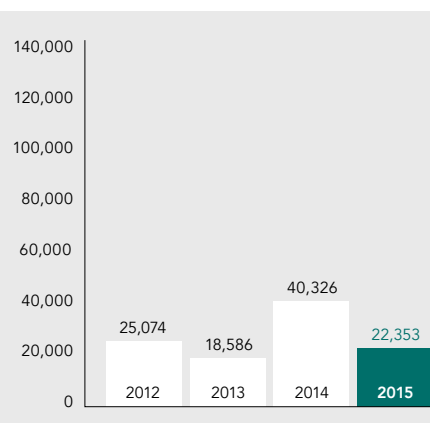
Figure 31: Fuel use (tonnes)
Fuel gas



Diesel (platform/rig)



Diesel (vessels)



Section 4: Employees

Premier is committed to providing staff with competitive terms of employment, fair treatment and high-value learning experiences. By doing so, we seek to attract, develop and retain high-quality talent to help drive our business forward.





Materiality

Like any company, the ongoing success of our business is underpinned by our ability to recruit, retain and motivate high-quality, skilled employees and contractors. This still remains the case despite the fact that current market conditions have made competition for relevant technical and management skills less acute than in recent years.

In this context, Premier seeks to treat its people fairly, offer meaningful professional development and deliver rewards commensurate with employee performance.

Key issues in this regard include:

- Workforce profile
- Learning and development
- Employee engagement (and rewards)

Managing employees

Human resource matters are addressed in a number of cross-cutting Premier policies. These include our overarching Corporate Responsibility Policy, our Human Rights Policy and our Global Code of Conduct.

Our online human resources information system (the People Portal) and Business Management System (BMS) host a range of processes and guidance that underpins our HR Management System. This includes processes and guidance relating to:

- Performance
- Resourcing
- Reward
- Succession
- Competency management

The BMS helps us achieve the correct balance between consistent corporate policy requirements and flexible, local-level requirements across the Group.

➔ www.premier-oil.com
(Company Policies)

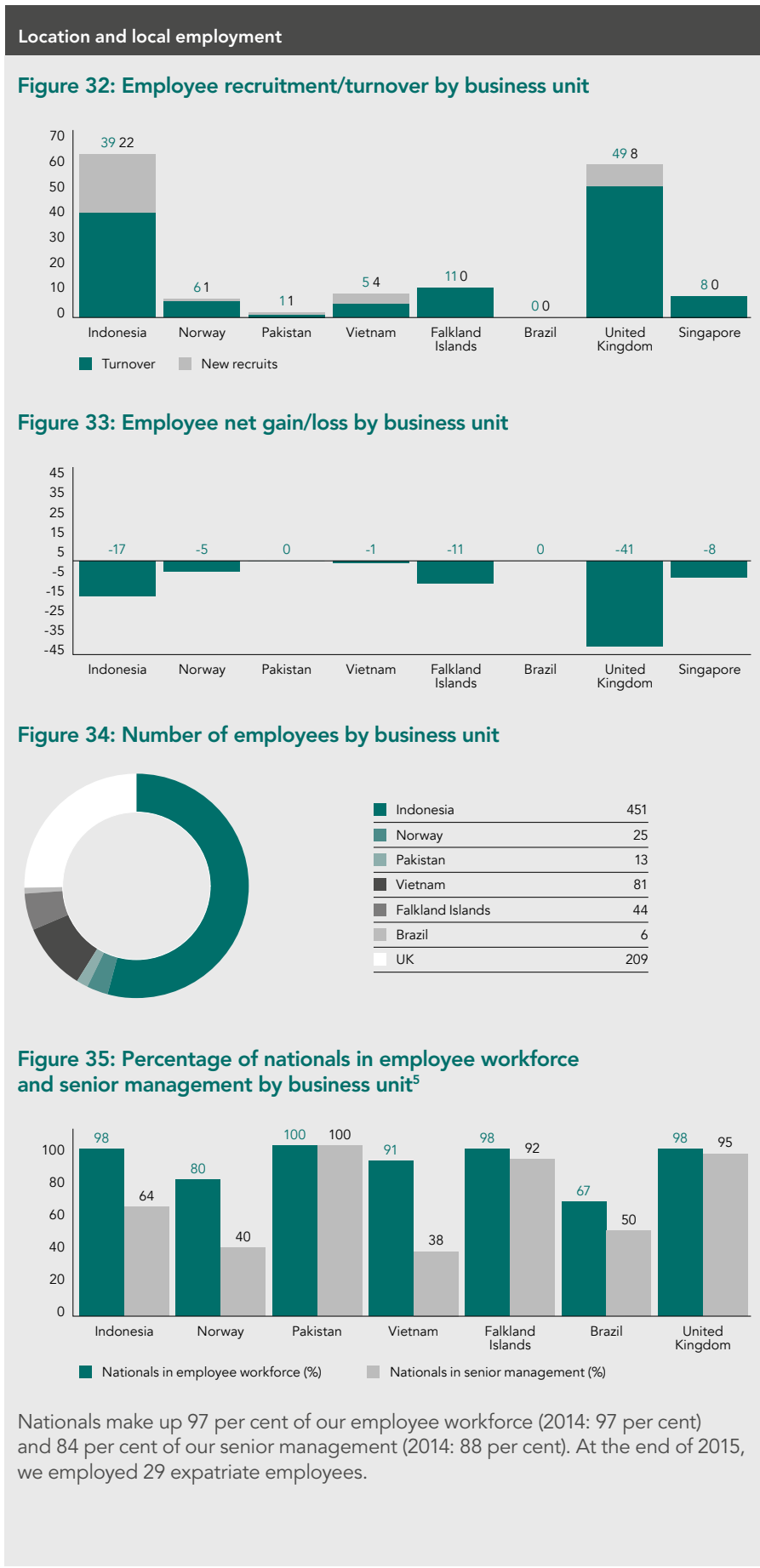


Workforce profile^{1,2,3}

At the end of 2015, Premier had 829 employees (2014: 927 employees) and 232 contractors (2014: 289 contractors)⁴. Just over half of our employees are located in Indonesia, where four of our more significant operated production assets and development projects are located.

In 2015, Premier recruited 36 new employees (2014: 133 new employees). Over the same period, 119 employees exited the Company on either a voluntary or involuntary basis (2014: 91), a turnover rate of 14 per cent. This reflected both current market conditions and related organisational adjustments. Of the 119 staff that exited the Company, 39 were redundancies (representing a redundancy rate of five per cent). For more information, see p50.

1 For the purposes of the charts found across this double-page spread, employee data for the UK corporate office are included within the UK business unit.
 2 Four employees at our Falkland Islands business unit are based on the Falkland Islands. The other 40 employees are based in the business unit's London office.
 3 In November 2015, we sold our Norwegian business to Det norske oljeselskap, one of our long-term partners in Norway. The sale was completed in December and Norway business unit employees formally ceased to be employed by Premier after 31 December 2015.
 4 The term 'contractors' relates to individuals employed directly or via an agency by Premier but on a fixed-term contract (often related to project delivery). These individuals typically work full-time for periods exceeding three months. The definition does not include individuals working for our contracting companies. Note that both groups are included in our health and safety statistics.
 5 Senior management refers to Grade 5 and above.



Diversity and anti-discrimination

Premier aims to maintain a workforce that reflects its host societies. In this context, we are committed to the principle of equal opportunity in employment and the maintenance of a fair and non-discriminatory work environment.

Women are typically under-represented in the oil and gas sector. It is not clear whether this relates to informal barriers to entry, self-selection or conscious/unconscious discrimination. In this context, we aim to ensure that our own management systems, practices and working culture do not unfairly impede female access to – and success within – our own workforce.

Figure 36: Employee gender by business unit

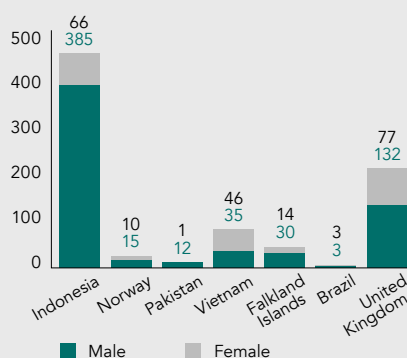


Figure 37: Employee recruitment/turnover by gender

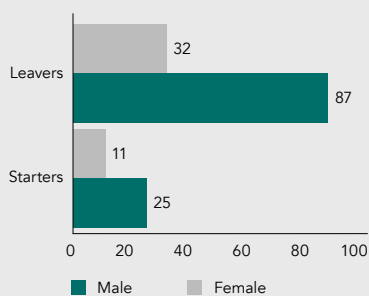


Figure 38: Employee net gain/loss by gender

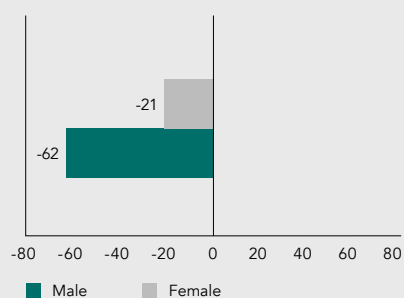


Figure 39: Employee gender balance

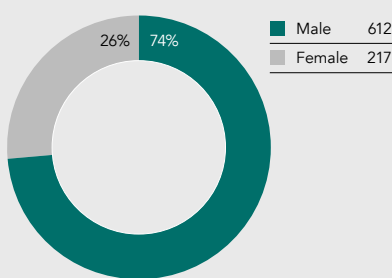


Figure 40: Gender balance at senior management level

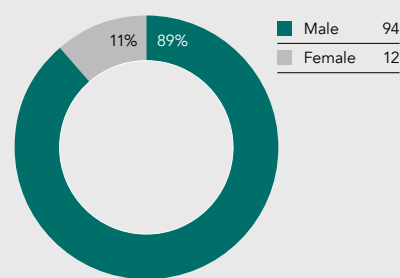
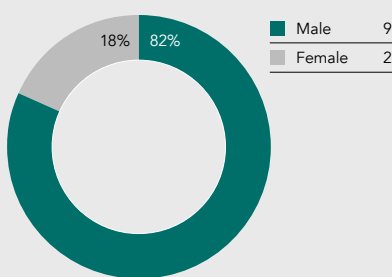
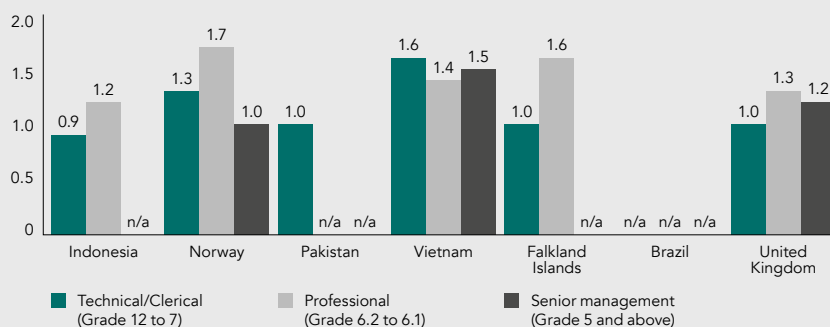


Figure 41: Gender balance at Board level



The ratio of male to female salaries partially reflects the higher level of representation of males in senior management roles. We seek to ensure that those in equivalent roles who are achieving equivalent performance receive equivalent pay, irrespective of personal characteristics, such as gender.

Figure 42: Ratio of male to female salaries by job role at business units⁶



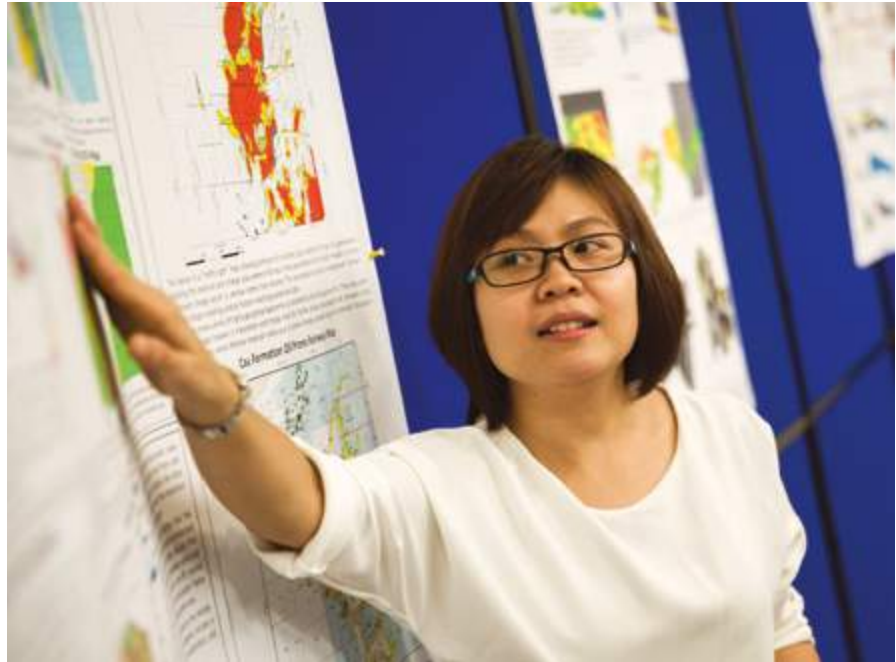
⁶ Where 'n/a' is displayed, a meaningful comparison cannot be made between males and females. This is either because men or women were not employed in these roles, or due to the national/expat status of the employee. Ratios exclude expatriate staff to provide a more accurate comparison of local wages.

Workforce reduction

Difficult market conditions mean it has been necessary to carry out a limited number of redundancies (39 in 2015). We have tried to limit the number of employees facing redundancy by reducing the number of contractors we employ and by actively seeking redeployment opportunities. Where an employee has been at risk of losing their job they have been consulted to identify ways in which this can be prevented. If it was still found that redundancy was necessary, employees were consulted on how to mitigate the resulting impacts. We have offered affected employees outplacement support, financial counselling or additional training, as well as making an enhanced redundancy payment that exceeds statutory requirements.

Local employment

We employ suitably qualified nationals whenever possible. To support this aim, we invest in the development of nationals’ skills, knowledge and experience. This helps ensure they can access opportunities throughout our organisation, also supporting our business. Almost our entire employee workforce (including senior management⁷) is made up of nationals (p48).



Examples of the kinds of senior roles occupied by nationals include the Vice President of Finance at our Indonesian business unit, as well as the Finance Manager and Commercial Manager at our Vietnam business unit. All of our employees and managers at our Pakistan business unit are nationals. In a limited number of cases, we employ expatriate managers (i.e. those employed on foreign contracts) at a senior level due to:

- The need for highly qualified expatriate managers with appropriate oil industry experience for specific roles
- Greater geographical mobility of senior managers within the business
- The need for Group oversight of international operations
- The value of international exposure to support Group succession planning

Our ongoing efforts to transfer positions occupied by expatriate managers is tracked and reported in our People Portal and informs our recruitment programme.

Diversity and anti-discrimination

When recruiting, developing and dealing with employees and service providers, we treat people fairly, equally and without prejudice, irrespective of gender, race, age, disability, sexual orientation or any other discriminatory attributes. This approach is embedded in our employment policies, which apply to all permanent, contractual and temporary staff, and to all job applicants. Employee obligations in this regard are set out in our Employee Handbook, which prohibits employees from carrying out unlawful discrimination (whether direct or indirect), harassment and victimisation.

Premier recognises that employees, especially those with dependants, sometimes require special flexibility to manage their work and home life. A total of 21 employees took parental leave during the reporting period (including 15 women and six men), representing 50 per cent of those entitled to take such leave. All such individuals are still employed by Premier, and either returned to work in 2015 or indicated plans to do so in 2016.

⁷ Grade 5 and above.

Performance and reward

Pay and benefits

Our Global Pay and Benefits Policy ensures that pay and benefits for all employees are appropriate for the markets in which we operate. The Policy is approved by the Remuneration Committee, which also:

- Sets the remuneration of the Company's Executive Directors
- Reviews and approves the remuneration of the Company's senior managers

The Policy is supported by a global corporate grading system that defines awards across the Group, taking into account local economic conditions. This helps ensure consistent treatment in all locations.

Furthermore, we carry out annual market reviews to understand pay levels within the broader labour market. Informed by these studies, we aim to pay our employees top-quartile base salaries in each market we operate in (where this is supported by individual performance).

The nature of employee roles at Premier (which are generally office-based administrative roles or highly skilled technical roles), as well as our stringent compliance requirements, means that all employees receive salaries that are significantly higher than applicable local minimum wages. This is reflected in the significantly higher salary levels at entry grade as compared with the local minimum wages that apply in Brazil, Indonesia, Pakistan, the UK and Vietnam. In Norway (which does not have statutory minimum wages) we believe our entry-level wages were significantly higher than the norm in the location⁸.

We supplement employees' base salaries with additional benefit packages. These vary depending on national employment law and local circumstances. They include⁹:

- Life insurance
- Healthcare
- Disability and invalidity coverage
- Parental leave
- Retirement provision
- Stock ownership

Our retirement plans have a minimum participation rate of 95 per cent across our applicable business units, with Premier contributing up to 15 per cent of salary to employee pension funds (depending on location).

Performance management

Our strategy is to reward superior performance with commensurate remuneration.

All employees have annual Individual Performance Contracts (IPCs) setting out their goals and key performance indicators for the year, and are subject to ongoing performance management and appraisal. In 2015, 99 per cent of employees received performance reviews against their IPCs, and were given an online performance rating by their managers. The results of this online rating were compared against Group-wide data to guide salary adjustments and bonus recommendations.

In addition, performance is monitored through regular dialogue with managers throughout the year.

Bonuses and incentives

Premier recognises outstanding performance through its individual reward frameworks. These include:

- Annual non-pensionable and discretionary bonuses for all employees on the achievement of a range of corporate, team and individual performance targets. In 2015, we updated our Reward Programme to increase bonus targets so that they align with market practice. This places a greater focus on operational excellence and the short-term execution of key development projects
- The newly introduced, share-based Premier Value Share Plan (PVSP), which replaced the Long Term Incentive Plan for the majority of employees. The PVSP is designed to focus employees on longer-term corporate strategy and align their interests with those of our shareholders. It is also less reliant on the price of oil than the scheme it replaces. The scheme has a guaranteed element so will pay out on a more frequent basis than before – albeit at lower values than would have previously been available
- Conditional Share Awards, which are awarded to new employees at the discretion of the Remuneration Committee to compensate them for the loss of deferred benefits from their previous employer. In exceptional circumstances they can also be awarded to existing employees. We have used this as a strategy to incentivise managers to remain in their role, particularly after or during periods of high turnover at managerial level

⁸ In November 2015, we sold our Norwegian business to Det norske oljeselskap, one of our long-term partners in Norway.

⁹ For more information about the benefits available to our employees, please see the online GRI G4 Table at www.premier-oil.com

Learning and development

We encourage staff to develop their professional skills to the advantage of both the individual and the Company, and provide experiential learning opportunities, coaching and training to support this objective¹⁰. In addition, all employees take part in an annual performance management process, during which they are invited to communicate their long-term professional development goals.

Learning and development opportunities

Learning and development activities include on-the-job learning, mentoring and coaching, annual performance reviews, and part-time and full-time training courses where relevant. This includes induction for all new employees, and training in HSES and emergency response – as well as the offering of high-value professional experience across a range of roles and operating locations to support continuous individual development.

We are in the process of implementing Navigator, a technical skills competency framework that helps employees develop from newly qualified professionals to subject matter experts within Premier. Skills are assessed on an annual basis, followed by a verification and approval process that helps us map out and analyse individual and team skill sets. This initiative helps us strengthen and develop our technical expertise, whilst ensuring that our investment in technical training is focused on areas that benefit both individual employees and our business. So far, Navigator has been implemented within our exploration, subsurface and legal teams. Roll-out is due to take place amongst other teams in future.



Leadership development

Premier's business units have their own modular skills development programmes in place, where appropriate. These are tailored to local needs and reflect each asset's project lifecycle stage. At a corporate level, leadership skills and experience are developed by exposing high potential individuals to work assignments that are both challenging and rewarding.

In addition, Premier operates a succession planning process across all of our business units. This is sponsored by the Board Nomination Committee and identifies potential successors, including suitably qualified national, as well as expatriate, staff for all senior management roles.

In 2015, we carried out a broader study of senior-level succession planning, addressing both corporate and business unit roles. This highlighted the opportunity for Premier to adopt a more holistic approach towards succession planning. As a result, we are focusing on utilising the broader talent and experience available across the Group to fill vital roles in specific business units. Our decision to move our Group Drilling Manager into the role of Indonesia Country Manager is reflective of this approach.

Building on this work in 2015, we intend to design and pilot an appropriate talent management approach. We will initially focus on gathering information about employee aspirations, performance and potential. This will then enable us to apply more targeted employee skills development and to provide appropriate leadership development opportunities.

Graduate scheme

In 2015, we continued to provide our two graduate intakes¹¹ with on-the-job development opportunities, as well as mentoring and training support. Our first intake of graduates will transition from the scheme to established roles in 2016. A decision has been made to not recruit any more graduates into the programme in the immediate future, due to both short-term market pressures as well as a reorientation of approach that will see increasing focus on the 'buying-in' of specific skills and experience as we need them.

¹⁰ Although we do not currently employ any disabled people, this commitment extends to those disabled employees that we might employ in the future. We will also strive to provide continued employment for members of our workforce who become disabled whilst employed by us.

¹¹ We hired our first intake of graduates in October 2013, and our second in October 2014. These intakes consisted of five and six individuals respectively.

Employee engagement

Premier encourages open communication between employees and managers on an ongoing basis. In addition, we use a number of one- and two-way communication mechanisms to keep employees informed about wider Company issues and performance, including:

- Regular team meetings
- A regularly updated Company intranet
- Video messages from our Chief Executive and other members of the Executive Committee
- Ongoing email communications on Company matters
- Town Hall staff meetings at each business unit, attended by visiting members of the Executive Committee and senior management

Such engagement is particularly important in the current market environment, which has already required us to make a number of organisational changes, including the restructuring of our Exploration function.

Premier will typically provide its employees and their elected representatives (where relevant) with at least one month's notice of any significant operational changes that might affect them. This minimum notice period is included in our collective agreement with employees in Indonesia¹². In cases of redundancy, employees are provided with support from an outplacement provider. This includes assistance in finding suitable alternative employment, as well as counselling, training and financial planning.

Employee feedback

We carry out regular structured employee surveys on a local basis. In 2015, these took place in Norway¹³ and Indonesia. These help us gain insight into employee attitudes towards commitment, rewards, retention, working conditions and related issues. For example, the results of our engagement survey in Indonesia showed that employees are generally content with the total remuneration package we offer them. The results also showed that employees would like higher levels of communication with management and more investment in learning and development.

We also gather additional feedback from employees through:

- Regular performance reviews
- A formal, non-recriminatory and confidential human resources grievance procedure¹⁴ should employees feel uncomfortable raising issues through normal management channels
- Our confidential whistleblowing hotline (p22)
- Screen-based surveys on our Global Code of Conduct

Under our Grievance Policy, we aim to ensure that our employees have (should they need it) access to a fair grievance procedure without unreasonable delay. Written grievances are recorded by our human resources department and included in each personnel file (which is subject to data protection). Any sanction subsequently imposed following investigation can be appealed via a publicised appeals procedure.

In 2015:¹⁵

- One formal grievance was raised, which was investigated and resolved
- No incidents of actual or alleged discrimination were reported

Organised labour

We respect the right of all employees to join a legitimate trade union and bargain on a collective basis. We support organised labour through, amongst other things, carrying out official collective consultations in Indonesia, Vietnam and the UK.

We have a collective bargaining agreement in place in Indonesia, covering 442 employees. This represents 98 per cent of the business unit employee workforce and 53 per cent of the total employee workforce¹⁶.

Such agreements regulate employee terms and conditions specific to the country, including (amongst other things):

- Wages
- Working hours, overtime and shift work
- National holidays and annual leave
- Health, safety and medical treatment
- Training

¹² The collective agreement covering our employees in Vietnam is still awaiting government approval.

¹³ In November 2015, we sold our Norwegian business to Det norske oljeselskap, one of our long-term partners in Norway.

¹⁴ These are available in local languages.

¹⁵ The following is in addition to one formal grievance that was raised in 2014 and resolved in 2015.

¹⁶ The collective agreement covering our employees in Vietnam is still awaiting government approval.

Section 5: Community relations

Premier is committed to having a positive impact on local communities, and to engaging with them in a responsible and respectful manner. This is not only the right thing to do, but also helps to underpin our broader social licence to operate, and, by extension, our long-term business success.





Materiality

The offshore nature of our operations means that community relations are not as critical for Premier as for companies with onshore operations. Nonetheless, they remain important due to:

- The impact of our activities (and those of our exploration partners) on local fishing communities, as well as our reliance on certain onshore communities as transit and logistics points for our offshore operations
- The important role that our community investment activities play, in terms of our reputation and wider social licence to operate
- The impact of our non-operated onshore exploration and production activities (in Pakistan and at Wytch Farm in the UK, for example), and the potential for new onshore operations in the future

A key issue in this regard is:

- Our generation of value for local communities

In addition, we are careful to minimise our negative impacts on local communities, if they do occur.

Managing our relations with communities

Our approach to community relations is governed by Premier's Community Investment Policy. The Policy includes several commitments, ranging from the maintenance of transparent and constructive engagement with stakeholders, to working to achieve a net positive socio-economic impact on local communities. It is applied through our Community Investment Management System, which is aligned with IPIECA standards. Under the management system, we systematically identify, manage, evaluate and budget our disbursements and engagements in host countries. It focuses on the following key aspects:

- Policy governance
- Risk evaluation management
- Planning
- Implementation and monitoring
- Audit and review



All of our operations have community investment and engagement programmes in place. In 2015, we reviewed our UK business unit's community investment disbursements and found spending was being carried out transparently and effectively in all cases.

www.premier-oil.com
(Company Policies)

Engagement and impact management

Onshore exploration and non-operated joint venture operations

Exploration

All of our 2015 onshore exploration activities have been operated by our joint venture partners. As a result, our ability to influence the interactions of the project operators with local communities has been limited. Nonetheless, we engage with our operator partners on key issues where appropriate. In 2015, this included engagement in relation to:

- The largest 3D seismic survey ever undertaken in Iraq, around the Block 12 licence area. This was executed without any reported health, safety or environmental incidents
- An ongoing legal dispute relating to the Block 2B licence area in Kenya, which Premier exited in July 2015 (p68)
- The management of physical security issues around the Block 12 and Block 2B licence areas

Joint venture operations

At our non-operated joint venture interests in Pakistan, we discuss community relations issues with our partners during quarterly Operational Committee meetings where relevant. Our partners often operate in remote and undeveloped locations, and their presence typically has a positive impact in terms of job creation (including the employment of community members in non-technical roles) and related indirect economic impacts.



Beyond this, our joint venture partners in Pakistan also focus on education, health and infrastructure development.

Furthermore, the often tribal nature of the communities that our partners engage with requires them to navigate traditional land and resource rights. Accordingly, during exploration and development phases, land is typically leased from relevant tribal groups, despite the possibility that such groups may lack formal legal title.

Other issues that can impact on relations between our partners and local communities include demands for employment and the negotiation of lease terms. Instability and unrest is also a concern in Pakistan, although our joint venture interests enjoy relatively high levels of physical security.

Offshore exploration and production

The predominantly offshore nature of our operations means that we have relatively limited interaction with local communities. Nonetheless, we engage with those stakeholders that we do have the potential to impact, including local fishing communities, communities in the vicinity of our onshore supply and logistics bases, and stakeholders that are involved in our community investment initiatives.

Examples of community engagement in 2015 include:

- Proactive and ongoing engagement with fishing communities in Indonesia, Vietnam and Brazil, in recognition of the temporary and localised impact that our offshore production operations and seismic surveys can have on fishing activity
- The need for the ongoing exclusion of fishing vessels from the waters around our offshore operations. This is a necessary safety measure to ensure the integrity of our assets and the safety of other seafarers. We also raise awareness amongst Indonesian fishing communities about the safety risks they face when operating near to our facilities
- The continued provision of assistance to fishermen in distress in Vietnam. As our operations are typically located far from shore, fishing vessels will often seek help from us when they have injured crew members. In 2015, we assisted with the rescue and evacuation of 16 fishermen, helping to ensure the relevant individuals received vital medical help, either at our own facilities or onshore

- Ongoing collaboration with the Falkland Islands Government (FIG) on a Social Impact Assessment that will identify, quantify and assess the social and cultural effects of future oil and gas investment on the islands. In 2015, we finalised a Social Impact Baseline study to support this process. The study is currently being reviewed by the FIG
- Ongoing engagement with stakeholders in the Falkland Islands regarding the management of the expected impacts of our development activities, which are primarily environmental and economic

Community engagement also plays an important role in environmental and social impact assessments (ESIAs). Our HSES Policy requires us to prepare ESIAs for each of our operated activities (p39–40). None of our operations has been identified as having any material negative impacts on local communities, again reflecting their remote, offshore locations.

Community investment

Our community investment focuses 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.

In 2015, we spent US\$0.88 million on community investment projects (2014: US\$1.07 million). In part, this reduction reflects the challenging nature of current market conditions. Nonetheless, we remain committed to our community investment goals and are focusing our efforts on maximising the impact of the investments that we make. We do so recognising that we must do more with less, if we are to deliver the same level of benefit to communities that we have in the past.

A breakdown of each business unit’s community investment activity, as well as a description of the impact of new projects undertaken in 2015, is set out below and on p58–63.

Figure 44: Community investment trends (US\$million)

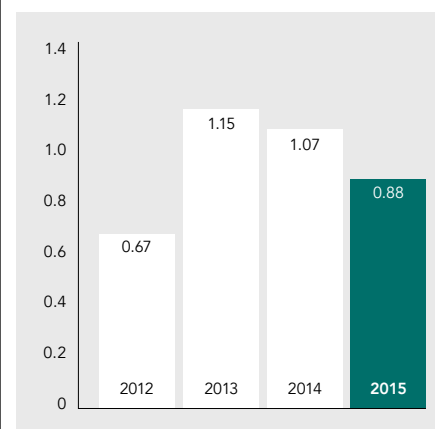
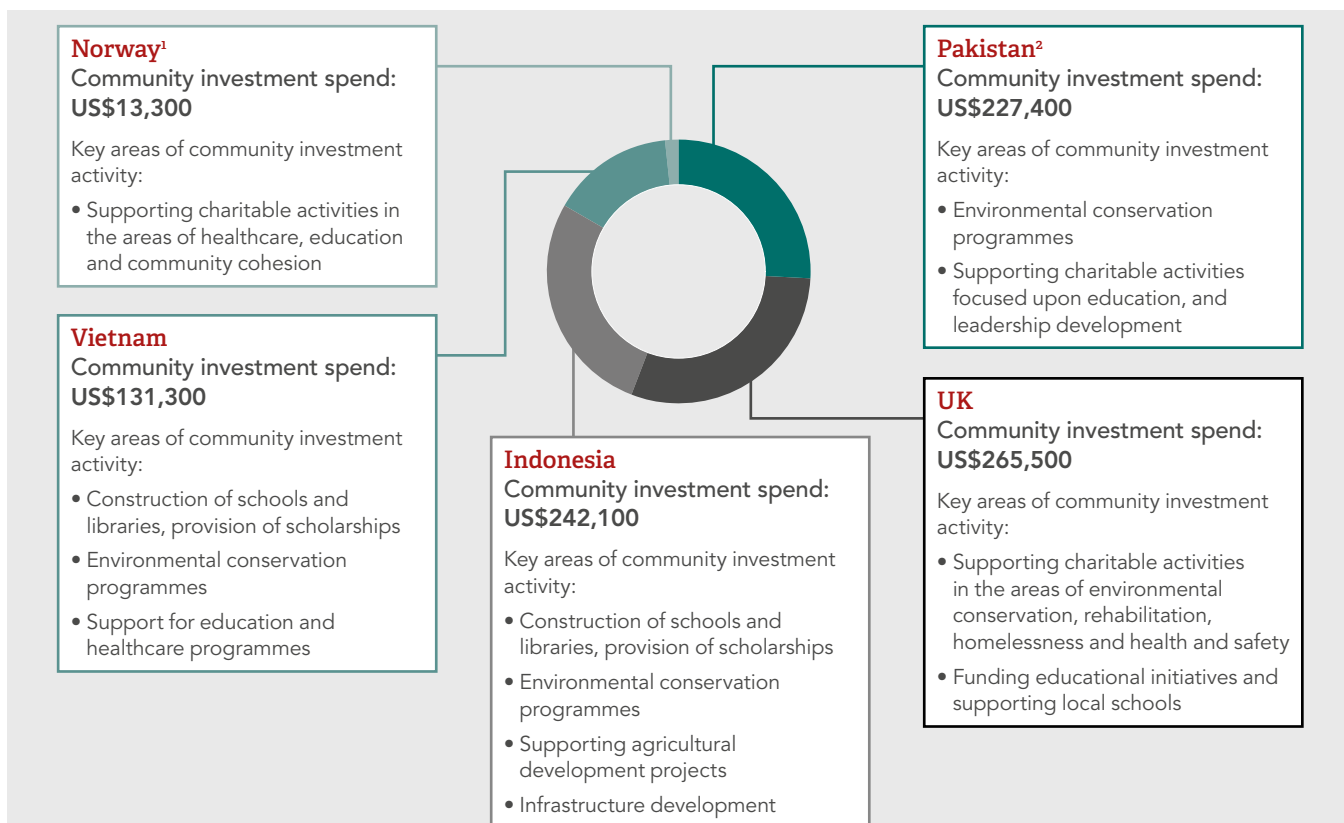


Figure 43: Our community investment profile in 2015 (US\$)



1 In November 2015, we sold our Norwegian business to Det norske oljeselskap, one of our long-term partners in Norway.
 2 Includes community investment via our joint ventures in Pakistan.

Section 5: Community relations continued

Indonesia

Premier funded two new projects in 2015: the development of a community learning centre in Piabung Village (p59) and the creation of a public library in Rintis Village.

The new public library, in which Premier invested US\$29,000, is situated near the Khairu Ummah Junior High School. The school, which has only recently been built, is attended by 150 students from the local area and lacks library facilities. As such, the new library will support and enrich the education of these students, whilst also providing learning opportunities to local community members. Premier has contributed to a variety of development projects in Rintis Village in previous years, helping to enhance and diversify the local agricultural economy.

The village is located in the Anambas Islands, near to our Natuna Sea Block A operation.

The Indonesia business unit also continued to support a range of ongoing community investment programmes, including:

- A fish nursery project in Putik and Ladan, designed to enhance local stocks of grouper fish and to improve the livelihoods of around 40 local fishermen
- A rice field expansion project in Langir Village, an initiative designed to cultivate alternative livelihoods to fishing
- A scholarship programme benefiting 20 agricultural students in Anambas, another programme aimed at helping the local community establish alternative livelihoods to fishing
- A scholarship programme for art and social science students in Anambas and Natuna, aimed at supporting efforts to protect and promote traditional Malay culture
- A turtle habitat preservation project on Pahat Island, which helps protect turtle eggs from being consumed and/or collected for sale by local people
- A mangrove restoration project along the coastline of the Anambas Islands, which Premier planted in 2013 in conjunction with the National Committee of Indonesian Youth. These mangroves help to enhance biodiversity and protect the coastline from extreme weather
- A collaborative infrastructure development programme, involving Conoco Phillips, Star Energy and Lundin. In Natuna, the programme has delivered a renovated jetty in Mekar Jaya Village, a mobile library in Ranai and solar electricity facilities on Serasan Island. In Anambas, the project has provided a new road for Sekubik Village



Project:**DEVELOPMENT OF A COMMUNITY LEARNING CENTRE
IN PIABUNG VILLAGE, INDONESIA****Context**

In 2015, Premier began a new community investment project in Piabung Village, which is located on Matak Island in the same region as Natuna Sea Block A. The village, which is home to approximately 900 inhabitants, is situated in a remote area and is currently served by relatively poor-quality roads. Like many of Indonesia's more remote island communities, it has restricted access to high-quality public services.

In addition, the region in which the village is located (the Anambas Regency) is facing heightened levels of inward migration from other parts of Indonesia. Concerns have been raised by some community leaders that this could potentially threaten efforts to conserve Malay cultural heritage.

Actions in 2015

Recognising the challenges faced by the community, Premier contributed more than US\$40,000 to help develop a Community Learning Centre in the village. The Centre, which received the full support of the village head and local leaders, has been equipped with a variety of facilities, including:

- A public library containing approximately 1,000 books and a computer terminal through which users can access the internet
- A community radio system that can broadcast to the inhabitants of Piabung Village as well as eight surrounding villages

Impacts

Premier handed the Centre over to the community on its completion in October 2015. It was warmly received and is quickly beginning to support local learning in Piabung, as well as broadcasting to the 2,000 people within range of the radio transmitter. Furthermore, the library is acting as a repository of information about local culture and traditions, helping preserve valuable cultural capital for future generations.

Pakistan

In 2015, Premier undertook the following community investments (in addition to the Margalla Hills National Park development project, described below):

- A US\$7,865 donation to the Care for Special Persons Foundation, which provides educational and vocational programmes for handicapped and disabled children
- Sponsorship of 10 students to participate in the 2015 'Young Leaders Conference', a six-day leadership training programme organised by the School of Leadership Foundation. The Foundation works to generate socio-economic benefits in selected communities that are otherwise neglected by the corporate and development sectors



Project:

THE MARGALLA HILLS NATIONAL PARK DEVELOPMENT PROJECT, PAKISTAN

Context

The Margalla Hills National Park is a wildlife sanctuary located in the foothills of the Himalayan mountain range, overlooking the capital city of Islamabad. The park, which is run as a public-private partnership involving the Capital Development Authority (CDA), spans 67 square miles and is home to a diverse array of animal and plant life. Since 2010, Premier has worked with the CDA and the Himalayan Wildlife Foundation (HWF, which is an implementing partner) to support a major conservation project at the park. This project has, amongst other achievements, helped to strengthen vegetation management and water access at the park, build eco-tourism facilities and fund research into the protection of endangered species.

In 2015, the Islamabad Wildlife Management Board (IWMB) was re-established following an order by the Islamabad High Court. The IWMB has assumed responsibility for environmental projects across Islamabad, including the development work at the Margalla Hills National Park, while the CDA will work with IWMB as an implementing partner.

Actions in 2015

In 2015, Premier contributed approximately US\$40,000 to support conservation work at the park. The donation funded:

- The establishment of a bird sanctuary at Rawal Dam, designed to protect migratory and other water birds
- Initial studies into the construction of an artificial wetland, which would naturally process local sewage
- Maintenance of existing walking trails throughout the park, which were established with Premier's support during earlier stages of the development project

Premier also made a US\$10,000 donation to the newly formed IWMB. The board, which includes environmental experts dedicated to the improvement of the environment throughout Islamabad, is expected to provide leadership and guidance on the city's conservation activities. Premier's donation will be used to help the board establish itself and support its future activities.

Impacts

Premier's ongoing support for the development of the Margalla Hills National Park continues to make a significant contribution to local environmental conservation and eco-tourism. The establishment of the bird sanctuary will, for example, provide much-needed protection for migratory and other water birds, particularly those that fly from Siberia and live in the park between September and April. Meanwhile, ongoing maintenance of the park's tourist trails will help keep it accessible for residents of Islamabad and visiting tourists, who benefit from the recreational and educational opportunities offered by the facility.

In addition, Premier's donation to the IWMB will help build the authority's capacity, helping it to carry out its mandate more effectively. Current plans being considered by the Board include a programme to protect the park from the threat posed by poachers and woodcutters, as well as implementation of a ticketing system, which, it is hoped, will allow the park to become financially self-sustaining.

UK

In 2015, Premier continued to provide support to Absafe (described below) and to identify new charities to receive funding.

This included Spina Bifida Hydrocephalus Scotland, an organisation that raises awareness about spina bifida, hydrocephalus and associated conditions, whilst also providing support to those affected. Premier donated over US\$3,000 to the charity, which has used the money to provide support to approximately 90 affected families in the north east of the country.

In addition, the business unit continued to fund several ongoing community investment programmes in 2015, including donations to:

- Horseback UK, which is a charity based in Aboyne, Aberdeenshire that helps ex-servicemen and women to recover from mental and physical injuries sustained during military service. Premier donated US\$39,000 to the charity, funding that contributed to the employment of two key personnel for an additional year
- GeoBus, a vehicle-based educational outreach programme run by the University of St. Andrews. The GeoBus visits schools throughout Scotland, delivering additional learning support in the geosciences to around 12,000 pupils a year. Premier donated over US\$13,000 to support the outreach programme

- Barnardos Connect Service in Aberdeen, a service designed to help young people involved in, or at risk of, offending behaviour as a result of substance misuse. Premier donated US\$7,800 to support the organisation's activities, which include intensive one-on-one support, mentoring and diversionary and preventative activities for vulnerable individuals
- Archway, a community-based charity that helps support and enrich the quality of life of nearly 200 individuals with learning disabilities in Aberdeen and throughout the north east of Scotland. Premier donated US\$7,800 to help the charity continue its work

Project:

RAISING AWARENESS ABOUT COMMUNITY SAFETY WITH ABSAFE, UK



Context

Absafe is a community-based health and safety charity, located close to Premier's offices in Aberdeen and near to our North Sea operations. The charity aims to help people make safer decisions at home and in the community by holding events at which participants are exposed to simulated danger scenarios. These aim to inspire learning through their fun, interactive and engaging style, using techniques such as team quizzes, 'crime scene investigations' and competitions.

Absafe spreads its message through its community outreach programme, amongst other means. As part of this programme, the charity runs:

- Interactive lunchtime sessions that educate attendees on subjects ranging from fire safety to fraud prevention
- The 'Schools Road Safety Initiative' which sees members of the Absafe team visit local schools with the intention of teaching pupils and their families appropriate road safety behaviour
- An interactive, purpose-built facility that uses real-life scenarios to help participants behave in a safer way in their everyday life

The charity also runs a neighbourhood watch programme, which aims to reduce crime and anti-social behaviour whilst also strengthening community engagement.

Actions in 2015

In 2015, Premier donated more than US\$54,000 to the charity, which made a significant contribution towards sustaining its work throughout the year. Specifically, the funding was used to help pay the salaries of four full-time members of staff, and to support both the provision of interactive training sessions and the neighbourhood watch programme.

Impacts

With Premier's support, Absafe has been able to continue providing important learning and educational experiences in the north east of Scotland.

In 2015, this included:

- Safety training sessions for 1,400 school children at the charity's interactive facility
- Road safety assemblies for 2,100 school children
- Five corporate safety education days

While Absafe's events are enjoyable experiences for participants, the ultimate impact of the charity's work is more serious in nature – to help reduce accidents and crime in the local community.

 www.absafe.org.uk

Section 5: Community relations continued

Vietnam

The business unit was involved in several projects and initiatives over the past year, in addition to the continued support provided to the charity Newborns Vietnam (p63).

Premier funded one new project this year, the construction of new school buildings at Nam Thai A1 kindergarten, Kien Giang Province in the Mekong Delta. The new facilities will allow an extra 75 children a year to attend pre-school classes. Premier invested over US\$20,000 in the project during 2015.

The business unit also continued to support a number of ongoing projects, including:

- The planting of an additional 20 ha of mangrove trees in the Soc Trang coastal area of southern Vietnam, building on the 40 ha planted by Premier in 2013 and 2014. The mangroves help protect the coastline, capture carbon dioxide and improve aquaculture harvests for the local community. Premier contributed more than US\$67,000 to the project over the course of the year

- Continued support for the Binh Tho Development Centre, including financial support for education and health programmes that benefit a total of 150 children a year. In 2015, Premier provided more than US\$24,000 in funding
- The provision of school and university scholarships for 45 students via the Light Your Hope Scholarship Foundation and the Saigon Children's Charity. Premier contributed more than US\$5,000 to this initiative during 2015

Other

Other projects supported by Premier in 2015 include:

- Operation Wallacea, an organisation that implements biological and conservation management research programmes across the world. Premier provided approximately US\$15,000 in ongoing bursary support for UK-based undergraduate students to undertake field research into coral reef preservation in the Wakatobi Marine Park in Indonesia
- The Passage, a charity located close to Premier's London offices, which provides support for homeless and vulnerable people. Premier donated approximately US\$60,000 to help fund the charity's drop-in centre

- The Brodd Sports Team in Stavanger, Norway³, which uses football as a means to integrate the children of immigrant families into the local community
- The Lundsvågen Nature School in Norway⁴, which utilises non-conventional learning techniques to support the education of children that have experienced difficulties with conventional schooling. A total of 25 pupils spend a day at the school each week. In addition, the school hosts 110 school classes each season and 50 summer school students per week during the holidays

³ In November 2015, we sold our Norwegian business to Det norske oljeselskap, one of our long-term partners in Norway.

⁴ Ibid.

Project:**SUPPORTING NEONATAL NURSE EDUCATION THROUGH NEWBORNS VIETNAM****Context**

Newborns Vietnam is a UK-registered charity that operates in Vietnam. The charity, which is highly dependent on support from volunteers, works to improve the health of newborn infants and their mothers.

It does so by delivering neonatal nursing and medical education programmes designed to produce skilled and capable professionals. These professionals can play an active role in reducing both neonatal mortality as well as long-term disability that can result from poor care. The charity works with higher education institutions and teaching hospitals in the UK to deliver these programmes.

Premier has supported Newborns since 2013, when it became the first sponsor of the charity's initial challenge bicycle ride, an event designed to raise funds for neonatal nurse training. Following the success of this ride, the charity has held regular fundraising cycling events across Vietnam, which Premier has continued to support and participate in.

Actions in 2015


Premier paid US\$10,000 to sponsor Newborns' 'Cycle a Difference Vietnam Challenge Ride', a two-week-long fundraising bicycle ride through northern Vietnam that took place in November 2015. The purpose of the ride (attended by cyclists from a range of countries) was to help finance the provision of specialist training by UK-based professionals for neonatal nurses and doctors in Vietnam. It also helped provide relevant equipment.

In addition to the sum donated by the Company, staff at Premier's Vietnam business unit have engaged in a variety of small-scale fundraising activities throughout the year (including bake sales and sponsored events), which have raised approximately US\$5,000 in funding for Newborns.

Impacts

The money provided by Premier and its staff is of great importance to Newborns and the programmes and initiatives that it currently operates. The initial funding that Premier provided in 2013 not only enabled the first challenge ride to take place, but also acted as a catalyst for other businesses to support these events, which have so far raised US\$600,000 in revenue for the charity. As a result of this revenue, the charity has been able to significantly improve neonatal healthcare at the Da Nang Women and Children's Hospital, located in central Vietnam. Specialist training provided by Newborns has helped to reduce the neonatal mortality rate at the hospital by 50 per cent between 2012 and 2014.

It is hoped that this positive impact can be extended to other hospitals. The most able nurses trained under this programme will become Nurse Practice Educators, who will teach the skills they have learned in district hospitals throughout Vietnam's central region in 2016. Over time, it is hoped that this sustainable training model will result in thousands of newborns across the central region benefiting from high-quality nursing care.

 www.newbornsvietnam.org

Section 6: Society

Premier is committed to having a positive social impact where we operate. By doing so, we are able to maintain the goodwill of our host societies and take advantage of the opportunities they afford to us.



Materiality

Premier's activities and relationships have the potential, directly and indirectly, to impact a range of stakeholders. Conversely, these stakeholders also have the potential to affect Premier's business at both a local and national level. In this context, it is important for Premier to respect the rights of local people, work transparently and constructively with government and other stakeholders, and demonstrate the economic value of the Company's activities to broader society.

Key issues in this regard are:

- Human rights
- Public policy and government relations
- Economic contributions

Managing our interactions with society

Our interactions with society are managed through a number of policies, including our overarching Corporate Responsibility Policy, Code of Conduct, Human Rights Policy and Risk Management Policy, and through our associated management systems. Where relevant, we are also guided by the UN Guiding Principles on Business and Human Rights.

- ▶ www.premier-oil.com
(Company Policies)
- ▶ www.ohchr.org
(UN Guiding Principles on Business and Human Rights)



Human rights

Human rights context

As an offshore oil and gas operator, our human rights risk and impact profile differs significantly from that of onshore operators. As a result, our main focus is on our workforce and supply chain, rather than local communities.

Although we do conduct onshore exploration activities in a small number of higher risk locations, the nature and scope of these activities means that they tend to be of limited duration and impact.

Human rights management system

The UN 'protect, respect and remedy' framework and associated UN Guiding Principles on Business and Human Rights have highlighted the responsibility of companies to respect human rights and contribute, where relevant, to the addressing of human rights grievances.

Policy and procedures

Premier's Human Rights Policy, which is based on international human rights norms, requires us to respect and promote human rights. The Policy has been analysed in the context of our broader corporate responsibility and community investment frameworks, to ensure these are cohesive, coordinated and mutually supportive.

The Policy is supported by five processes and procedures, prescribing how to:

- Embed human rights
- Conduct risk assessments
- Develop action plans
- Carry out implementation and monitoring
- Audit and review compliance and performance

These processes and procedures are included in the corporate responsibility and public affairs section of our Business Management System (BMS).

- www.premier-oil.com (Company Policies)
- www.un.org (Universal Declaration of Human Rights)
- www.ilo.org (International Labour Standards)
- www.ohchr.org (UN Guiding Principles on Business and Human Rights)

Human Rights Risk Screening

We are continuing to evaluate a quantitative tool (that uses third party country risk data) to screen our high-level, human rights risks. This assesses:

- Our operated production operations, exploration projects and development projects
- Non-operated joint venture assets
- Major service contractors and suppliers (p68–69)

The outputs of the tool are accessible Group-wide via our Human Rights Management System. This helps us to identify and prioritise those activities and business relationships that are likely to have negative potential human rights impacts. This will facilitate the application of appropriate management measures to minimise the likelihood of such impacts taking place (for example, with respect to labour rights in our supply chain or the interaction of onshore joint venture partners with local communities).

Ad hoc evaluations of human rights risks for our operations and employees are driven by on-the-ground events and developments in those countries where we operate, explore and travel.

Human rights training

We currently offer (via our centralised BMS) a scenario-based training module focused on security and human rights. This supports our application of the Voluntary Principles on Security and Human Rights (VPs) (p68). We are evaluating the possibility of expanding our human rights training offering to address a broader set of issues relating to (for example) exploration, contracting and procurement, and to actively deliver these modules to individuals in high-risk roles and operating environments.

Figure 45: Coverage of Premier's Human Rights Risk Screening Tool

Human rights	Labour rights
Cultural rights	Child labour
Development rights	Freedom of association and collective bargaining
Indigenous rights	Discrimination
Conflict-affected territories	Forced and involuntary labour
Security practices	Working conditions
	Health and safety



Human rights grievance procedure

We have developed a dedicated human rights grievance procedure.

The procedure, which will be available to our employees and contractors, those working in our supply chain and community members (amongst others), will enable us to:

- Identify and address any alleged negative human rights impacts linked to Premier, its activities and its business relationships
- Better understand our ongoing human rights performance
- Help identify and manage potential issues early, before they develop into actual negative impacts

Under the procedure, users will be able to raise complaints through the following means:

- Via a free, 24-hour, confidential and multilingual telephone hotline, run by third party service provider Safecall
- By writing to Premier via email or letter
- By lodging a complaint in person via our business unit managers

Cases received will be addressed in line with a well-defined and predictable framework.

There were no reported violations of our Human Rights Policy during the reporting period, and no incidents of human rights abuse.

Our own operations

Labour rights

We respect the right of all employees to:

- Join a legitimate trade union, and we comply with all local legislation regarding collective bargaining (p53)
- Be free from discrimination within the workplace (p50)

We have not identified any of our operations as presenting risks to workers' rights to exercise freedom of association and collective bargaining. Likewise, there were no reported incidents of discrimination at our operations in 2015.

Community rights

As our operations are offshore, the potential for our activities to impact negatively on the human rights of local community members is limited. If such impacts were to occur, they would relate to our impact on the ability of local fishing communities to exploit the waters in which our operated facilities sit.

Community-related impacts associated with our non-operated onshore exploration activity are addressed on p56.

We carry out detailed environmental and social impact assessments (ESIAs) for all exploration and development activities. Amongst other things, these identify any potential human rights impacts, including those relating to local communities, so that appropriate solutions can be put in place.

In 2015, we withdrew from a non-operated exploration project in Kenya based on drilling results. In 2014, representatives of the pastoral Ajaran community in Kenya brought a legal complaint against the third party operator of the project. This related to allegations that the community had been 'evicted' from a 7,800km² area. However, local community members were only excluded from a 0.4km² area, and only then when active drilling was taking place. At the time of writing, the High Court in Nairobi has not ruled on this case. All parties have since withdrawn from the licence, and although the case has not been formally halted, it is no longer being pursued.

Security and human rights

Premier is a member of the Voluntary Principles on Security and Human Rights (VPs). Premier is committed to the application of the VPs at all its operated assets.

We do not normally employ or contract security personnel, apart from those provided by landlords at our office locations¹. Should we require any security services beyond this, we would require the service provider to comply with security and human rights standards that are aligned with our Human Rights Policy.

In exceptional cases, we contract private security contractors to accompany individuals travelling to high-risk exploration and/or business locations. Our suppliers in this regard:

- Are members of the International Code of Conduct for Private Security Service Providers
- Apply the VPs
- Apply standards of conduct, codes of ethics and human rights policies that commit them to respecting human rights in all their activities, as well as relevant supporting practices such as training, risk assessment, monitoring, internal whistleblowing processes and grievance procedures

No security-related incidents with human rights implications were recorded in 2015.

Our business partners

In line with the UN Guiding Principles on Business and Human Rights, we seek to monitor the human rights performance of our business partners (p7), including our:

- Non-operated joint venture partners
- Service contractors
- Suppliers

Our main focus in this regard is their HSES performance. This is due to the human rights implications for workers in the supply chain (as well as our operational continuity and reputation).

Supply chain management

Service contracting and the procurement of supplies are generally carried out at business unit level, with the corporate office providing guidance where necessary. We subject all new major service contractors and suppliers to HSES screening (see Figure 46). Likewise, all major service contracts include relevant HSES requirements.

We are evaluating a new questionnaire-based third party screening system that will address a range of issues including business ethics and labour rights (p20). Once implemented, this online system will 'red flag' potential issues of concern, triggering (where relevant) a full due diligence process tailored to Premier's specific needs. By monitoring these risks on an ongoing basis, we will be in a position to identify and address any material shifts in the risks posed by our service contractors and suppliers as they happen. The system will potentially be applied to all new service contractors and supplier contracts.

This complements our pilot Human Rights Risk Screening Tool (p66), which also assesses our major service contractors and suppliers (as well as our own operations and joint ventures).

¹ Accordingly, we did not carry out any human rights training for internal or external security personnel in 2015.

We also carry out post-tender reviews of our largest Tier One and Tier Two contractors, with efforts mainly focused on HSES performance. Furthermore, we maintain a presence at the major construction yards undertaking work for us to ensure acceptable broader human rights and labour standards (as well as HSES standards) are adhered to.

No significant negative human rights or labour rights impacts were identified in our supply chain in 2015.

New licences and relationships

When entering into new countries or into major new relationships with joint venture partners, service contractors or suppliers, when appropriate we also carry out:

- Ad hoc risk assessments that include human rights considerations if relevant
- Third party due diligence focused on reviews, for example, political exposure, financial probity, etc

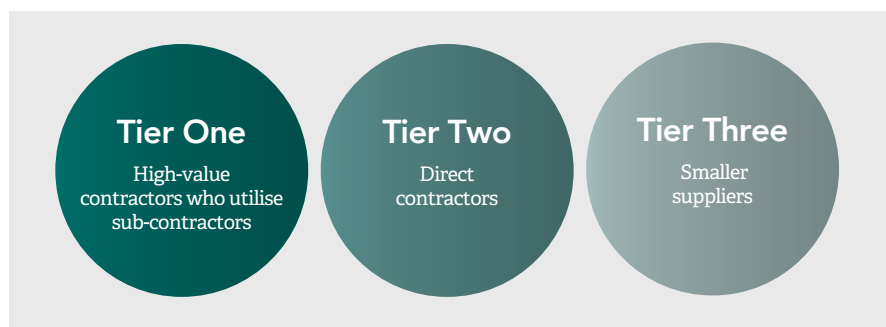
In July 2015, we were awarded (with our exploration joint venture partners Talos Energy (operator) and Sierra Oil & Gas) Blocks 2 and 7 in Mexico's offshore licensing round. As part of our due diligence process, we commissioned third party analysis of risks and opportunities associated with the operating environment in Mexico. This addressed a range of issues including security, health and safety, and indigenous rights.

Where we are awarded such licences, we take a risk-based approach towards the inclusion of relevant human rights provisions in related contracts for goods and services. We take into account, for example, relevant precedents and any human rights risks identified during our new country entry procedures.

Figure 46: Tendering controls

General procurement		Project procurement
Contracting Strategy Framework	Recommendation to Award Framework	
<p>Before we enter into any new contracts worth more than US\$10 million, we review the following:</p> <ul style="list-style-type: none"> • Performance history of any existing suppliers (including HSES metrics and identified issues) • Other high-level risks and opportunities (including human rights issues if relevant) <p>This enables our teams to apply appropriate criteria to the selection process as well as relevant contractual requirements.</p>	<p>Our business unit tender boards endorse new contract awards. This includes a more in-depth assessment of supplier/contractor-specific risks and opportunities, as well as the definition of a supplier/contractor management plan.</p> <p>All contracts of more than US\$10 million in value are subject to the endorsement of our corporate tender board.</p>	<p>We apply initial, questionnaire-based pre-qualification exercises for project procurement contracts (e.g. typically high-value, specialised capital goods).</p> <p>Depending on the nature of the contract, these typically include extensive HSES and business ethics enquiries, the results of which are measured against our own compliance thresholds.</p> <p>We then prepare a final list of contractors to be invited to tender. As part of this process, we carry out more detailed enquiries about their HSES and business ethics performance. In addition, we give prospective contractors the opportunity (where necessary) to put measures in place to enable them to meet our compliance thresholds.</p>

Figure 47: Supply chain categories



Public policy and government relations

Managing our relations with government

Our host country governments represent some of our most important stakeholders. This is due to the impact on our business of public policy, legislation, regulation and the awarding of new licences.

Each of our business units is responsible for engaging with our host governments and regulators, although licence bids are made directly by our Exploration team. All engagement is carried out in line with Premier's applicable policies, including our Corporate Responsibility Policy, Code of Conduct and Human Rights Policy. In 2015, Premier did not:

- Make any political donations or contributions
- Receive any significant financial assistance from government²
- Have any direct government shareholders

Premier is a member of a number of bodies that use their legitimate influence to lobby governments on issues affecting the oil and gas sector. These include the following organisations:

- Association of British Independent Oil Exploration Companies (BRINDEX)
- Falkland Islands Petroleum Licensees Association
- Indonesian Petroleum Association
- International Association of Oil & Gas Producers (IOGP)
- Oil & Gas UK
- Pakistan Petroleum Exploration and Production Companies Association

Key public policy issues

The Falkland Islands

Our Sea Lion project is operating under licences legitimately awarded by the Falkland Islands Government (FIG) and has the full backing of the FIG and of the UK Government, notwithstanding the continued claims by the Government of Argentina to sovereignty over the Falkland Islands. The project, which was re-scoped in late 2014 in line with current market conditions, is expected to make an important contribution to our overall production portfolio once it enters production.

During the current pre-sanction phase of the project, Premier is engaged in constructive discussions with the FIG and other Falkland Islands stakeholders over the utilisation and development of shore-based support infrastructure, the potential environmental and social impacts of future activities and the detailed planning for the offshore development of the Sea Lion field.

UK energy policy

Current oil and gas prices are continuing to put many operators in the North Sea under considerable financial pressure. In this context, we are working with Oil & Gas UK, BRINDEX and other industry organisations to engage with the UK Government and civil service. This is with the aim of establishing how to maximise the value that can be extracted from the UK's remaining offshore oil and gas reserves in the context of low oil and gas prices, maturing fields and considerable decommissioning liabilities. Such efforts are being directly informed by the 2014 Wood Review (Maximising Economic Recovery).

We are also engaging directly with the UK's new Oil & Gas Authority (OGA), which was established in April 2015. The OGA has been tasked with ensuring that the UK gets the maximum economic benefit from its oil and gas reserves. Relevant topics of discussion include:

- Current fiscal arrangements for North Sea operators
- Opportunities to reduce the operational burden on North Sea operators

- Initiatives to improve collaboration between operators, including with respect to logistics and shared infrastructure
- Planning for the future decommissioning of oil and gas infrastructure (and the management of associated costs)

🔗 www.woodreview.co.uk

🔗 www.gov.uk (OGA)

Resource nationalism

Resource nationalism is an ongoing challenge for many oil and gas companies. It can take many forms, ranging from local content requirements through to targeted taxation. However, in the current market environment, many host countries are seeking ways to reduce the fiscal and operational burdens faced by oil and gas operators. This appears to be in recognition of the genuine commercial pressure faced by many oil and gas companies and of the need to encourage local-level investment and employment generation.

This response is not universal, however, and we closely monitor policy dynamics at each of our business units to ensure we understand relevant drivers and respond appropriately. This includes measuring and communicating how our activities generate value for our host societies, including through, for example, our:

- Generation of economic value for host governments (amongst others)
- Employment and development of host country nationals
- Use of host country suppliers (as well as associated capacity-building, where relevant)
- Investment in community development programmes

² This includes any exceptional and significant tax relief/credits, subsidies, investment grants, awards, royalty holidays, financial support from export credit agencies and other financial benefits from any government outside the application of national fiscal frameworks as generally applied.

By measuring the value of these activities, we aim to demonstrate that our host societies are likely to accrue greater value from policies aimed at encouraging long-term oil and gas investment compared with policies focused on the maximisation of their short-term fiscal take.

Whilst this was an important issue before the downturn, current market conditions mean that many companies are now even more sensitive to government fiscal pressure, increasing the risk that projects will be suspended and investment reduced.

In 2015, we continued to monitor identified resource nationalism risks in Indonesia (due to continuing policy uncertainty and fiscal uncertainty), Brazil (due to issues relating to the required level of local content in goods and services purchased) and Vietnam (due to ongoing questions regarding the interpretation and application of law).

Economic contributions

We believe we can best generate value for our shareholders by operating in a way that also delivers tangible mutual benefits to all our stakeholders, including:

- Host governments, which grant us oil and gas licences and regulate our operational activities
- Host societies, which give us our social licence to operate as we extract hydrocarbon resources and responsibly undertake activities that can have a significant impact on the environment
- Employees, whose skills and efforts underpin our ability to create value

Any failure to deliver value to these key stakeholders would ultimately undermine our core business objectives. The means by which we create and distribute this value as well as the results of our efforts are set out in our 2015 Annual Report.

Managing our economic contributions

We are proud of our role in generating shared value from national oil and gas reservoirs. Much of this value stays in our host societies, directly supporting long-term socio-economic development.

Our most important means of distributing value are through:

- Payments to other businesses, including locally based service contractors and suppliers

- Payments to our workforce, including wages and benefits for employees from our host countries
- Payments to our providers of capital, including shareholder dividends and interest on debt
- Payments to government, including cash taxes, royalties and other payments to our host governments³
- Community investment spending (p57)

In this context (and in line with relevant local content requirements) Premier seeks to:

- Employ nationals where they are suitably qualified (p48) and encourage the employment of nationals amongst our service contractors where possible
- Use host country service contractors and suppliers where they are able to meet our operational and economic requirements

To help ensure nationals and host country service contractors and suppliers are able to access such opportunities, we also support local capacity building where possible.

For further information on how we distribute the value that we create, please see Figure 49 and p72–73.

Figure 48: Value distribution (US\$ million)

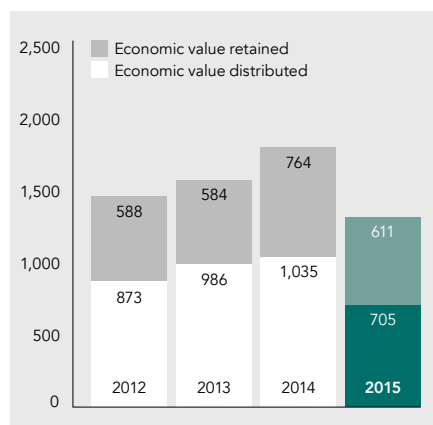
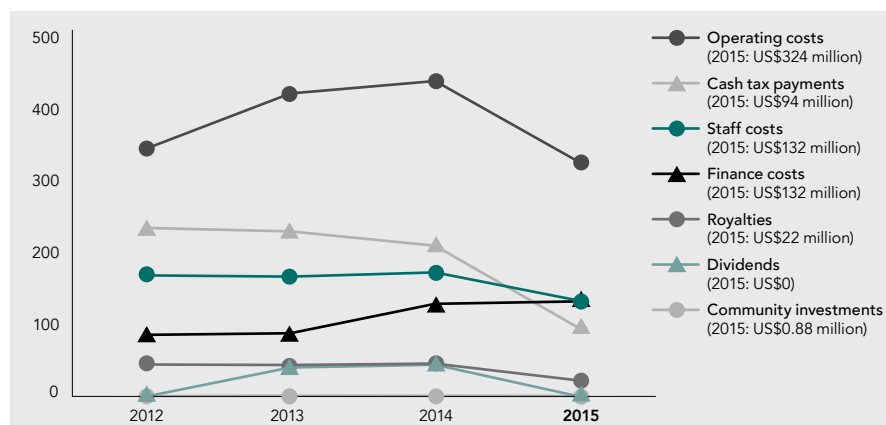


Figure 49: Value distribution by type (US\$ million)



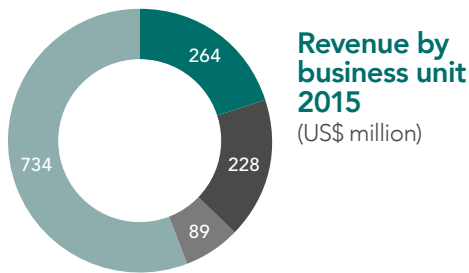
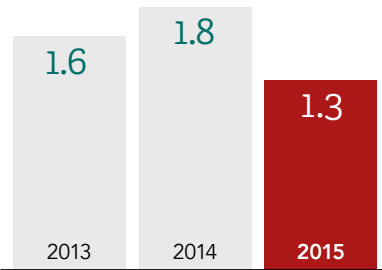
³ Currently, only Norway and Indonesia are Extractive Industry Transparency Initiative (EITI) Compliant Countries, whilst the UK is a Candidate Country. Premier is not currently a member of the EITI. Please note, in November 2015, we sold our Norwegian business to Det norske oljeselskap, one of our long-term partners in Norway.

Economic distribution

Total revenue generated

1.3 US\$ billion

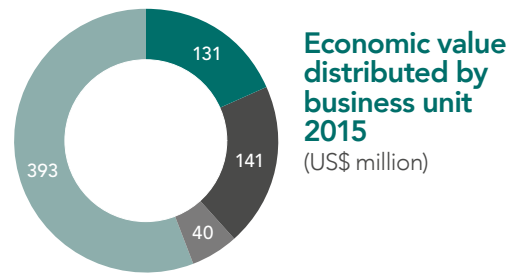
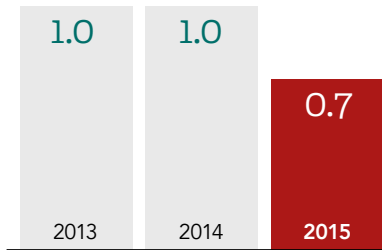
Total revenue, 2013–2015
(US\$ billion)



Economic value distributed

0.7 US\$ billion

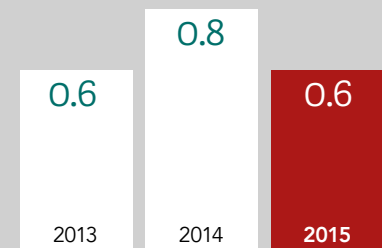
Economic value distributed, 2013–2015
(US\$ billion)



Economic value retained (Capital investment and Profit)

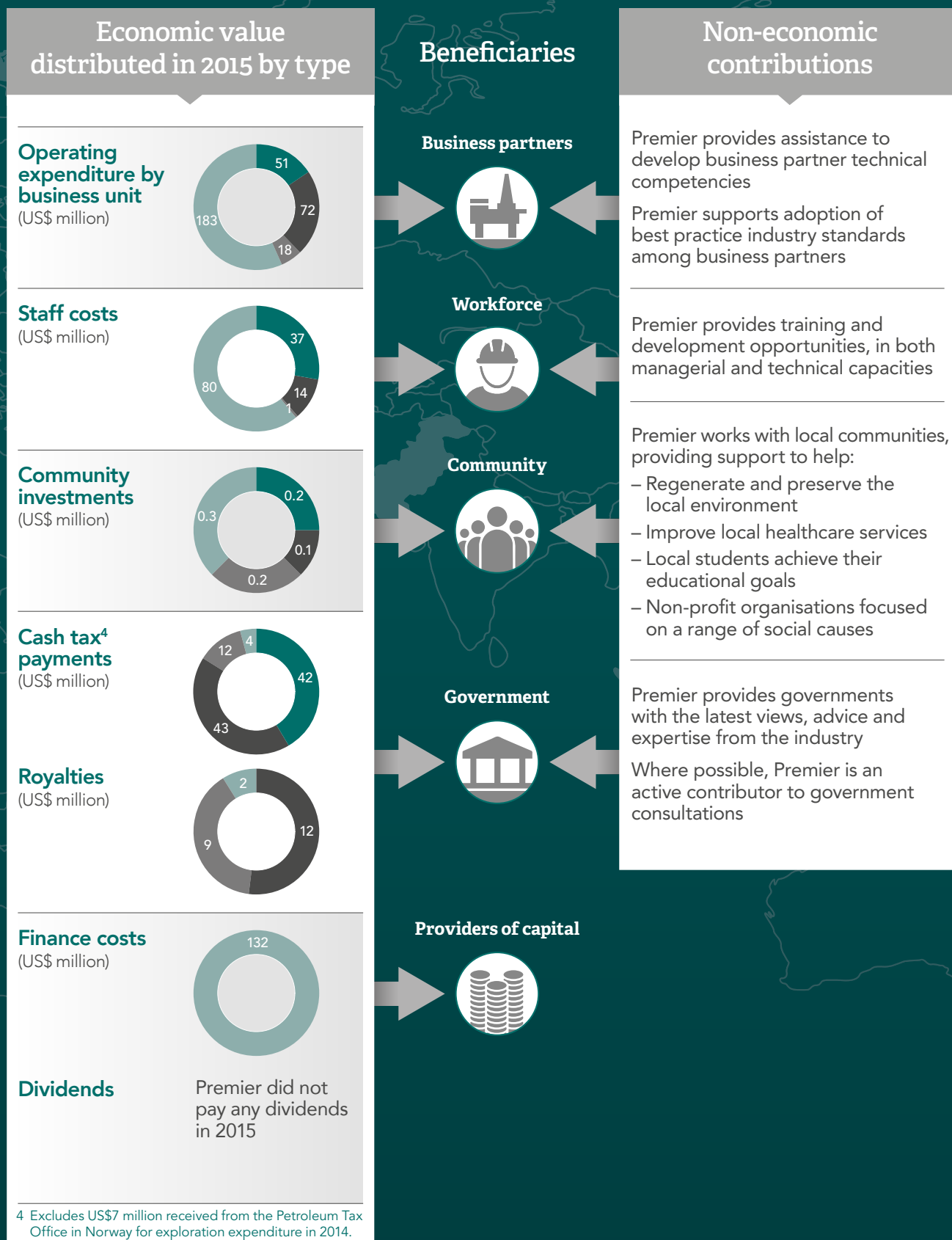
0.6 US\$ billion

Economic value retained, 2013–2015
(US\$ billion)



Key

- **Indonesia**
- **Vietnam**
- **Pakistan**
- **UK** (including corporate, Falkland Islands, early exploration and the now sold Norway business unit (including the proceeds of this disposal))



⁴ Excludes US\$7 million received from the Petroleum Tax Office in Norway for exploration expenditure in 2014.

Independent Assurance Statement to Premier Oil plc

ERM Certification and Verification Services (ERM CVS) was engaged by Premier Oil plc (Premier) to provide assurance in relation to the information set out below and presented in the Premier Oil Corporate Responsibility Report 2015 (the Report).

Engagement Summary

Scope:	<p>Whether the 2015 information and data for the following selected GRI G4 disclosures, as indicated in the assurance column of the GRI Content Index (www.premier-oil.com/premieroil/corporate-responsibility/reporting-new) are fairly presented, in all material respects, with the reporting criteria.</p> <p>General Standard Disclosures:</p> <ul style="list-style-type: none"> • G4-17 to G4-23 (Identified Material Aspects and Boundaries) • G4-24 to G4-27 (Stakeholder Engagement) • G4-56 (Codes of conduct) <p>Specific Standard Disclosures in relation to:</p> <ul style="list-style-type: none"> • Environment (EN 3, 8, 11, 15-16, 18, 21-24, 29, OG 4-7 and related DMA disclosures) • Occupational Health and Safety (LA 5-6, OG 13 and related DMA disclosures) • Employment (LA 1-4, 12-13, 16 and related DMA disclosures) • Anti-Corruption and Compliance (SO 3-5, SO 8 and related DMA disclosures) • Public Policy (SO 6 and related DMA disclosures)
Reporting Criteria:	The G4 Sustainability Reporting Guidelines of the Global Reporting Initiative and internal indicator criteria developed by Premier and described in the relevant performance sections.
Assurance Standard:	ERM CVS' assurance methodology, based on the International Standard on Assurance Engagements (ISAE 3000).
Assurance level:	Limited assurance.
Respective responsibilities:	<p>Premier is responsible for preparing the Report and for the collection and presentation of the information within it.</p> <p>ERM CVS's responsibility is to provide conclusions on the agreed scope based on the assurance activities performed and exercising our professional judgement.</p>

Our conclusions

Based on our activities, as described below, nothing has come to our attention to indicate that the 2015 data and information for the disclosures listed under 'Scope' above are not fairly presented, in all material respects, with the reporting criteria.

Our assurance activities

A multi-disciplinary team of sustainability and assurance specialists performed a range of assurance procedures which varied across the disclosures covered by our assurance engagement, as follows:

- A review of external media reporting relating to Premier to identify relevant sustainability issues in the reporting period.
- A review of the materiality determination process including the results of stakeholder engagement processes and attending a stakeholder roundtable as an observer.
- Interviews with management representatives responsible for managing the selected issues.
- Interviews with relevant staff to understand and evaluate the relevant management systems and processes (including internal review processes) used for collecting and reporting the selected disclosures.
- A review at corporate level of a sample of qualitative and quantitative evidence supporting the reported information.
- An analytical review of the year end data submitted by all locations included in the consolidated 2015 group data for the selected disclosures which included testing the completeness and mathematical accuracy of data.
- Confirming conversion factors and assumptions used.
- A review of the results of site level ISO 140001 and OSHAS 18001 certification audits undertaken by ERM CVS in the reporting year.
- Reviewing the presentation of information relevant to the scope of our work in the Report to ensure consistency with our findings.

The limitations of our engagement

The reliability of the assured information is subject to inherent uncertainties, given the available methods for determining, calculating or estimating the underlying information. It is important to understand our assurance conclusions in this context. Our work was undertaken at Premier's head office in London. We did not undertake source data verification at any operated facilities.

Our Observations

We have provided Premier with a separate management report with our detailed (non-material) findings and recommendations. Without affecting the conclusions presented above, we have the following key observation:

- Premier's second Stakeholder Forum on Corporate Responsibility, held in October 2015, benefited from the increased involvement of key contractors. However, we again recommend Premier to further improve the coverage of key stakeholder groups in this engagement by extending it to include employee representatives.



Jennifer Iansen-Rogers
Head of Report Assurance

22 March 2016
ERM Certification and Verification Services, London

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ERM CVS
Informed Assured

ERM CVS is a member of the ERM Group. The work that ERM CVS conducts for clients is solely related to independent assurance activities and auditor training. Our processes are designed and implemented to ensure that the work we undertake with clients is free from bias and conflict of interest. ERM CVS and the staff that have undertaken work on this assurance exercise provide no consultancy related services to Premier Oil plc in any respect.

External Review of Reporting on Corporate Responsibility

Verisk Maplecroft was commissioned by Premier Oil plc to:

- Confirm the accuracy of all corporate responsibility statements presented in this report
- Confirm the claim stated by Premier on p3 that this report was prepared in accordance with the Global Reporting Initiative's G4 Sustainability Reporting Guidelines (GRI G4 Guidelines) at a 'Core' level

This statement is made in our capacity as an ongoing service provider to Premier Oil on this and previous assignments. Verisk Maplecroft did not directly verify the data relating to HSES or economic performance. We did, however, confirm the existence of Premier's HSES policy statements and actions, the veracity of management systems, the rigour of internal reporting/review processes, and the Company's plans for 2016.

Methodology

Verisk Maplecroft's review of Premier's corporate responsibility performance involved the following activities between mid-2015 and early 2016:

- **Internal engagement:** Including with Premier managers in the Falkland Islands, Indonesia, the UK and Vietnam
- **Review of standards:** The report was informed by the standards of the following organisations: (1) GRI (G4 Sustainability Reporting Guidelines); (2) IPIECA (Oil and Gas Industry Guidance on Voluntary Sustainability Reporting); (3) UN Global Compact (Ten Principles and associated requirements on the annual Communication on Progress); (4) FTSE4Good (ESG themes). The review also involved engagement with Premier on the potential for further public reporting to meet the emerging expectations of external stakeholders
- **Materiality process:** Verisk Maplecroft assisted Premier with the design and application of a structured materiality process to help identify its material corporate responsibility issues. This process was aligned with the requirements of the G4 Sustainability Reporting Guidelines. As part of this process, Verisk Maplecroft also facilitated direct engagement with external stakeholders, whose feedback directly influenced the final assessment
- **Gap analysis:** A gap analysis was carried out to identify and, where feasible, address gaps in Premier's existing reporting practices against the relevant reporting standards
- **Performance enhancement:** The outcomes from the review of standards and gap analysis were used, where possible, to enhance Premier's level of reporting

During this process, Verisk Maplecroft also identified opportunities to enhance Premier's approach to corporate responsibility, including responsible supply chain management and the targeting/impact of community investment projects.

Materiality and completeness

Verisk Maplecroft believes that the narrative and data presented in this report are an accurate representation of Premier's material sustainability issues. Verisk Maplecroft is also satisfied that Premier's claim to have applied the GRI G4 Guidelines at 'Core' level is fairly stated. Premier has reported on its management approaches towards its material issues and on relevant GRI G4 Core performance indicators – including those in the GRI's Oil and Gas Sector Supplement.

Recommendations

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

- Improved data gathering with respect to local procurement spend
- Further enhancement of its environmental accounting practices to reflect additional operational and capital spending that helps support environmental protection
- More detailed reporting on the use of fresh water, waste management and employee training

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

- Further analysis of its 'indirect' impacts, including relevant environmental, labour, human rights and social impacts associated with its supply chain
- The formal application of high-level human rights impact assessment to its supply chain and business partners – as well as the integration of the results into its decision-making
- Further analysis of Premier's operational impacts on marine biodiversity



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24 March 2016

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GRI G4 Material Aspects

For Premier's full GRI G4 reference table, please see: www.premier-oil.com/premieroil/corporate-responsibility/reporting-new

Category	G4 Aspect	Material?	Page
Economic	Economic Performance	Y	AR plus 40–42, 51, 54–63, 65, 70–73
	Market Presence including local content	Y	46–53
	Indirect Economic Impacts	N	54–63
	Procurement Practices	Y	Online GRI Table plus 54–63, 70–71
Environmental	Materials	N	38–40, 44–45
	Energy	N	Online GRI Table plus 38–42, 43–45
	Water	N	38–40, 45
	Ecosystem Services and Biodiversity	N	38–45, 56–63
	Emissions	Y	38–45
	Effluents and Waste	Y	28–35, 38–45
	Products and Services	N	–
	Compliance	Y	16–22, 38–41
	Transport	N	39–40, 42–43
	Overall	Y	28–31, 38–40
	Supplier Environmental Assessment	Y	16–19, 28–31, 38–40, 68–69
Environmental Grievance Mechanisms	N	38–40, 55–57, 66–67	
Social: Labor practices and decent work	Employment	Y	28–37, 46–53, 67–68
	Labor/Management Relations	Y	46–47, 53, 67
	Occupational Health and Safety	Y	28–37, 53
	Training and Education	Y	30–31, 46–47, 51–53
	Diversity and Equal Opportunity	Y	Online GRI Table plus AR plus 46–50
	Equal Remuneration for Women and Men	Y	46–51, 67
	Supplier Assessment for Labor Practices	Y	Online GRI Table plus 46–47, 64–69
	Labor Practices Grievance Mechanisms	Y	46–47, 53, 64–69

Category	G4 Aspect	Material?	Page
Social: Human rights	Investment (human rights)	Y	64–69
	Non-discrimination	Y	46–50, 53, 64–67
	Freedom of Association and Collective Bargaining	Y	46–47, 53, 64–69
	Child Labor	N	Online GRI Table plus 46–47, 64–69
	Forced or Compulsory Labor	N	Online GRI Table plus 46–47, 64–69
	Security Practices	Y	37, 56–57, 64–68
	Indigenous Rights	N	54–57, 64–69
	Human rights assessment	Y	Online GRI Table plus 64–69
	Supplier Human Rights Assessment	Y	Online GRI Table plus 64–69
	Human Rights Grievance Mechanisms	N	53, 64–69
Social: Society	Local Communities	N	Online GRI Table plus 54–57, 64–70
	Anti-corruption	Y	16–22
	Public Policy	Y	16–22, 64–65, 70–71
	Anti-competitive Behavior	N	16–22, 64–65
	Compliance (general)	Y	16–22
	Supplier Assessment for Impacts on Society	Y	Online GRI Table plus 19–22, 64–69
	Grievance Mechanisms for Impacts on Society	N	16–22, 54–57, 67
	Customer Health and Safety	N	Online GRI Table
Social: Product responsibility	Product and Service Labeling	N	Online GRI Table
	Marketing Communications	N	Online GRI Table
	Customer Privacy	N	–
	Compliance (product responsibility)	N	–
	Reserves and Production	Y	AR plus 4, 54–57, 67–68
Oil and gas disclosures	Emergency Preparedness	Y	28–35
	Involuntary Resettlement	N	Online GRI Table plus 54–57, 64–68
	Asset Integrity and Process Safety	Y	28–29, 32–33
	Fossil Fuel Substitutes	N	Online GRI Table

IPIECA: Oil and Gas Industry Guidance on Voluntary Sustainability Reporting (2015)



			Page	Status
Environmental indicators				
E1	Climate change and energy	Greenhouse gas emissions	38–43	Reported
E2		Energy use	38–40, 44–45	Reported
E3		Alternative energy sources	Online GRI Table plus 38–40	Reported
E4		Flared gas	38–41	Reported
E5	Ecosystem services	Biodiversity and ecosystem services	38–40, 45	Reported
E6	Water	Freshwater	38–40, 45	Reported
E7		Discharges to water	38–40, 42–44	Reported
E8	Local environmental impact	Other air emissions	38–40, 43	Reported
E9		Spills to the environment	38–40, 42–44	Reported
E10		Waste	38–40, 44	Reported
E11		Decommissioning	AR plus 14, 28–29, 30, 35, 70	Reported
Health and safety issues				
HS1	Workforce protection	Workforce participation	28–31	Reported
HS2		Workforce health	28–37	Reported
HS3		Occupational injury and illness incidents	36–37	Reported
HS4	Product health, safety and environmental risks	Product stewardship	Online GRI Table plus 28–31	Reported
HS5	Process safety and asset integrity	Process safety	28–31, 32–33	Reported
Social and economic issues				
SE1	Community and society	Local community impacts and engagement	54–63	Reported
SE2		Indigenous peoples	56–57, 67–68	Reported
SE3		Involuntary resettlement	Online GRI Table plus 54–57	Reported
SE4		Social investment	54–63	Reported
SE5	Local content	Local content practices	48–50, 54–56, 70–71	Reported
SE6		Local hiring practices and performance	48–50, 64–65, 70–71	Reported
SE7		Local procurement and supplier development	Online GRI Table plus 54–56, 70–73	Reported
SE8	Human rights	Human rights due diligence	64–69	Reported
SE9		Human rights and suppliers	66–69	Reported
SE10		Security and human rights	64–66, 68	Reported
SE11	Business and transparency	Preventing corruption	16–22	Reported
SE12		Preventing corruption involving business partners	16–22, 68–69	Reported
SE13		Transparency of payments to host governments	16–22, 70–71	Reported
SE14		Public advocacy and lobbying	16–22, 70–71	Reported
SE15	Labour practices	Workforce diversity and inclusion	46–50	Reported
SE16		Workforce engagement	46–47, 53	Reported
SE17		Workforce training and development	46–47, 52	Reported
SE18		Non-retaliation and grievance system	46–47, 53, 67	Reported



UN Global Compact: Our Communication on Progress against the Ten Principles

		Page	Status
Human rights			
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights	16–19, 64–69	Communicated
Principle 2	Businesses should make sure that they are not complicit in human rights abuses	16–19, 64–69	Communicated
Labour			
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Online GRI Table plus 46–47, 53, 64–69	Communicated
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labour	Online GRI Table plus 64–69	Communicated
Principle 5	Businesses should uphold the effective abolition of child labour	Online GRI Table plus 64–69	Communicated
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation	46–50, 64–69	Communicated
Environment			
Principle 7	Businesses should support a precautionary approach to environmental challenges	38–45	Communicated
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility	38–45	Communicated
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies	40, 43, 44–45	Communicated
Anti-corruption			
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery	16–22, 70–71	Communicated



FTSE4Good

FTSE4Good: ESG themes

		Page	Status
Governance			
Corporate governance		AR	Reported
Risk management		AR plus 23	Reported
Tax transparency		26, 70–73	Reported
Anti-corruption		16–22, 70–71	Reported
Environment			
Climate change		38–42	Reported
Water use		38–40, 45	Reported
Biodiversity ¹		38–40, 45	Reported
Pollution and resources		38–45	Reported
Supply chain ¹		68–69	Reported
Social			
Health and safety		28–37	Reported
Labour standards		Online GRI Table plus 46–47, 53, 64–67	Reported
Human rights & Community		54–63, 64–67	Reported
Customer responsibility ¹		Not relevant	
Supply chain ¹		64–69	Reported

¹ Included in FTSE4Good Themes but not applied to Premier as part of its formal assessment.

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Glossary

ALARP	as low as reasonably practicable
ARROW	Analysis and Reporting Risk Online Workbench
BMS	Business Management System
CMAPP	Corporate Major Accident Prevention Policy
DECC	Department of Energy and Climate Change
EIPSS	Energy Institute Process Safety Survey
ESIA	environmental and social impact assessment
EU ETS	European Union Emissions Trading Scheme
GHG	greenhouse gases
GRI	Global Reporting Initiative
HiPos	high potential incidents
HiPoR	high potential incident rate
HSES	health, safety, environment and security
IOGP	International Association of Oil & Gas Producers
IPIECA	International Petroleum Industry Environmental Conservation Association
kboepd	thousand barrels of oil equivalent per day
LOPC	loss of primary containment
LWDC	lost work day case
MATTE	Major Accidents To The Environment
mmboc	million barrels of oil equivalent
MTC	medical treatment case
OGA	Oil & Gas Authority
pmmh	per million man hours worked
ppm-wt	parts per million by weight
RWDC	restricted work day cases
STAIRS	Safety and Asset Integrity Performance Reporting Scorecards
TJ	terajoule
TRIR	total recordable injury rate
UNFCCC	UN Framework Convention on Climate Change
VPs	Voluntary Principles on Security and Human Rights



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