

Sustainability Report

Sustainability

At AWE our responsibility to shareholders begins with the most important role of our business: to provide the oil and gas that powers our communities. However, we understand that our responsibilities extend to the manner in which we conduct our operations, to adherence to the highest legal and ethical standards, to our environmental, health and safety performance, to our relationship with our own employees and to responsible practices in the communities in which we operate.

For 2008, AWE has incorporated an overview of our sustainability performance into our annual report. To us, sustainability involves managing the economic, social and environmental dimensions of our business, meeting stakeholder expectations and delivering superior business outcomes. Our belief is that sustainability is not a separate issue but a way of doing our core business. This means that our operations and joint ventures should cause no harm or injury to people and cause the least impact on the environment.

In the communities in which we work, our aim is to leave them in "better shape" than when we arrived. In the Taranaki region of New Zealand around New Plymouth from where AWE operates the Tui oil fields, we have committed a minimum of NZ\$250,000 towards local community activities including the Big Brothers and Big Sisters Youth Mentoring programme and a significant contribution to purchasing floats for the regional Taranaki Rescue helicopter. We have teamed

with the local community to plant native plants to prevent foreshore erosion, and assisted the local Okato high school on other environmental projects. We have also sponsored several other local community projects.

A major disappointment in 2007 was an oil spill off the Taranaki coast of New Zealand from the FPSO *Umuroa* on the Tui oil field. AWE and the owners of the *Umuroa*, Prosafe acted immediately by launching a major review of all *Umuroa* operations, which produced a range of management changes. We recruited 25 local people to assist in the post-spill cleanup process. The beaches are now virtually free of any traces of oil, and in the process we also removed several tonnes of waste plastic, car tyres and general waste from the affected beaches. We have an ongoing commitment to improving our operational procedures, to monitoring the impact of our operations on the local environment and to maintaining strong stakeholder relations with the local authorities and the community.

Moving forward, our objective is to continuously improve our health, safety and environmental performance at all of our operations and joint ventures and we consciously strive to reduce the impact of our operations and joint ventures on the environment and the communities in which we operate. And we will communicate with stakeholders by providing an overview of sustainability issues and performance against our commitments that relate to our core business within our annual report each year.

AWE support for Big Brothers and Big Sisters of Taranaki



Sustainability Policy Commitments

AWE's corporate policy on health, safety and environment clearly states our commitment to protecting the health and safety of all of our employees and ensuring that our activities do not harm the environment and the community.

The company's social responsibility guidelines acknowledge the commitment to employees, contractors, customers, joint venturers and the greater community. Our goal is to leave any community in a better shape during and after our operations have ended.

Our equal employment opportunity practices seek to provide a workplace in which there is no discrimination on grounds of sex, race, marital status, political or religious belief, age, physical or intellectual impairment or sexual preference.

Our Code of Conduct clearly describes how AWE's business is underpinned by the core values of honesty, integrity, common sense and respect for people. AWE's desire is to remain a good corporate citizen and to appropriately balance, protect and preserve all stakeholders' interests. A commitment to achieving excellence of performance in health and safety and in protecting the environment is part of the Code. All employees and contractors have the ability to report fraudulent activity to the Managing Director or a Board member.

These policies and related documents can be viewed on the AWE website.

Board and Senior Management Responsibility

The Board has assigned accountability to senior management for integrating sustainability into our core business practice. This is reinforced by linking sustainable practice measures into our remuneration and goal setting structures. The Managing Director's performance scorecard includes goals relating to team development and health, safety and environmental performance.

Over the next few years, AWE will be developing a sustainability measurement and reporting framework. We will establish a data collection methodology, and a set of measures and

performance indicators covering the environmental (such as efficiency and waste reduction) and social (such as health and safety, staff retention and development, and community) performance coupled with the company's economic performance. It is the intention that these KPI's will be included in the annual report.

Engagement with Stakeholders

AWE believes that two-way dialogue and communication with stakeholders is essential for successful business operations. We strive to encourage solid community input to our decision making processes. This is evident through the extensive and ongoing stakeholder engagement processes that have occurred since the Tui oil spill incident.

Our Environmental Management Approach

Protecting the Environment

Oil and gas exploration activities take place in diverse and sensitive environments and present a potential risk to the quality of the land, water, and air in which we operate. We continually strive to reduce our environmental impact and conserve biodiversity by implementing leading practice environmental management systems and technological improvements and innovation, which can also make us more competitive.

AWE is committed to measuring and reporting greenhouse gas emissions, the energy and fresh water consumed and the amount of waste generated by our operations with a view to reducing our total environmental footprint. We are reviewing measurement procedures for our greenhouse gas emissions, energy, waste and water consumption data across our operations. With this knowledge we can explore ways of improving our operational energy efficiency and reducing our greenhouse gas footprint. We have a commitment to disclosing the greenhouse gas emissions from our operations and joint ventures under the Carbon Disclosure Project (CDP) in future reports.

AWE's Code of Conduct shows our clear commitment to complying with all applicable rules and regulations within and outside Australia with regard to the impact of our operations on the environment. We will maintain an open

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and transparent disclosure with the investment community and regulatory authorities. We aim to be open with our stakeholders in the event of non-compliance with environmental laws and regulations.

Climate Change

AWE recognises that climate change is an international and community concern. In Australia, together with our joint ventures we will be required to report under the National Greenhouse and Energy Reporting System (NGERS) and our operations will be affected by the forthcoming Australian Carbon Pollution Reduction Scheme (CPRS). Our operations in New Zealand may be affected by the future introduction of the New Zealand Emissions Trading Scheme (NZETS).

Case Study – Tui Oil Spill Incident

During October 2007 our performance fell below our standards when an accidental discharge of oil occurred in the Tui fields, off the Taranaki coast of New Zealand. This incident occurred as a result of operational errors on board the FPSO *Umuroa*, with approximately 23,000 litres of oil being discharged.

The spill resulted in 15 kms of the south Taranaki coastline becoming partially contaminated with oil. Following this incident, AWE and Prosafe, who own and operate the *Umuroa*, have worked closely together to rehabilitate affected coastal areas, and to initiate internal measures to prevent a similar incident.

An investigation of the incident found deficiencies in some of the facility management procedures, and deficiencies in the skills of some operators and supervisors on the *Umuroa*. Subsequent improvements included organisational changes and restructuring of processes on the *Umuroa*. An additional layer of supervision and supervisory management was installed and new operating procedures now prevent operators performing simultaneous work tasks. Pre-work planning and lines of communication between AWE and Prosafe have significantly improved to ensure tasks are planned and carried out safely. The maintenance regimes of shipping and monitoring equipment have been upgraded. An independent audit instigated by Maritime NZ strongly endorsed the *Umuroa*'s updated management procedures and water discharge management plan.

AWE started the rehabilitation process by commissioning the Cawthron Institute to provide an environmental impact assessment of the oil spill. The assessment found that while the sandy beaches were most impacted by the spill, these habitats were the least sensitive and that clean-up efforts would have a negligible effect on the regions flora and fauna. AWE consulted extensively with key stakeholders including landowners, farmers, community groups, and representatives of the local Iwi.

The clean-up of the Tui oil spill required AWE and Prosafe to join forces in recruiting 25 local people to remove the oil from affected beaches and rocky coastal areas. In addition we removed approximately 63 tonnes of contaminated sand, several tonnes of waste plastic, car tyres and other rubbish from the beach and nearby waterways. In a further initiative, AWE has purchased 3,000 native plants and a team of more than 20 people (including a large contingent of AWE staff) spent a day planting the native flora, with further work planned. The planting programme has been in place since 1992, but has been hampered by limited funding.

Active rehabilitation work





Since the oil spill incident, AWE has initiated continuous monitoring for any new contamination events along the coastline from the remobilisation of any uncollected oil from the original spill. In April 2008, Maritime NZ and the Taranaki Regional Council declared that the monitoring programme was no longer necessary as the risk of further contamination was minimal. However, AWE continues to monitor the area and clean up any traces of oil detected.

AWE regards any uncontained oil spill as unacceptable, and we are concerned about the environmental and community impact of such incidents. We are continuing to develop and implement management procedures to prevent such incidents in the future.

Environmental Commitments and Targets

AWE's priorities for 2008-09 will be to improve all areas of the company's environmental performance and to understand our areas of greatest environmental impact. We are committed to developing environmental performance targets for future reporting, that will include targets in the following key areas:

- Energy efficiency measures and energy consumption.
- Greenhouse gas emissions.
- Flaring of hydrocarbon gases.
- Fresh water consumption.
- Hazardous and non-hazardous waste.

Performance regarding these environmental impact areas will be disclosed in annual reports, as part of our Carbon Disclosure Project submissions and other regulatory requirements.

Our Social Responsibility Approach

Investing in Our People and the Community

We aim to treat everyone with respect and to improve the quality of life of our workforce and their families, and create a positive impact on the local communities in which we operate. Open dialogue with our stakeholders is an important part of the way in which we operate. AWE will provide a work environment where all hazards are identified and eliminated. We believe that all injuries and incidents can be prevented. This means continually improving our Health and Safety management systems.

Health and Safety Performance

Our policy on health and safety, as well as our belief, is that all accidents are preventable, and our objective is to be injury free. We are disappointed that in the 2007-08 financial year, our lost time injury frequency rate (LTIFR) was 2.5 injuries per million work hours while our total recordable case frequency rate (TRCFR) was 6.8 incidents per million work hours. Although the injuries were relatively minor with an ankle injury, a steam burn and a slip injury being reported, we maintain that, regardless of the severity of the injury our safety performance can be improved as we consider all injuries to be preventable. The majority of these safety incidents involved contractors and we are continuing to work with contracting companies to reverse the trend in injury rates.

We recognise that we operate in an industry that has historically had major safety accidents and fatalities have occurred in some operations within other oil and gas companies. We remain absolutely

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determined to be vigilant at all times to ensure that we protect the lives of all our staff and contractors.

Acknowledging Human Capital

Human capital encompasses our investment in our workplace including learning and development, staff diversity, innovative ability, leadership and senior management quality. In the 11 years that AWE has been in business, all professional staff departures have been through retirement. This is a reflection of our strong employee commitment and workplace culture of honesty, integrity, common sense and respect for people.

Teaming with Our Community

AWE's philosophy is to leave any local community in better shape after we have conducted our exploration, development and/or production operations. This is the key principle that supports our allocation of funds for community sponsorship. In developing our sponsorship programme, we consult with the local community to identify their needs, and we consider the social, economic and environmental impacts of the programme and whether the sponsorship can deliver long term benefits and support itself once AWE's participation has ceased.

In August 2007, AWE's Chairman, Bruce McKay, announced the commitment of funding to the Taranaki community to be allocated amongst a number of community groups. The most

significant community sponsorship projects are summarised on page 19:

Future Social Responsibility Commitments and Targets

We are committed to establishing socially responsible performance targets in the areas of health and safety, human capital and community for future reporting, a summary of these commitments and goals for the current financial year include:

- AWE's safety target is zero injuries. We are committed to improving safe operating procedures at our operations and joint ventures for all employees and contractors.
- We will continue to work with contractors to improve our management and safety training programmes and aim to reduce our injury rates to employees and contractors to zero.
- AWE has an ongoing commitment to provide training and development programmes for employees and contractors working in all facets of our business.
- We will continue to support communities where we operate including ongoing monitoring the Taranaki coastal areas adjacent to our operations. It is the intention of the AWE Board to contribute to local projects at similar levels in 2008-09, in consultation with the community.

AWE staff and locals improving the Taranaki coastline



Organisation	Proposal	Category	Comment
New Plymouth Police	Big Brothers Big Sisters of Taranaki	Youth	BBBS Taranaki officially started up in July 2007 as a result of the sponsorship. 34 young people have been matched with mentors.
Taranaki Rescue Helicopter Trust	Helicopter Floats – Improves helicopter stability during rescues, available to support any rescues in Taranaki (mountain or sea)	Safety	The floats were purchased and installed in December, 2007.
Taranaki Arts Festival Trust	YouthFest provides a week of (art, music and cultural workshops) for young people	Arts & Culture	The sponsorship enabled the dance and music workshop series to be held at four different venues around Taranaki (Opunake, Eltham, Waitara and New Plymouth).
Okato Fire Brigade	Purchase of a defibrillator and contribution towards the completion of building extensions for a new training facility	Community	As a result of community discussions a contribution to the Okato volunteer fire brigade enabled the completion of training rooms.
Rocky Point Development	Purchase of native trees and materials to continue the Paora Rd riparian planting initiative.	Environmental	After a request by the Okato community, an offer was made to assist with the purchase and planting of native plants in an exposed area of the Taranaki coast.
Taranaki Chamber of Commerce	Americana Festival; an annual car rally event which coincides with a week of activities in New Plymouth	Community	Our sponsorship assisted with the event and 100 family passes were distributed to local schools.
New Plymouth Rangers Soccer Club	Youth Summer League; purchase of specifically sized goals for the 10 fields that host over 400 children playing junior soccer.	Sport	Over 400 children from the Taranaki region aged from aged 5 to 12 play summer soccer.
Local School	Three-day Educational School trip around Taranaki, funding enabled 40 local children to learn more about the region	Education	While the school teachers planned the trip the sponsorship provided some funds to allow the trip to proceed.
Govett Brewster Art Gallery	Kura Kaupapa Schools	Art & Culture	Provision of transport to enable school children from rural schools to travel to New Plymouth's Art Gallery.
Mellowpuff Charitable Trust	Mellowpuff Charitable Trust	Health	Assistance for local children/families with cancer.
Education Taranaki	Lion Foundation Young Enterprise Scheme AWE assists with sponsorship of the financial performance award.	Education	Three AWE staff also work with a local high school and act as business mentors for the teams over a six month period.