

2007 SOCIAL PERFORMANCE REPORT

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Our business affects individuals and groups that are wide-ranging and globally located - they include: Investors, Employees, Communities, Governments, NGOs, Joint Venture Partners, and Suppliers. To enable us to effectively manage sustainability issues, these stakeholders must first be identified. We regularly review the identity of our stakeholders, and actively engage with parties where appropriate. This report is used to communicate our performance, both internally and externally via our various stakeholder engagement processes.

This report follows on from previous documents generated to assist in the aims of sustainable development. Previous Premier reports include: 2005 Social and Environmental Responsibility Report, 2003 Sustainability Report, and 2001 Social Performance Report. A Communication on Progress will be issued in 2008 and a subsequent Social Performance Report will be issued in 2009.



DECIDING WHAT TO REPORT

Two main protocols were used in developing the framework and scope of this 2007 Social Performance Report: International Petroleum Industry Environmental Conservation Association (IPIECA), and UN Global Compact. The IPIECA documents included the following:

- IPIECA/API – Compendium of Sustainability Reporting Practices and Trends for the Oil and Gas Industry (2003);
- IPIECA/OGP – Oil and Gas Industry Guidance on Voluntary Sustainability Reporting (2005).

For the UN Global Compact, we focussed upon the ten principles in the areas of human rights, labour, the environment and anti-corruption. This Report supports our commitment to deliver an annual Communication On Progress (COP), as required by the UN Global Compact.

Other standards and guidance that were used in framing this report included:

- FTSE4Good;
- World Resources Institute Greenhouse Gas (GHG) Protocol Requirements
- Equator Principles



“I SEE IT AS MY DUTY TO ENSURE THAT WE ALL REMAIN COMMITTED TO BEHAVING RESPONSIBLY IN EVERY PART OF OUR BUSINESS ACROSS ALL THE SOCIAL HEALTH, SAFETY, ENVIRONMENTAL, SECURITY DIMENSIONS OF OUR ACTIVITIES.”

Simon Lockett
Chief Executive Officer

It makes me very proud to see how management and staff at Premier put responsible practices at the heart of the way we do business. True to our values, we continue to be professional, respectful, tenacious, dynamic and creative in our approach and have developed a workforce that is committed to doing the right thing for our people, our shareholders, the communities in which we work and our environment. I see it as my duty to ensure that we all remain committed to behaving responsibly in every part of our business across all the social, health, safety, environmental and security dimensions of our activities.

Our business strategy focuses on locations where others may perceive risks as high, but we have the skills and experience to assess and manage these risks. To grow our business further and to continue to be welcomed into new locations, we must position ourselves as the partner and employer of choice. This means leading the way in doing the right thing, and actively engaging all our stakeholders in doing so.

Along with profit-making objectives, our business strategy also promotes social equality both in the workplace and in the local communities in the countries where we operate. We have been working on numerous community projects, and we will continue to make a contribution in this way in all our future locations of operation.

Premier recognises the importance of climate change and the drive for CO2 emission reductions. We have therefore prepared our first strategy on CO2 emissions requiring all operated ventures to control CO2 emissions in line with an ‘as low as reasonably practicable’ principle.

In recent years we have exceeded our occupational health and safety targets and have taken steps to improve process safety management by implementing safety critical equipment verification schemes and actively promoting competence assurance. We have improved the assessment of security risks and emergency response preparedness, we have worked actively and successfully with communities

and we have taken care of our employees. We have reduced the frequency of environmental incidents and reduced our greenhouse gas emissions by working hard to improve the reliability of equipment.

In other areas, our success has been tempered; the process of gaining certification for our global drilling and Indonesian production operations was hugely beneficial to us but it was a disappointment to have our ISO 14001 certification suspended in Indonesia, late in 2007. Activity levels in Indonesia were unprecedented in 2007, resources were stretched and we did not achieve all that we wanted to. We have embarked upon a plan to address the challenges that we face, including additional recruitment, strengthening our training programme and developing succession plans to manage the transference of knowledge within our workforce. I believe that as these actions come on line we will reinvigorate our performance.

In May 2007 I received the news that there had been a fatality on one of our contracted drilling rigs. This had a profound effect on us. We looked very carefully at how we manage drilling campaigns and have enhanced our processes as a consequence. Now we require all contracted rigs to rigorously identify all safety critical elements (equipment and processes), to convince us that they are properly maintained and that their people are competent to use them. Although some contractors have initially been surprised by our stringent requirements, feedback has been very positive.

Going forward, we will obtain certification to ISO 14001 (environment) and OHSAS 18001 (occupational health and safety) management systems standards for our operated operations; are committed to planning, creating and delivering net positive social and environmental impacts wherever we work and will continue to work in partnerships, where possible, to multiply these positive impacts through collaboration with specialist organisations.

Simon Lockett, Chief Executive Officer

FOUNDED AS THE CARIBBEAN OIL COMPANY IN 1934, PREMIER HAS GROWN SINCE ITS EARLY DAYS TO BECOME A LEADING FTSE 250 INDEPENDENT EXPLORATION AND PRODUCTION COMPANY WITH OIL AND GAS INTERESTS IN ASIA, MIDDLE EAST-PAKISTAN, THE NORTH SEA AND WEST AFRICA.

Employing around 360 employees and long-term contractors, we have interests in producing assets in the UK, Indonesia, Mauritania and Pakistan. We also have ongoing exploration and appraisal activities in the North Sea, Asia, Middle East, Pakistan and Africa.

We specialise in finding and producing oil and gas in remote locations and developing countries where both the risks and rewards may be greater than in less hazardous and more mature countries. More than 90% of the world's proven oil and gas reserves are found in such countries which are expected to meet most of the anticipated increase global demand for energy over the next two decades. If resources are well-managed in these areas, then this can lead to growth and alleviation of poverty, but can invite corruption and unrest if they are not managed responsibly. As guests within these areas we are committed to ensuring that our operations are carefully managed, respecting the environment within which we work and making Premier a company that people want to work for and with.

We aim to identify and manage risk, and maximise the rewards to the benefit of all our stakeholders. To meet this aim, all of our investment and operational decisions take account of the social and environmental impacts that they will cause. Our commitment to corporate social responsibility is structured to create alignment between our commercial objectives and the ethical standards that we believe are necessary to maintain our reputation. As part of this commitment, we regularly publish information about our social performance.

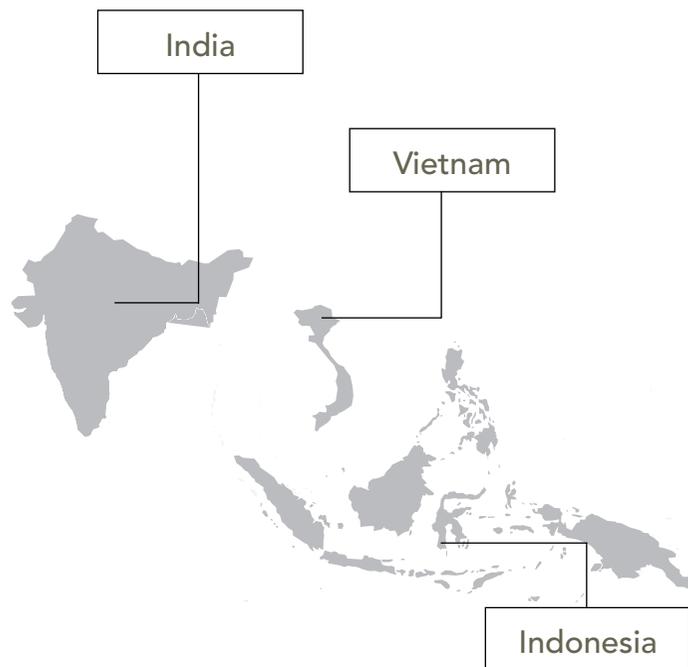
We continue to work closely with local communities, business partners and regulatory authorities to make a positive difference within the localities where we operate.





We have seen significant changes in the expectations placed upon us by governments and stakeholders over the past few years in order to maintain our status as a good corporate citizen. We continually strive to recruit and retain the best people and skills in our various business centres, to actively engage local labour wherever practicable, to ensure that our employment practices are fair and are adhered to and that we support social and community projects in our areas of operation.

The following sections describe some of the community development projects that we have supported, the majority of which are in Asia where we have our most substantial operated presence.



INTRODUCTION

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INDONESIA

Our only operated production activities are in Indonesia, therefore our community programme is larger and more mature there than elsewhere in the world. Most of our community projects are located in the Natuna Islands, close to the Anoa gas field. The projects were identified and selected through dialogue with local communities and a socioeconomic impact assessment (SIA) conducted with the assistance of Lab Socio, the centre of sociological studies at the University of Indonesia located in Depok. Our projects in Indonesia focus on education, health, infrastructure, water supply, culture, and capacity building of the local government.



Education and health

The Premier-sponsored Anoa Kindergarten is in its eighth year of operation, and each year the school educates between 90 and 100 pre-school children. We have been managing the school since its inception and management is now being transferred to the local community.

We have also funded the construction of a kindergarten building at Tebang village, and the completion of a kindergarten building in West Terempa village.

We believe that education is important in developing sustainable communities and we are currently sponsoring the university training of 31 pre-school teachers from the Palmatek, Siantan and Jemaja sub districts. The teachers have no formal teacher training but with our sponsorship will undergo a four year distance learning course conducted by Universitas Terbuka, an open university that specialises in training in-service teachers.

We have supported two community health-related projects in Palmatek sub-district during 2007, the first dealing with maternal and child health, and the second project involving the training of local paramedics.



Infrastructure and water supply

The need for a multi-purpose hall in Terempa village was one of the key outcomes of the ongoing dialogue with the area's local administration. The planned building will be used for sports, social events, national and religious activities and will benefit around 15,000 people. We also assisted with the construction of a similar hall in Payalaman village.

As part of the West Natuna Consortium, we provided funds for the paving of the main street in Payalaman village. Once complete the road will be 1.2 km long and 4 m wide.



In 2005 we engaged the Bandung Institute of Technology to carry out a study investigating the possibility of providing clean water to villages in Palmatak sub-district. The study recommended the installation of a water distribution network to supply villages and individual households with clean water. Implementation of the project commenced in November 2006 and was completed in December 2007. Water is supplied to five villages, benefitting around 15,000 people.

Capacity building

In 2005 we initiated a three-year training programme for civil servants from Siantan sub-district. The training programme has taken the form of a series of workshops, attended by a variety of participants and observers. These workshops have been attended by village chiefs, village secretaries, members of village boards, sub-district heads and sub-district staff members. The training programme was designed according to the needs identified by village civil servants, with the aim of providing guidance on improving the service that they provide to their communities.

Natuna Malay Art Revitalization Programme

Through stakeholder engagement, the need to revitalise the Malay art and culture of the Natuna Regency was identified by local communities as a priority, as it is feared that some of the customs and practices are in danger of being lost for future generations. Throughout 2006 we led this programme through a series of training programmes and workshops that included traditional dance, drumming and various other arts. We continued to support the programme in 2007.

We are also sponsoring two arts students who expressed a desire to help preserve Natuna's Malay culture to study at the Institut Kesenian Jakarta (Jakarta Institute for the Arts) for four years. Institut Kesenian Jakarta is regarded as Indonesia's best arts university, and this scholarship programme has the support of the Natuna Arts Board and the head of the Natuna Regency.

VIETNAM

Our Vietnam business unit has funded a number of projects over the last two years, focusing mainly on education, infrastructure, emergency relief and the support of selected charities.



School building

We funded the construction of the Tan Hung elementary school in Binh Phuoc province in 2006 with management support from the Saigon Children's Charity (SCC). The most recent SCC progress report indicates that there are 46 pupils attending class in school year 2006-2007. The number is now expected to increase to 53 pupils.



We also sponsored a three year scholarship programme for eight pupils and a one year scholarship for 20 pupils at the school. According to the SCC report for the 2006-2007 school year our contribution has been fully utilized, and 28 students have received scholarships.

Vung Ta'u typhoon relief fund

In December 2006 Vung Ta'u was hit by a typhoon that devastated the area. The storm caused 23 fatalities, hundreds of injuries and several million dollars worth of damage to the city's infrastructure. We made a donation to aid in the reconstruction of the area that was home to a number of our contractors.



Bridge building project in Mekong Delta

In 2007 we sponsored the construction of four bridges in the Hau Giang province in the Mekong Delta. The work is being conducted on our behalf by the Bao Hoa Charity and is supported by the Transport Research Agency.

INDIA

We have been supporting community projects in Delhi, where our office is based and in the Cachar Block, where our drilling operations were located. Although we have now decided to withdraw from the Cachar Block, the projects underway and completed in the region will continue to provide benefits to the communities living there.

Projects in Delhi

We have made donations to a number of charities supporting cancer patients, sporting institutions and education. This includes the Tamanna School Project which provides free education to some of Delhi's street children. In addition to our financial contributions, a number of our employees also assisted in solving administrative problems faced by the school, and recently helped the school undergo its Government registration process.



Flood relief in Cachar

In August / September 2007 the Cachar area suffered from extensive flooding, and most villages surrounding our Masimpur-3 and Hailakandi-1 well sites were inundated. We responded to the urgent needs of affected villagers by providing mosquito nets for relief camps, boats for the transportation of stranded villagers, arranging a medical camp with the help of seven doctors from a local medical college and supplying free medicines.

Improvement of drinking water and sanitation facilities



Sanitation and water supply is a major problem in the region, and we were pleased to fund improvements of the drinking water facilities in villages surrounding the Masimpur-3 well site. The project included the construction of nine new wells and the refurbishment of two existing wells and five ponds. We also funded a project to improve sanitation facilities in Pechadar Village, which involved the construction of toilets.

We are also supporting a mass sanitation project run by the Silchar Municipal Board (SMB) for slums in Silchar and Rongpur, and have also provided five waste trolleys to the SMB to help with rubbish collection and disposal around Silchar.



Support for fish farming development

Fishing is an important industry for the local community in Cachar, and we have supported a fish farming development project in conjunction with the local Government. The project includes the construction of fish ponds, fertilization of ponds, release of fish, periodic health checks, and the training of participating farmers.

EMPLOYMENT PRACTICES

We aim to attract, develop and retain talented and committed people in order to maintain the capability of the group to deliver our business objectives. Our policy is to ensure equal opportunity in career development, promotion, training and reward for all of our employees. We aim to ensure that all our employees understand our business goals and our values.

Our people

We understand that our employees are vital to our success as a business, and their well-being is important for us to operate in a sustainable manner. We have developed policies to ensure that our employees are satisfied and continue to help us grow.

Attracting and retaining high calibre employees is a goal and a challenge for Premier. In late 2007 we introduced a universal remuneration policy, which included an intention to remunerate our employees at top quartile rates for the sector at their employment location. Pay reviews, including a survey of local pay and conditions are required to be undertaken regularly.

These objectives have been largely achieved and are functioning both in our headquarters and other parts of the world. Pay reviews are undertaken annually; a survey has recently been completed in Indonesia and one is ongoing in Pakistan.

Part-time employees have pay and benefits equal (on a pro-rata basis) to full time staff.

We believe that our workforce should reflect the communities in which we operate. We therefore constantly monitor the skills required to manage our activities and the balance of skilled, experienced, expatriate and local labour.

We are seeking to improve the health and well being of all our employees and all persons working offshore or in remote areas must undertake fitness for work health examinations. We have also been encouraging all employees to take a stress cardiogram test to confirm that they do not have any incipient heart condition. Where practicable we have expanded this programme to include long term consultants and

contractors. We have introduced a travel risk assessment process to ensure all business travellers are made fully aware of the inoculations necessary at their destination, any specific or new health risks and appropriate contingency measures.

Recruitment

We wish to attract high-quality individuals to our business through creating a reputation as a company which values employee contributions, and promotes and rewards through action and merit. We currently employ approximately 360 individuals globally, an increase from 309 in 2006. We believe that recruiting individuals from local communities is important in creating a sustainable business.

EMPLOYEE SURVEY

We commissioned Maplecroft to conduct an independent survey of employees and long-term contractors ('employees'). The survey had three main aims. First, it sought to learn more about employee viewpoints on their working life to inform the company's decision making. Secondly, it sought to identify those health, safety, environment, security (HSES) and social issues that employees consider relevant and material to Premier as a means of enhancing the company's understanding of risk; and thirdly, it sought to analyse employee viewpoints on company performance in this respect. The survey also sought to assess the degree to which we are supporting the principles of the UN Global Compact. The survey was distributed via email in English and Indonesian. Responses were received directly by Maplecroft and names were protected to ensure confidentiality.

BUSINESS ETHICS

Premier's policy on business ethics addresses these issues and the elements are captured in our business principles. These address the principles outlined in the OECD Convention on Combating Bribery and confidential 'hot lines' are now in place to reassure employees that any reported transgression of Premier principles in this regard will be followed up without redress. The system is monitored independently and to date no transgressions of the principles have been reported.

Premier expects its employees and agents to:

- adhere to principles of honesty, integrity, openness and fairness in the conduct of Premier's business;
- respect all applicable laws;
- reflect all business transactions on behalf of Premier accurately and fairly in the accounts of the company and make them subject to audit;
- report any breaches of the General Policy to the appropriate manager in Premier or to the confidential contact number set out in our Whistleblowing Policy;
- not put themselves in a situation where there is a conflict between their role within Premier and their own personal and financial situation;
- refrain from giving gifts in order to influence a third party to give an advantage to Premier;
- reject gifts from third parties in the context of their employment with Premier.

HUMAN RIGHTS

As a fundamental element of its business principles, Premier has an established human rights policy that defines at the highest level the 'way it works' and confirms its strategies towards human rights. As such, these policies are explicitly noted in the policies of the Premier Human Resources Department and rooted within the international framework of human rights: the Universal Declaration of Human Rights (1948), the Core Labour Standards of the International Labour Organization and the Rio Declaration on Environment and Development (1992). Premier's policies not only seek to actively promote the protection of human rights – as is explicitly stated – but they also seek to ensure that Premier is not considered complicit in human rights violations occurring in countries where we operate.

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OCCUPATIONAL HEALTH AND SAFETY

Premier approaches the management of occupational health and safety and process safety differently. The relative metrics, incentives, and management systems that focus on measuring and managing occupational safety (slips trips and falls etc) and process safety (hydrocarbon containment, gas leaks, fires and explosions) are described in the following sections. They have been designed to avoid confusing improving trends in occupational safety statistics (Lost time injuries etc) for a general improvement in all types of safety.

It is our stated policy to ensure that all potential risks to our employees and contractors are reduced to 'as low as reasonably practicable' (ALARP). We believe we owe a 'duty of care' to our employees and also to our contractors, and include both in the performance data presented in this section. Our occupational safety key performance indicator comprises a combined frequency of Lost Time Injuries (LTI) and Restricted Workday Cases (RWDC) per million exposure hours worked.

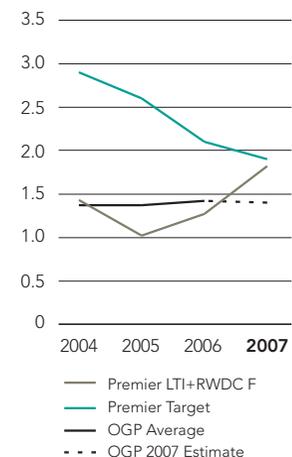
Table 1	2004	2005	2006	2007
Lost Time Injuries	5	2	4	3
Restricted Workday Cases	2	1	0	4
Million Exposure Hours	4.92	2.72	3.16	3.84
Target LTI+RDWC Frequency	2.90	2.60	2.10	1.90
Actual LTI+RDWC Frequency	1.42	1.10	1.27	1.82

Over the years we have been striving to continuously improve our performance, and the number of LTI and RWDC injuries we incur has now reduced to a level where it is becoming increasingly difficult to sustain a downward trend (Table 1 and Figure 1). We have set ourselves a target of a 10 per cent reduction in incidents year on year and have succeeded in bettering our targets throughout the last four years. This period saw us reduce from 2.9 in 2004 to 1.9 in 2007. We are still committed to reducing our target by around 10 per cent each year and have set the 2008 target accordingly.

We benchmark our performance against the industry average published by the Association of Oil and Gas Producers (OGP), and although our performance was better than the OGP average in 2005 and 2006, our 2007 frequency of 1.82 is likely to be slightly worse (Figure 1).

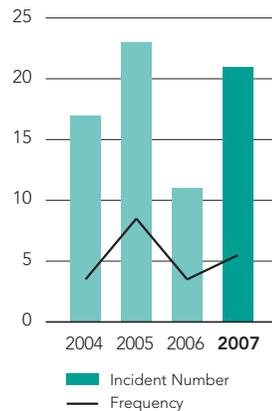
In 2007 we incurred three LTI and four RWDC incidents, which included one fatality. The fatality occurred on a drilling rig contracted offshore Indonesia. All safety incidents are reportable and each is subject to a review appropriate to its actual and potential outcome in terms of likelihood and severity (risk level). All significant incidents undergo a root cause analysis and require a management action (including reviewing procedures) to avoid similar incidents in the future.

Figure 1: LTI+RWDC Frequency Benchmarking
Incidents / 10⁶ exposure hours



In 2007 we decided to embed a focus on high potential incidents within our health and safety plan, i.e., near-miss or minor incidents that could potentially have had serious consequences. Such incidents require senior management to review and sign off the conclusions from the incident investigation and the close out of any corrective actions, together with the issue of a safety alert focusing on the lessons learned. After successfully completing this embedding process we are now planning to include high potential frequency targets as a key performance indicator from 2008 onwards (Figure 2).

Figure 2: High Potential Incidents 2004 to 2007



Our occupational health and safety management system is certified to OHSAS (Occupational Health and Safety Assessment Scheme) 18001. This is an international standard by which companies' management systems may be independently verified. In 2006 and 2007 we underwent a number of OHSAS 18001 assessments and surveillance audits on our drilling and production operations. Our global drilling function retained the certification it had first achieved in June 2004 whereas our Indonesian production facility which originally achieved certification in 2006 was recommended for further assessment.

SECURITY

We have now embedded security threat assessments as part of our risk management process and are pleased to report that there were no direct major security incidents to Premier personnel or facilities during 2006 or 2007. Since integrating our security, business continuity, disaster recovery and emergency response processes in 2006 we have now conducted specialist training in emergency preparedness for our corporate emergency response team (CERT) in London, including media (television and telephone) and relative response training. We also regularly tested our emergency response plans throughout the year to ensure readiness, including setting up and testing our offsite data recovery team as part of our London business continuity plan arrangements. These skills and resources form an essential part of our worldwide crisis management teams and business continuity plans.

PROCESS SAFETY

Process safety focuses on designing in safety when the facilities are designed and built (inherent safety), maintaining the functionality of all safety critical systems and equipment, and competent operators. We regard process safety as an integral measure for preventing major accidents. We aim to use best industry practice wherever we operate and are committed to reducing our process safety risks to 'ALARP'. Safely designed, well-maintained and safely operated facilities provide a means to reduce or eliminate process related incidents and risks, especially those with a high potential severity.

We have included a Process Safety Management System (PSMS) within our HSES management system and this includes the following elements to manage process safety risks.

Project safety reviews and design for safety:

We conduct special engineering safety audits at key stages in a project life cycle to provide assurance that all process safety issues are being correctly addressed. We utilise 6 possible stages of reviews:

- PSR 1 – Conceptual Design
- PSR 2 – [Start of] Detailed Design
- PSR 3 – [Start of] Onshore Fabrications/ Construction
- PSR 4 – [Start of] Offshore Installation/ Site Construction
- PSR 5 – Pre-Commissioning/ Commissioning
- PSR 6 – Operation

Operations safety case and hazard analysis:

We use quantitative risk assessment (QRA) to demonstrate that the design is able to control, mitigate and recover from a major accident such as gas release, fire, explosion or blow-out etc. In Indonesia, although not a local requirement, we put in place 'Safety Cases' based on the UK regime. The regime includes a review every five years to ensure that changes to facilities have been accounted for and that risks to personnel remain ALARP. We will ensure that all future operated projects adopt this regime.

Operations and maintenance management systems:

To deliver confidence that process safety systems are fully functional we are enhancing our maintenance management system to better monitor the performance of safety critical equipment. In 2007 we contracted Lloyds Register to prepare performance standards and a critical function testing regime to confirm that our equipment performance was meeting the expectations in the safety case. This work has essentially been completed and we are now in the process of capturing pass or fail data. We expect to have our first full data set within 6 months in line with the completion of our review of the safety case. Together this will enable us to have confidence in the functionality and inherent safety of our facilities.

Competence

We have recognised that in this particularly bullish oil market there are strains on identifying and securing competent new recruits from a diminishing resource pool, while at the same time trying to retain the highly competent personnel we have nurtured and trained to manage and run our facilities. We have therefore developed some new initiatives in this area geared to provide international vocational qualifications to many of our national staff, using best oil industry training standards. This process will take some time to deliver but is being geared to the manning needs of our future development projects in Indonesia and Vietnam coming on-stream in 2010 and beyond.

Drilling

In line with our robust process safety management system we have upgraded our drilling management system to strengthen the requirement for an independent assessment of the condition, functionality and maintenance regime of all safety critical equipment, and crew competence on the rig. To capture this new process we have expanded the scope and content of our HSE Well Assessment Measurement (WAM) and have set new targets.

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				ASSURANCE	

Our environmental policy is to ensure that our environmental emissions and discharges are 'as low as reasonably practicable' (ALARP). We will also adhere to the 'precautionary approach' outlined in UN Global Compact to which Premier is signatory. We have now set ourselves a target to conduct an ALARP assessment for each operated project / activity as part of its environmental aspects analysis and include the results in our ISO 14001 certification process.

ISO 14001

Our environmental management system is certified to ISO (International Standards Organisation) 14001. This is an international standard by which companies management systems may be independently verified. In 2006 and 2007 we underwent a number of ISO 14001 assessments and surveillance audits on our drilling and production operations. Our global drilling function retained the certification it had first achieved in June 2004 whereas the certification for the Indonesian production facility which was originally achieved in 2005 was suspended. We are currently resolving the issues raised in order that certification may be reinstated in 2008.

ENVIRONMENTAL INDICATORS

In line with the International Petroleum Industry Environmental Conservation Association (IPIECA) Oil and Gas Industry Guidance on Voluntary Sustainability Reporting (2005) we report environmental performance in the four core areas of oil in produced water, oil spills, green house gas emissions and energy use. The table and figures below summarise our performance from 2004 to 2007. Performance data is presently gathered from our production and drilling operations and does not include our office facilities. Data is recorded and collated at each of our operated facilities in compliance with our integrated Health, Safety and Environment Management System. Emissions and discharges are calculated using standard industry guidelines issued by IPIECA and OGP.

SPILLS AND DISCHARGES

In 2006 and 2007 we had four and three hydrocarbon spills respectively, compared with none in 2004 and 2005 (Table 1). All seven spills were of synthetic oil based mud, which was accidentally discharged from the same drilling rig contracted in Indonesia. The only other significant spill to the environment occurred from a rig in Guinea Bissau in 2007, when 28 tonnes of water based mud were accidentally discharged following a flow line valve failure.

There was no significant change in the volume of produced water discharged from our production facilities from 2004 to 2007, and the concentration of oil in produced water, which varied between 24 and 20 parts per million, remained well within the limits set by the Indonesian government.

Table 1	2004	2005	2006	2007
Hydrocarbon Spills <i>number</i>	0	0	4	3
Hydrocarbon Spills <i>tonnes</i>	0	0	3.9	13.7
Oil in Produced Water <i>tonnes</i>	16	18	15	14
Oil in Produced Water <i>parts per million</i>	23	23	21	20
Greenhouse Gases (CO ₂ eq.) <i>10³ tonnes</i>	324	261	297	222
Greenhouse Gases (CO ₂ eq.) <i>tonnes / 10³ tonnes of production</i>	255	209	232	171
Energy Use <i>gigajoules / tonne of production</i>	1.8	1.8	1.9	1.8

WASTE

We do everything practicable to minimise waste we produce and recycle or re-use our waste.

EMISSIONS

The main sources of our greenhouse gas emissions are operational flaring and fuel gas combustion at our production facilities, and diesel combustion on drilling rigs and support vessels. In 2007 we emitted 220,459 tonnes of GHG, which is a reduction compared to previous years. Our GHG emissions per thousand tonnes of production have dropped from 255 in 2004 to 171 in 2007 (Table 1, Figure 1). This improvement is a result of the efforts we have made to improve gas compressor reliability at our production facilities, which in the past had been a recurring problem. The decrease in compressor downtime resulted in a significant reduction in flaring (Figure 2).

In line with standard industry practices, most of our environmental performance data is only reported for operated assets, however we have now decided to also report our GHG emissions from non-operated assets on an equity share basis. Our equity based GHG emissions in 2007 were 238,458 tonnes, or 156 tonnes per thousand tonnes of production, which is slightly better than our operated performance.

RESOURCE USE

The main sources of energy that power our facilities are fuel gas and diesel. There has been little variation in our energy use over the last four years, and the energy use per tonne of production from 2004 to 2007 remained between 1.8 and 1.9 (Table 1).

Data was also collated on a few indicators categorised by IPIECA as 'additional', including solid waste and fresh water use. During analysis we have recognised that improvements are needed to the data collection and internal auditing procedures for these additional indicators before they can be reported with confidence.

Figure 1: Greenhouse Gas Emissions Per Unit Production tonnes/10³ tonnes

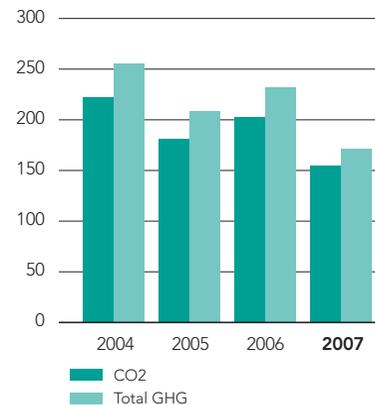
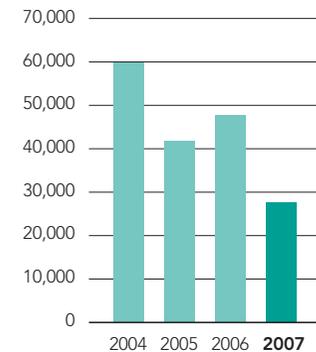


Figure 2: Natural Gas Flaring tonnes



BIODIVERSITY

It is our policy to undertake environmental impact assessments for all our operated projects on shore and offshore. Biodiversity issues are managed in accordance with international standards set by World Bank Guidelines (Environmental Assessment Sourcebook), Equator Principles and recommendations from the Energy Biodiversity Initiative (EBI). We have also maintained our membership of the UNEP Proteus initiative which seeks to provide the best available biodiversity data wherever practicable.

We are a profit-making business and aim for continual financial growth and enhanced company value. We intend to achieve this growth by operating in a sustainable manner, satisfying the needs of stakeholders including our shareholders.

		2007*	2006*	2005*	2004*	2003
Financials						
Turnover	(\$ millions)	578.2	402.2	359.4	251.8	420.1
Profit before tax	(\$ millions)	147.0	156.6	124.6	53.5	132.2
Net profit for the period after tax	(\$ millions)	39.0	67.6	38.6	22.1	66.5
Cash flow from operating activities	(\$ millions)	269.5	244.8	121.2	109.6	221.7
Shareholders' funds	(\$ millions)	552.9	449.1	376.1	354.1	388.8
Net cash/(debt) including joint ventures	(\$ millions)	79.0	40.9	(26.2)	19.6	12.7
Per share statistic						
Revenue per share	(cents/share)	705.1	491.7	437.8	304.5	308.9
Earnings/(loss) per share – basic	(cents/share)	47.6	82.6	47.0	26.8	48.9
Earnings/(loss) per share – diluted	(cents/share)	46.9	81.7	46.6	26.1	48.1
Cashflow from operating activities per share	(cents/share)	328.7	299.3	147.6	132.5	163.0
Reserves per share - year end	(boe/share)	2.58	1.86	1.99	2.13	2.15
Issued share - average	(millions)	82.0	81.8	82.1	82.7	136.0
Operations						
Production (working interest basis)	(mboepd)	35.8	33.0	33.3	34.7	53.6
Proved and probable reserves (working interest basis)	(mmboe)	211.5	152.1	163.5	176.8	175.4
Employees – UK	(number)	60	60	62	56	59
– Overseas	(number)	300	249	219	217	373
Key Indices						
Realised average oil price	(\$ per boe)	72.30	64.90	48.38	29.92	28.83
Average exchange rates	(\$/£)	2.00	1.84	1.82	1.83	1.63
Closing exchange rates	(\$/£)	1.98	1.96	1.72	1.92	1.79

*Numbers have been calculated in accordance with International Financial Reporting Standards (IFRS)

Our continual growth as a company is reflected in our share price performance over the last 5 years. We understand that share price can be greatly influenced by sustainability performance and company HSES values, and acknowledge that reporting and communicating this effectively is important to our shareholders.

More detail on our financial performance is available in our Annual Report.

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SCOPE AND OBJECTIVES

ERM CVS was commissioned by Premier Oil to review processes in place at Corporate level to collate and report on environment, health and safety information (HSE) provided in the 2007 Social Performance Report.

The objective of the review was to determine whether processes at Corporate level provided an appropriate basis for reporting information and data on Premier Oil's HSE performance during 2006 and 2007.

RESPECTIVE RESPONSIBILITIES AND INDEPENDENCE

Premier Oil is responsible for preparing the Report and the information contained within it.

ERM CVS, a member of the ERM Group, is responsible for reporting to Premier Oil on its conclusions. ERM CVS undertakes 3rd party certification of the following:

- ISO 14001 and OHSAS 18001 for the global operations of the drilling function for Premier Oil Plc;
- ISO 14001 and OHSAS 18001 for the oil and gas production operations associated with Premier Oil Natuna Sea BV based in Indonesia.

The work that ERM CVS conducts for clients is solely related to independent assurance activities and training programmes related to auditing techniques and approaches. Our processes are designed to ensure that the work we undertake with clients is free from bias and conflict of interest. ERM CVS and the staff that have undertaken work on this assurance exercise provide no other services to Premier Oil in any respect.

ASSURANCE APPROACH AND LIMITATIONS

We based our work on Premier's internal guidance and definitions for the reported metrics. Our approach was developed with reference to the International Standard for Assurance Engagements 3000: Assurance Engagements other than Audits or Reviews of Historical Information issued by the International Auditing and Assurance Standards Board (ISAE 3000); as well as principles that ERM CVS has developed and refined for report assurance assessments.

During February and March 2008 we undertook a review of the HSE data reporting systems employed by Premier Oil to direct, manage and collate HSE data. This involved interviews with the personnel responsible for collecting, reviewing and interpreting the data and information for representation in the Report.

We did not attend any stakeholder engagement activities and nor did we undertake source data verification at any reporting units.

CONCLUSIONS

Health and Safety performance

Based on the review activities undertaken, we conclude that appropriate processes are in place to report Premier Oil's health and safety performance.

Environmental performance

Premier Oil has identified the key environmental issues that are material to its business and instigated processes to collect this information from reporting units. The internal processes in place to collect and report performance have only recently been introduced and will need further development to ensure reporting is both consistent and reliable.

RECOMMENDATIONS

As a result of our review ERM CVS has developed recommendations for Premier Oil's management related to improving data management systems. Our key recommendations are set out below.

Data Quality and Consistency

- Develop the sustainability reporting and information systems to ensure that requirements for reporting parameters are clear and roles are defined. Consideration of the need for training of individuals who are responsible for data collection should be given.
- Develop guidance for environmental reporting and embed formalised procedures for data gathering and use of calculation methodologies at the reporting unit level.
- The development of data collection platforms that minimise the potential for environmental data entry errors and improve the visibility of data sources.

Internal assurance processes

- At both the reporting unit level and at Corporate clear expectations need to be communicated and guidelines developed that set down how information (and other submissions relevant to the Report) will be checked and substantiated.

Leigh Lloyd, Managing Director

27 March 2008

ERM Certification and Verification Services, London

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IPIECA

We prepared this Social Performance Report following IPIECA Oil and Gas Industry Guidance on Voluntary Sustainability Reporting (2005) amongst others. The Guidance promotes five key general reporting principles Relevance, Transparency, Consistency, Completeness and Accuracy. The table below provides an index to our performance and demonstrates how we incorporate the IPIECA Oil and Gas Industry Guidance on Voluntary Sustainability Reporting (2005) principles and values into our sustainability reporting.

IPIECA Code	IPIECA Reporting Indicator	Core (C) or Additional (A)	Information Locations	Page Reference in this Report	Level of Reporting
ENV-1	Hydrocarbon Spills to the Environment	C	s	p14	■
ENV-2	Controlled Discharges to Water	C	s	p14	■
ENV-A1	Other Spills and Accidental Releases	A	s	p14	■
ENV-A2	Other Effluent Discharges	A	s	p14	■
ENV-A3	Hazardous Waste	A	s	p14	■
ENV-A4	Non-Hazardous Waste	A	s	p14	■
ENV-A5	Recycled, Reused or Reclaimed Materials	A	s	p14	■
ENV-3	Greenhouse Gas Emissions	C	s	p14, 15	■
ENV-4	Flared and Vented Gas	C	s	p14, 15	■
ENV-A6	Other Operational Air Emissions	A	N/A		■
ENV-5	Energy Use	C	s	p14, 15	■
ENV-A7	Freshwater Use	A	N/A		■
ENV-A8	New and Renewable Energy Resources	A	N/A		■
ENV-6	Environmental Management Systems	C	s, w	p14	■
ENV-A9	Biodiversity	A	s, w	p15	■
H&S-1	Health and Safety Management Systems	C	s, f	p11, 12	■
H&S-2	Employee Participation	C	s	p9	■
H&S-3	Workforce Health	C	s	p9	■
H&S-4	Occupational Injury and Illness Rates	C	s	p11	■
H&S-5	Product-related Health Risks	C	N/A		■
SOC-1	Human Rights	C	s, w	p10	■
SOC-2	Bribery and Corruption	C	s, w	p10	■
SOC-3	Political Contributions	C	N/A		■

s – this report
w – website
f – company annual report

Level of Reporting
■ Reported
■ Not Reported

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SUMMARY OF REPORTING COMPLIANCE (CONTINUED)

IPEICA Code	IPEICA Reporting Indicator	Core (C) or Additional (A)	Information Locations	Page Reference in this Report	Level of Reporting
SOC-A1	Political Lobbying and Advocacy	A	N/A		■
SOC-4	Non-Discrimination and Equal Opportunity	C	s, w	p9	■
SOC-A2	Employee Satisfaction	A	s, w, f	p9	■
SOC-5	Training and Development	C	s, w	p9	■
SOC-6	Non-retaliation and Grievance System	C	w		■
SOC-A3	Local Employment Opportunities	A	s	p9	■
SOC-7	Labour Practices	C	s, w	p9	■
SOC-8	Community Relationships	C	s	p4-8	■
SOC-A4	Social Investments	A	s	p4-8	■
SOC-A5	External Capacity Building	A	s	p6	■
SOC-A6	Indigenous Communities	A	s	p4-8	■
SOC-A7	Resettlement and Land Rights	A	N/A		■
SOC-9	Security	C	s, w, f	p12	■
ECO-1	Tax Expenses	C	f		■
ECO-A1	Transparency of Payments	A	f		■
ECO-2	Dividends Paid Plus Share Repurchases	C	f		■
40	Payroll and Benefits	A	f		■
41	Capital Expenditures	C	f		■
42	Interest Paid	A	f		■

s – this report
w – website
f – company annual report

Level of Reporting
■ Reported
■ Not Reported

UN GLOBAL COMPACT

The United Nations Global Compact is a framework for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, the environment and anti-corruption. These principles have been derived from The Universal Declaration of Human Rights, The International Labour Organization's Declaration on Fundamental Principles and Rights at Work, The Rio Declaration on Environment and Development and The United Nations Convention Against Corruption. We are signatory to the Global Compact principles and believe them to be of utmost importance to the company's future sustainability goals and targets.

The table below provides an index to our performance and demonstrates the ten Global Compact principles within our business activities.

UN Global Compact principles	IPIECA reference ¹	How we implement the principle	Section
1. Businesses should support and respect the protection of internationally proclaimed human rights	SOC-1, SOC-4	Human rights policy and implementation	p10
2. Businesses should make sure they are not complicit in human rights abuses.	SOC-1	Human rights policy and implementation	p10
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	SOC-7, SOC-2, SOC-3	Labour Policy, Bribery and Corruption policy.	p10
4. Businesses should uphold the elimination of all forms of forced and compulsory labour.	SOC-7	Policy implementation and procedures on labour practices and hiring, as well as supply chain management.	p10
5. Businesses should uphold the effective abolition of child labour.	SOC-7, SOC-A3	Policy implementation and procedures on labour practices and hiring, as well as supply chain management.	p10
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	SOC-4	Policy implementation and procedures on labour practices and hiring, as well as supply chain management.	p9, 10
7. Businesses should support a precautionary approach to environmental challenges.	N/A	HSES Policy, Environmental Impact Assessments, Environmental mitigation and management practices, ALARP approach to risk management.	p14, 15
8. Businesses should undertake initiatives to promote greater environmental responsibility.	ENV-1, ENV-2, ENV-3, ENV-5, ENV-6, ENV-A1, ENV-A2, ENV-A3, ENV-A4, ENV-A6, ENV-A7.	HSES Management System, Key Performance Indicators, Target setting, reporting performance, Environmental Impact Assessments and ALARP processes.	p14, 15
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	N/A	N/A	N/A
10. Businesses should work against corruption in all its forms, including extortion and bribery.	SOC-2	Policy and procedures for addressing bribery and corruption. Social Performance Management System, and Business Management System	p10

¹ IPIECA, 2005. Oil and Gas Industry Guidance on Voluntary Sustainability Reporting. Available online at www.ipieca.org

OTHERS

Premier Oil is a member of FTSE4Good and is committed to fulfilling the requirements of the index. Premier is also committed to complying with the requirements of the World Resources Institute and the Equator Principles. The table below gives section references where our compliance with the requirements of FTSE4Good, WRI and the Equator Principles has been covered in this report.

FTSE4Good Requirements:	Page reference in this report:
Environmental	p14, 15
Social and Stakeholders	p4-10
Human Rights	p10
Supply Chain Labour Standards	p10
Countering Bribery	p10
Climate Change	p15
World Resources Institute Greenhouse Gas (GHG) Protocol Requirements:	Page reference in this report:
GHG Accounting and Reporting Principles	p15
Setting Organizational Boundaries	p14
Tracking Emissions Over Time	p14
Reporting GHG Emissions	p14
Equator Principles Requirements:	
Review and Categorisation	Premier Oil's compliance with the Equator Principles at the various stages of project planning and implementation is covered in our Risk Assessment Process shown on the company's website.
Social and Environmental Assessment	
Action Plan and Management System	
Consultation and Disclosure	
Grievance Mechanism	
Independent Review	
Covenants	
Independent Monitoring and Reporting EPFE Reporting	

PLEASE CONTACT US TO TELL US WHAT YOU THINK

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