

About this report

This is our thirteenth annual Corporate Responsibility Report. It has been approved by the Audit and Risk Committee of our Board. The report makes a 'GRI-referenced' claim against the Global Reporting Initiative Standards (GRI Standards) and covers our most material corporate responsibility issues. These issues and their related GRI Standards 'Topics' can be found in our '[Material issues and related GRI Standards Topics](#)' table. Relevant reporting scope and levels of disclosure can be found in our supporting '[GRI Standards Table](#)'.

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 '[Independent Assurance Statement to Premier Oil plc](#)')
- The alignment of the materiality and stakeholder engagement processes used in the preparation of this report with the requirements of the GRI Standards

For details of the second-party assurance undertaken on this report, see the '[External Review of Reporting on Corporate Responsibility](#)'.

Chief Executive Officer's Review



See our Chief Executive Officer's review of Premier's corporate responsibility activities throughout 2018, including the commitments we made and our achievements against them.

[Chief Executive Officer's Review](#)

Our approach



Premier is committed to operating responsibly. We aim to maximise the positive impacts we have upon our stakeholders and to minimise or avoid our negative impacts.

Our approach

Defining our material issues



Premier's annual materiality assessment identifies and prioritises our most important corporate responsibility issues.

Defining our material issues

Business ethics



Premier is committed to conducting its business with honesty and integrity. We recognise that our success is dependent on ensuring compliance with all applicable laws and maintaining the trust of our stakeholders.

Business ethics

Health, safety and security



Premier is committed to continually improving our health and safety performance. We believe that accidents can always be avoided and seek to ensure that our employees, contractors, visitors, neighbours and the environment receive a high level of protection.

Health, safety and security

Environment



Premier's environmental stewardship and management standards help reduce our impact upon the environment to a level that is as low as reasonably practicable. We will never knowingly compromise our environmental standards to meet our operational objectives.

Environment

Employees



Premier provides a working experience for our employees and contractor personnel that offers equal opportunities, safe working conditions, competitive terms of employment and quality learning and development experiences.

Employees

Community relations



Premier understands the importance of building and maintaining strong relationships with our local communities and providing them with sustainable socio-economic benefits.

Community relations

Society



Premier is committed to having a positive impact upon our host societies. By doing so, we build strong relations with key stakeholders, maintain our social licence to operate and can benefit from the opportunities our host societies make available to us.

Society

Material issues and SDGs



See key relationships between Premier's material issues and the UN Sustainable Development Goals.

Material issues and SDGs



Section 1: Chief Executive Officer's Review

How does Premier balance corporate responsibility with economic returns?

Our commitment to being a responsible oil and gas operator is inextricably linked to the financial performance of our business. This commitment has again helped underpin our successes, in a year in which strong operational performance – supported by a low cost base and disciplined capital expenditure – resulted in us generating material free cash flow. This, together with the proceeds from selective disposals and the early exchange of our convertible bond, resulted in us reducing our net debt by US\$390 million.

We aim to continue delivering further debt reduction in 2019, while progressing our future growth projects and generating value for our stakeholders over the longer term. These objectives can only be met with an unwavering commitment towards implementing international best practice in relation to health, safety, environment and security (HSES) management wherever we operate. The safety of our people and assets remains our utmost priority – and we will never knowingly compromise our HSES standards.

We remain accountable to our stakeholders for our non-financial performance as

well as our profitability. I am therefore pleased to share this 2018 Corporate Responsibility Report, which presents Premier Oil's progress in the areas of governance, society, workforce and the environment, and provides transparent disclosure and visibility on our material sustainability issues.

We reference the United Nations Sustainable Development Goals (SDGs) throughout this report, to underline the interconnection between our material sustainability issues and this internationally-recognised development framework. This also aims to highlight – at a high-level – how some of our key corporate responsibility efforts help support the SDGs as well as the priorities of our host governments and societies.

Reflecting on 2018, what were Premier Oil's performance highlights and where could you have done better?

Our continued focus on process safety and asset integrity enabled us to complete 2018 without any significant process safety events. Across the Group, however, we saw an increase in our Total Recordable Injury Rate (TRIR) and our High Potential Incident Rate (HiPoR) compared to 2017 (from 1.47 to 2.65 and from 0.65 to 1.40, respectively). Nonetheless, our operated Chim Sao asset in Vietnam achieved two years of production at end 2018 without a lost time injury. We aspire to ensuring high safety standards across all our assets and are fully committed to improving our performance and building a safety culture we are proud of. This includes strengthening our processes and controls, assuring the competency of our employees and contractors through comprehensive training programmes, and actively engaging our workforce on personal and process safety.

Our environmental performance was strong with no significant hydrocarbon spills to the environment. Furthermore, we achieved a greenhouse gas (GHG) intensity of 164 tonnes per thousand tonnes CO₂e of production, the lowest ever level reported by the Group. This was due to high operational efficiencies across our assets, with the new Catcher asset performing above the oil production rate envisaged at sanction, reaching 66 kbopd (gross) compared to the predicted 50 kbopd (gross).

We were also able to demonstrate our commitment towards environmental protection in the development of our fully appraised Sea Lion field, which, at over 220 mboe (gross) of resources in Phase 1 alone, represents a material opportunity for Premier. In November 2018, we reached agreement with the Falklands Island Government (FIG) on the Sea Lion Environmental Impact Statement (EIS), after a positive consultation with local authorities, conservation

groups, special interest groups and the general public. As we continue to expand our operations in the Falkland Islands, we remain committed to upholding environmental stewardship and respecting stakeholder engagement.

In 2018, we also implemented a range of measures to strengthen our Group-wide controls and to ensure none of our activities facilitate tax evasion. This included an internal review and update of our Business Management System (BMS) as well as an external review of tax compliance and controls across our UK, Indonesia and Vietnam business units. These initiatives helped further strengthen our governance practices and enhanced our readiness for the new UK Corporate Governance Code, which took effect from 1 January 2019.

Beyond our own performance, we also focused on our supply chain to identify opportunities to improve the way we evaluate, select, and monitor business partners who we engage on core aspects of our operations. After the successful piloting of our Supply Chain Contractor Due Diligence Process in the second half of 2017, which screens material contracts for risks relating to HSES, local content, tax evasion, business ethics, human rights and labour rights, the new model was fully rolled out across the Group in January 2018. The model will deliver greater insight into – and scrutiny of – Premier’s outsourcing model, beyond a simple ‘spend analysis’. Furthermore, it will enable us to focus the majority of our management and risk mitigation efforts on the sub-set of contractors that present the highest level of impact on our business.

I am also pleased to share that in 2018 we announced the inaugural winners of the CEO HSES Awards, a programme that recognises outstanding safe behaviours, environmental leadership and innovation across our Group. I would like to thank everybody who participated in these awards and played a role in living up to Our Values. I would also like to congratulate the recipients of our ‘Individual Award’ and ‘Team Award’ from the Indonesia and Vietnam business units respectively for their achievement. As always, our employees’ ongoing commitment to safety, sustainability and productivity will continue to drive our business – and position us for success in 2019 and beyond.

What does the future look like for Premier Oil?

To be successful in the coming decades, we must continue to build an organisation that is efficient, value driven and can balance market conditions with sustainable growth. To this end, in 2018 we undertook a forward-looking review of our organisational structure and supporting business practices, engaging over 100 senior employees across the Group, including all Board members. The review identified a series of actions across our core functions,

which we will address throughout 2019 to ensure Premier is best positioned to deliver our long-term corporate strategy.

Our organisational structure must also achieve a meaningful impact on addressing gender diversity and inclusion, which remains an ongoing challenge for the oil and gas industry as a whole. In 2018, we made progress in understanding the gender balance across our recruitment processes, and aim to continue progressing the way we identify and support high-performing women to transition into leadership positions across our organisation.

As the world transitions to a low carbon future, oil and gas will continue to hold a significant share of the world's energy mix, accounting for nearly half of global primary energy demand in 2050¹. We will therefore continue turning hydrocarbon resources into energy to support economic transformation, mobility and progress in the societies we are part of. Whilst acknowledging the role of the sector in responding to the global energy challenge, as a medium-sized company focused on upstream hydrocarbon activities, we believe we can most effectively contribute by taking steps to manage our greenhouse gas emissions and operate our assets more efficiently. In support of this, in 2018 we initiated a review of our carbon strategy to align our approach with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)² as well as emerging climate change regulations in our countries of operation. Once finalised, the revised strategy will provide greater visibility to stakeholders on how Premier identifies, manages and publicly discloses the impact of climate change on its business. In addition, it will help drive the internal practices and collaborative behaviours required to ultimately drive a reduction in the greenhouse gas emission intensity of our production activities.

Going forward, we will continue to aspire to the highest standards of corporate responsibility, demonstrating strength in our ability to adjust and respond to opportunities and challenges. It is important that we grow, improve and continue to value the people we require to achieve our objectives.

Finally, our 2018 Corporate Responsibility Report also represents our 'Communication on Progress' against the United Nations Global Compact (UNGC) ten principles, to which we remain fully committed.

Tony Durrant

Chief Executive Officer

Figure 1: Delivering on our commitments

● Achieved
 ● Partially achieved
 ● Not achieved

Report Section	2018 Commitments	2018 Performance	Status	Relevant report subsection
Our approach	• Continue to enhance and strengthen our governance processes	• Evaluated and updated governance processes in readiness for the new UK Corporate Governance Code (effective from 1 January 2019)	●	'Principles, frameworks and standards'
	• Enhance the scope and application of our management systems	• Continued to adapt and enhance our Business Management System (BMS) to ensure it is widely used and comprehensive in scope	●	'Business Management System'
Defining our material issues	• Increase engagement of business units in Group-wide materiality assessment	• Held a joint workshop with heads of business units to review our 2018 material issues	●	'Materiality assessment'
	• Maintain and where possible advance our external corporate responsibility repoting	• Increased our score in the FTSE4Good Index Series, placing Premier in the best performing 3% of companies within the oil and gas industry	●	'Material issues and related Sustainable Development Goals'
		• Transitioned from the GRI G4 Sustainability Reporting Guidelines to the GRI Standards for the purpose of reporting on our sustainability performance in our 2018 Corporate Responsibility Report	●	
Business ethics	• Continue to strengthen our Group-wide controls	• Strengthened our Group-wide controls across key business functions (human resources, legal, finance and supply chain) and implemented enhanced measures to prevent the facilitation of tax evasion in our wider supply chain	●	'Risk assessment and due diligence'
		• Held training workshops for all employee and contractor personnel at our Indonesia business unit on preventing potential conflicts of interest	●	
Health, safety and security	• Strengthen our corporate HSES strategy	• Revised and updated Premier's HSES Policy and launched our first three-year Group HSES Strategy	●	'Managing health, safety and security'
	• Recognise employee commitment to HSES	• Launched the first Group-wide CEO HSES Awards programme	●	'Occupational health and safety'
	• Encourage collaboration on HSES	• Held a collaborative behaviours review with our joint venture partners at the Balmoral asset ahead of planned decommissioning in 2021	●	'Employee engagement'
	• Continue to improve health and safety performance	• No fatalities in 2018 across our employees and contractors	●	'Process safety and asset integrity'
		• No Tier One process safety LOPC events, but recorded two Tier Two process safety LOPC events (no injuries incurred)	●	
		• An increase in our TRIR ¹ (from 1.47 in 2017 to 2.65 in 2018) and an increase in our HiPoR ² (from 0.65 in 2017 to 1.40 in 2018)	●	'Occupational health and safety'
	• Continue to enhance awareness on major hazards	• Launched a 'Major Hazards Leadership Programme' and shared key learnings with operation and project teams, and Premier's contractors	●	'Loss of Primary Containment'
• Strengthen crisis management communication	• Launched an updated mobile application that gives global responders instant access to emergency contacts and enables more efficient information sharing	●	'Crisis management and communication'	
Environment	• Strengthen oversight and management of emerging climate change issues	• Initiated the revision of Premier's carbon strategy to align with the Task Force on Climate-related Financial Disclosures (TCFD) ³ recommendations and emerging climate change regulations in our countries of operation	●	'Climate change and GHG emissions'
	• Continue to improve environmental performance	• Achieved a decrease in our GHG emission intensity from 183 in 2017 to 164 tonnes per thousand tonnes of production in 2018 ⁴	●	
		• Achieved a GHG emission intensity that improves on our target		
	• Manage our environmental and socio-economic impacts in the Falkland Islands	• Submitted the Sea Lion Project Environmental Impact Statement (EIS) for public consultation, and commissioned a Social Impact Assessment aligned with the IFC Performance Standards which was accepted by the Falkland Islands Government (FIG)	●	'Impact assessment'

Employees	• Support diversity and inclusion across our organisation	• Rolled out a global training programme for all employees and contractor personnel, and implemented enhanced monitoring of gender diversity across our recruitment process	●	'Diversity and inclusion'
	• Review and enhance our organisational structure and associated business processes	• Launched an external review of our organisational structure and associated business practices	●	'Employee feedback'
	• Seek employee feedback on a Group-wide basis	• Launched an updated Group-wide employee engagement survey, and took steps to address the outcomes of our employee survey undertaken in 2017	●	'Employee feedback'
	• Expand our performance and talent management programme	• Rolled out our Talent Management Process to all senior and mid-level employees	●	'Learning and Development Opportunities'
Society	• Strengthen our supply chain management practices	• Launched a tiered contractor segmentation model to improve risk management and outsourcing efficiency for contracts evaluated to be of most significant risk	●	'HSES Focus'

¹ Energy Transition Outlook 2018, DNV-GL.

² Recommendations of the Task Force on Climate-related Financial Disclosures, Final Report (2017).

³ Total Recordable Injury Rate (TRIR) - per million man hours worked.

⁴ High Potential Incident Rate (HiPoR) - per million man hours worked.

⁵ Recommendations of the Task Force on Climate-related Financial Disclosures (Final Report), June 2017.

⁶ GHG emissions intensity is reported for producing assets only.



Section 2: Our approach

Premier is committed to operating responsibly. We aim to maximise the positive impacts we have upon our stakeholders and to minimise or avoid our negative impacts. Not only is this the right thing to do, it also supports the maintenance of our social and legal licence to operate – now, and over the long-term.

1. Governance

Corporate responsibility leadership

As required by the UK Corporate Governance Code, the Board sets the Company's strategy and oversees its execution within an agreed framework of internal controls, ensuring that risk is appropriately monitored and managed. As such, the Board is ultimately responsible for the Company's corporate responsibility performance. Accordingly, it approves the Corporate Responsibility Policy and endorses the management of significant corporate responsibility-related risks and opportunities.

More information about Premier's governance, including in relation to corporate responsibility, is available on page 56-111 of the 2018 Annual Report.

www.premier-oil.com (2018 Annual Report)

Principles, frameworks and standards

Our strong track record of responsible behaviour and effective performance is underpinned by our values, Group policies and relevant external principles and standards. These are set out below, with further details available in our '[GRI Standards Table](#)'.

Our Group policies that relate to corporate responsibility are approved by the Board and available through our intranet-based Business Management System (BMS) to all our staff (see below).

In 2018, we continued our efforts to proactively align with the provisions of the updated UK Corporate Governance Code (effective from 1 January 2019). This included, amongst other initiatives:

- The review and update of relevant Group policies and procedures in our BMS to ensure we meet all our obligations under the updated Code
- The constitution of a new 'Employee Forum' to meet the provisions of the Code regarding employee engagement
- The roll out of an updated employee engagement survey, which builds on the results of the 2017 survey, to better understand employee views (see '[Section 7: Employees](#)')
- The review of our organisational structure and related business processes, which supports alignment of our business strategy with our corporate culture (an area of focus under the new Code), and further enhances employee engagement (see '[Section 7: Employees](#)')

In 2018, we also reviewed and updated our data management processes to ensure we have the necessary controls in place to comply with the Data Protection Act 2018.

www.premier-oil.com (Company Policies)

Figure 1: Our values



Figure 2: 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
- Corporate Responsibility Policy
- Health, Safety, Environment and Security ('HSES') Policy
- Human Rights Policy
- Community Investment Policy
- Risk Management Policy
- Equal Opportunities and Diversity Policy
- Whistleblowing Policy
- Tax Policy
www.premier-oil.com Company Policies

External

- United Nations Global Compact (participant)
www.unglobalcompact.org
- International Association of Oil & Gas Producers ('IOGP') (member)
www.iogp.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
www.voluntaryprinciples.org
- United Nations Guiding Principles on Business and Human Rights
www.ohchr.org
- ISO 31000 risk management system standard (which underpins our approach to risk management)
www.iso.org

Corporate responsibility management

In 2018, the principal topics arising from Premier's activities that have economic, social and environmental impacts on stakeholders, and the Premier managers and executives responsible for overseeing them on a day-to-day basis, were:

- Health, safety, environment and security (HSES), overseen by the CEO
- Risk management, overseen by the Group Audit and Risk Manager
- Human resources, overseen by the Group Human Resources Director
- Legal and regulatory compliance, ethical behaviour and human rights, overseen by the Group General Counsel
- Tax, overseen by the Finance Director

These executives reported to the Chief Executive Officer, with the exception of the Group Audit and Risk Manager who reported to the Chief Technical Officer (for day-to-day reporting purposes) and to the Chair of the Audit and Risk Committee. The Group General Counsel was responsible for overseeing day-to-day corporate responsibility performance (excluding our operational-level community interactions, responsibility for which lies with each of our business units). Significant stakeholder feedback was made available to the Board.

Other Group functions, such as supply chain, were also involved in corporate responsibility management. For example, our decision to enter into or maintain relationships with members of the extensive upstream supply chain is informed by not only commercial and operational factors, but also their business ethics, environmental, safety and human rights performance.

For more information about how we integrate corporate responsibility considerations into our procurement decision making through our Supply Chain Contractor Due Diligence Process, see [Section 4: Business ethics](#) and [Section 9: Society](#).

Figure 3: Corporate-level BMS elements that supported corporate responsibility management in 2018

Management system	Responsible individual	Reference
Legal Human Rights Corporate Responsibility	General Counsel Company Secretary	See 'Business ethics', 'Society' and throughout
HSES	Group HSES Manager	See 'Health, safety and security' and 'Environment'
Human Resources	Group Human Resources Director	See 'Employees'
Audit and Risk	Group Audit and Risk Manager	See 'Defining our material issues' and Annual Report
Supply Chain Management	Group SCM Manager	See 'Business ethics', 'Society' and GRI Table
Community Investment	Business Unit country managers	See 'Community relations'
Tax	Finance Director	See 'Society' and Annual Report

Business Management System

Our BMS is an intranet-based platform that records and governs our internal controls. The BMS sets out our Group policies, supplemented by a nested set of management systems, which are owned by each of Premier's functions and business units.

In 2018, we continued to adapt the BMS to strengthen the application and oversight of the management systems governing our business. This included enhancing the search functionality to improve staff access to the platform.

For more information about our principles, frameworks and standards, and corporate responsibility management, see our '[GRI Standards Table](#)'.



Section 3: Defining our material issues

Premier's materiality assessment process enables us to identify our most significant corporate responsibility issues. It draws on our existing risk assessment process, as well as our stakeholder engagement activities.

1. Risk management

Premier's Risk Management Policy and Risk Management Standard apply the principles set out in the ISO 31000 risk management system standard. Our policy and standard set our expectations and minimum requirements for the following activities:

- Establishing our risk appetite
- Identifying and evaluating the risks that affect our business
- Ensuring that appropriate and effective risk controls and mitigating measures are put in place

The policy and standard also support our efforts to achieve the highest standards of corporate governance.

www.premier-oil.com (Company Policies)

www.iso.org (ISO 31000)

Process

Premier records and reports its main risks using the Company's corporate risk register, 'ARROW' (Analysis and Reporting Risk Online Workbench).

The corporate responsibility risks that are recorded in ARROW include those relating to:

- Catastrophic events at our operated facilities
- Governance and compliance breaches
- Fiscal or political pressure from host governments
- Organisational capabilities and competency management within the Company or its supply chain
- The Group-wide implementation of our human rights commitments

Using ARROW, Premier personnel can:

- Assess relevant risk components, including nature and magnitude of impact and likelihood
- Define an approach to manage each risk, including risk ownership, controls and mitigating measures
- Monitor risks across all business units and corporate functions

2. Stakeholder engagement

We systematically identify, prioritise and engage with our stakeholders to help us:

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

Such engagement also helps us to better understand any risks that stakeholders could pose to the achievement of our business objectives, and to develop appropriate management responses. Information gathered through stakeholder

engagement is integrated into our risk management activities and reflected in ARROW where appropriate.

For examples of the stakeholders we engaged with throughout the reporting year and the issues they raised, see our '[GRI Standards Table](#)'.

3. Materiality assessment

This report focuses on our most significant corporate responsibility issues. For the fifth consecutive year, Premier has undertaken a materiality assessment to prioritise these issues on the basis of:

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

This assessment was conducted with support from third party experts and with input from external stakeholders (see '[Stakeholder engagement sessions](#)' below).

Material issues

The outcomes of our corporate responsibility materiality assessment are displayed below (Figure 2). Presentation of an issue as 'non-material' on this matrix does not mean it is not important to Premier 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 Standards can be found under our list of '[Material issues and related GRI Topics](#)'. The principal changes in material and non-material issues resulting from our 2018 assessment include the following:

- Decreased impact of 'Value generation and distribution' – reflecting Premier's improved debt position which has strengthened our ability to generate and distribute value to our stakeholders
- Decreased impact of 'Decommissioning' – reflecting the postponement of decommissioning activities at our late life assets in the Greater Balmoral Area until 2021 or later
- Increased impact of 'Responsible supply chain management' – reflecting increased regulatory and civil society focus on this issue, and internal

reassessment of its relative significance to Premier's business. In 2018, Premier introduced a new contract segmentation model to strengthen the management of our supply chain risk (see '[Section 9: Society](#)') as well as additional controls to prevent facilitation of tax evasion in our supply chain (see '[Section 4: Business ethics](#)')

- Increased impact of 'Climate change and GHGs' – reflecting ongoing investor focus on this issue, and increasing prices for emission allowances traded on the European market
- Increased impact of 'Workforce' – reflecting ongoing regulatory and civil society focus on workforce gender diversity and the gender pay gap. In 2018, Premier rolled out diversity and inclusion training for all employees and contractor personnel, and we began monitoring gender diversity performance across our recruitment process (see '[Section 7: Employees](#)')
- Increased impact of 'Cyber security', which remains a non-material issue – reflecting increasingly sophisticated instances of cyber attack against multinational companies and increasing utilisation of automated production processes across the oil and gas industry. In 2018, we strengthened cybersecurity efforts across our policies and systems, access controls and safeguards, culture and awareness, and response and recovery measures.
- Increased impact of 'Community impacts' – reflecting the ramping up of our Sea Lion project in the Falkland Islands, and the work undertaken on our Environmental Impact Statement (EIS) and Social Impact Assessment (SIA) during 2018 (see '[Section 6: Environment](#)' and '[Section 8: Community relations](#)')

Stakeholder engagement sessions

During September and October 2018, Premier engaged with external stakeholders to hear their views on the Company's updated materiality matrix. This included representatives from the following organisations:

- IPIECA
- Transparency International UK
- RWC Partners
- Cairn Energy
- UN Global Compact Network UK
- Ensco

Stakeholder feedback informed the following changes to the materiality matrix:

- Increased impact of 'Cyber security' – reflecting calls from stakeholders for companies to develop effective cyber security strategies and management programmes in the context of continued instances of cyber attack as well as the potential threat to UK critical national infrastructure from hostile, foreign third-parties
- Increased impact of 'Responsible supply chain management' – reflecting calls from stakeholders for companies to effectively manage ethical risks in their supply chains, particularly in the context of increasing regulatory pressure to address modern slavery and other human rights risks

Internal stakeholders at Premier also identified these two topics as having increased in impact in 2018.

External stakeholders highlighted 'Governance and ethics' as an area of increasing focus for regulators, civil society and investors – particularly in respect of combatting bribery and corruption and tax evasion. However, the position of this issue on the matrix was not adjusted upwards, to reflect the impact of measures undertaken by Premier to further strengthen its governance processes in 2018 (see '[Section 4: Business ethics](#)'). Nonetheless, the issue of 'Governance and ethics' continues to rank amongst Premier's most material issues.

Stakeholders were also asked to identify any current or emerging corporate responsibility issues that could impact Premier, its stakeholders or the wider oil and gas industry. Responses included the need for the oil and gas industry to:

- Proactively monitor and address emerging technical skills gaps created by insufficient numbers of young professionals joining the sector
- Collaborate with peer companies to develop sustainable solutions to increasing local content requirements in several oil and gas jurisdictions
- Support national and international development priorities, including through closer alignment to the UN Sustainable Development Goals
- Implement strong anti-bribery and corruption compliance programmes, especially with regards to the screening of third-parties
- Assess potential impacts to supply chains and labour flows expected as a result of the UK's forthcoming exit from the European Union

Figure 1: Materiality assessment process

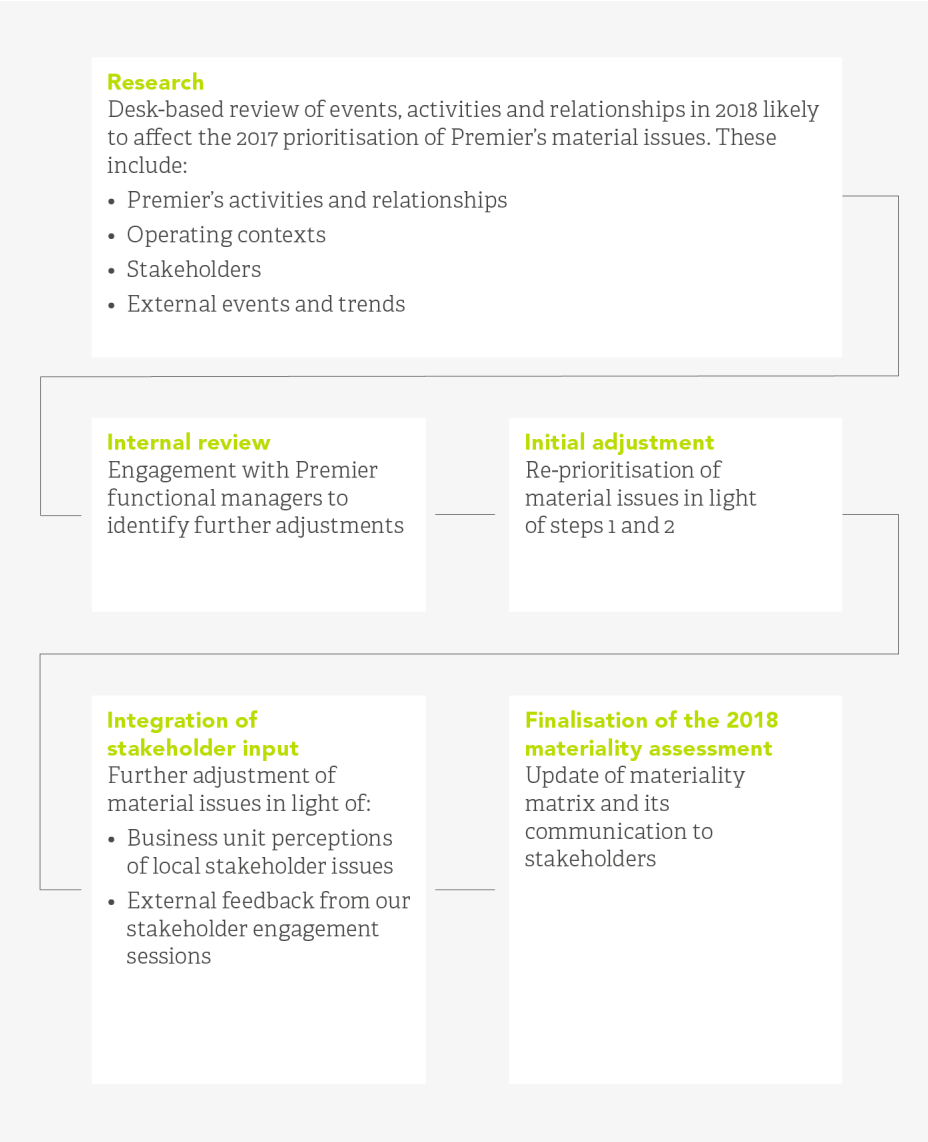
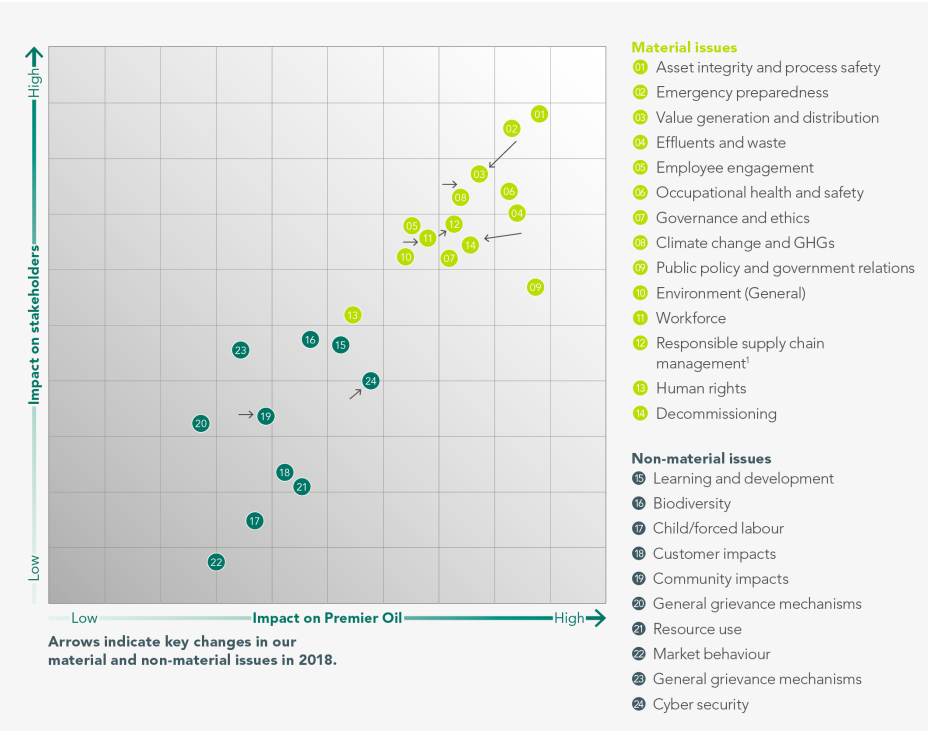


Figure 2: Corporate responsibility materiality matrix



To view UN Sustainable Development Goals related to Premier’s material issues, see ‘[Material issues and related Sustainable Development Goals](#)’. Our ‘[Material issues and related GRI Topics](#)’ list can be found [here](#).



Section 4: Business ethics

Premier is committed to conducting its activities to the highest ethical standards, and in compliance with all applicable laws and regulations. Doing so helps us maintain the trust of our stakeholders and supports our current and future success. These stakeholders include host governments and societies, investors, and our business partners and suppliers. We therefore uphold and, where feasible, strengthen ethical standards wherever we do business.

1. Global Code of Conduct

Premier requires all its employees and contractor personnel to behave ethically and with personal integrity, as established in our Business Ethics Policy. Our approach to business ethics is further developed in our Global Code of Conduct (the Code) which establishes specific standards for the Group (including in relation to anti-corruption and preventing the facilitation of tax evasion).

Premier has established a Company-wide leadership group to support compliance with the Code. This group is comprised of 'business ethics champions' from each business unit and meets at least twice annually to discuss where performance can be further improved.

We have also implemented a Company-wide review process to assess internal compliance with the Code (see 'Monitoring', below). The Audit and Risk Committee monitors the effectiveness of the Code and its supporting policies.

www.premier-oil.com (Company Policies)

Scope of application

All employees, contractor personnel and those associated with Premier, such as consultants, are required to adhere to the Code. Our business partners, including joint venture partners, contractors and customers, must also apply the principles of the Code – or equivalent standards. We achieve this through the inclusion of business ethics provisions in our contracts. All business partners can access the Code via our website.

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 our contract with the counterparty

Beyond this, we also:

- Publicise the Code amongst all our business associates on an ad hoc basis (including via presentations, documentation and relevant contractual terms integrated into specific agreements and contracts)
- 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

In some cases, it may be difficult for business partners to comply with all our requirements immediately. This can be due to, for example, local-level social, political and cultural dynamics. In these circumstances, we look for evidence of measurable progress towards compliance and will withdraw from the relationship if no meaningful progress is evident over a reasonable period of time.

Communication and training

We aim to train all employees and contractor personnel on the Code within one month of their induction. In 2018, all new employees and contractor personnel received induction training on the Code (2017: 100 per cent).

All employees and contractor personnel (including all of our Executive Directors) are required to undertake additional training on the Code on an annual basis thereafter. This training is tailored to reflect local norms and is delivered through interactive workshops and online modules. Where we consider it necessary, we also require personnel employed by contractor companies to undertake training on our Code.

All existing employees and contractor personnel were assigned such training in December 2018 (2017: 100 per cent). As of March 2019, 98.9 per cent of employees and contractor personnel assigned this training had completed it. We also provide employees working in roles identified as having higher levels of exposure to corruption risks to undertake additional, targeted training (these roles include business development, procurement and permitting).

In 2018, we also ran training workshops on recognising, reporting and managing potential conflicts of interest for all employee and contractor personnel at our Indonesia business unit. These were run by our local legal team – with support from the Group General Counsel – and incorporated the use of interactive online questionnaires.

Risk assessment and due diligence

Our legal team assesses all business units for risk of non-compliance with the Code, including those related to corruption. These assessments place particular focus on activities evidenced to present higher risk in some local contexts, including procurement, facilities management, logistics and the obtaining of permits. The legal team also carries out screening on contractors, joint venture partners and customers to identify politically exposed persons, the application of sanctions and other relevant associated information.

We also apply our Business Ethics Risk Screening Tool to support our internally-focused anti-corruption management efforts. The tool assesses the exposure of Premier's operated and non-operated exploration, development and production operations to external business ethics risks – including corruption. The tool uses

country risk data from a specialist third party provider, weighted to reflect the characteristics of the operation in question.

Across our business units, all new contracts which fall within the threshold stated in Supplier Due Diligence Procedure are now subject to our Supply Chain Contractor Due Diligence Process. Following successful pilot testing of the due diligence process across our business units during the second half of 2017, it was made operational across Premier Oil Group in 2018. The process involves an online business ethics questionnaire, tailored to Premier's specific needs, which identifies and assesses potential issues of concern. The assessment enables us to effectively manage the identified risks to closure, which may include appropriate mitigations, before contracts are entered into.

In 2018, approximately 55-60 per cent of our new material contracts were subject to the said process. We will continue to implement this due diligence process for all material contracts throughout 2019.

Long-term contracts that are categorised as 'high risk' under this process will be reassessed every two years, while those categorised as 'low risk' will be reassessed every three years. Any intermediaries, agents or other third parties that we use to support our interactions with government stakeholders, other oil and gas companies, or service providers are appointed in accordance with our Intermediaries Policy. This requires us to carry out appropriate screening for corruption and other business ethics risks.

Focus area: Strengthening Group-wide controls



In 2018, Premier implemented a range of measures to both strengthen its Group-wide controls and to prevent the facilitation of tax evasion in its wider supply chain. This supports Premier's ongoing efforts to align with 'The Six Guiding Principles to Inform Prevention Procedures' of the UK Criminal Finances Act 2017. As part of this undertaking, the following measures were implemented:

- The development of a new 'Prevention of the Criminal Facilitation of Tax Evasion Procedure' hosted on Premier's Group-wide Business Management System (BMS) to help standardise the Company's approach

to preventing tax fraud and evasion across its operations and wider supply chain

- The Group-wide distribution of training materials on the prevention of tax evasion to all employees, and the provision of in-depth training to key high risk functions
- The revision of Premier's Business Ethics Policy and Code of Conduct to include specific wording on the prevention of tax evasion
- The implementation of enhanced tax evasion screening measures through Premier's Supply Chain Contractor Due Diligence Process (see '[Section 9: Society](#)') – as well as strengthened terms and conditions for all new supplier contracts and existing higher risk contracts

Furthermore, in 2018 the Premier undertook a Group-wide external review of tax compliance in conjunction with an independent third party auditor. This included a risk-based assessment of tax controls at Premier's business units in the UK, Indonesia and Vietnam. The results of this review were satisfactory, with a key recommendation to enhance documentation in order to ensure continuous improvement.

Monitoring

Our legal team undertakes cyclical reviews of all our business units to ensure employees and contractor personnel are compliant with the Code. In 2018, our Indonesia, Pakistan and Vietnam business units were subject to such reviews, as well as our offices in London and Brazil. These found that our employees (and contractor personnel where relevant) in these locations were complying with the Code.

Employees, contractor personnel and agency workers who believe that Premier, or anyone working for or on behalf of the Company, has violated 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 reports are thoroughly investigated and the results reported to the Board.

Allegations of malpractice can also be raised via Premier's well-publicised⁴, confidential and independently managed reporting hotline, which is available 24 hours a day. In addition to business ethics, the hotline accepts concerns or questions related to health, safety, human rights and other matters.

In 2018, Premier:

- Was not subject to any significant 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
- Identified two confirmed cases of non-compliance with the Code (see below for more information)

www.safecall.co.uk (Whistleblowing hotline)

Enforcement

Employees found to have breached the requirements of the Code, will be subject to a disciplinary procedure, and, in extreme cases, instant dismissal and referral to the relevant law enforcement authorities. Contracts of contractor personnel found to have breached the Code may be terminated.

In 2018, there were four confirmed cases of non-compliance with the Code, none of which had a material impact on our business. Three of the cases involved failure to report a conflict of interest and one case involved inaccurate reporting. All cases were investigated, which resulted in two Premier employees electing to resign and two other Premier employees receiving disciplinary sanctions. Corrective actions have been taken and Premier is satisfied that these actions will prevent a reoccurrence of the non-compliance.

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 contractually permissible

In 2018, we did not terminate or fail to renew any external business relationships due to breaches of the Code.

¹ 'Contractor personnel' relates specifically to individuals employed directly by Premier or via an agency but on fixed-term contracts (often related to specific projects). These individuals typically work full-time for periods exceeding three months. The definition does not include individuals employed by our contractor companies. Both groups, however, are included in our health and safety statistics.

² Available in English, Bahasa Indonesia and Vietnamese. Additional language options are not provided at our Pakistan business unit, as all our employees there speak English.

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

⁴ Through induction, the Employee Handbook and the Business Management System (BMS). Our whistleblowing hotline is operated by Safecall, a third party provider.



Section 5: Health, safety and security

Premier is committed to operating responsibly and continually improving our health and safety performance. We believe that accidents can always be avoided and seek to ensure that our employees, contractors, visitors, neighbours and the environment receive a high level of protection. To this end, we go beyond legal compliance and endeavor to adopt industry best practice in all our management activities relating to health, safety and security.

1. Materiality and management approach

Given the potential hazards associated with offshore oil and gas operations, the application of rigorous health, safety and security practices is essential in all that we do. This not only helps us protect our employees and contractors, it also enables us to maintain our:

- Operational continuity
- Regulatory compliance
- Corporate reputation

Our most significant health, safety and security issues are:

- Process safety and asset integrity
- Occupational health and safety
- Emergency preparedness
- Workforce and asset security

Managing health, safety and security

Premier's Health, Safety, Environment and Security (HSES) Policy is endorsed by our Chief Executive Officer and sets out our overarching commitment to: It includes commitments to:

- Never knowingly compromise our health, safety, environmental or security standards
- Do all that is reasonably practicable to reduce HSES risks
- Ensure the safety and security of everyone affected by our operations

Our HSES Policy is implemented through our HSES Management System. The system is comprised of a comprehensive set of standards and procedures that define our expectations for how HSES issues are managed throughout the exploration, development, production and decommissioning lifecycle. It also supports Premier's commitment to continually improve our HSES performance.

The HSES Management System forms part of Premier's Business Management System (BMS – see '[Section 2: Our approach](#)') and is applied across our global operational activities. The system is externally certified to the OHSAS 18001 health and safety management system standard for our production facilities and drilling operations.

In 2018, we implemented a range of measures to strengthen our Group-wide HSES management practices. This included:

- The revision and reissue of our HSES Policy and Group HSES Management System framework, which sets out the key expectations for HSES management
- The update of a range of HSES standards and procedures, as well as the introduction of new standards, in response to findings from internal audits carried out across our business units
- The launch of our first three-year Group HSES Strategy to drive Group-wide

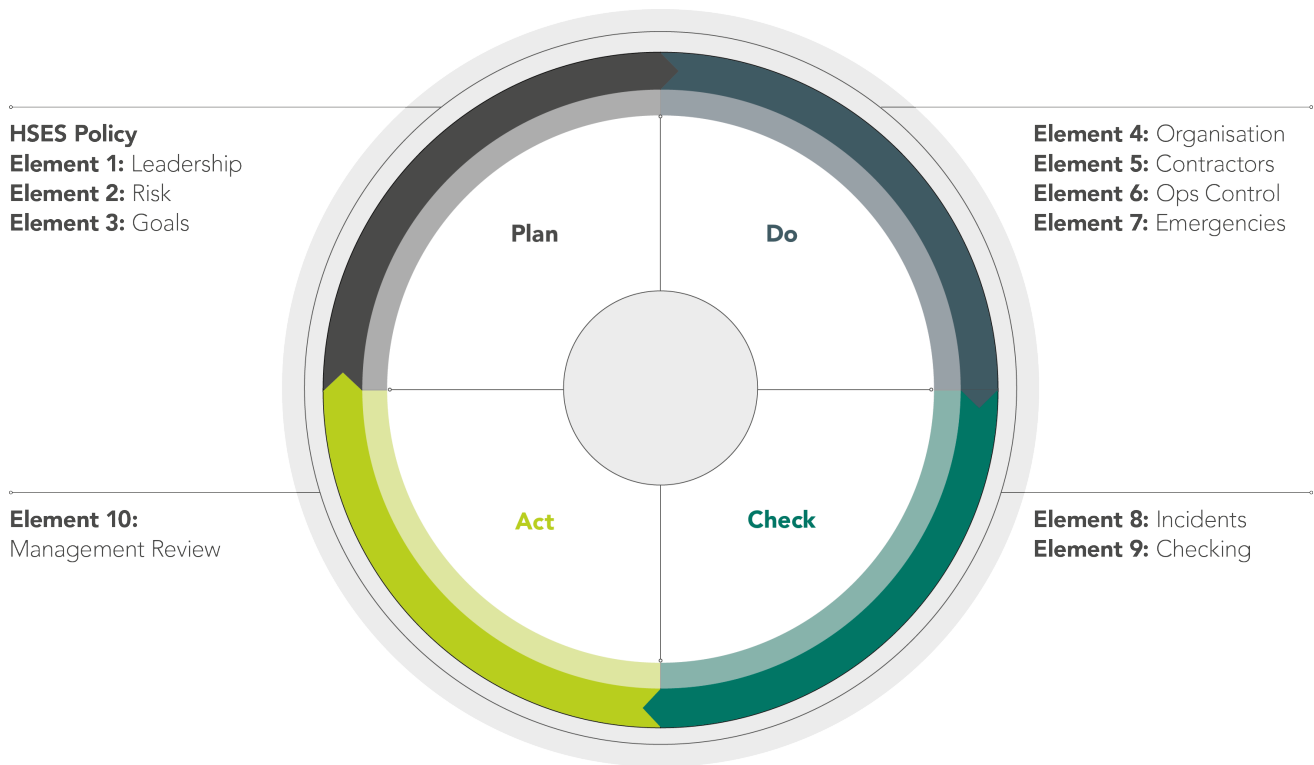
alignment to the ISO 45001 and ISO 14001 management standards by 2020

www.premier-oil.com (Company Policies)

www.bsigroup.com (ISO 45001)

www.bsigroup.com (ISO 14001)

Figure 1: Scope and hierarchy of the HSES Management System



HSES Management System audits

Premier implements risk-based annual HSES Management System audit programmes at both the corporate and business unit level. These cover technical safety and asset integrity, as well as occupational health and safety.

Progress against these audit programmes is tracked by the Executive Committee in Quarterly Performance Reviews, with significant findings reported to the Audit and Risk Committee. Actions are tracked to closure, with common findings used to inform HSES Management System updates and future areas of audit programme focus.

In 2018, HSES Management System audits were conducted at our UK, Vietnam and Indonesia business units.

Safety Cases

Safety Cases are prepared for all our operated installations in accordance with UK regulatory standards, irrespective of the location of our operations. This reflects our commitment to apply best practice HSES standards wherever we work.

The purpose of our Safety Cases is to identify major accident hazards, including key risk drivers, and demonstrate the adequacy of:

- The installations' HSES Management System
- Measures to control major accident hazards, including their environmental impacts
- Emergency preparedness arrangements (including muster, evacuation and escape as well as rescue and recovery)

Our Safety Cases identify the Safety and Environmental Critical Elements (SECEs) that have a role in the management of major accident risks, and other measures that should be implemented to reduce these risks to a level that is 'as low as reasonably practicable'⁷(ALARP).

We commence the preparation of Safety Cases at an early design stage for each project, and continue to develop these based on safety assessments conducted as the project progresses. This ensures that a comprehensive and acceptable Safety Case is in place prior to commencing production.

We review Safety Cases at our operated assets at least once every five years to ensure that they accurately document the facilities and operations at each asset. Safety Cases are also reviewed by local regulators and/or independent and competent third parties, where applicable.

Furthermore, all Premier-operated assets have arrangements in place for the verification of SECEs by an independent and competent third party.

In 2018, our work on Safety Cases related to:

- The updating of the Babbage Safety Case to comply with UK regulations⁸ and in preparation for the asset to be transferred to a new operator
- The updating of the Balmoral Safety Case to comply with UK regulations⁹
- The updating of the Huntington Safety Case to account for a new gas import arrangement
- The updating of the Solan Safety Case to account for the change to full-time manning of the asset

Well engineering activities

Premier manages all its worldwide well engineering operations using our well engineering management standards which are regularly audited and updated.

Through our contracting processes, we encourage all our drilling contractor companies to apply the International Association of Drilling Contractors HSE Case Guidelines to their drilling operations.

We also assess the integrity of our contracted drilling rigs prior to their deployment. This involves:

- An assessment of each drilling rig's technical specifications during bidding, followed by a pre-hire audit after rig selection, to ensure our HSES requirements are met
- A review of drilling preparedness focused on crew competence, maintenance processes, and the integrity of safety-critical equipment (e.g. blowout preventers)

We apply well examination procedures across the Company to ensure that, as far as reasonably practicable, our wells are designed, operated, suspended and decommissioned in a manner that prevents any unplanned escape of oil or gas, and that minimises HSE risks. To support this, our wells are reviewed annually by independent, competent third party experts.

Monitoring and assurance

We monitor and review our HSES Management System on an ongoing basis to ensure its effectiveness and to support continuous improvement. This includes:

- Internal auditing against our corporate and business unit HSES standards
- Third party OHSAS 18001 certification of our operated production and drilling activities

The Board reviews Premier's Group-wide HSES performance on a monthly basis, and the Executive Committee carries out quarterly reviews with each business unit. These reviews cover a range of leading and lagging¹⁰ key performance indicators (KPIs) that we use to measure our HSES performance and to further support continuous improvement.

The KPIs reported to the Board on a monthly basis are:

- Total Recordable Injury Rate (TRIR)
- Process safety events (Tier 1 and Tier 2 Loss of Primary Containment¹¹ (LOPC))
- High Potential Incidents (HiPos)
- Hydrocarbon spills to the environment
- HSES Leadership Visits

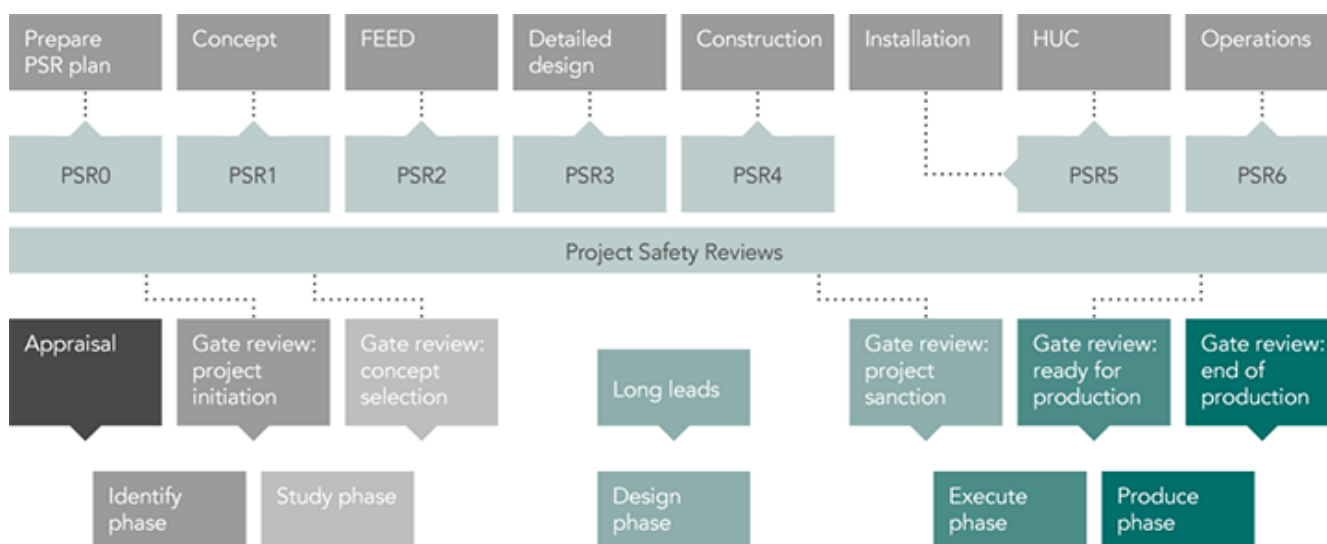
In addition, the following HSES KPIs are tracked by the Executive Committee and the Group HSES Team:

- Leading (Tier 3) process safety and asset integrity metrics, including overdue assurance activities on safety critical equipment
- Leading (Tier 4) process safety and asset integrity barrier scores
- Greenhouse gas intensity
- Key HSES audit action close out rates

Project Safety Reviews

We carry out Project Safety Reviews (PSRs) across the lifecycles of our operated projects to ensure that HSES risks are identified and effectively managed. Each project typically undergoes six PSRs from concept to operation, which are aligned with Premier's approval gate stages (see Figure 2). HSES risks must be managed to an acceptable level before a project can proceed to the next stage.

Figure 2: Project Safety Reviews at all stages of the project lifecycle ^{12,13}



Workforce engagement

All Premier employees are accountable for their own HSES performance and that of their team.

As part of the induction process, all employees receive HSES awareness training. Employees working on or travelling to offshore facilities must undertake a basic offshore safety induction and emergency training programme. They are required to attend a further offshore emergency training refresher programme every four years thereafter.

As part of our employee engagement process:

- Each team enters into collective HSES performance contracts
- All employees enter into individual performance contracts that include a behavioural measure concerning health and safety
- All employees receive a corporate HSES scorecard on a monthly basis, summarising Premier's performance
- We hold regular safety meetings at our operated locations and in our business unit offices where health and safety issues are discussed by both management and employees
- Employees receive regular, direct communications on HSES issues from senior managers and supervisors – including through the issuing of HSES Alerts (see 'Occupational health and safety', below) and the sharing of best practice

Employees and contractors¹⁴ at our UK, Vietnam, Indonesia, Falkland Islands¹⁵ business units, as well as our Brazil office and London corporate offices (representing 100 per cent of our workforce¹⁶) have representatives on formal joint management-worker HSE Committees (2017: 100 per cent).

We also continue to engage our workforce on the importance of maintaining strong HSE performance and a supporting culture. Following the success of our first 'Global HSE Day' in 2017, our business units held individual 'HSE Focus Days' in 2018. Activities undertaken during the HSE Focus Days included:

- Commemorating the 30th anniversary of the Piper Alpha disaster and holding group discussions focussed on hydrocarbon release reduction at our UK business unit
- Integrating HSE discussions into contractor forums at our Indonesia and Vietnam business units
- Launching wellbeing programmes focussed on healthier and more active lifestyles at our UK and Vietnam business units and our London corporate office
- Running food safety and fire safety campaigns at our Vietnam business unit

We plan to hold our second Global HSE Day in June 2019.

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.

⁸ The Offshore Installations (Offshore Safety Directive) (Safety Case etc.) Regulations 2015.

⁹ The Offshore Installations (Offshore Safety Directive) (Safety Case etc.) Regulations 2015.

¹⁰ Calculation of our lagging HSES KPIs (e.g. TRIR) include all Premier employees and all contractors employed (both directly and indirectly) across our operated activities.

¹¹ A process safety LOPC is the unplanned or uncontrolled release of certain types of hazardous material from a tank, pipe or other receptacle

that is intended to serve as the primary container used for processing, storing or transferring the material concerned.

¹² 'FEED' refers to Front End Engineering Design.

¹³ 'HUC' refers to Hook-up and Commissioning.

¹⁴ 'Contractors' relates specifically to individuals employed directly by Premier or via an agency but on fixed-term contracts (often related to specific projects). These individuals typically work full-time for periods exceeding three months. The definition does not include individuals employed by our contractor companies. Both groups, however, are included in our health and safety statistics.

¹⁵ Employees and contractors at our Falkland Islands business unit and London corporate office are represented by one HSE committee in London.

¹⁶ 'Workforce' includes employees and contractors.

2. Process safety and asset integrity

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

Performance reporting

Each business unit tracks a suite of leading and lagging process safety and asset integrity KPIs, which are reported monthly and support the strategic decision-making required to drive continuous improvement. A subset of these KPIs are reported monthly at Group-level and are included in both employee HSES scorecards and the monthly report to the Board.

In 2018, we further developed our leading KPIs to monitor the effectiveness and availability of six selected critical barriers which have a role in the management of major accident hazards. These KPIs relate to:

- Plant integrity (e.g. defects in integrity-related SECE barriers)
- Plant maintenance (e.g. overdue SECE barrier assurance work orders)
- Plant control (e.g. maximum alarm rate)
- People (e.g. critical process safety and asset integrity roles unfilled)
- Procedures (e.g. standards, procedures and process operating guides not yet in place or overdue for review)
- Recovery (e.g. asset and business unit emergency response exercises overdue)

No specific targets were set for leading KPIs in 2018, although the objective for the majority of these KPIs is zero (e.g. zero critical roles unfilled, etc.).

Loss of primary containment

Premier records process safety events through the measurement of consequences (i.e. injury or impact) and process safety LOPC events. We classify significant process safety LOPC events as either 'Tier One' or 'Tier Two'¹⁷ and report our performance annually to the International Association of Oil & Gas Producers (IOGP) for benchmarking. We also record other less significant process safety LOPC events (i.e. below the Tier One and Tier 2 threshold values) for investigation and internal performance reporting.

During 2018, we reported no Tier One events. However, we reported two Tier Two events, which involved:

1. A gas release at the Catcher floating production storage and offtake (FPSO) vessel in the UK. The incident occurred during commissioning when 55kg of gas was released under pressure through a loose bleed plug in a valve. No injuries occurred as a result
2. A crude oil spill at the Anoa FPSO in Indonesia. The incident occurred during crude oil washing operations, where 980 kg of oil was released to the deck and less than 1 kg was released to the sea. No injuries occurred as a result

Figure 3: Process safety data

LOPC events	2015	2016	2017	2018
Tier One	0	0	0	0
Tier Two	3	0	1	2
Total	3	0	1	2

Focus Area: Major hazards awareness



In June 2018, Premier piloted its first 'Major Hazards Leadership Programme' at the DNV GL Spadeadam Testing and Research Centre, a leading oil and gas industry test site in the UK.

The forum included a series of training sessions, workshops and live demonstrations, that enabled participants to develop their technical understanding of hazards relating to dispersion, fires and explosions. A simulation of a previous Catcher Field gas release incident was also conducted in a controlled environment.

The two-day event was attended by Premier's Chief Executive Officer, members of its Executive Committee, the Director of the UK business unit as well as functional business unit managers. Following the success of the pilot, Premier ran a second major hazards training event in October 2018 that was attended by managers from its UK, Indonesia and Vietnam business units.

In 2019, Premier plans to extend major hazards training to operation and projects teams across its business units, as well as to key contractors.

¹⁷ Based on IOGP Report 456: Process Safety – Recommended Practice on Key Performance Indicators (2011). The following are abbreviated definitions: Tier One events involve releases of more than 500kg of gas or 1,000kg of oil per hour; Tier Two events involve releases of more than 50kg of gas or 100kg of oil per hour.

3. Occupational health and safety

Premier has a duty of care to protect the health, safety and welfare of our workforce and other people who might be impacted by our business. We will do whatever is reasonably practicable to control the risks of injury or ill-health that could arise from our activities.

Total Recordable Injury Rate¹⁸

Common workplace hazards in the offshore oil and gas industry include:

- Potential exposure to fluids and gasses at high temperatures and pressures
- Contact with harmful substances
- Work on machinery with rotating and other moving parts
- Working in difficult conditions such as working at heights or in confined spaces

In 2018, we experienced no fatalities.

In 2018, we worked 6.4 million man hours (2017: 6.1 million). The increase in man hours in 2018 was largely due to the subsea structure fabrication work that was required for the development of the Bison, Iguana and Gajah-Puteri (BIG-P) gas field in Indonesia.

Our TRIR increased from a rate of 1.47 per million man hours worked to 2.65 per million man hours worked. The increase was largely due to a rise in injuries caused by 'slips, trips and falls', attributed to a combination of personal and job factors.

There were 17 recordable injuries in 2018 compared with nine in the previous year. These comprised:

- Nine lost work day cases (LWDC)
- One restricted work day case (RWDC)
- Seven medical treatment cases (MTC)

We report and investigate all our incidents and near misses in accordance with our Group HSES Management System. Our incident investigation procedure specifies how to:

- Appoint the investigation team members
- Gather and assess evidence

- Identify and analyze immediate and root causes
- Set appropriate corrective and preventive actions to address causes
- Report the investigation results

In 2018, we had a total of four occupational illness cases reported (2017: three cases), one of which was work related.

The work-related occupational illness occurred on the Lewak Emas FPSO in Vietnam and was a minor case of food poisoning requiring first aid treatment.

The three cases of non-work-related occupational illnesses were due to back pain from an injury acquired at home in Vietnam, a heart attack on the Anoa FPSO in Indonesia, and medical evacuation from the Catcher FPSO in the UK due to personal medical reasons.

Case Study: Premier's first global CEO HSES Awards



In 2018, Premier announced the inaugural winners of the newly launched CEO HSES Awards, a programme that recognises outstanding safe behaviours, environmental leadership and innovation across its global operations. Under the programme, an 'Individual Award' and a 'Team Award' were offered to eligible participants from Premier's global business units.

Nominees were first scored by a local judging panel at their business unit. Winners from this round were then put forward for the CEO's Awards and judged by Premier's Executive Committee. The final winners were given an expense-included trip to London to be awarded with their trophy by the CEO. This took place in May 2018.

Individual Award Winner: Indonesia

Tri Mulyono, an Offshore Installation Manager, received the award for his engineering solution to reduce flaring at our Anoa platform by re-routing an existing condensate line, which was originally routed to the flare. With a capital investment of US\$300,000 made in 2015, the initiative was able to capture and convert 0.65 MMSCFD of flared gas into sales gas. This will reduce daily flaring by approximately 50% and is anticipated to generate an annual revenue of approximately US\$2.8 million.

Team Award Winner: Vietnam

A team from our Chim Sao asset received the award for achieving significant reductions in working temperatures in their engine room. This was achieved through the:

- Implementation of a heat stress map and a new heat stress management procedure
- Replacement of leaking valves and the provision of additional insulation on hot surfaces
- Removal of approximately 20 tonnes of redundant equipment to improve air circulation

The project was delivered with no lost time injuries over the 100,000 man

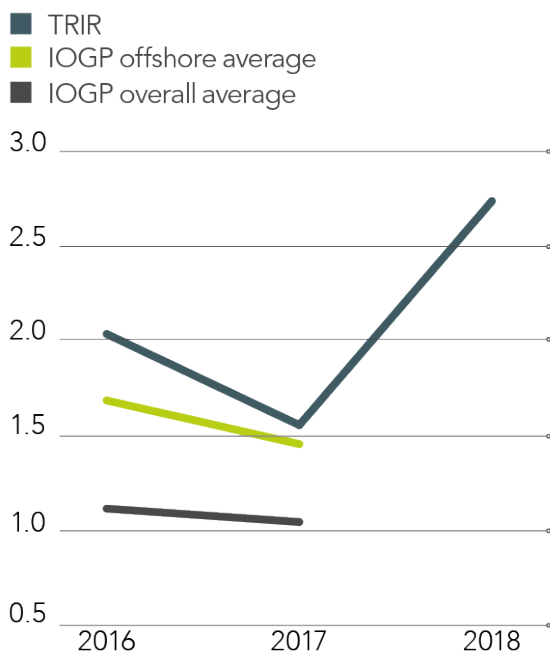
hours it took to complete, and achieved a temperature reduction of up to 18oC in the engine room.

Figure 4: Occupational safety data

	2015	2016	2017	2018
Man-hours worked (million)	7.1	6.7	6.1	6.4
Fatalities	0	0	0	0
Lost work day cases	3	6	3	9
Restricted work day cases	2	1	0	1
Medical treatment cases	4	6	6	7
Total Recordable Injury Rate (TRIR)*	1.27	1.95	1.47	2.65

*Per million man hours worked.

Figure 5: Total Recordable Injury Rate (TRIR)¹⁹ benchmarking²⁰



High Potential Incidents

We use the High Potential Incident (HiPo) metric to monitor incidents that could have had major HSES consequences. We define HiPos as incidents that have the potential (under different circumstances) for life-changing injury, single and/or multiple fatalities, significant environmental impact and/or reputational damage to the Company. By closely monitoring HiPos and analysing their root causes, we can take action to reduce the likelihood of reoccurrence, as well as the impact of potentially significant future incidents.

Once we have established the cause of each HiPo, we issue HSES Alerts to all relevant personnel and appropriate external stakeholders (where the sharing of insight is useful). Our alerts describe the incident, its causes and necessary preventative actions ²¹.

In 2018, we identified nine HiPo events (2017: four), seven of which had the potential to cause fatality or permanent total disability. Our 2018 High Potential Incident Rate (HiPoR) was 1.40 per million man hours worked (2017: 0.65). Our HiPos in 2018 comprised:

- Seven relating to production activities
- One relating to construction activities
- One relating to drilling activities

Figure 6: Breakdown of High Potential Incidents by type

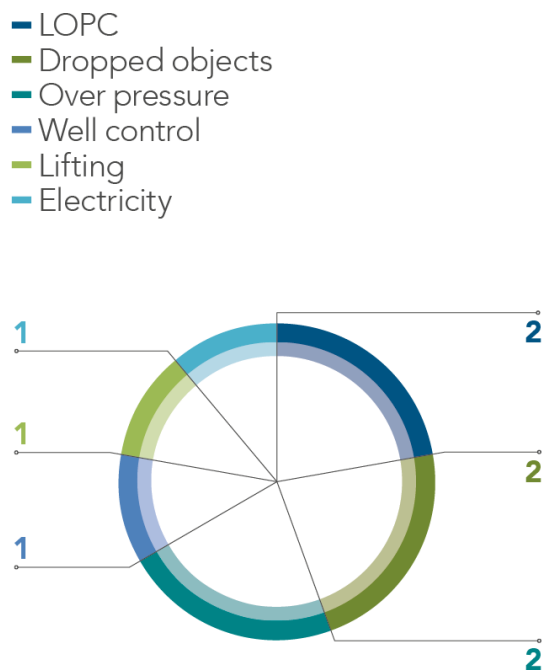


Figure 7: Breakdown of High Potential Incidents by location

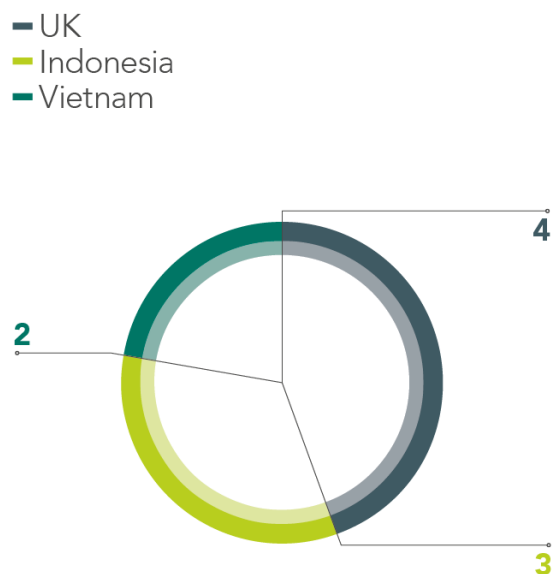


Figure 8: High Potential Incidents data

	2015	2016	2017	2018
High Potential Incidents (HiPos)	8	8	4	9
High Potential Incident Rate (HiPoR)*	1.13	1.20	0.65	1.40

* Per million man hours worked.

Occupational Health

Under Premier's HSES Management System, we implement a rigorous approach to occupational health hazard identification and risk assessment. This enables us to establish the necessary control measures to reduce risk exposure to a level that is in line with the ALARP principle.

The health hazards that are primarily encountered in the offshore oil and gas industry include:

- Exposure to hydrocarbons and other Hazardous chemicals
- Physical hazards (e.g. noise, heat, vibration and radiation)
- Biological hazards (related to food/water hygiene)
- Psychosocial hazards (e.g. stress as a result of work or organisational factors)

In addition, we implement a workforce health surveillance programme to identify potential early signs of work-related health issues and the follow-up actions required to diagnose, treat or prevent their progression.

¹⁸ Injury data is reported in accordance with IOGP guidelines.

¹⁹ Per million man hours worked.

²⁰ IOGP TRIR data for 2018 was not available when this report was issued.

²¹ HSES Alerts are also issued for non-HiPos that nonetheless require heightened awareness and caution.

4. Emergency preparedness

Premier's HSES Management System minimise the risk of catastrophic safety incidents and other major events occurring at our facilities. The complex nature of our assets, their offshore location and the combustibility of hydrocarbons and other materials used on our facilities means that we go to significant lengths to prevent the occurrence of major accidents.

All our business units and operated sites have integrated response plans which document the roles and responsibilities of employees and contractor personnel in the unlikely event of an emergency.

Drill and exercises

We regularly review our response plans and routinely undertake drills and exercises to test response arrangements. This includes the testing of equipment

and lines of communication, as well as running training exercises to help ensure that all relevant staff understand and can practice their roles in handling an emergency.

Exercises are based on simulated major accident scenarios such as large-scale oil spills, helicopter accidents or fire and explosions.

Crisis management

Premier's crisis management team at our corporate office in London is responsible for managing the company's reputation and protecting its legal and social licences to operate in the event of a major event evolving into a crisis. In 2018, we enhanced our Crisis Management procedures, provided training to senior executives on the revised procedure and fundamentals of crisis management, and conducted joint emergency/crisis exercises between our London corporate office and UK business unit.

In 2018, Premier also designed and implemented a new mobile application to support faster and more effective emergency and crisis management responses. The application provides users with instant access to all crisis and emergency contacts across the Group, enabling a more efficient and rapid notification of on-call global response personnel. The application also provides on-call responders with access to key external contacts, including oil spill response contractors, as well as all key response documentation.

Oil spill response

To support our oil spill response plans and on-site spill response capabilities, Premier retains the services of industry leading oil spill recovery companies to provide expert assistance in the event of a major event.

Our associate membership of Oil Spill Response Limited (OSRL) gives us access to their worldwide network of oil spill response equipment and expertise. This includes offshore and shoreline oil recovery equipment, dispersant stockpiles and aerial dispersant spraying capabilities. Equipment can be rapidly mobilised from OSRL's regional bases 24 hours a day, 365 days of the year.

Well capping

Well capping is a critical contingency capability for controlling a blown-out well,

where an emergency subsea well closure needs to be performed. Whilst our primary focus is on blowout prevention, Premier has access to Wild Well Control's global inventory of subsea well containment systems on a fully staffed basis. They are maintained in a state of readiness and can quickly be transported by sea or air, in response to a loss of control on any Premier-operated well in the world.

5. Workforce and asset security

We undertake security assessments covering both our workforce and assets. These consider the latent risks posed by their location, as well as incident trends.

The global threat of terrorism means the issue of physical security remains material to Premier. Specific areas of potential concern include Islamabad, Jakarta, and London – all locations in which our employees work.

Other areas in which we work that pose higher potential security risks include:

- Mexico – linked to potential kidnap risks during onshore business travel and employee transfer. In 2018, we opened an office in Mexico City, currently staffed by a single contracted representative
- Brazil – linked to violent crime

Premier applies a formal travel risk management process when any employee travels abroad. As such, visitors to these locations are supported by in-depth travel risk assessments and guidance, as well as enhanced physical security and evacuation precautions where appropriate.

Premier contracts with International SOS, which provides the Company with international medical assistance, healthcare and security services, as well as updates on local health-related risks.

Furthermore, we provide any employees (and their families) travelling to or working in areas that pose a high risk of infection with information on disease prevention. Medication is provided when necessary.

During 2018, there were no significant security incidents that directly affected Premier's workforce. However, there was one minor incident at an offshore asset involving the possible theft of some personal belongings. A subsequent search recovered some of the items.



Section 6: Environment

We are committed to operating in a manner that reduces our environmental impacts to a level that is as low as reasonably practicable. We will never knowingly compromise our environmental standards to meet our operational objectives.

1. Materiality and management approach

During 2018, all our operated activities were conducted offshore. This included drilling for, and the extraction of oil and gas from sub-surface reservoirs for transport to international markets. Without effective management, these activities have the potential to negatively impact water quality, air quality and local ecosystems. Any failure to avoid and / or mitigate these impacts would have material reputational and regulatory implications.

Our most significant environmental issues relate to:

- Greenhouse gas (GHG) 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

Our Health, Safety, Environment and Security (HSES) Management System (see '[Section 5: Health, safety and security](#)') helps us manage our environmental impacts across the lifecycles of our operations and projects. All of our operated production and drilling activities are certified to the ISO 14001 environmental management standard.

In 2018, we spent approximately US\$7.0 million on identifiable environmental protection measures (2017: US\$7.1 million). This includes:

- US\$1.7 million on waste disposal, emissions treatment and remediation
- US\$5.3 million on prevention and environmental management costs

Impact assessment

As required by our HSES Management System, we perform baseline surveys and prepare environmental impact assessments (EIAs) and social impact assessments (SIAs) for all our operated activities. The assessments address our:

- Physical impacts
- Ecosystem impacts
- Socio-economic impacts

During this systematic process, we assess the impacts of our proposed activities, and consider how they can be reduced to a level that is 'as low as reasonably practicable' (ALARP).

Where applicable, we submit our EIAs and SIAs to the respective regulatory bodies in our host countries for consultation and approval prior to conducting our operated activities.

Focus area: Assessing



environmental and social impacts at the Sea Lion project

In 2018, Premier continued to assess potential environmental and social impacts associated with the planned Sea Lion project in the North Falkland Basin.

Activity during the year focused on close engagement with a range of key stakeholders, including the Falkland Islands Government (FIG). In accordance with FIG's requirements, Premier submitted the project's Environmental Impact Statement (EIS), covering the Phase 1 development activities, for a 42-day public consultation starting in January 2018. Consultations were held with local authorities, conservation groups (local and international), special interest groups and the general public, amongst others in order to gather a range of comments which were addressed in correspondence with FIG. The EIS received approval in November 2018 and Premier Oil is in the process of updating it to address all the comments received.

The EIS was supplemented by a Social Impact Assessment (SIA) study which was also commissioned by Premier in 2018. This was conducted in accordance with the International Finance Corporation (IFC) Performance Standards.

The impacts identified in the EIS and SIA have guided the development of Environmental and Social Management and Monitoring Plans, which will be finalised with local stakeholders in a joint workshop that is planned in early 2019.

Monitoring and evaluation

In line with our HSES Management System requirements, we undertake ongoing

monitoring to assess the environmental impact of our activities throughout the lifecycle of our projects. In doing so, we:

- Ensure ongoing compliance with the requirements of our EIAs
- Identify and mitigate unforeseen environmental impacts
- Measure improvements in environmental performance
- Guide changes in our environmental management activities, where necessary

Reporting and benchmarking

We record and monitor key environmental metrics on an ongoing basis. These metrics are analysed every month and relevant performance indicators reported to the Board. We distribute an HSES scorecard to all employees to keep them informed of Premier's HSES performance (see '[Section 5: Health, safety and security](#)').

This is supported by internal and external benchmarking that we undertake across our operations, and sector benchmarking we participate in through industry associations that include the International Association of Oil and Gas Producers (IOGP).

2. Climate change and GHG emissions

Approach

Our approach to managing our GHG emissions involves:

- The efficient operation of our existing equipment and infrastructure, including minimising flaring and venting, where possible
- The reduction of fugitive gas emissions through, for example, leak detection and repair (LDAR) programmes
- The installation of best available technology into all new projects to minimise their carbon intensity
- The application of carbon-pricing throughout the lifecycles of all new and existing projects in the UK

To this end, we:

- Conduct environmental ALARP studies during the design phase of all new

projects

- Set specific, measurable, attainable, relevant and time-bound (SMART) annual GHG intensity targets to drive operational efficiency at our operated production assets
- Aspire to achieve a carbon intensity for steady-state operated production that is in line with the overall industry intensity figure published by the IOGP

22

Focus area: Aligning Premier's Climate Change Strategy to the Task Force on Climate-related Financial Disclosures recommendations



In 2018, Premier initiated a review of its Carbon Strategy to align its approach with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) report²³. More specifically, this focused on the four elements of the TCFD report:

- Governance
- Strategy
- Risk Management
- Metrics and Targets

The review process also included an assessment of emerging climate change policies and stakeholder expectations across Premier's countries of operation, and the potential implications of these dynamics for its short- and long-term climate change risk and opportunity management. This was achieved through the commissioning of baseline research by third party climate change experts, followed by a series of management discussions focused on research outcomes, and a high-level workshop that engaged discipline experts from HSE, legal, investor relations and audit and risk management functions.

The strategy was also re-positioned as Premier's 'Climate Change Strategy' to support the more holistic management of greenhouse gas emissions as a whole. The revised strategy aims to provide greater visibility to stakeholders on how Premier integrates the TCFD recommendations into its processes for identifying, managing and publicly disclosing the impact of climate change on

its business. In addition, it will help drive the internal practices and collaborative behaviours required to ultimately drive a reduction in the organisation's GHG emission intensity.

www.premier-oil.com (Carbon Strategy)

Performance constraints

Our ability to reduce our GHG emissions is constrained significantly by the original design of our assets. Furthermore, major variations in our greenhouse gas intensity are, and will continue to be, a consequence of the age of the assets within our portfolio. This is because, as fields mature, hydrocarbon production declines and produced water (and thus fluid handling) increases. The energy intensity of a late-life asset therefore typically increases over time.

Reporting

The Group Chief Technical Officer, an Executive Committee member, has climate change reporting accountability to the Executive Committee and the Board. The Audit and Risk Committee also has an oversight role, as climate risk is integrated into Premier's risk management strategy.

In the UK, we are subject to the European Union Emissions Trading Scheme (EU ETS). Accordingly, we submit an annual, externally verified report on our emissions (from qualifying installations) to the UK's Department for Business, Energy and Industrial Strategy (BEIS).

In 2018, Premier was not subject to any environmental sanctions imposed by the BEIS.

Premier also publishes its Environmental Statement²⁴ on an annual basis. This provides information on the environmental performance of operations on the UK Continental Shelf (UKCS). Our 2018 report, which will be submitted to BEIS in May 2019, will include details of greenhouse gas emissions from our North Sea assets.

We are a longstanding participant of the CDP. In 2018, our Climate Change submission achieved a grade of 'D' (2017: C).

ec.europa.eu (EU ETS)

Direct emissions^{25,26}

In 2018, total Scope 1 (i.e. direct) greenhouse gas emissions²⁷ from our operated facilities and drilling operations amounted to 1,193 thousand tonnes (2017: 946 thousand tonnes). This increase is predominantly due to emissions from our Catcher field during commissioning activities.

In 2018, our operated production assets achieved a greenhouse gas emissions intensity of 164 tonnes per thousand tonnes of production²⁸ (2017: 183 tonnes), beating our SMART 2018 target of 205 tonnes per thousand tonnes of production²⁹.

In 2018, Scope 1 (i.e. direct) greenhouse gas emissions³⁰ from our non-operated facilities (the percentage of total emissions based on Premier's equity share) amounted to 103 thousand tonnes (2017: 136³¹ thousand tonnes). This decrease reflects reduced production in this part of our portfolio during 2018, mainly due to the sale of Premier's interests in the Wytch Farm asset in the UK.

Figure 1: Greenhouse gas emissions per function (thousand tonnes)

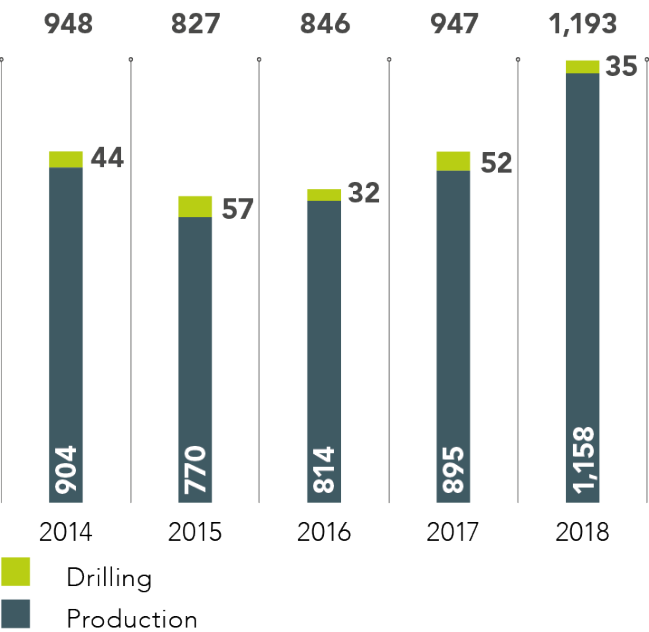


Figure 2: Flaring of gas (tonnes)

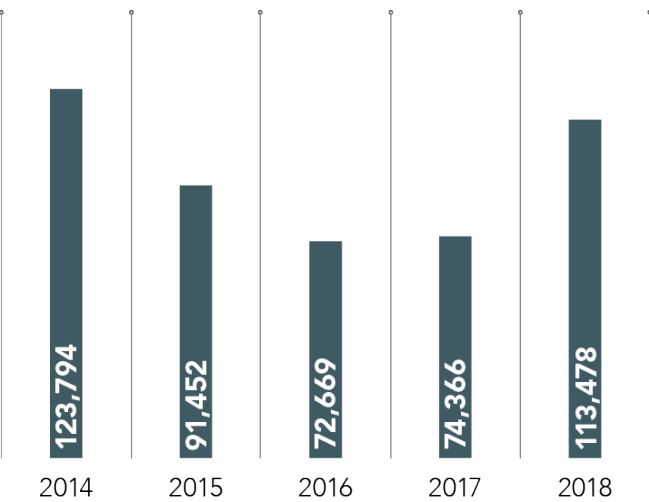


Figure 3: Greenhouse gas intensity (tonnes CO₂e per thousand tonnes of production)

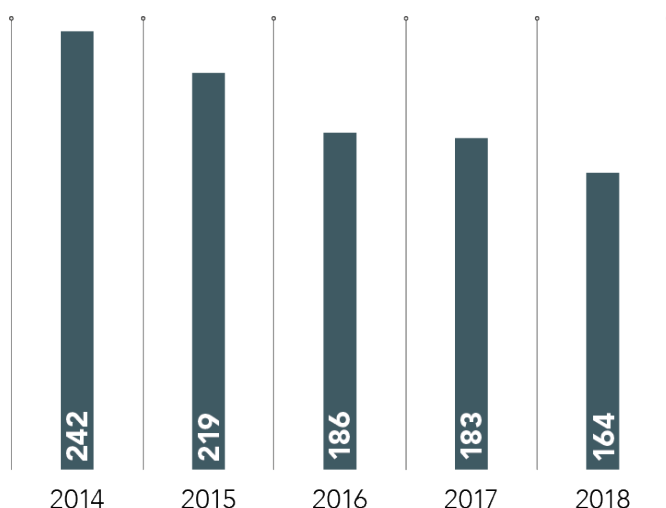


Figure 4: Flaring and venting of gas (tonnes/tonnes per tonne produced)

	Indonesia	UK	Vietnam	Total
Flaring (tonnes)	12,480	61,863	39,134	113,478
Flaring (tonnes per tonne produced)	0.007	0.020	0.028	0.027
Venting (tonnes)	1,566	0.48	12.0	1,578
Venting (tonnes per tonne produced)	0.001	0.000	0.000	0.000

Indirect emissions

Although our indirect emissions account for only a small percentage of our overall emissions output, we seek to reduce these emissions where possible. For example, this includes reducing unnecessary air travel by using video-conferencing.

In 2018, our indirect emissions were:

- Scope 2 (i.e. indirect greenhouse gas emissions from consumption of purchased electricity, heat or steam): 773 tonnes from office energy consumption (2017: 877 tonnes)³³. This decrease is largely accounted for by the use of more up to date emission factors in 2018³⁴.
- Scope 3 (i.e. other indirect emissions, such as transport-related activities

and accommodation): 866 tonnes from global business travel and accommodation (2017: 666 tonnes)^{35,36}. These emissions increased in comparison to 2017 due to an increase in global travel as a result of increased activities associated with the Sea Lion project.

Managing climate change risks

We recognise the potential physical risks that climate change poses to our operations. These might include:

- Heightened storm risks
- Long-term sea level rises

As part of our management of these risks, we undertake detailed meteorological and oceanographic impact assessments for all new projects, during the design phase. These assessments may incorporate projections of rising sea levels and more frequent unpredictable weather events, as deemed necessary.

Premier also monitors the numerous corporate-level risks that climate change poses to the Company. Principal among these is the evolving fiscal and legislative response to climate change in our countries of operation. The 2015 Paris Agreement reflects the commitment of the international community in this respect. Premier will continue to monitor the developing policy environment at an international and national level and will adapt our future carbon emissions strategy accordingly.

As originally stated in our 2015 Corporate Responsibility Report, we continue to support the position of BP, Eni, BG Group³⁷, Royal Dutch Shell, Statoil and Total in their June 2015 letter to the UN Framework Convention on Climate Change (UNFCCC). This includes the establishment of clear and equitable carbon pricing at a national and, ultimately, an international level.

²² As published annually by IOGP.

²³ Recommendations of the Task Force on Climate-related Financial Disclosures (Final Report), June 2017.

²⁴

For more information, see Premier's 2017 report at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/732992/Premier_Oil_UK_2017_OSPAR_Report.pdf.

²⁵ Greenhouse gases reported in this section include carbon dioxide, methane and nitrous oxide. 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.

²⁶ Our planned activities do not typically produce significant amounts of hydrofluorocarbons, perfluorocarbons or sulphur hexafluoride.

²⁷ i.e. combustion emissions; flaring and venting; stationary sources; and mobile sources.

²⁸ Including Scope 1 emissions for production only. As explained above, the chosen base year is 2011.

²⁹ This target excludes our Catcher asset as it was not possible to forecast potential output at the time of setting the target because the field was still being commissioned. Our greenhouse gas intensity without the Catcher asset was 193 tonnes per thousand tonnes of production.

³⁰ For non-operated assets, emissions are calculated from fuel gas usage and flaring only and do not include diesel use.

³¹ Updated figure based on an audit of previous calculations.

³² In the UK, for Balmoral and Solan, 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. Huntington and Babbage both have vent consents that form the basis of the estimate for venting emissions.

³³ Note: Premier's offshore facilities produce their own electricity.

³⁴ Scope 2 calculations in 2018 are based on the 2018 emission factors supplied by the Department for Business, Energy and Industrial Strategy (BEIS) (2018). These are lower than the emission factors used for Scope 2 calculations in 2017, which were based on UK Department for Energy & Climate Change (now BEIS) (2015) emission factors. 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.

³⁵ 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.

³⁶ Scope 3 calculations reported in our 2017 Corporate Responsibility (312 tonnes) did not account for our full travel mileage and did not account for accommodation. They have been revised to 666 tonnes in this report accordingly, where the difference has been addressed.

³⁷ Subsequently acquired by Royal Dutch Shell.

3. Effluents and waste

A range of pollution risks are associated with our offshore production activities. This includes risks relating to planned discharges, unplanned discharges and waste management. Accordingly, as part of our environmental management activities, 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'), it is either re-injected into the reservoir to maintain underground pressure or it is cleaned, filtered and then discharged into the sea

In 2018, we discharged 3.27 million tonnes of produced water (2017: 3.17 million tonnes), representing an increase of 3.2 per cent. This reflected a slight increase in produced water content from our maturing assets across our operated portfolio and the commencement of routine produced water discharges at our Solan facility in the UK.

During 2018, the average amount of oil in produced water was 12.2 parts per

million by weight (2017: 10.6 ppm-wt). This increase was caused by:

- an increase in oil in produced water at our Indonesia asset due to well workover campaigns
- periodic back flushing of the produced water treatment equipment across all our facilities

Almost all of the produced water from our operated assets is discharged to the sea, after undergoing treatment to reduce oil content to as low as possible. Only small volumes are reinjected.

Discharges of produced water from our offshore production operations did not take place in any protected areas³⁸.

Figure 5: Oil in produced water (ppm-wt)

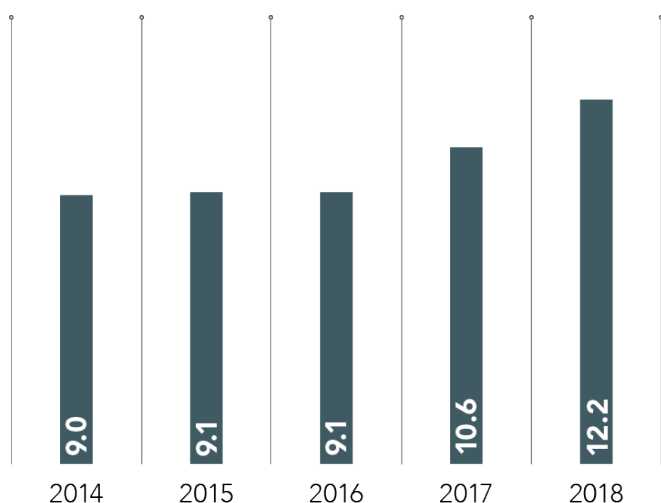
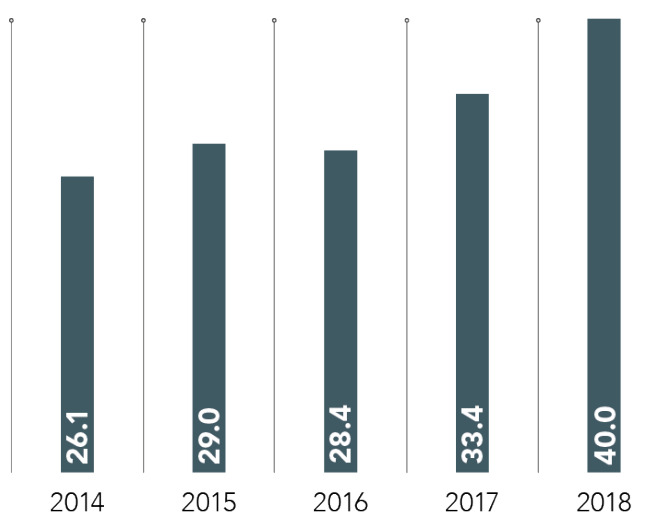


Figure 6: Oil in produced water (tonnes)



Air pollutants

A breakdown of selected emissions to air is set out in Figure 7. These emissions increased in 2018, compared to 2017. This increase can be attributed to an increase in our production activities, largely from our Catcher field during commissioning, as well as an increase in flaring at Huntington as a result of interruptions to gas compression. These increases were partially offset by a reduction in emissions associated with drilling activities.

There are no routine material emissions of ozone-depleting substances from our facilities.

Figure 7: Emissions to air (tonnes)³⁹

	2014	2015	2016	2017	2018
CO ₂	830,625	719,229	753,894	847,307	1,090,645
N ₂ O	10	10	12	13	15
CH ₄	4,574	3,754	3,522	3,805	3,904
VOCs	29	17	19	23	31
NO _x	1,480	1,374	1,583	1,806	2,259
SO _x	111	83	92	112	112
CO	403	435	521	575	657

Figure 8: Intensity of discharges to air in 2018 (tonnes per thousand tonnes of production and tonnes per well drilled)

	SO _x	NO _x	VOCs	CO
Production	0.0002	0.00034	0.000005	0.00010
Drilling	2.056	13.88	0.30	0.95

Unplanned discharges

In 2018, we had a total of 23 spills that released liquid hydrocarbon or chemicals to the environment (2017: 34 spills), with a total discharge of 2.7 tonnes (2017: 14.2 tonnes).

Of these:

- 15 spills released 0.4 tonnes of hydrocarbons (2017: 12 spills/1.9 tonnes)
- 8 spills released 2.3 tonnes of chemicals (2017: 22 spills/12.3 tonnes)

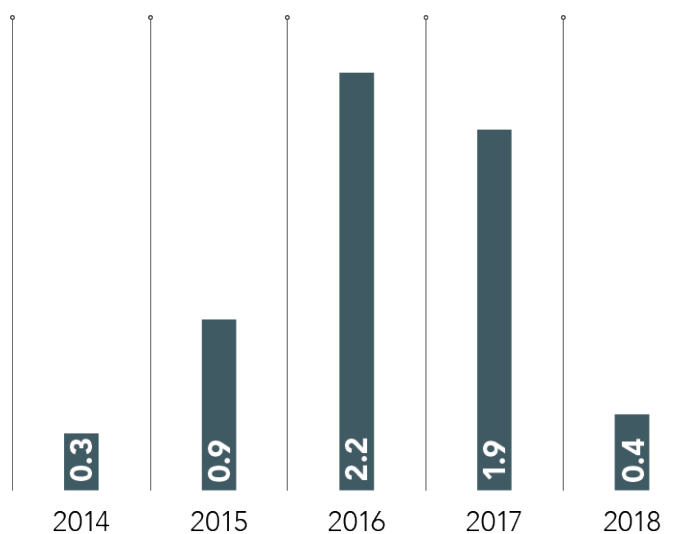
There were no significant⁴⁰ spills of hydrocarbon that reached the environment. The largest hydrocarbon spill, involving the release of 90kg of marine gas oil, occurred at the Catcher FPSO vessel and was due to an overfilling of a fire pump day tank.

Three significant chemical releases reached the environment. These compromised:

- A release of brine from a well bore during well abandonment activities in Vietnam
- A release of glycol from a pipeline umbilical in the UK
- A release of sodium hypochlorite from ballast water caisson due to a failed injection line in the UK

All our operations maintain comprehensive spill contingency plans. We also have ongoing contracts with spill response specialists to provide emergency support in the unlikely event of a major incident.

Figure 9: Unplanned hydrocarbon released to sea (tonnes)



Waste management

In 2018, we collected 5,982 tonnes of waste materials (2017: 5,810 tonnes) from our global drilling and production operations, and returned it to shore for disposal. Of this:

- A total of 5,043 tonnes was hazardous waste, which is comparable to our past performance (2017: 5,051 tonnes of hazardous waste).
- A total of 939 tonnes was non-hazardous waste (2017: 758 tonnes of non-hazardous waste). This included scrap metal, wood, plastic and other materials. This increase is largely accounted for by operations at our Catcher asset, as well as moderate increases in non-hazardous waste generation at our Anoa, Gaj Baru and Huntington assets due to project modifications and increases in work scope and well service activity. Where feasible, we segregate and recycle as much non-hazardous waste as possible and encourage the use of recycled input materials⁴¹

For information about our use of natural resources and management of biodiversity impacts, see our '[GRI Standards Table](#)'.

³⁸ Our produced water is not reused by other organisations.

³⁹ 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.

⁴⁰ We classify significant spills as those exceeding one barrel (0.134 tonnes) of hydrocarbons or other hazardous material.

⁴¹ Other than water, the majority of input materials used in our exploration and production activities are chemicals-based and are not available in recycled form.

4. Resource use

Energy use

We endeavor to run our operations in an energy-efficient manner, both as a matter of sound commercial practice and to minimise our GHG emissions (see '[Section 6: Environment](#)'). Our efforts in this respect are governed by the ALARP principle, as well as our ISO 14001-certified HSES Management System.

Furthermore, we are obliged under the UK Government's Energy Savings Opportunity Scheme (ESOS) 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

Our assets (and the large items of industrial equipment they hold onboard) are designed to last the entire project lifecycle and are rarely replaced. As such, improving their energy efficiency is challenging. Accordingly, our efforts are focused on procuring new equipment (for example, to replace existing equipment or during the construction of new projects) that offers higher levels of energy

efficiency.

In 2018, our operations used 12.7 million GJ of energy (2017: 10.8 million GJ). Our energy use was comprised of⁴²:

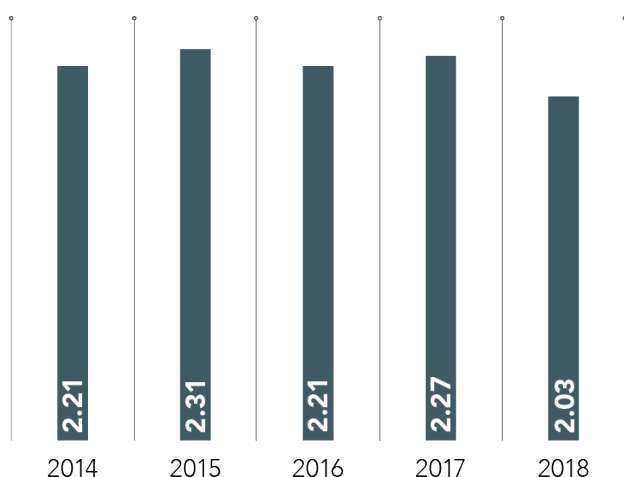
- A total of 9.3 million GJ in the form of fuel gas (2017: 8.3 million GJ), an increase of 12 per cent. This was largely a result of fuel gas use at the Catcher field
- A total of 3.5 million GJ in the form of diesel (2017: 2.5 million GJ), an increase of 40 per cent. This increase reflects the inclusion of diesel use at the Catcher field

Despite the increase in energy consumption in 2018 compared to 2017, our overall energy intensity in 2018 was 2.03 GJ per tonne of production (2017: 2.26 GJ per tonne of production). The improvement in our energy intensity reflects the increase in production from our operated assets, which is largely accounted for by the introduction of the Catcher asset to our portfolio.

Figure 10: Fuel use (tonnes)

	2014	2015	2016	2017	2018
Fuel gas	120,960	132,108	160,026	174,862	194,658
Diesel (platform/rig)	16,539	19,707	24,922	30,025	36,191
Diesel (vessels)	40,326	22,353	20,014	27,289	45,156

Figure 11: Energy intensity (gigajoules per tonne of production)



Water use

As our operated assets are offshore and our onshore activities are non-operated, we have a limited impact on local water availability.

In 2018, our drilling contractors used 6,917 tonnes of drill water (2017: 15,469

tonnes), which was comprised of fresh water and seawater. The total amount of drill water used in 2018 fell due to a fall in drilling activity (six wells compared to 12 in 2017).

In addition, our production, drilling and support operations consumed 103,136 tonnes of potable water (2017: 35,779 tonnes). This increase reflects the reporting of potable water consumption at our Catcher, Huntington, Solan and Chim Sao assets for the first time in 2018, as well as increases in consumption across our Indonesian assets due to tie-in works required for the development of the Bison, Iguana and Gajah-Puteri (BIG-P) gas field. Our consumption had no material impact on community water availability.

Our environmental and social impact assessment processes include the analysis of risks to water availability where relevant (see '[Section 6: Environment](#)').

Biodiversity impacts

Although our offshore operations could pose a risk to local biodiversity in the event of a major accident (see '[Section 5: Health, safety and security](#)'), our ESIAs have not predicted / 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 international seismic contractors, is compliant with relevant standards and requirements relating to the potential disturbance of marine mammals.

During the year, we received approval from the respective regulatory authority on 4 Environmental Impact Assessments (EIAs) one for each of the UK, Falkland Islands, Vietnam and Indonesia business units.

In January 2018, we submitted the EIA for our Sea Lion project (which was completed in 2017) to the Falkland Islands Government for public consultation (see '[Section 6: Environment](#)').

Focus Area: Managing biodiversity impacts at the Tolmount Development



The Tolmount Field is located in the UK Southern North Sea and the proposed Tolmount Development will involve installation of a minimum facilities platform and a buried 20 inch gas export pipeline to shore, piggybacked with a 3 inch methanol import line. An Environmental Statement (ES) for the Tolmount Development was submitted to the Department for Business, Energy and Industrial Strategy (BEIS) in November 2017 with approval received in June 2018.

Following a change in the onshore development option in August 2018, the offshore pipeline route consequently changed. The proposed pipeline route passes through a number of environmentally sensitive areas or designated protected sites. To facilitate this change in pipeline route, a Pipeline ES was submitted to BEIS in November 2018 which highlighted the potential environmental impacts and risks that could arise from the project.

Key issues identified within the ES included pipeline interactions with:

- Holderness Offshore recommended Marine Conservation Zone (MCZ)
- Holderness Inshore Marine Conservation Zone (MCZ), particularly the stony reefs and geological clay ridge features
- Souther North Sea Harbour Porpoise Special Area of Conservation (SAC)
- Coastal processes and sediment movement along the Holderness coastline
- Bird colonies within the Humber Estuary SAC and within Sites of Special Scientific Interest (SSSIs)
- Potential Sabellaria spinulosa biogenic reefs along the pipeline route which, due to their low quality aggregations, do not qualify as reefs

As part of the ES, and in conjunction with stakeholders following a detailed engagement programme, measures were agreed to minimise impacts to the environment and, where possible, avoid causing long term damage to geological features. These measures include;

- Micro-siting of the pipeline route to avoid crossing as many clay ridges as

possible within the Holderness Inshore MCZ

- Optimising the pipeline installation methodology to avoid multiple movements of excavated clays from within the MCZ
- Committing to the use of vibratory, rather than percussive, piling methods for works along the beach to minimise noise impacts to Little Tern colonies in the Humber Estuary SAC and surrounding protected areas

A decision on the ES is expected in Q2 2019.

In addition to assessing and managing our biodiversity impacts through our ESIAs and associated environmental management plans, we support biodiversity through our community investment programmes, in particular those in Indonesia (see '[Section 8: Community relations](#)').

⁴² Energy data was calculated in accordance with the IOGP methodology, from the 2013 EPI User Guide.



Section 7: Employees

We are committed to providing a working experience for our staff that offers equal opportunities, safe working conditions, competitive terms of employment and quality learning and development experiences. In doing so, we seek to attract, develop and retain the high-quality talent to drive the success of our business over the long-term.

1. Materiality and management approach

We recognise that our current and future success is underpinned by our ability to recruit, retain and motivate high quality, skilled employees and contractor personnel⁴³. Accordingly, we seek to treat our people fairly, listen and respond to their views, offer meaningful professional development and deliver rewards commensurate with employee performance.

Key issues in this regard include:

- Workforce profile
- Employee engagement

Managing employees

Our management of human resource issues is guided by our Corporate Responsibility Policy, Human Rights Policy, Business Ethics Policy and Global Code of Conduct, and our Equal Opportunities and Diversity Policy.

Our day-to-day management of human resource matters is supported by our Human Resources Management System, which includes guidance relating to:

- Performance
- Resourcing
- Reward
- Competency management

This guidance is hosted on the People Portal – Premier’s online human resources information system – and Business Management System (BMS). The BMS helps us achieve an appropriate balance between consistent corporate policy requirements and flexible, local-level requirements across the Group.

During the year, we also strengthened our management of human resources-related risk through the establishment of a new Group Human Resources Risk Council. The Council comprises the Group HR Director and human resources managers from each of our business units. It meets on a quarterly basis to help support the alignment of our management approach and to provide greater visibility at Group-level for material human resources challenges within our business units.

www.premier-oil.com (Company Policies)

⁴³ The term ‘contractor personnel’ relates specifically to individuals employed directly by Premier or via an agency but on fixed-term contracts (often related to specific projects). These individuals typically work full-time for periods exceeding three months. The definition does not include individuals employed by our contractor companies. Both groups, however, are included in our health and safety statistics.

2. Workforce profile

At the end of 2018, Premier had 767 employees (2017: 783 employees) and 200 contractor personnel (2017: 176 contractor personnel).

In 2018:

- A total of 43 new employees joined our workforce (2017: 53 new employees)
- A total of 43 employees exited our workforce on either a voluntary or

involuntary basis, representing a turnover rate of 6 per cent (2017: 51/7 per cent)

- A total of 4 employees that left the Company were subject to redundancy, representing a redundancy rate of one per cent (2017: 13/two per cent)

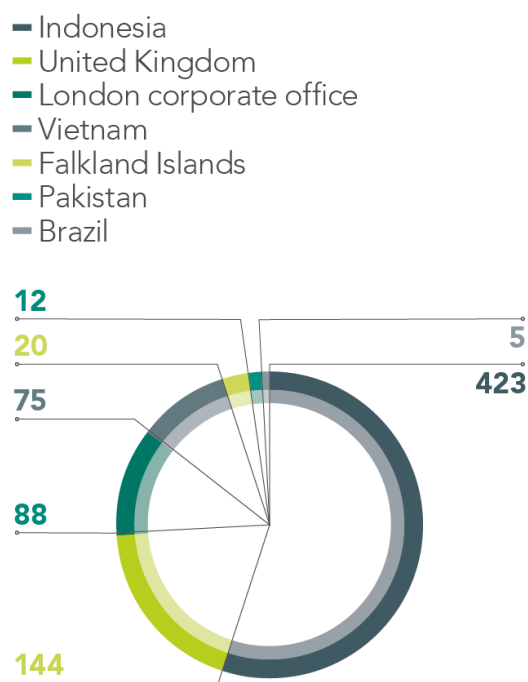
The size of our employee and contractor personnel workforce has remained relatively stable in 2018. This reflects:

- The ongoing financial stability provided by the finalisation of the Group's refinancing in July 2017
- Our continued efforts to protect jobs throughout the last three years of challenging economic conditions. These efforts have included:
 - Continued focus on sustainable cost reduction efforts within our supply chains, and contractor personnel workforce
 - Transfer of staff to new roles where possible, in order to avoid redundancy

In addition, we continue to work to ensure that we retain high-performing employees through our appraisal and reward framework (see 'Performance and reward', below).

Throughout the year, employees subject to retrenchment received enhanced redundancy packages that exceeded statutory requirements and were offered career transition support, financial counselling and/or additional training.

Figure 1: Number of employees by business unit



Local employment

We prioritise the employment of suitably qualified nationals whenever possible, and support this aim through investment in their skills, knowledge and experience. This helps ensure the nationals we employ can access opportunities across our organisation, while also supporting the success of our business.

Nationals hold senior roles throughout our business. Examples include the Operations and Development Manager, HSE Manager and Vice President Finance and Information Services at our Indonesia business unit, and the Business Services Manager at our Vietnam office. When we employ expatriate managers (i.e. those employed on foreign contracts) at a senior level, we do so because of:

- The need for highly qualified expatriate managers with appropriate industry experience for specific roles, in the absence of such experience at local-level
- Greater geographical mobility amongst senior managers within the business
- The need for Group oversight of international operations
- The value of international exposure to support Group succession planning

Nationals make up 99 per cent of our employee workforce (2017: 98 per cent) and 93 per cent of our senior management (2017: 92 per cent). At the end of 2018, we employed 10 expatriate employees (2017: 13).

We seek opportunities to transfer positions occupied by expatriate managers to nationals, where possible.

Figure 2: Percentage of nationals in employee workforce and senior management by business unit⁴⁴



Diversity and inclusion

We treat people fairly, equally and without prejudice, irrespective of gender, race, age, disability, sexual orientation or any other discriminatory attributes. This is reflected in our Equal Opportunities and Diversity Policy which applies to all permanent and temporary staff, contractor personnel and job applicants.

Employee obligations in this respect are set out in our Employee Handbook. This prohibits employees from carrying out discrimination (whether direct or indirect), harassment and victimisation.

Figure 3: Employee gender balance (%)

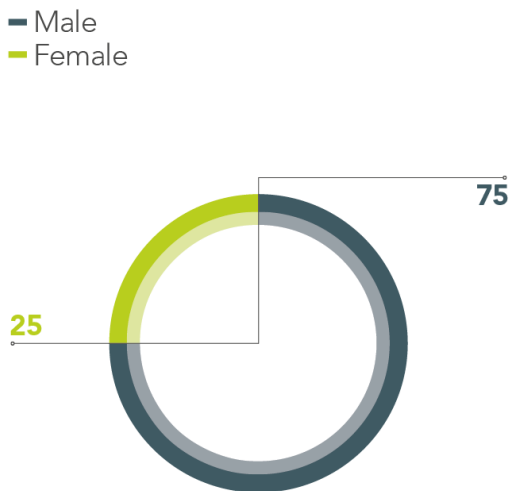


Figure 4: Gender balance at senior management level (%)

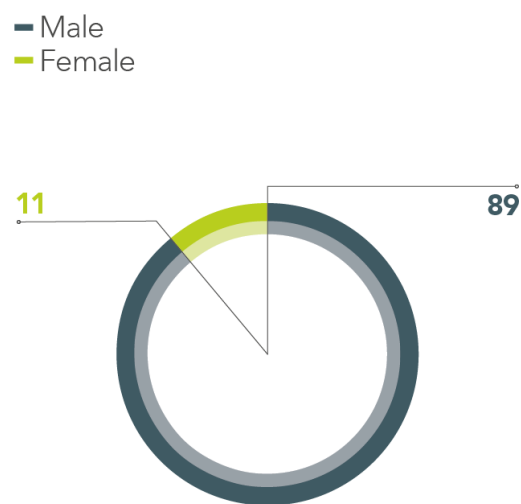


Figure 5: Gender balance at Board level (%)

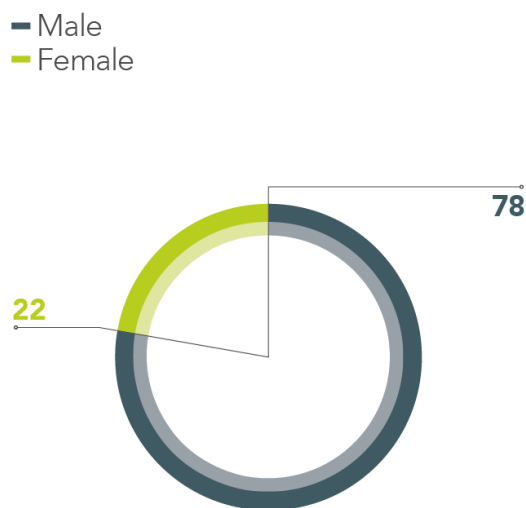
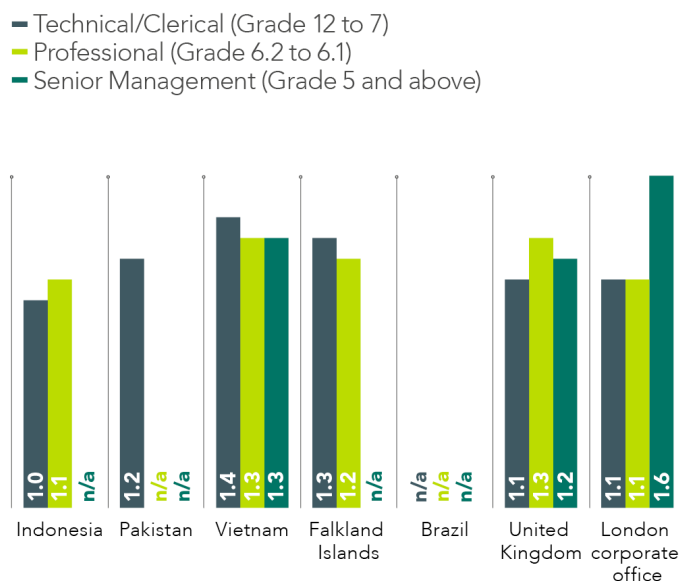


Figure 6: Ratio of male to female salaries by job role at business units⁴⁵



Women are typically under-represented in the oil and gas sector. Recognising this, we aim to ensure that our own management systems, practices and working culture support female access to – and success within – our workforce. A significant factor behind the difference in the overall ratio of male to female salaries is 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.⁴⁶

Focus area: Diversity and inclusion

During the year, Premier implemented several initiatives to support diversity and inclusion across the organisation. Premier continues to place particular emphasis on addressing gender inequality, in the context of historic underrepresentation of women in the oil and gas industry. These efforts help support the ongoing implementation of its Equal Opportunities and Diversity Policy – and underpin its ability to attract, motivate, develop and retain the best talent.

Monitoring gender diversity in the recruitment process



In January, Premier implemented a new programme to monitor gender diversity across each stage of its recruitment process for employee and contractor vacancies. This includes tracking male-female ratios for all applications received, candidates interviewed and new appointments made. The outputs from this process, which are reported to the Executive Committee on a quarterly basis, indicate that a shortage of female applicants is often a key barrier to the appointment of new female hires. Addressing this shortfall will be a future area of focus for the business.

Diversity and inclusion training programme

In mid-2018, Premier launched a global diversity and inclusion training programme for all its employees and contractor personnel. This included face-to-face training sessions for all managers on a global basis and for all staff at the London head office and the Falkland Islands business unit. Training was also provided to all staff at the Vietnam business unit as part of an away day (see below). This was supported by the rollout of an interactive online training module for all employees and contractors.

The training programme aims to increase awareness around important topics, including:

- Understanding confirmation bias and strategies for creating a respectful workplace
- Developing an inclusive working environment
- Embracing difference

Premier plans to review the training programme on an annual basis, with a view to rolling out updated training modules in future years.

Gender diversity roundtable

In September, Premier cohosted a roundtable titled 'Closing the Gender Gap, Call to Action' at its London head office. Engineering industries, and in particular the oil and gas industry, continue to lag behind other areas of the UK economy in terms of gender parity. While 47% of the UK workforce are women, around 92% of engineers in the UK are male. In this context, the event brought together representatives from the oil and gas, mining, nuclear power and construction industries to share ideas on how to recruit, develop and retain more women into engineering roles. The UK government was also

represented at the event by Dame Sue Owen, the UK Permanent Secretary for the Department for Digital, Culture, Media and Sport.

Vietnam Business Unit Away Day

In September, Premier also ran an 'away day' for all employees and contractors at its Vietnam business unit to review their joint vision and values, and to deliver diversity and inclusion training as part of the global training programme (see above). A total of 75 staff took part in the event, working collaboratively to review the set of core values for the business unit, which were originally developed by staff in 2014. The workshop also introduced the concept of 'Welcome' into the diversity and inclusion framework that reinforces the most important values of the business unit (see image to the right).

We provide our employees with flexible working options, to enable them to manage their work and home life. A total of 28 employees took parental leave during the reporting period (7 women and 21 men), representing 100 per cent of those entitled to take such leave. Ninety-six per cent (six women and 21 men) of these individuals either returned to work in 2018 or indicated plans to do so in 2019. The remaining four per cent exited the Company. One employee was also given extended leave to manage their caring responsibilities.

⁴⁴ Senior management refers to Grade 5 and above.

⁴⁵ Where 'n/a' is displayed, a meaningful comparison cannot be made between males and females. This is because men or women were not employed in these roles.

⁴⁶ For information on our gender pay gap in the UK, see [Premier Oil plc Gender pay gap report 2018](#).

3. 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 of the Board, which also:

- Sets the remuneration of the Company's Executive Directors
- Reviews and approves the remuneration of the Company's senior managers
- Reviews remuneration trends and employment conditions across the Group

A global corporate grading system supports implementation of the Policy. The

system defines awards across the Group, taking account of local economic conditions, to help us ensure consistent treatment in all locations.

We conduct annual market reviews to assess market pay levels. On the basis of this information, we aim to progress employees towards top-quartile base salaries in each market we operate in, where this is supported by individual performance (see '[Performance management](#)' below).

Our employees typically receive salaries that are significantly higher than applicable local minimum wage levels. This reflects the nature of employee roles at Premier (which are generally office-based administrative roles or highly skilled technical roles), and our stringent compliance requirements. Indeed, our entry grade salary levels in Brazil, Indonesia, Pakistan, the UK and Vietnam are significantly higher than the applicable local minimum wage.

Furthermore, we supplement employees' base salaries with additional benefit packages. These vary depending on national employment law and local circumstances, but typically include⁴⁷:

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

Our retirement plans have a participation rate of 100 per cent across our applicable business units⁴⁸, with Premier contributing up to 15 per cent of salary to employee pension funds (depending on location).

Performance management

All employees are subject to regular performance management and appraisal. We use annual Individual Performance Contracts (IPCs) to set goals and performance measures for the year.

In 2018, 99 per cent of employees received performance reviews against their IPCs (2017: 98 per cent), and were assigned a performance rating by their managers. This rating was then compared against corporate and business unit Team Performance Contracts to guide salary adjustments and bonus recommendations.

Bonuses and incentives

Our strategy is to reward superior performance with commensurate remuneration. We incentivise and reward high performance through individual reward frameworks. These include:

- Annual discretionary bonuses for all eligible employees on the achievement of a range of corporate, business unit and individual performance targets. Nearly all eligible employees (99.6 per cent) were paid this bonus in 2018, reflecting delivery against our corporate performance targets
- The share-based Premier Value Share Plan (PVSP) or Long Term Incentive Plan (LTIP), which is designed to focus employees on longer-term corporate strategy and align their interests with those of our shareholders. The PVSP will positively vest for the first time in early 2019

At the discretion of the Remuneration Committee, we also make Conditional Share Awards to new employees in order to compensate them for the loss of deferred benefits from their previous employer. These can also be awarded to existing employees in exceptional circumstances.

www.premier-oil.com (2018 Annual Report)

⁴⁷ For more information about the benefits available to our employees, see our 'GRI Standards Table'.

⁴⁸ This does not include our Vietnam business unit, where employees are subject to a mandatory state pension scheme, into which we make contributions.

4. Employee engagement

Premier encourages open communication between employees and managers on an ongoing basis. We keep employees informed about wider Company issues via a number of communication mechanisms, including:

- Regular team meetings
- The Company intranet
- Messages from our Chief Executive and business unit managers
- Ongoing email communications
- Town Hall staff meetings at each business unit, attended by visiting members of the Executive Committee and senior management
- The release of the Company's half-year and annual operational and financial results, as well as trading and operations updates

Engagement of this sort continued to be important during 2018, helping to keep

employees informed about a range of significant developments, including the Group's asset disposals and the progress of our development projects.

Premier will typically provide its employees and, where relevant, their elected representatives with at least one month's notice of any significant operational changes that might affect them.

Employee feedback

We conduct occasional structured employee surveys at Group and business unit level. The results of these surveys help us to understand and respond effectively to employee attitudes towards engagement, rewards, retention, working environment and related issues.

In 2018, we continued efforts to analyse and address the outcomes of a Group-wide employee survey undertaken in 2017 to gauge levels of employee satisfaction and engagement across the organisation. During the year, results from the engagement survey were analysed at Group, business unit, functional and managerial levels to develop a detailed understanding of employee views, and to establish internal and external benchmarking. The outputs from the survey informed multiple follow-up initiatives in 2018. These focused on the following key areas:

- **Development and growth:** This included the facilitation of review sessions with employees and contractors at our London corporate office and Brazil, Pakistan, Vietnam and FIBU business units, to share learnings from the engagement process. We also rolled out a core skills training programme at our London head office with a focus on change management, team development, people management and communication. Finally, we took steps to improve internal and external communication for advertised job vacancies through the launch of an intranet-based jobs platform and a new careers website.
- **Rewards and benefits:** This included enhanced communication around employee remuneration and benefits through refresher workshops on the Group pension plan and the Premier Value Share Plan (PVSP).
- **Communication of business strategy:** This included efforts to enhance internal communication through the rollout of town hall meetings at our London corporate office as well as further communication across the Group.

In late 2018, we also launched an updated employee engagement survey to further develop our understanding of employee views across the business,

review actions undertaken to date, and conduct trend analysis based on our internal and external performance benchmarking.

In addition to surveys, we also gather employee feedback through:

- Regular performance reviews
- A formal, non-recriminatory and confidential human resources grievance procedure⁴⁹, should employees feel uncomfortable raising issues through normal management channels
- Our confidential whistleblowing hotline (see '[Section 4: Business ethics](#)')

As defined in our Grievance Policy, we ensure all employees have access to a fair grievance procedure without unreasonable delay. Our human resources department records all written grievances, which are included in personnel files (and are subject to data protection). Any decisions taken by the Company in response to a grievance can be appealed by employees via a publicised appeals procedure.

In 2018:

- One new grievance was raised
- One incident of workplace discrimination raised in 2017 was resolved by mutual agreement from both parties

Focus area: Forward-looking review of organisational structure and business processes



In 2018, Premier's Board of Directors launched an independent review of the company's organisational structure and associated business processes, taking into account Premier's current scale and its potential growth in the case of future asset acquisition.

The review focused on addressing the following key questions:

1. Does Premier's organisational structure promote efficiency and effectiveness?
2. Does Premier have the right balance between the operational business units and the central functions providing assurance, support, and expertise?

3. Does Premier have the right standards in place and are they fit for purpose to deliver on strategies and targets in a safe, high quality and sustainable manner?
4. Are accountabilities clear and respected throughout Premier's organisation?
5. Do the standards and their implementation ensure the effectiveness of the company's outsourcing strategy, given that a significant proportion of its business is delivered by key long-term relationships with major contractors?

The review was based on engagements with over 100 senior employees across the Group, including all Board members. It used a combination of interviews and online surveys, and also included an in-depth examination of the scope and implementation of the company's BMS. The review aimed to build a clearer picture of Premier's ability to execute its corporate strategy and deliver future growth, following the successful refinancing of the business in 2017. It was undertaken in conjunction with an external strategy consultancy, and overseen by a steering committee comprising Premier's CEO, CTO and Chairman.

The outcomes from the review process were initially reported back to the Board in November and were finalised in December, with improvement action plans developed for execution throughout 2019. The key action areas identified included:

1. An update of Premier's growth strategy and stakeholder communication plan
2. Further refinement and simplification of the BMS
3. The strengthening of central functions to ensure consistency and continuity
4. An increased focus on contract management with key contractors
5. Enabling the organisation through further focus on employee skills development and increasing the application of Information System technologies

The action plans for 2019 are fully resourced. Progress against the five key action areas will be measured by key performance indicators and will be reported to Premier's Board on a two-month cycle.

Organised labour

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

At our Vietnam business unit, we undertake an annual consultation forum between employees and management to discuss and agree organisational changes. At our UK and Falkland Islands business units, as well as our corporate office, we undertake collective consultation with employee representatives only if 20 or more UK-based employees are made redundant within a 90-day period. At our Indonesia business unit, collective consultations took place during 2018, and included consultations on the relocation of our head office and the implementation of flexible working arrangements.

We have a collective bargaining agreement in place in Indonesia, covering 420 employees and representing 99 per cent of the business unit employee workforce. At our Vietnam business unit, we have established a collective bargaining agreement covering 70 employees, which represents 93 per cent of the business unit's employee workforce. Collectively, these agreements cover 64 per cent of Premier's total employee workforce.

These agreements regulate employee terms and conditions specific to the country, including:

- Working hours and overtime⁵⁰
- National holidays, annual leave and other breaks
- Health, safety and medical treatment
- Grievance
- Disciplinary and termination

⁴⁹ These are available in local languages at Premier's operations, except in Pakistan, where all of our employees speak English.

⁵⁰ Premier complies with all local labour laws, including those related to working hours and overtime.



Section 8: Community relations

We understand the importance of building strong relationships with our local communities and providing them with lasting socio-economic benefits. This is not only the right thing to do, it also supports our social licence to operate and the success of our business over the long-term.

1. Materiality and management approach

As an offshore operator, we have relatively limited interaction with local communities compared to most companies with onshore operations. Nonetheless, our relations with communities are very important, due to:

- The potential and actual impacts of our activities (and those of our partners) on local fishing communities
- The role of certain onshore communities as transit and logistics points for our offshore operations
- The positive impact our community investment has on local communities, as well as the positive impact on our reputation and social licence to operate
- The potential and actual impacts of the non-operated, onshore production assets in Pakistan, in which we had interests during 2018
- The potential for new onshore operations in the future

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

Managing our relations with communities

Premier's Community Investment Policy guides our approach to building and maintaining robust relations with local communities. We implement this through our Community Investment Management System, which is aligned with IPIECA⁵¹ standards. Under this system, we systematically identify, manage, evaluate and budget our engagements in host countries. It focuses on the following key elements:

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

All of our operations have established community engagement and investment programmes.

www.premier-oil.com (Company Policies)

⁵¹ International Petroleum Industry Environmental Conservation Association.

2. Engagement and impact management

Onshore exploration and non-operated joint venture operations

Premier had no onshore exploration activities in 2018, although we did have interests in non-operated, onshore production assets via our joint venture partners in Pakistan.

We work with our joint venture partners to engage with local communities where required. During 2018, where relevant, we discussed community relations issues with our joint venture partners in Pakistan during quarterly Operational Committee meetings. Our partners in Pakistan focus their community investment activities on education, health and infrastructure development.

Our partners sometimes operate in remote and undeveloped locations where their presence can have a positive economic impact. This includes, for example, through the creation of local employment opportunities.

The tribal nature of some local communities near our joint venture assets means our partners are sometimes required to navigate traditional land and resource rights. In these instances (i.e. during exploration and development phases), land is typically leased from relevant tribal groups, despite the possibility that they may lack formal legal title.

Other issues that can affect relations between our partners and local communities include demands for employment and the negotiation of lease terms. Security management is also a challenge in Pakistan, although our joint venture interests are located in areas that have relatively high levels of physical security.

Offshore exploration and production

The predominately offshore profile of our operations means we have relatively limited interaction with local communities. Nonetheless, we recognise the importance of engaging with those stakeholders that are, or could be, affected by our activities. These include:

- Local fishing communities

- Communities hosting our onshore supply and logistics bases
- Our community investment partners and beneficiaries

Examples of community engagement in 2018 include:

- Communication with fishing communities in the UK, Indonesia and Brazil, regarding the temporary and localised impact that our offshore production operations – and, where relevant, the seismic exploration activity conducted by our contractor companies – can have upon fishing activity. In 2018, for example, we postponed seismic exploration activity off the Yorkshire Coast in the UK following consultation with local fishing communities. We also alert local fishing vessels to the health and safety risks they expose themselves (and our assets) to by entering the waters immediately around our offshore operations
- The continued provision of assistance to fishermen in distress in Vietnam. As our operations are typically located far from shore, fishing vessels often seek help from us and other operators in the region when they have injured crew members
- Working with numerous stakeholders in the Falkland Islands regarding the current and future impact of our development activities (see '[Section 6: Environment](#)')
- Working with local community groups in Indonesia to ensure the effective targeting and implementation of our community investment projects in the country (see below)

Furthermore, our Health, Safety, Environment and Security (HSES) Policy requires us to prepare environmental and social impact assessments (ESIAs) for each of our operated activities (see '[Section 6: Environment](#)'). As part of this process, we engage with local communities where relevant. None of our operations has been identified as having any material negative impacts on local communities, again reflecting their remote, offshore locations.

3. Community investment

We invest in community projects to help deliver sustainable social, economic and environmental benefits for local communities and their host governments. Reflecting this, in 2018, we spent US\$0.74 million on community investment projects (2017: US\$0.74 million).

Examples our community investment activity in 2018 are set out below.

Figure 1: Community investment trend (US\$ million)

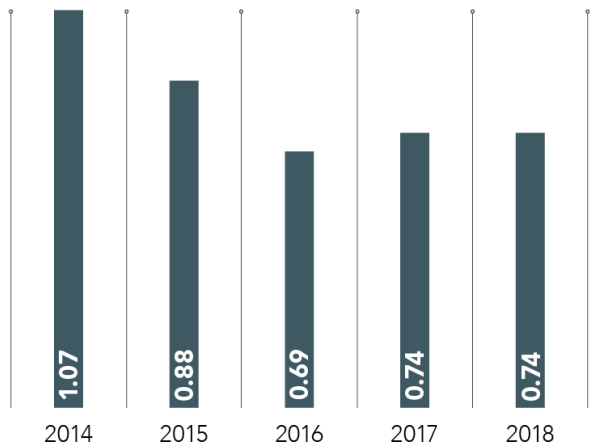


Figure 2: Our community investment profile in 2018

— Indonesia US\$309,060
— Vietnam US\$191,579
— United Kingdom US\$143,014
— Pakistan US\$97,250



Indonesia

In 2018, the Indonesia business unit funded the development of a government-run health centre in the village of Belibak in the Anambas region. Prior to its establishment, the village had no dedicated medical facilities and its 400 residents had to travel by boat to the nearest island for medical assistance. The business unit also funded the development of a computer laboratory within a junior high school in the village of Rintis. The facility has a capacity for 100 students and is intended for them to undertake computer-based examinations set by the national curriculum.

Several other community investment projects were undertaken in the Anambas and Natuna regions in 2018. These include:

- The provision of financial support for the development of Kencana beach in the Natuna region, to enhance the tourism potential and economic development of the area
- The renovation of public and educational facilities in the villages of Payamaram, Payalaman and Rintis
- The provision of financial support for agricultural farming facilities in the villages of Teluk Bayur and Langir to help support their agricultural potential and diversify local income sources which are otherwise reliant on fishing
- The establishment of a scholarship programme in partnership with the

Muhammadiyah University of Malang, where students completing higher education in marine and fisheries sciences can contribute their skills to their local provinces on their return from study

- The protection of nesting turtles and their offspring on Pahat Island. Since the beginning of the project in 2014, around 50,000 hatchlings have been released into the sea
- The development of a fish nursery in Putik village. This has increased local fish stocks, helping local fishermen to generate a more stable income and fish closer to shore, thereby avoiding the higher risk activity of fishing at sea
- The hosting of a training workshop for six local entrepreneurial youth groups in the Anambas region on the production and sale of local art and traditional souvenirs
- The hosting of a training workshop for volunteer radio broadcasters at the local radio station in Piabung village to improve their content delivery

Vietnam

The Vietnam business unit funded the construction of a state-run primary school in the Tra Vinh province. The school has an annual intake capacity of 130 students and opened in September 2018. The business unit also funded the construction of a second primary school in the Tra Vinh province called Tam Ngai B, which is planned to open in October 2019 and will provide education to 170 students.

The Vietnam business unit also continued to support other education and development programmes and initiatives throughout the year, including:

- The provision of funding towards certified IT vocational training at an authorised centre in Ho Chi Minh City for students aged between 16 and 23, to improve their educational and employment prospects
- The provision of funding for Thanh Tam's Special Education Centre, a privately-funded specialist centre that aims to provide therapeutic, educational, wellness and recreational programmes to empower children and young people with disabilities
- The provision of funding for the Christina Noble Children's Foundation, which provides vulnerable children in Vietnam with medical care, nutritional rehabilitation and educational opportunities. The centre provided services to 150 children in 2018
- The provision of a career mentoring programme in Hanoi and Saigon. The programme supported 30 undergraduate students in 2018

- The provision of computers and musical instruments for a shelter for disabled children in Da Lat province
- The provision of school and university scholarships for 10 students in 2018-2019, through the Light Your Hope Scholarship Foundation in Hanoi
- The provision of educational and healthcare services at the Binh Tho Development Centre in Ho Chi Minh City. The privately-funded centre provided services to 105 children during 2018, many of whom are from poor backgrounds
- The provision of funding for the LIN Centre for Community Development's 'Narrow the Gap' community fund, which provides support to local not-for-profit organisations located in and around Ho Chi Minh City

UK

The UK business unit continued to support a number of charities in 2018, including:

- The provision of funding for HorseBack UK, a charity based in Aboyne, Aberdeenshire that helps injured servicemen and others to regain their confidence and mobility
- The provision of funding for the Aberdeen Seafarers Centre, which offers welfare services and advice to seafarers visiting the port of Aberdeen
- The provision of funding for Archway, a charity that works in Aberdeen and throughout north east Scotland, helping people with learning disabilities develop their social and independent living skills and participate in community life
- The provision of funding for Kincardine & Deeside Befriending, a charity which aims to reduce social isolation and loneliness in older people throughout the Kincardine and Deeside area
- The provision of funding for Newtonhill Pipe Band, a charity that teaches piping and drumming to local communities

In 2018, the UK business unit also collaborated with a range of stakeholders in a bid to secure the long-term future of the Fort William Underwater Centre, which was facing closure due to the oil market downturn. Under the initiative, it was envisaged that Fort William – which was the only specialist deep sea diving training provider for the whole of the North Sea area – would be restructured to operate as a not-for-profit company. This would be funded through operating levies paid by Premier and other North Sea companies. However, this model ultimately proved unsuccessful due, in part, to the North Sea industry's neutral

response to the initiative. While the centre passed into administration in October 2018, there remains significant interest in rejuvenating the facility. Premier plans to be a key supporter of the centre should it re-emerge in future.

Pakistan

A range of community investment projects were supported by the Pakistan business unit throughout 2018. These projects, which were managed by our joint venture partners in the country, include:

- The construction of operating theatres, child wards and delivery rooms in government-run hospitals in the Kirthar lease area
- The provision of financial support for trauma rehabilitation centres in the Kirthar lease area
- The construction of classrooms and the provision of furnishings for public primary schools in the Qadirpur lease area
- The provision of scholarships for students in the Qadirpur lease area who are studying medical and engineering disciplines, as well as skilled technical training
- The provision of sewing and embroidery machines for vocational centres in the Kadanwari lease area
- The provision of financial support for cultural festivals and sports events in the Kadanwari lease area
- The provision of financial support for eye camps and clinics in the Zamzama lease area

Other

Premier's corporate office continued to provide support for various charities and causes throughout 2018, including:

- The provision of funding for The Passage, a charity close to Premier's corporate office in London. The Passage provides support to homeless and vulnerable people
- The provision of funding for Cancer Research UK, a charity that conducts research into the prevention, diagnosis and treatment of cancer
- The provision of funding for St Martin-in-the-Fields, a configuration of cultural, charitable and commercial initiatives
- The provision of funding for YoungMinds, a UK-based charity that supports the mental health of children and young people

- The provision of bursaries for UK-based undergraduate students, allowing their participation in expeditions run by Operation Wallacea. The organisation conducts biological and conservation management research programmes across the world



Section 9: Society

Premier is committed to having a positive impact upon our host societies. By doing so, we build strong relations with key stakeholders, maintain our social licence to operate and can capitalise on the opportunities our host societies make available to us.

1. Materiality and management approach

Our activities can have a range of direct and indirect impacts upon national- and local-level stakeholders. In turn, these stakeholders can potentially affect the achievement of our business objectives in our countries of operation. As such, we are committed to respecting the rights of local communities, cooperating transparently with host governments, delivering economic value to society and decommissioning our late-life assets in a responsible manner.

Key issues in this regard are:

- Human rights
- Public policy and government relations
- Value generation and distribution – specifically our economic contributions
- Decommissioning

Managing our interactions with society

Premier's interactions with stakeholders across society are governed by several policies. Most notably, this includes our overarching Corporate Responsibility Policy, Business Ethics Policy and associated Global Code of Conduct (the Code), Human Rights Policy, Tax Policy, Community Investment Policy and Risk Management Policy. These policies are implemented through our associated management systems. 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)

2. Human rights

All of our operated assets are located offshore, and we did not conduct any onshore exploration activities in 2018. As such, our human rights risk and impact profile is very different from that of onshore operators, for whom local communities are likely to be a principal focus. Our attention and efforts are therefore primarily focused on our workforce and supply chain.

Human rights management

Policy and procedure

Our Human Rights Policy – which is based on international human rights norms – requires us to respect and promote human rights. It is aligned with and mutually supports our broader corporate responsibility and community investment frameworks. Furthermore, the Policy commits us to ensuring that we are in no way involved or associated with the issue of forced or involuntary labour (for more details, see the link to our Modern Slavery Statement below).

We implement the Policy through our Human Rights Management System, which sets out how to:

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

www.premier-oil.com (Modern Slavery Statement)

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)

Both our Human Rights Policy and broader Human Rights Management System are aligned with the UN Guiding Principles on Business and Human Rights.

Human rights risk screening

Our Human Rights Management System contains our Human Rights Risk Screening Tool, which integrates third party country risk data. The tool is available for Group-wide reference and is used to screen our high-level human rights risks, in the context of:

- Our operated production operations, exploration projects and development projects
- Our non-operated joint venture assets
- Countries identified for possible exploration or joint venture activities

The tool helps us identify, score and prioritise current and future assets that are exposed to higher levels of human rights risk. Using this tool, we conduct annual reassessments of our operated assets and non-operated joint venture assets. Where required, we also conduct ad hoc human rights risk assessments for our operations and employees.

Human rights training

We offer, via our centralised BMS, a scenario-based training module focused on security and human rights. This module supports our application of the Voluntary Principles on Security and Human Rights (VPs) ('see 'Our own operations', below) in the offshore operating context.

Human rights grievance mechanism

Premier's human rights grievance procedure, which we launched in 2017, enables us to better identify, report and address actual or potential human rights impacts, whether they are directly or indirectly associated with our activities.

Under the procedure, users are 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

Complaints raised are addressed in line with a well-defined and predictable framework.

There were no reported violations of our Human Rights Policy in 2018, and no identified incidents of human rights abuse.

Security and human rights

We are committed to the application of the VPs at all our operated assets.

Premier does not typically employ or contract security personnel, although landlords at our office locations do provide their own security personnel. Accordingly, we do not typically conduct human rights training for internal or external security personnel. Where we require additional security support outside of our office locations, our providers are required to apply human rights standards that are aligned with our Human Rights Policy.

In exceptional cases, we hire private security contractors to accompany employees travelling to high-risk exploration and / or business locations. The service providers we use:

- Are members of the International Code of Conduct for Private Security Service Providers' Association
- Apply the VPs

- Apply standards 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 during the reporting period.

Labour and community rights

Labour rights

Our Human Rights Policy recognises that child labour and forced labour are unacceptable. None of our operations have been identified as being at material risk of incidents of forced / compulsory labour or child labour, and no incidents of forced / compulsory or child labour were recorded in the reporting period.

The likelihood of forced or child labour occurring within Premier is minimal due to the relatively limited size of our workforce, our highly-developed human resources procedures, and the fact that the majority of our employees hold specialised technical roles, administrative office-based roles or managerial roles.

We respect the right of all employees to:

- Join a legitimate trade union, and we comply with all local legislation regarding collective bargaining (see 'Organised labour' within '[Section 7: Employees](#)')
'
- Be free from discrimination within the workplace (see '[Section 7: Employees](#)')

We have not identified any of our operations as presenting risks to workers' rights to exercise freedom of association and collective bargaining. There were no alleged incident(s) of discrimination reported at our operations in 2018 (see '[Section 7: Employees](#)').

Community rights

The offshore nature of our operated activities means there is only a small likelihood that our activities will adversely affect the human rights of local community members. Should such incidents occur, they would likely relate to the ability of local fishing communities to exploit the waters in the immediate vicinity of our operated facilities.

These potential impacts are identified through the environmental and social impact assessments (ESIAs) we undertake for all exploration and development activities. Our ESIAs guide us in the implementation of appropriate safeguards through our Socio-economic Management Plans (SMPs), which also incorporate stakeholder engagement plans and grievance mechanisms.

Community-related impacts associated with our activities during 2018 are addressed under '[Section 8: Community relations](#)'.

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, including our non-operated joint venture partners and contractors. Our main focus is on their health, safety, environment and security (HSES) performance, and, with respect to new contractor companies, their human rights and labour rights performance.

Supply chain management

Our business units typically undertake their own contracting and procurement, with the corporate office providing strategic oversight and endorsement where relevant.

HSES focus

All prospective new contractors undergo an initial risk-based HSES assessment via pre-qualification, bidding or as part of a single or sole source contract negotiation process. Any prospective contractors that are assessed to be 'high risk' are subjected to a more detailed HSES screening or are removed from further consideration.

All major commitments include relevant HSES (as well as human rights, and prevention of forced / involuntary labour and human trafficking) obligations. To monitor compliance with these obligations, we:

- Embed HSES performance indicators within some of our contracts with major service providers
- Carry out reviews of our most significant contracts following their award, these reviews include the HSES performance of the contractor
- Maintain a Company presence at major construction and fabrication yards undertaking work for Premier. This is to ensure their adherence to acceptable relevant HSES, human rights and labour rights obligations embedded within their contracts

To support these efforts, we have implemented a contract management framework across our business units – a key focus of which is the ongoing HSES performance of our contractors (see ‘Focus Area’ below). The framework was sourced from a third party specialising in contractor relationship management, who also assisted with communicating the framework across the business units. In 2018, the framework was rolled out to our Vietnam, Indonesia, UK and Falkland Islands business units.

Focus Area: Optimising supply chain management through a new contract segmentation model



Premier, like many upstream oil and gas companies, outsources a wide range of activities that support both the operation of its producing assets and the execution of its capital projects. Whilst this model helps Premier to optimise costs, access critical expertise and increase operational efficiency, it also requires a significant amount of contract management. This includes the maintenance of effective oversight and control – and the management of risks associated with cost, performance and delivery.

Premier has over 800 contracts in place across its business units, from core operational activities through to more ancillary support. Given the large number of contracts, and the fact that approximately 75% of Premier’s procurement spend is concentrated in around 20% of these contracts, in 2018 Premier developed a new approach to contract management. This is based on a ‘four-tiered contract segmentation model’ that ensures that the level of resourcing and management applied to each tier is proportional to perceived contract risk and value. In particular, the model integrates 14 different risk

variables that cover an array of topics ranging from HSE and local content, to the availability of alternative contractors.

The model delivers greater insight into – and scrutiny of – Premier’s outsourcing model, beyond simple ‘spend analysis’. Furthermore, it enables Premier to focus the majority of its management efforts on the small sub-set of contractors (approximately 10%) that present the highest level of impact and therefore risk to its business – including across HSES, labour welfare, tax and local compliance issues.

The model has been standardised and rolled out across the Group, whilst integrating sufficient flexibility to enable each business unit to adjust the weighting associated with each of the 14 risk factors to reflect specific local context.

Broader human rights and labour rights risks

In addition to HSES screening and monitoring, all material new contracts are assessed for a number of human rights and labour rights risks, following the pilot testing of our Supply Chain Contractor Due Diligence Process across the operated business units during the second half of 2017. The application of this process, which utilises an online, third party assessment tool, became mandatory for all business units in January 2018.

On the basis of this assessment, the tool ‘red flags’ potential issues of concern, triggering (where relevant) a full due diligence process tailored to Premier’s specific needs. This due diligence enables us to manage identified risks, which may include appropriate mitigations, before entering into contracts as well as during the execution of the work scope. Long-term contracts that are categorised as ‘high risk’ under this process will be reassessed every two years, while those categorised as ‘low risk’ will be reassessed every three years.

No significant negative human rights or labour rights impacts were identified in our supply chain in 2018.

New licences, acquisitions and relationships

When we make significant acquisitions, enter new countries or engage in major new relationships with joint venture partners we conduct, where necessary:

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

We also take a risk-based approach to the inclusion of relevant human rights provisions in related contracts. These take into account any precedents and human rights risks identified by our assessments and due diligence.

3. Public policy and government relations

Managing our relations with government

Our host governments constitute some of our most important stakeholders. This is due to the significant impact that related issues – including public policy, legislation, regulation and the awarding of new licences – has on our business.

Each of our business units engages directly with their host governments and regulators. Furthermore, our Exploration team has significant interaction with government entities in the process of acquiring acreage, including the preparation of bids in licensing rounds or through direct negotiations.

All engagement is carried out in line with Premier's applicable policies, including our Corporate Responsibility Policy, Business Ethics Policy and associated Code, and Human Rights Policy. In 2018, Premier did not:

- Make any political donations or contributions
- Receive any significant financial assistance from government⁵²
- 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:

- Asociación Mexicana de Empresas de Hidrocarburos (AMEXHI)
- Association of British Independent Oil Exploration Companies (BRINDEX)
- Falkland Islands Petroleum Licensees Association (FIPLA)
- Indonesian Petroleum Association (IPA)

- International Association of Oil & Gas Producers (IOGP)
- Oil & Gas UK
- Pakistan Petroleum Exploration and Production Companies Association (PPEPCA)

Key public policy issues

The Falkland Islands

Premier holds several production licences in the Falkland Islands, awarded to us by the Falkland Islands Government (FIG). These have the full backing of the UK Government.

Throughout the year, we continued to engage constructively with the FIG and other Falkland Islands stakeholders regarding a range of issues, including:

- Plans for the development of the Sea Lion field
- Environmental management strategies and the submission of a legally-compliant Environmental Impact Statement (EIS) for public consultation
- Management of our potential future socio-economic impacts including the undertaking of a Social Impact Assessment (SIA) that was aligned with the IFC Performance Standards
- Substantive contribution to an independent report commissioned by FIG and the UK Foreign and Commonwealth Office on the oil and gas regulatory regime in the Falklands and potential 'contingent liability' issues

The Sea Lion project is anticipated to make an important contribution to our overall production portfolio once it enters production. In 2018, Premier focused on progressing commercial and regulatory work streams and on securing external financing for the project, as well as identifying key service providers and contractors. For more information on the Sea Lion Project EIS and SIA, see '[Section 6: Environment](#)'.

UK energy policy

We continue to engage with the UK Government in the context of the MER UK Strategy. The MER UK Strategy places an obligation upon, among other stakeholders, operators in the UK Continental Shelf (UKCS) to realise maximum benefit from the UK's remaining economically recoverable offshore petroleum reserves. Discussions are focused upon some of the challenges faced by the UKCS oil and gas sector, including:

- Ageing fields and infrastructure
- The impact of volatile oil and gas prices upon operators' ability to meet the obligations of the MER UK Strategy
- Sharply reduced investment in recent years in response to historically low oil and gas prices
- Significant decommissioning liabilities

We have frequent and detailed engagement with the UK's Oil & Gas Authority (OGA), in the context of their published strategies relating to MER UK. These strategies and the specific areas of engagement include:

- Asset Stewardship – Premier's participation in Tier 2 and 3 Reviews (through which the OGA monitors operator compliance with the obligations defined in the MER UK Strategy, the Petroleum Act 1998 and the Energy Act 2016), as well as the UKCS-wide Collaborative Behaviour Quantitative Assessment (a biennial review introduced by the OGA in 2017 to assess the willingness and performance of operators in supporting the MER UK Strategy via effective collaboration)
- Exploration – regarding the acquisition of new licences and current licence commitments
- Supply Chain – including Premier's submission of Supply Chain Action Plans for the Greater Balmoral and Huntington decommissioning programmes. This initiative is focused on promoting more strategic and collaborative behaviour between supply chain companies and their oil and gas operator clients
- Decommissioning – Premier's participation on the Regulatory Guidance working group, and frequent dialogue on Premier's existing and future decommissioning portfolio and cost efficiencies
- Information Management – Premier participates actively in the Information and Samples Co-ordinators Working Group. The group supports the OGA in implementing the provisions of the Energy Act 2016, aimed at promoting effective stewardship of petroleum-related information and samples
- Technology – collaboration on technological developments designed to

support the MER UK Strategy. We also collaborate with the Industry Technology Facilitator (ITF) and the newly-established industry-led Oil and Gas Technology Centre (OGTC). With ITF, we are supporting work on novel well plugging and abandonment techniques, while with OGTC we are sponsoring research on new lower cost facilities for small pool development

- Southern North Sea (SNS) Tight Gas – in view of Premier’s SNS assets and prospects in our 2016 acquisition of the E.ON portfolio

Furthermore, we engage in regular dialogue with the Offshore Petroleum Regulator for Environment and Decommissioning (OPRED) in the UK Government’s Department for Business, Energy and Industrial Strategy (BEIS). Dialogue is focused upon the development of our Decommissioning Programmes, initially for:

- The Greater Balmoral and Huntington operated fields
- Our operated production assets tied into non-operated hubs and infrastructure approaching the end of operating life in the SNS

During 2018, Premier continued active participation in the HMRC consultation on tax issues for late-life oil and gas assets. The purpose of this consultation was to explore how changes to tax rules surrounding late-life oil and gas assets could facilitate their transfer between licence-holders, thereby supporting efforts to maximise economic recovery. The consultation has now been concluded and a number of measures have been produced in draft legislation in response. These include a transferable tax history (TTH) mechanism that will be available for licence transfers that receive Oil and Gas Authority (OGA) approval on or after 1 November 2018.

Premier also participated in the UK Oil Industry Taxation Committee (UKOITC) work group, which met regularly with HMRC to clarify legislative interpretation of extended decommissioning loss carry back claims, particularly in relation to spend incurred before a field abandonment programme has been submitted.

Finally, we participated in the OGUK working group to help prepare the industry response to HMRC consultations on the IR35 tax legislation, which aims to combat tax avoidance by workers supplying their services through intermediaries.

Resource nationalism

Resource nationalism remains an ongoing challenge for companies in the oil and gas industry. We therefore closely monitor policy dynamics at each of our

business units to assess relevant drivers and respond appropriately. An important part of this is quantifying and communicating the value that we generate for our host societies, including through our:

- Generation of economic value for host governments (amongst others)
- Employment of host country nationals and the development opportunities we provide to them
- Use of host country contractor companies (as well as associated capacity-building, where relevant)
- Investment in community development programmes

In 2018, we continued to monitor risks in:

- Indonesia: Including continuing policy and fiscal uncertainty
- Brazil: Including issues relating to local content requirements
- Vietnam: Including questions regarding the interpretation and application of law
- Mexico: Including uncertainties related to political and security dynamics as well as fiscal and regulatory regimes
- UK: Including unpredictability in the future development of the UK's fiscal framework

⁵² 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.

4. Value generation and distribution

We believe that we can most effectively generate longer-term value for our shareholders by operating in a way that also delivers lasting benefits to all our other stakeholders, including:

- Host governments, which grant us oil and gas licences and regulate our activities
- Host societies, which grant us our social licence to operate
- Employees, whose skills and efforts underpin our ability to create value

Any failure to deliver value to these key stakeholders would risk undermining our core business objectives⁵³.

Focus Area: Innovative infrastructure partnership to develop the Tolmount Field



In November 2018, Premier received a MER UK Award, together with its partners Dana Petroleum and Humber Gathering System Limited (HGSL), for an innovative infrastructure partnership to develop the Tolmount field. The Award, which is part of the Oil and Gas UK Awards and is sponsored by the Oil & Gas Authority, recognises innovative and sustainable approaches to maximising economic recovery from the UK Continental Shelf.

As one of the largest undeveloped gas fields in the North Sea, the Tolmount field will play an important role in achieving this aim. At its peak, the field could produce up to 300 million cubic feet of gas per day, enough to meet five per cent of Britain's domestic gas supplies and power around 2.5 million homes. Premier is targeting delivery of first gas to the UK for the end of 2020.

The gas will be processed at the Easington terminal in Yorkshire. This will help extend the life of the terminal until at least 2030, creating hundreds of jobs during the construction phase. Various modifications will be made to the terminal to enable the gas to be received from Tolmount and processed and a new gas pipeline from Tolmount to the terminal will also be built.

Premier has minimised its share of capital expenditure through an innovative financing arrangement with its infrastructure partners. Under the model, Premier and Dana each own 50% equity in Tolmount (with Premier acting as field operator), while Dana and HGSL jointly own the field's infrastructure.

The partnership also demonstrates how upstream and midstream operators can work collaboratively to deliver a project that is critical to both the future of the North Sea and the security of the UK's gas supply. It allows upstream companies to focus their investment and expertise on the subsurface to maximise reservoir recovery, while allowing infrastructure companies to focus on developing and operating the midstream elements and infrastructure.

Managing our economic contributions

We play an important role in generating shared value from national hydrocarbon reserves. Much of the value we create is distributed throughout our host societies, and directly supports long-term socio-economic development.

- Payments to business partners, including locally-based contractors
- Payments to our workforce, including wages and benefits paid to employees from our host countries
- Payments to our providers of capital, including shareholder dividends and interest on debt
- Payments to government, including corporate income taxes, royalties and other payments to our host governments⁵⁴
- Spending on community investment projects (see '[Section 8: Community relations](#)')

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

- Employ nationals where they are appropriately qualified (see '[Section 7: Employees](#)')
- Use contractors based in our host countries, where they are able to meet our HSES, operational and economic requirements in terms of capability and added value

Where economically feasible, we also support local content capacity building to help nationals and host country contractors access relevant business opportunities.

In 2018, 27 per cent of our combined spending on contractor companies at our Vietnam, UK and Indonesia business units was with locally-owned and operated entities (2017: 41 per cent). A further 67 per cent of this spending was with local entities owned by foreign parent companies (2017: 50 per cent). Figure 2 provides more information about how we distribute the value we create.

Figure 1: Economic value retained and distributed (US\$ million)

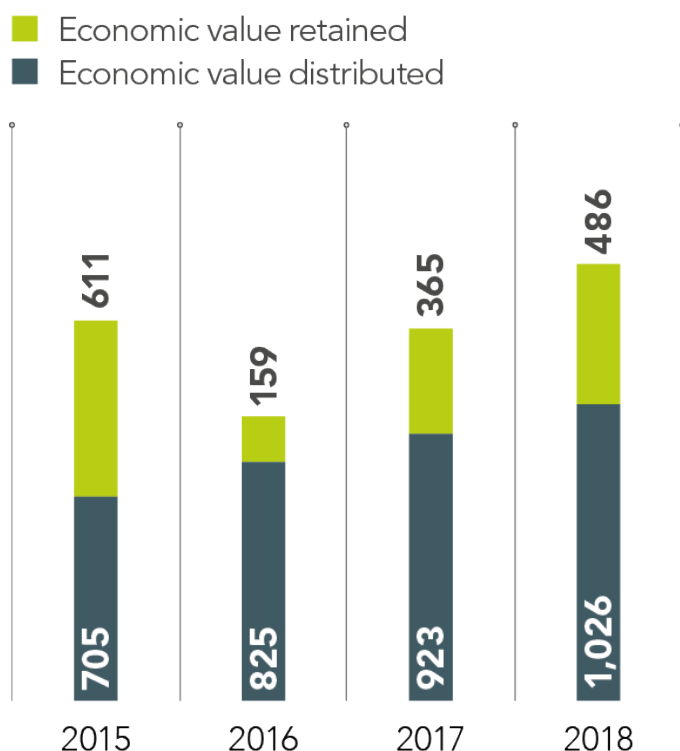
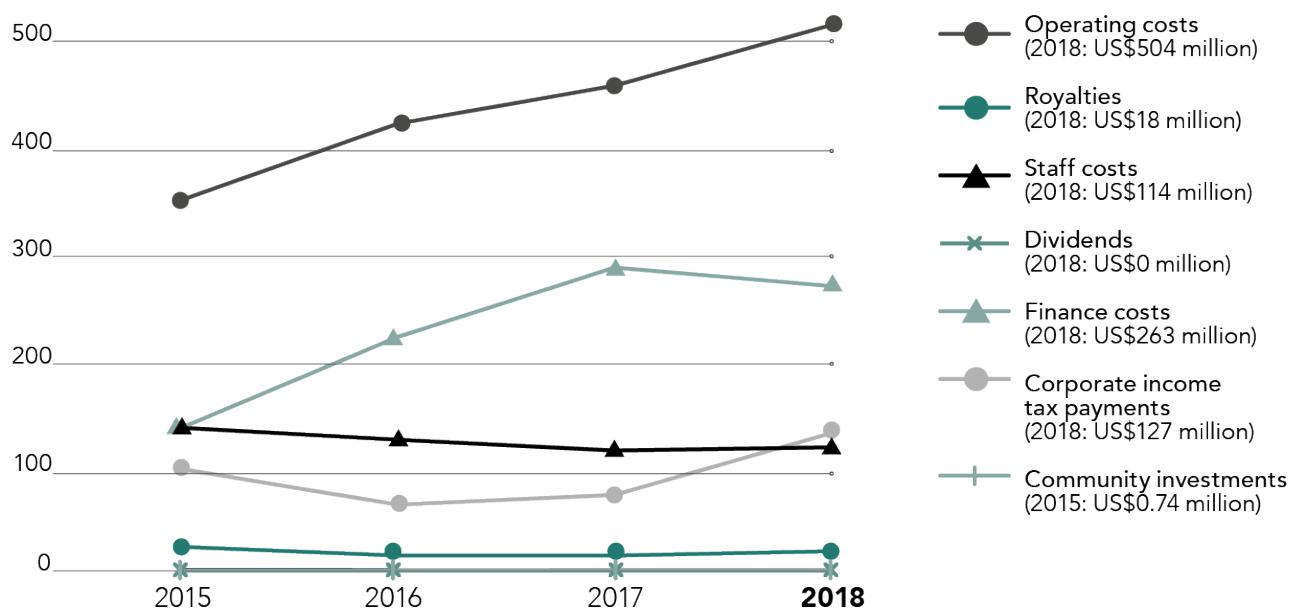


Figure 2: Economic distribution by type (US\$ million)



Payments to governments

Tax transparency

Premier is committed to prompt disclosure and transparency on all tax matters. We have met all applicable statutory requirements in this respect. This includes

the disclosures and submissions that we make in order to comply with the requirements of the European Union Accounting Directive (EUAD), the Extractives Industries Transparency Initiative (EITI) and the Country-by-Country Reporting (CBCR) template developed by the Organisation for Economic Co-operation and Development (OECD).

Premier's Tax Policy commits us to:

- Complying with tax laws, regulations, reporting and disclosure requirements in all countries in which we have a taxable presence
- Respecting the intention of tax legislation and not engaging in artificial tax avoidance arrangements
- Prompt disclosure and transparency in tax matters

We do make use of tax concessions, incentives and reliefs where available.

Board oversight

The Finance Director has ultimate responsibility for Premier's tax risk management. The Board receives regular updates from the Audit and Risk Committee on significant tax risks and on how they are being managed.

Premier's Tax Policy, which sets out the tax policy that applies to Premier Oil plc and its subsidiaries, is reviewed on an annual basis to ensure compliance with applicable laws.

www.premier-oil.com (Tax Policy)

Verification

All of the underlying tax data that we report has been audited at a local level by our independent external auditor in accordance with our statutory audit requirements.

⁵³ The means by which we create and distribute this value as well as the results of our efforts are set out in our 2018 Annual Report.

⁵⁴ Currently, the UK and Indonesia are EITI Members. Both are yet to be assessed against the 2016 Standard. Premier is not an EITI Supporting Company.

5. Decommissioning

Approach

Premier is committed to the safe and cost-effective decommissioning of its late-life assets. A decision to cease production (which needs to be approved by the appropriate regulatory body) is taken in consideration of both asset integrity and current and forecast economic returns from the producing asset, as well as an assessment that further field development is uneconomic (whether from new wells or the integration of third party production).

The safe abandonment of subsea wells and the removal of offshore infrastructure have important potential implications for Premier and its stakeholders. These include:

- The risk of associated health, safety and environment (HSE) incidents – both now and in the years after decommissioning has taken place
- The costs of decommissioning oil and gas assets. These costs are typically borne by operators; although in some jurisdictions (such as the UK), the government may also bear some of the costs (in the form of tax relief, for example)
- The potential financial opportunities likely to be offered to contractor companies (and their stakeholders) acting as service providers in the decommissioning process

In this context, we have developed a clear strategy to decommission our operated assets in a continuous, sequential fashion, incorporating learnings, progressive improvements and new technology where appropriate. We have an experienced in-house team who are committed to undertaking decommissioning activity in a safe and efficient manner. Our activities in this respect are guided by our HSES Policy and standards.

Accordingly, our approach to decommissioning includes the following elements:

- The use of a stage-gate project assurance process on all decommissioning activities, helping to ensure effective project management, safe delivery (that minimises the risk of environmental incidents), cost control, auditability and regulatory compliance
- The application of innovative technological and engineering solutions, which help us minimise HSE risks and reduce our costs. In 2018, for example, we launched a project with Ocean Power Technologies, in conjunction with the Oil and Gas Technology Centre in Aberdeen, to pilot the use of a remotely operated tethered buoy at our Huntington Field. If the pilot proves successful, when installed in 2019, this will enable remote monitoring of the remaining subsea equipment and suspended wells after the Floating

Production Storage and Offloading (FPSO) is removed. It will also help ensure that later phases of work can be optimised to align with the decommissioning schedules at our other fields

- Proactive collaboration with joint venture partners and other operators in the region, to share knowledge, contribute to joint research initiatives and rationalise and coordinate Decommissioning Programmes where possible, with a view to achieving cost efficiencies
- Efforts to ensure that components and materials are reused and, if not possible, recycled. We apply, in close consultation with environmental bodies, the principles of the waste hierarchy to the onshore disposal of decommissioned material
- Extensive and constructive engagement with relevant government departments and other external bodies, as appropriate

Focus Area: Collaborative behaviours review with joint venture partners ahead of major decommissioning work



In 2018, Premier held the first collaborative behaviours review with its joint venture partners at the Balmoral asset. This was undertaken ahead of major decommissioning work due to commence in 2021. The review aimed to:

- Align behavioural expectations and link them to HSE outcomes
- Set the right leadership culture
- Identify opportunities for improved collaboration between the asset and decommissioning teams, both of which bring together extensive technical and commercial capabilities

The review was completed using the 'CBQT' (Collaborative Behavior Quantification Tool), which was introduced by the Oil and Gas Authority (OGA) in response to the Maximising Economic Recovery (MER) UK Strategy⁵⁵.

The CBQT tool enables operators to self-assess and score their performance across eight critical collaborative behaviours, including:

- Conducting negotiations in a reasonable manner
- Alignment of needs and outcomes to deliver objectives
- Ability to learn and share experiences
- Constructive and flexible attitudes to change

Through a series of structured workshops, Premier and its partners identified several opportunities for collaboration across four strategic areas: HSE, operational expenditure, capital expenditure and production. These were summarised in a signed charter agreement between all parties.

Premier plans to extend this approach, including the application of the CBQT, to its producing assets in the future.

Programmes

In 2018, Premier postponed production cessation and closure activities for the Greater Balmoral Area to 2021 or later, in agreement with the OGA. This was driven by a re-evaluation of the asset's performance in the context of stronger oil market conditions. At present, only one of Premier's operated production fields has been declared inactive⁵⁶ (Caledonia Field).

We are in the process of developing full Decommissioning Programmes for the Greater Balmoral Area, Caledonia, Huntington, and Hunter and Rita Fields, some of which were submitted for public consultation and regulatory approval during the course of 2018. Cessation of Production dates for all of these production assets (except Caledonia, which was suspended in 2010) remain under review.

Preliminary decommissioning works – including surveys of facilities topsides, subsea equipment and pipelines – have already commenced on several Premier operated assets to optimise our planning activities. For example, in 2018 we carried out several well interventions on already inactive wells in the Balmoral Area fields to gather detailed information on status and condition, and to develop the detailed plans required for final abandonment. We also isolated the single suspended inactive oil production well from its host Britannia field platform by cleaning the connecting pipeline and then disconnecting it at the host end. Furthermore, our Vietnam Business Unit successfully carried out final abandonment operations on two previously suspended exploration wells in 2018 as well. In 2019, we plan to conduct several rig-based interventions in the Southern North Sea to finally abandon previously suspended legacy exploration

wells that have no future utility.

⁵⁵ A government report that outlines the regulations for maximising economic recovery (MER) from the North Sea, and sets out important obligations for collaboration.

⁵⁶ We define 'inactive sites' as production fields that are no longer producing, but have not yet been decommissioned, as well as subsea infrastructure that is no longer economically viable for production (this includes: subsea wells, templates, manifolds and flow lines, and umbilicals that have been flushed of hydrocarbon and other chemicals disconnected from production assets, prior to decommissioning).

SUSTAINABLE DEVELOPMENT GOALS

We recognise that the UN Sustainable Development Goals (SDGs) offer both business and governments a comprehensive, internationally-agreed framework with which to pursue and support broad-based and meaningful development.

Throughout the coming years, we plan to explore how our business can further align its activities with the aims and objectives of the SDGs. This is to ensure we continue to maximise our positive impacts – and minimise any negative impacts – in a way that supports this internationally-recognised development framework and the priorities of our host governments and societies.

The table below shows key relationships between Premier's material issues, as they appear throughout the 2018 Corporate Responsibility Report, and the SDGs.

● Refers to the issue number as identified in the 2018 corporate responsibility materiality matrix

Relevant section of the 2018 Corporate Responsibility Report	Premier material issues		Related SDGs			
Section 4: Business ethics	07	Governance and ethics	10 REDUCED INEQUALITIES	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS	
Section 5: Health, safety and security	01	Asset integrity and process safety	8 DECENT WORK AND ECONOMIC GROWTH			
	05	Emergency preparedness	17 PARTNERSHIPS FOR THE GOALS			
	06	Occupational health and safety	3 GOOD HEALTH AND WELL-BEING	8 DECENT WORK AND ECONOMIC GROWTH	13 CLIMATE ACTION	
Section 6: Environment	08	Climate change and GHGs	13 CLIMATE ACTION			
	04	Effluents and waste	14 LIFE BELOW WATER	15 LIFE ON LAND		
	10	Environment (general)	8 DECENT WORK AND ECONOMIC GROWTH			
Section 7: Employees	11	Workforce	3 GOOD HEALTH AND WELL-BEING	5 GENDER EQUALITY	8 DECENT WORK AND ECONOMIC GROWTH	10 REDUCED INEQUALITIES
Section 8: Community relations	-	Community impact*	4 QUALITY EDUCATION	8 DECENT WORK AND ECONOMIC GROWTH	11 SUSTAINABLE CITIES AND COMMUNITIES	
Section 9: Society	13	Human rights	10 REDUCED INEQUALITIES			
	12	Responsible supply chain management	12 RESPONSIBLE CONSUMPTION AND PRODUCTION			
	09	Public policy and government relations	16 PEACE, JUSTICE AND STRONG INSTITUTIONS			
	03	Value generation and distribution	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	17 PARTNERSHIPS FOR THE GOALS		
	14	Decommissioning	3 GOOD HEALTH AND WELL-BEING			

* Community impact is currently not a material issue for Premier however is relevant to discuss in the context of this table due to the increasing significance that it presents to Premier and its stakeholders in 2018