

# Sustainability Report

Horizon Oil is committed to continuously improving its performance in sustainability. This review covers Horizon's activity and performance across four key areas of sustainability: safety, environment, community and people.

Our approach to operating sustainably is designed to anticipate and respond to the most pressing emerging topics (issues and opportunities) that have the potential to materially impact employees, suppliers and security holders, as well as the wider community and the environment at large. Sustainability considerations are embedded within our core business activities and are aligned with our priorities that aim to create sustainable long-term returns for the business and its shareholders.



## Safety

Horizon Oil continues to maintain its strong safety and health performance in its operated assets and is committed to maintaining a safe and healthy working environment for all people across its operations. Horizon Oil achieved a Total Recordable Injury Frequency Rate (**TRIFR**), a Lost Time Injury Frequency Rate (**LTIFR**) of 0.0 and had no recordable injuries which exceeds industry norms. Total exposure hours were consistent with the 2018 financial year and as at the date of this report, Horizon Oil will achieve 5 years free of recordable injury.

Horizon Oil continues to monitor its non-operated assets to ensure that safety and health performance remains consistent with its expectations. This includes an ongoing programme of targeted on-site assessments of the non-operated assets. During the reporting period no Lost Time Injuries were reported in each of the non-operated assets (China and New Zealand).

Horizon Oil remains committed to the health of its employees. This includes periodic medical assessment supported by a full range of vaccinations combatting key health risks including cholera, typhoid, Japanese encephalitis, polio, tetanus, seasonal influenza and hepatitis. In 2019 financial year Horizon Oil again offered annual influenza vaccinations to all its people with more than 90% of employees taking the opportunity to receive vaccinations.

During the year, Horizon Oil employees in Sydney, Port Moresby and Kiunga received or renewed their first aid qualifications. A staff-led initiative based on this training resulted in the purchase and installation of an Automated External Defibrillator (**AED**) at each of Horizon Oil's offices with an awareness programme delivered in support of their deployment.

## Security

Horizon Oil operations are conducted in compliance with internal policies based on the *Voluntary Principles on Security and Human Rights*. Horizon Oil is cognisant of its obligations under the Modern Slavery Act, 2018. Horizon Oil undertakes risk-based assessments of its operations, partners and suppliers to confirm that they remain in compliance with legislative requirements. Horizon Oil will continue the collection of data across 2020 and expects to submit a modern slavery statement in the coming reporting period.

Horizon Oil recognises the value of its information and the critical role played by its information technology (IT) systems in supporting a sustainable business that remains resilient to the risks inherent in the rapidly evolving cyber-environment. During the reporting period Horizon Oil examined and assessed each component of its IT systems. The business carried out a major programme of renewal and resilience building. This programme significantly increased the ability of the business to minimise business disruption from cyber-security threats including data breach, and loss of business continuity (down-time).

## Environment

### Papua New Guinea monitoring

Horizon Oil has developed a robust environmental baseline in its area of operations and during the reporting period maintained a comprehensive programme of ongoing environmental baseline monitoring. The monitoring showed no discernible or material environmental impact from activities in our Western Province project impact area and broader environment. The scope of Horizon Oil's environmental baseline monitoring program includes regular assessment of environmental stability, riverbank erosion and testing of water, soil and sediment quality.

Horizon Oil is committed to ensuring that past, present and planned operations do not impact the environment or the continued ability of the community to make use of it. During the year, Horizon Oil accompanied representatives of the Conservation and Environment Protection Authority (**CEPA**) during a site-based environmental assessment of all its historic sites of operation in Papua New Guinea (**PNG**). We have made satisfactory progress with site remediation activities and continue to monitor on ongoing basis site and asset maintenance. Based on the results of the assessment, several sites were regarded as sufficiently advanced in their remediation and it is anticipated no further monitoring will be required of these sites. Horizon Oil continues to build upon the long-term, sustained and productive engagement with the environmental regulator as a key component of its sound and sustainable environmental management practice.



### Climate Change risks

Horizon Oil recognises climate change as a significant global issue that presents many challenges, particularly in a world with growing energy demands. Horizon Oil acknowledges the potential impact of climate change on its operations and business resilience, and believes that a diversified energy mix will be important in meeting sustainable energy requirements whilst curbing climatic impacts. These challenges present both opportunities and risks for companies over the medium to longer term.

Horizon Oil continues to assess the potential impact to its asset portfolio associated with climate change and has implemented a governance framework to assess and evaluate material risks arising from climate change and to formulate strategic responses to the risks and possible opportunities. During the financial year, Horizon Oil reviewed the data collected from its operated assets and non-operated projects to enable it to better evaluate the risks and opportunities presented by climate change. The Horizon Oil Risk Management Committee has oversight and is responsible to the board for the evaluation and management of material risks associated with climate change.

Emissions from Horizon Oil's operated and non-operated activities in Papua New Guinea are minimal as these assets are in the exploration and pre-development phase. Emissions from Horizon Oil's non-operated China assets were managed in accordance with the environmental standards relating to air and water quality in China and subject to periodic regulatory reporting. Emissions arising from Horizon Oil's non-operated New Zealand assets met or exceeded New Zealand environmental standards and were offset by the acquisition and surrender of carbon units in accordance with the New Zealand Carbon Emissions Trading Scheme.

Horizon Oil has formulated a framework for reporting the assessment and management of climate change related risk and this framework includes an annual assessment of business resilience including the identification of risks and opportunities, corporate targets and metrics.

Recognising the need for information on climate related impacts, the G20's Task Force on Climate-Related Financial Disclosure (**TCFD**) developed voluntary, consistent climate-related financial disclosures for use by stakeholders to make better informed decisions. Horizon Oil is committed to the recommendations made by the TCFD and is progressively working towards improved disclosures in relation to the areas of governance, strategy, risk management, and metrics and targets relevant to climate risk.

The alignment with TCFD is voluntary, and the task force recognises that meaningful adoption of the report's recommendations are expected to be achieved over a three-year timeframe as both experience and disclosures evolve in response to clearer messaging from financial markets.

Horizon Oil supports the TCFD objectives, and undertook a high-level impact assessment of climate related risks and opportunities on the business over the short, medium and longer terms. The Group will continue to enhance its climate related disclosures in alignment with the recommendations of the TCFD, in order to assist investors, lenders, insurers and other stakeholders to make informed decisions.

Risk	Description	TCFD Risk Type	Potential Impact to Business	Management Response and Mitigation
<b>Exposure to extreme weather events</b>	Severe weather events impacting production in Maari and Beibu fields; damage to physical assets; disruption to operations, supply chains, etc.	<b>Physical:</b> Acute and Chronic, and Legal	Declining revenue, repair costs, not meeting budget and expected shareholder returns. <b>Time frame:</b> Short/ Medium/ Long Term	Assess potential climate impacts and contractual arrangements ensuring appropriate mitigation measures are in place; e.g. ensure potential climate impacts are considered in design and construction of assets; and maintain requisite insurance policies to protect assets and revenue against extreme weather events including loss of production insurance, as appropriate.
<b>Policy/legal changes</b>	Legislation and regulation to address climate change and risks associated with policy-driven transitions.	<b>Non-physical:</b> Transition and Liability risks	Increased compliance costs, changes in demand and pricing, and potential litigation arising from non-compliance. Restrictions on use of carbon-intensive assets, stranded assets. <b>Time frame:</b> Medium and Long-term	Participation in the New Zealand Emissions Trading Scheme with proactive monitoring of its carbon emissions, obligations and pricing. All NZ economic analysis completed with a NZ\$25/tonne CO <sub>2</sub> price. Retain focus on high margin, low cost assets. Active hedging policy. Management continues to monitor and engage with the appropriate government and regulatory authorities to keep up to date with evolving legislation.
<b>Damage to Company reputation</b>	Reputational damage arising from association with an asset or company.  Damage to reputation by targeted shareholder activism or divestment.	<b>Non-physical:</b> Reputational	Reduction of shareholder value and declining access to finance. <b>Time frame:</b> Medium and Long-term	Consider climate risks and opportunities during project design, development and operation of operated and non-operated assets. Progressive adoption of TCFD recommendations for reporting and disclosure. Ongoing implementation of the Horizon Oil Community Investment Program in PNG.
<b>Technology</b>	Changes in supply, and demand for carbon-intensive assets resulting from new technologies as the market transition to a lower-carbon economy.	<b>Non-Physical:</b> Financial and Economical	Declining revenues, asset write-offs and reduction of shareholder value. <b>Time frame:</b> Long Term	Management continues to monitor technology developments. Retain focus on high margin, low cost assets.

Opportunity	Description	TCFD Opportunity Type	Potential Growth to Business	Management Response
<b>Technological opportunities</b>	Commercial opportunities arising from new technologies as the market transition to a lower-carbon economy.	<b>Non-physical:</b> Financial and Economical	Improved operating efficiency and accelerated technological innovation, resulting in lower operating costs for the business. <b>Time frame:</b> Medium and Long Term	Given the company's size and agility, the Group is well placed to be a fast follower of viable new technologies.

## Community

### Papua New Guinea Health Programs



Horizon Oil is committed to supporting long-term sustainable health training and healthcare support infrastructure for its local employees and the broader community in regional and remote areas of the Western Province.

As part of broader community initiatives with a focus on the Western Province region, Horizon Oil continues to develop sustainable healthcare infrastructure through its sponsorship and in-field support of Australian Doctors International (**ADI**) and MercyWorks.

Horizon Oil's objective is to conduct its operations in a manner that supports and promotes sustainable social and economic development in the Western Province. Horizon Oil believes that strong relationships with its host communities are an essential component of its social licence to operate. Accordingly, the Company continued to engage closely with Western Province communities in Papua New Guinea during the year.

Horizon Oil's regular community engagement during the reporting period was supplemented by the ongoing implementation of the Horizon Oil Community Investment Program (**CIP**). These small-scale community investments are participatory in nature, with communities contributing both their own time and resources to supplement the materials and resources provided by Horizon Oil.

CIP activities aim to enhance life skills and provide opportunities to improve resilience and self-sufficiency. During the year, training courses were delivered in partnership with the Kiunga Vocational Training Centre and the Bank of South Pacific covering sewing, baking and financial literacy. In addition, a pilot project was completed in co-operation with MercyWorks to establish solar power, cold storage and internal lighting and plumbing for the first time in the community aid post at Drimdemasuk village.

### People and Governance



Horizon Oil's board and management are committed to the sustainable development of both the business and its assets. The governance processes applied are founded in the corporate governance principles as defined in the corporate governance statement. The identification and assessment of sustainability-material issues at Horizon Oil are integral to this process and are considered a fundamental part of the way that we do business.

Horizon Oil's sustainability governance framework is subject to continual improvement to achieve alignment of our sustainability principles with core non-operated business in China, New Zealand and Papua New Guinea. Horizon Oil reviews on a semi-annual basis the relevant operator's Health, Safety, Security and Environment (**HSSE**) policies and monitors HSSE performance through regular communication and reporting. Annually, Horizon Oil reviews compliance against these HSSE policies and obtains certification from the relevant operator that it has materially complied with its HSSE policies.

Embracing diversity in the workplace results in increased effective and innovative business performance outcomes. Horizon Oil recognises this and is committed to a workplace culture that promotes the engagement of well qualified, diverse and motivated people across all levels. The Board approved measurable objectives for achieving gender diversity and Horizon Oil's progress in achieving these objectives in FY19 are set out in the Corporate Governance statement.