

Introduction

Premier is committed to applying the high ethical standards necessary to maintain our reputation as an employer and operator of choice. To deliver this goal, our investment and operational decisions take appropriate account of the social, health, safety and environmental impacts that may arise during our activities. In a year that saw dramatic changes in the global financial and energy markets, we remained committed to investing in the countries and communities in which we operate; refused to cut corners on maintaining excellence in HSE management; and stayed on track in implementing our plans to reach our aspiration of being an industry leader in social performance. Our project teams in Vietnam and Indonesia have remained committed to safe design and have shown tenacity in balancing environmental protection considerations with the economic viability of options in the rapidly changing financial conditions.

Social performance reporting

We publish a Social Performance Report every two years, and in the intermediate years prepare a Communication on Progress. Our Social Performance Report for 2006/7 was published early in 2008 and can be found on our website (www.premier-oil.com). For 2008 we are publishing a Communication on Progress in accordance with the requirements of the United Nations Global Compact principles.

Social responsibility

In 2008, Premier saw success and recognition for health, safety, environmental and social performance and in many areas we exceeded expectations. In addition to recording our best safety performance to date, we received an HSE award for operational excellence from Petro Vietnam for our drilling operations, and in Indonesia were awarded a higher level environmental performance rating by the Ministry of Environment for our Anoa field production operations. Only seven out of 55 exploration and production companies achieved this.

We remain keenly aware of our responsibilities as a corporate citizen. Backed by a strong Board-level commitment, this year we have enhanced and implemented a coherent set of policies that lay down the principles by which we manage human rights, relationships with communities, employment practices, business ethics, the health and safety of people working in our operations and our impact on the environment. During 2008, we continued to work closely with local communities, employee representatives, business partners and regulatory authorities to deliver our policies and to make a positive difference within the localities where we operate.

Community and society

We continue to actively support social and community projects in the areas in which we work. Around the world, the nature of our presence varies in terms of size and duration and our involvement in the community is designed to be consistent with the nature of that work.

In Indonesia, our community development audit by the national upstream oil and gas regulator BPMIGAS received the 'Green' award, the second highest possible certification. We have maintained our long-term community programmes which are predominantly designed to deliver sustainable skills within the communities of the Natuna Islands, which are closest to our offshore activities. Our programmes include support for education, organisational structures, resources and relationship building for local and village level officials, support for local fishermen and training for community health services.

Our deepening relationship with local communities was acknowledged by local government officials in several speeches. We consulted with local communities in order to identify their needs correctly. We responded by supporting training to improve local maternity, infancy and elderly health services. Moreover, medicine and medical equipment was also supplied to improve public health services in Matak.

In the education sector, Premier developed its commitment to early childhood education. We established a kindergarten in Terbang Village, refurbished Al-Quran and Pertiwi kindergartens in Terempa Village and revitalised kindergarten playgrounds. We supported 33 kindergarten teachers of the Anambas District to pursue higher education, focusing on the Open University Early Childhood Education, supplied books for libraries, and also facilitated a local youth conference.

In Jakarta, we distributed books to libraries for deprived students in co-operation with university students who, by distributing these books, are encouraged to start assisting the less fortunate students.

Premier also assisted an association for fishermen in Putik Village to nurture fisheries. Ongoing projects include building a public health centre in Candi Village, a public library in Jemaja, and a kindergarten in Rintis Village.

In Vietnam we have been focusing on education and infrastructure. Our first projects delivered buildings for the Tan Hung elementary school in Binh Phuoc Province in 2006. We also supported an upgrade to the elementary school in the Thanh An commune, Can Gio District of Ho Chi Minh and improved facilities for Tan Nghia elementary school, in Binh Thuan Province. We provided scholarships to allow 28 of the poorest children in the community to attend the school.

Premier has invested in the construction of six bridges in the Mekong Delta, providing safe and reliable access to the nearest town for 28,000 people. Careful consideration is given to the location of each bridge to ensure that those in the poorest areas benefit.

In Pakistan we worked with our joint venture operators to develop and implement community development projects in the areas of operation. The main activities are education and health where the projects are designed to be sustainable and include clinics, schools and water supply schemes. In addition, to promote higher education in the field of oil and gas, a Premier Oil Chair is being funded in the Petroleum Engineering Department of the University of Engineering and Technology.

During 2008 we reduced the scale of our operations in India following our lack of drilling success in Assam, but were pleased to provide the villagers of Phaneng in the Tinsukia District with a tourist eco-centre. Silchar town, our restored drilling site, has become an established island site. It is now protected from the endemic severe flooding and may be used for the benefit of the community.

Human rights

We support the fundamental rights articulated in the Universal Declaration of Human Rights and regularly review our policies and practices. We have updated our human rights policy to explicitly recognise our responsibility to respect the rights of indigenous peoples in the countries in which we operate.

Employment practices

Our policy is to ensure equal opportunities in career development, promotion, training and reward for all of our employees. We continually monitor the skills required to manage our activities and ensure there is a balance of skilled, experienced expatriate and local employees in our overseas offices. We seek to avoid discrimination in the workplace. In support of our aim to attract, develop and retain talented and committed people to deliver our business goals and objectives, we have instigated a new individual development pathway model which will make more visible to employees seeking promotion and individual growth the necessary competence requirements. In late 2008 we also began a programme of specific training in leadership to enhance communication, relationships, business behaviour, teamwork, coaching, change management and strategic leadership. All employees in Asia have participated in the initial foundation phase of this programme.

Following feedback from last year's employee satisfaction survey, we have embarked on a programme of actively promoting and revising our key policy statements, procedures and standards throughout the company, together with enhancing the business management system.

An ethical approach to business

Integrity, honesty and fairness are fundamental to the way we conduct our business. We recognise the value in fostering a culture of transparency, honesty and accountability, both internally and in dealings with third parties. Our objective is to ensure the highest ethical standards and anti-corruption measures are applied within all of our operated entities and external business relationships.

We are a signatory to the United Nations Global Compact and have given an undertaking to help realise the Secretary General's vision of a more sustainable and inclusive global economy.

Health and safety performance

Premier is committed to providing a safe, healthy and secure working environment for all of our employees and contractors. In 2008 we delivered the best safety performance in our history, recording only one lost time injury in 2.4 million man-hours worked. During this period we maintained our production operations in the Anoa field in Indonesia; conducted offshore drilling operations in Vietnam and Gabon, onshore drilling in India, offshore seismic surveys in Vietnam and Indonesia, and project construction work in Vietnam.

We continue to enhance our approach to process safety, requiring that UK-style safety cases are in place for all our current and future production operations and that our maintenance systems are independently verified. We introduced asset integrity protocols for assessing new business opportunities as part of our due diligence process.

Occupational health and safety

In 2008 we incurred only one significant injury (one lost time injury) and recorded a combined LTI/RWDC frequency of 0.40, down from 1.86 in the previous year.

	2008	2007	2006	2005	2004
Number of lost time injuries (LTI)	1	3	4	2	5
Number of restricted work day cases (RWDC)	–	4	–	1	2
Target LTI/RWDC frequency (per million man-hours worked)	1.72	1.90	2.10	2.60	2.90
Actual LTI/RWDC frequency (per million man-hours worked)	0.40	1.86	1.27	1.10	1.42

Premier underwent a number of OHSAS 18001 surveillance audits on our drilling and production operations around the world. OHSAS 18001 is a standard to which a company's health and safety management system may be certified. Certification demonstrates that an accredited body has independently verified that Premier's management systems fully comply with the standard. Successful certification and ongoing surveillance audits confirm that Premier continues to meet the highest standards wherever we drill or operate. We have held this prestigious award since 2004 for drilling and 2006 for production. We are pleased to report that both our drilling and production functions retained their OHSAS 18001 certification in 2008.

We are continuing with our programme to ensure that all employees and long-term consultants and contractors undertake thorough fitness for work health examinations before working offshore, or in remote areas. Our travel risk assessment process ensures that business travellers are made fully aware of the inoculations necessary for their destination, of any specific or new health risks and of appropriate contingency measures.

Process safety performance

Premier follows best industry practice wherever we operate. In Indonesia, although not mandatory, we prepared a 'Safety Case' to UK standards for our operated production facilities and in 2008 conducted a thorough review to ensure that all changes to the facilities, manning levels, operating procedures and risk assumptions were captured. We are pleased to report that this exercise has been completed and that risks remain below the industry average. This process will be continued in our development projects in both Indonesia and Vietnam.

Our maintenance management system was enhanced to identify and capture safety critical equipment performance. In 2008 we moved closer to a full verification scheme and are in the process of contracting an independent verification body to confirm that equipment performance is meeting the expectations in the safety case.

One area of focus is staff competence. We now have new initiatives to provide international vocational qualifications using best oil industry training standards. The first stage of this process is the preparation of training and competency matrices for each job description, and the identification of training courses and on the job assessment to international standards. We are committed to the full implementation of these initiatives, recognising that delivery of the full process will take some time.

In line with our desire for a robust process safety management system for our production facilities we have revised our drilling management system to include the requirement for a full independent assessment of the condition, functionality and maintenance regime of all safety critical equipment on the rigs. This was implemented throughout 2008 and helped us realise our best ever safety performance.

Environmental performance

Our environmental strategy is to reduce our environmental emissions and discharges to as low a level as is reasonably practicable (ALARP). This is in line with our corporate HSE policy. Based on this approach we have been conducting an ALARP assessment for each operated project as part of its environmental aspects analysis and have also encouraged our non-operated joint venture partners to adopt this approach.

We have developed a formal Premier Oil environmental monitoring system to capture all our emissions, discharges and chemical use from source drilling and production report data. We expect this system to compare data by environmental aspect, thereby enabling us to demonstrate achievement of ALARP, and helping us with performance improvements. The pilot system is being trialled before being rolled out to all business units.

We believe formalised and integrated management systems are a key driver in sustaining operations and reducing environmental impacts. Premier has been ISO 14001 certified since 2004 for drilling operations and we have been working to achieve compliance in production operations. In 2006 we achieved certification for production but this was suspended in 2007 when we lost a little of our impetus for improvement. We are pleased to report that in 2008 we retained our drilling certification and regained our production certification.

Environmental indicators

We report environmental performance in line with the International Petroleum Industry Environmental Conservation Association (IPIECA) Oil and Gas Industry Guidance on Voluntary Sustainability Reporting (2005) in the following four core areas as detailed below:

	2008	2007
Greenhouse gases (GHG) (tonnes per thousand tonnes of production)	167	171
Oil spills (tonnes)	–	13.7
Oil in produced water (parts per million)	23	20
Energy use (gigajoules per tonne of production)	2.0	1.8

Emissions

We calculate our greenhouse gas (CO₂ equivalent) emissions both in tonnes emitted and in tonnes per thousand tonnes of production for our production and drilling operations across our global portfolio. In 2008 we emitted approximately 202,755 tonnes of greenhouse gas in total. This equates to 167 tonnes per thousand tonnes of production, down from 171 in 2007. This shows we are continuing to improve our performance year on year.

Midway through 2008, we assessed the main impacts on emissions in the Anoa field in Indonesia and adopted new well management strategies and spare parts availability to improve reliability and emissions. In 2009 we plan to evaluate options for process and technology enhancements to reduce emissions in this field.

We benchmark our environmental performance by contributing our data to an industry database compiled and published by the Association of Oil and Gas Producers (OGP). Our greenhouse gas emissions performance has been broadly in line with the OGP average of 162.

Spills and discharges

In 2008 there were no reported environmental incidents worldwide, down from 15 in 2007. This significant improvement was as a result of our continued focus on pollution prevention and the implementation of more stringent drilling rig acceptance criteria which now includes containment surveys.

There was no significant change in the volume of produced water discharged from our Anoa production facilities from 2007 to 2008. The average concentration of oil in produced water of 23 parts per million remains well within the limits set by the Indonesian government.

Resource use

The main sources of energy that power our facilities are fuel gas and diesel. Our energy use has been consistent over the last five years and remains within the range of 1.8 to 2.0 gigajoules per tonne of production.

Additional indicators

We also collate data, categorised by IPIECA as 'additional', including solid waste and fresh water use. We are continuing to refine our data collection and internal auditing procedures for these additional indicators to improve accuracy.