

PNG LNG Quarterly
Environmental and Social Report

Third Quarter
2014



*Energy for the World. Opportunity for Papua New Guinea.
Eneji Bilong Wol. Luksave Bilong Papua Niugini.*



Printed on 100% post-consumer recycled paper.

© ExxonMobil PNG Limited 2014



Prepared by IDP Consulting Pty Ltd.

Corporate Separateness Notice: Nothing in this material is intended to override the corporate separateness of local entities. Working relationships discussed in this material do not necessarily represent a reporting connection, but may reflect a functional guidance, stewardship, or service relationship. Where shareholder consideration of a local entity matter is contemplated by this material, responsibility for action remains with the local entity. The terms corporation, company, affiliate, ExxonMobil, Exxon, Mobil, Esso, our, we and its, as used in this material may refer to Exxon Mobil Corporation, to one of its divisions, to the companies affiliated with Exxon Mobil Corporation, or to any one or more of the foregoing. The shorter terms are used merely for convenience and simplicity.

Data adjustments may be reported after publication and as such, data may be revised in future Reports.

For the purposes of this Report, the currency conversion rate used, between Papua New Guinea Kina (Kina) and United States Dollars (US\$) is 0.4030 [1 Kina = US\$0.4030]. This rate is as published by the Bank of Papua New Guinea at 30 September 2014.



About This Report

This Papua New Guinea Liquefied Natural Gas (PNG LNG) Quarterly Environmental and Social Report – Third Quarter 2014 provides information about ExxonMobil PNG Limited's safety, health, environment and social management progress during production.

It forms part of the PNG LNG Project's commitment to ensuring the Government and citizens of Papua New Guinea, interested non-government organisations and other stakeholders are kept well informed of production activities.

This Report is available on the PNG LNG Project website, www.pnglng.com. Printed copies are also available.

Contents

EXECUTIVE SUMMARY	I	6 WORKFORCE	13	9 PERFORMANCE	26
Production	I	6.1 Workforce composition	13	9.1 Incidents	26
Safety, health and security	II	6.2 Workforce training	13	9.2 Monitoring and evaluation	26
Environment	III	6.3 Workforce health	13	9.3 Results	26
Workforce development	III	6.4 Workforce safety	14	9.4 External monitoring	27
Supporting Papua New Guinean businesses	IV	6.5 Security	15		
Social development	IV	6.6 Worker welfare and conditions	15		
Stakeholder and community engagement	V				
1 OVERVIEW	1	 CASE STUDY – Celebrating Independence Day	17	10 STAKEHOLDER ENGAGEMENT	28
1.1 Production update	1			10.1 Communities	28
1.2 Infrastructure update	1			10.2 Government	28
2 ENVIRONMENTAL AND SOCIAL FRAMEWORK	4			10.3 Media	29
2.1 Approach	4				
2.2 Management of Change	4				
3 PROCUREMENT AND SUPPLY	5				
3.1 Supplier development	5				
3.2 Enterprise Centre	5				
4 COMMUNITIES	6				
4.1 Education	6				
4.2 Community safety and health	8				
4.3 Agriculture	9				
4.4 Women's empowerment	10				
4.5 Law and justice	10				
4.6 Project induced in-migration	10				
4.7 Community grievance management	10				
5 COMPENSATION AND LIVELIHOOD RESTORATION	12	 CASE STUDY – Ongoing support for biodiversity management	25		
5.1 Compensation	12				
5.2 Livelihood restoration	12				



ANOTHER PRODUCTION MILESTONE ACHIEVED

“ExxonMobil PNG Limited has safely achieved another production milestone with over two million tonnes of LNG produced to date. The smooth transition from construction to production is a credit to our dedicated workforce.”

- Peter Graham, Managing Director,
ExxonMobil PNG Limited

ExxonMobil PNG Limited (EMPNG) has safely achieved another production milestone, with two million tonnes of LNG produced and the 30th LNG cargo delivered to customers in Asia since production began. A total of 1.6 million tonnes of LNG was produced in the third quarter alone. EMPNG also received the LNG Innovation Asia Pacific Award, presented at the sixth annual World LNG Series Asia Pacific Summit in September, for the successful start-up of both trains ahead of schedule.

This is the first EMPNG Environmental and Social Report for the production phase. It provides information about safety, health, security, environmental and social activities during production operations in the third quarter 2014.

EMPNG is a subsidiary of Exxon Mobil Corporation and is the operator of the Papua New Guinea Liquefied Natural Gas (PNG LNG) Project. The PNG LNG Project facilities were developed with co-venture partners: Oil Search Limited, National Petroleum Company of PNG (Kroton) Limited, Santos Limited, JX Nippon Oil and Gas Exploration Corporation, Mineral Resources Development Company Limited and Petromin PNG Holdings Limited, and their affiliates.

Production

During this quarter, six wells on the Hides Wellpads achieved steady state operations, while drilling of the produced water disposal well and Hides Wellpad G wells were completed.



Rig 703 at Hides Wellpad G

The LNG Plant and the Hides Gas Conditioning Plant (HGCP) successfully completed 72-hour performance tests, with all performance criteria achieved. The supply of associated gas from the Oil Search Limited Gobe Production Facility also began and the first tanker shipment of some 9,500 tonnes of naphtha was completed.

1.6 MILLION TONNES
of LNG produced this quarter



Up close:

EMPNG receives innovation award

EMPNG has received the LNG Innovation Asia Pacific Award for the successful start-up of both trains ahead of schedule.

The award was presented on 24 September at the sixth annual World LNG Series Asia Pacific Summit in Singapore. EMPNG was selected from a prestigious group of six nominees.

Senior PNG LNG Project Manager, Yow-Yeen Lee, said the company's success was attributed to the many people who made the construction of the facilities possible, from the co-venture partners to the people of Papua New Guinea.

"EMPNG has established many pacesetting achievements, such as building strong community relationships, environmental management initiatives, completion and start-up, and production uptime after start-up – all in a frontier area," Yow-Yeen said.

"We are honoured to have been recognised for these achievements by our peers in the LNG industry," he said.



Senior PNG LNG Project Manager Yow-Yeen Lee (right) receives the LNG Innovation Asia Pacific Award



Produced gas compression trains at the HGCP

Construction of the Permanent Facilities Compound in Port Moresby continues, with interior works and façade installation on the administration and support services buildings started this quarter.

Safety, health and security

During the third quarter, EMPNG construction and production organisations reached a combined 18 million work hours for the year-to-date without a Lost Time Incident.

18+ MILLION HOURS

worked in 2014 without a Lost Time Incident

The company continues reinforcing its core values and safety culture through the Culture by Design initiative. This initiative focuses on: creating a safety leadership environment; identifying hazards and reducing risk tolerance; and managing higher risks. The company also continues to deliver its Safety Champions training program, which provides workers with the skills needed to promote a safety culture within the complex EMPNG operational work environment. Participants are selected based on their ability to directly contribute to the development of a safety culture within the workplace and in the local community. More than 200 production workers have completed training through the Safety Champions initiative to date.

Safety engagements continue in communities surrounding EMPNG facilities. During the quarter, a targeted road safety awareness campaign was conducted with nine schools in communities near the LNG Plant. More than 2,000 students participated in the campaign, which included visual aids, interactive games and songs that provided key messages about road safety.

The transition of workforce health programs to the production phase was completed this quarter.

A clinical educator role has been established to provide training to health workers and ensure skills are maintained across clinical support teams.

An outbreak of measles affected communities across the Hela Province this quarter, with many patients presenting at the Tari General Hospital for treatment. In response to the urgent medical assistance needs of affected communities, EMPNG donated medical supplies to assist hospital staff with treating large numbers of patients. The donated supplies included three vaccine refrigerators, syringes, antibiotics, and more than 60 mattresses. EMPNG also offered measles vaccinations to over 2,000 workers in the Hides area who did not have immunity.

EMPNG continues to provide support through a more than 2.2 million Kina (US\$900,000) commitment to the work of the Texas Children's Hospital, and its partner the Baylor College of Medicine, in Papua New Guinea.

To date, this support has enabled two Texas Children's Hospital doctors to mentor more than 24 Masters of Medicine students, and provide lectures to another 65 students from the University of Papua New Guinea School of Medicine and Health Sciences.

Through the Texas Children's Hospital partnership, a comprehensive program has also been developed to diagnose, manage and document acute malnutrition in children at Port Moresby General Hospital. Ninety children have been treated through this program to date.

The annual EMPNG security workshop was held in Port Moresby this quarter, with the theme 'Consolidating Security Support to Operations'. The workshop focused on developing core skills of Papua New Guinean security personnel, sharing lessons learned from the construction phase and building the long-term production security organisation.

Environment

On 6 September, a newly constructed Lake Kutubu Wildlife Management Resource Centre was officially transferred to the Lake Kutubu Wildlife Management Area Committee. The Centre contains office space and amenities, and will be fitted with solar panels for power. The Resource Centre is now the base of the Committee's activities to provide supervision and conservation of biodiversity in the Lake Kutubu region.



A traditional welcome for guests at the official opening of the new Lake Kutubu Wildlife Management Resource Centre

With support from EMPNG, the Centre was constructed over three months by a local landowner company (Lanco), and provided employment for seven youths from Lake Kutubu communities. Completion of the Resource Centre is an important achievement for EMPNG's partnership approach to supporting biodiversity management through implementation of the Biodiversity Offset Delivery Plan.

EMPNG is also partnering with local communities to monitor the pipeline Right of Way (ROW) as part of a Clan ROW Maintenance Agreement. In addition to monitoring conducted by EMPNG, the clans will report any identified

erosion issues and monitor and control vegetation along the ROW. They will also report the presence of unauthorised vehicles and structures on reinstated sites. The Agreement provides an opportunity for EMPNG and landowning clans to strengthen relationships and work toward a common goal of protecting the environment along the ROW.

During this quarter, the company donated an additional 998,000 Kina (US\$402,000) for research into the protection of the rare *Piku* 'Pig-Nosed Turtle *Carettochelys insculpta*'. This grant brings total funding provided for the research since 2011 to 2.4 million Kina (US\$967,200). The funding will also support two Papua New Guinean Masters students to lead community outreach research programs in the Kikori Delta.

EMPNG continues to apply waste reduction and reuse protocols developed during the construction phase. For example, the Hides Waste Management Facility is receiving treated drill cuttings to be used as landfill cover.

The company continues implementing plans and conducting workforce training and drills to reduce the likelihood and consequences of emergency situations. This includes hydrocarbon spill prevention and response.

The Drilling organisation reinforces its 'no spill' culture through spill awareness initiatives that include drills and training specific to non-aqueous drilling fluid transfers and transport. During this quarter 13 drills were conducted with scopes ranging from field-based discussions on appropriate responses through to simulated practical responses.

Production spill response drills were conducted at both the HGCP and LNG Plant on five occasions at each location. They covered a variety of scenarios with some enacted as desktop exercises, while others involved full equipment deployment and practical execution of spill response methods.

Workforce development

The production workforce is approaching steady state numbers, with the majority of construction personnel demobilised. At the end of September, the production workforce reached approximately 2,100, with Papua New Guinean citizens comprising approximately 70 percent of production workers.

EMPNG is committed to building the skills of Papua New Guinean citizens through ongoing training. During this quarter, EMPNG provided more than 10,000 hours of training to 777 workers through 618 courses. More than half of the training recipients were Papua New Guinean citizens. Contractors also delivered an additional 7,500 hours of training.

17,500+ HOURS
of worker training provided

Production training sessions conducted during the quarter primarily focused on the development of graduate engineers and Operations and Maintenance trainees, as well as technical training for production personnel.

By the end of September, almost one quarter of EMPNG's Operations and Maintenance trainees had achieved Technician Level 1 and were working alongside senior technicians. A new intake of 30 Operations and Maintenance trainees will join the training program in 2015. Like their predecessors, these trainees will complete Basic Skills and Advanced Skills programs, as well as on-the-job training.

Ongoing cultural awareness training sessions are being conducted at production worksites to help workers better understand the diverse range of Papua New Guinean cultures. Enabling workers to understand the history, values, belief systems and behaviours of their fellow workers provides more effective cross-cultural communication in the workplace and has a direct impact on employee safety.

Worker accommodation at the HGCP camp was refurbished this quarter, while work commenced on upgrading LNG Plant camp rooms, with this work expected to be complete in 2015. Camp Committees have been established to monitor, provide feedback and lead improvements in all aspects of camp life including menus, recreation activities and facilities.

Supporting Papua New Guinean businesses

EMPNG uses Lancos to provide catering, security, light vehicle maintenance, heavy equipment rental, spare parts supply and hire services. During this quarter, almost 81 million Kina (US\$32.6 million) was spent on Lanco services.

Non-Lanco Papua New Guinean businesses are also engaged to provide services such as port services, accommodation, catering, event coordination, office supplies, office cleaning and travel services. Since the start of construction, EMPNG's total in-country spend with Lancos and non-Lanco services is 11.1 billion Kina (US\$4.5 billion).

The Enterprise Centre assisted 42 entrepreneurs during this quarter. To date, more than 17,000 Papua New Guinean entrepreneurs have been supported by the Centre, which was established in 2010 to provide training and business assessments for Lancos and other Papua New Guinean businesses.

Social development

EMPNG contributed more than 62,000 Kina (US\$25,000) to the Department of Education in support of National Literacy Week activities from 8-12 September. The donation was used to help highlight the importance of literacy in education.

A further 62,000 Kina was donated to Leadership Papua New Guinea for the Emerging Pacific Dialogue conference to be held in October 2014. The two-week conference involves a Pacific Regional Commonwealth leadership study program and is expected to attract 120 emerging leaders from 21 Pacific countries. The EMPNG donation will be used to support Pacific island participants coming to Papua New Guinea as part of the study program.

Young leaders were also supported with a 49,600 Kina (US\$20,000) donation to the annual Mike Manning Youth Democracy Camp, which hosted 30 high school students at a two-week leadership camp in Lae this quarter. The Camp provides a forum for school-age children to discuss issues affecting Papua New Guinea, and hear from national corporate and civil society leaders.

Another 47,100 Kina (US\$19,000) was donated to two cultural festivals that coincided with Independence Day celebrations in September: the Hiri Moale Festival and the Kutubu Kundu and Digaso Festival. The annual Hiri Moale Festival, held along Ela Beach on September 15 and 16, celebrated the traditional Hiri trade between the Gulf and Central provinces. It began with the arrival and welcoming of the *lagatoi* a 'sailing canoe' and ended with the crowning of the Hiri Queen. The Kutubu Kundu and Digaso Festival, held on September 19 and 20, showcased the unique Digaso oil extraction method, along with sago production, tapa cloth making and other important livelihood traditions unique to people in the Kutubu region. Cultural groups from Hela, Samberigi, Kikori and other Highlands areas also attended.



Rebecca Arnold, Lead Media and Communications Adviser, enjoying Independence Day celebrations

A team of 25 EMPNG volunteers donated their time during September to visit two children's wards at Port Moresby General Hospital and read stories from the Toea children's book series to young patients. They used this time to help the children find comfort in books and encourage them to use the children's ward library at the Hospital.

More than 390 farmers from the four LNG Plant villages have participated in the community-led Agricultural Development Plan since it began in early 2013. EMPNG continues to assist these farmers by providing plant seedlings and technical advice on cultivation methods. The African yam species introduced to farmers at the start of this initiative has proven successful, with farmers already harvesting their yams.

The second phase of the Livelihood Restoration Survey was completed in September. The survey assessed the livelihood status of a randomly-selected sample of economically displaced households from the Project area. Early survey results indicate a general improvement in the livelihoods of people who were economically displaced by Project construction activities.

Stakeholder and community engagement

With the transition to production completed this quarter, engagements significantly increased to inform communities about production activities and LNG shipments.

More than 1,880 engagements were conducted in 135 communities surrounding EMPNG facilities during this quarter. Of these, some 460 were formal engagements and over 1,400 were informal engagements. More than 12,680 attendees were present at stakeholder engagements during the quarter.

1,880 ENGAGEMENTS

conducted in 135 communities

More than 80 dignitaries from government, foreign missions and international organisations participated in advocacy workshops and LNG Plant visits in the third quarter. Hela Province Governor, the Honourable Anderson Agiru, was among the first to see LNG tanker *Gigira Laitebo* berth at the LNG Plant Marine Terminal.

Advocacy workshops and LNG Plant visits provide a valuable forum for stakeholders to understand EMPNG's operations and witness the LNG production process. The workshops also provide participants with updates about other company activities, such as community development programs and national content initiatives.

The people and the government of Papua New Guinea have spent many years working with partners such as EMPNG to drive sustainable development for communities. Now that EMPNG facilities are operational, revenues derived from production will provide a long-term financial basis to support the nation's development plans.



Vele Rupa, Government Relations Adviser, EMPNG with Hela Province Governor, the Honourable Anderson Agiru, at the LNG Plant Marine Terminal where the LNG tanker Gigira Laitebo is berthed

ExxonMobil PNG Limited (EMPNG) has successfully completed the transition to production, with 1.6 million tonnes of LNG produced during this quarter.

The Papua New Guinea Liquefied Natural Gas (PNG LNG) Project involves investment of some US\$18.8 billion in gas production and processing facilities in the Southern Highlands, Hela, Western, Gulf and Central provinces of Papua New Guinea. More than 800 kilometres of pipeline connect the facilities, which include a gas conditioning plant at Hides, and liquefaction and storage facilities near Port Moresby. These facilities have the capacity to produce 6.9 million tonnes of LNG per year.

Some 250 billion cubic metres of gas are planned to be produced and sold during the life of the PNG LNG Project. This will provide a long-term supply of LNG to Asia Pacific region customers, including: the China Petroleum and Chemical Corporation (Sinopec); Tokyo Electric Power Company Inc.; Osaka Gas Company Limited; and CPC Corporation, Taiwan. The location and elements of the PNG LNG Project are shown in Figure 1.1.

In accordance with Lender Group requirements, this production PNG LNG Quarterly Environmental and Social Report provides a progress update about performance during the third quarter 2014.

This Report is available on the PNG LNG Project website. Printed copies and translated summaries are also provided for Papua New Guinean citizens who may have limited access to the internet.



READ THE REPORT SERIES AT
www.pnglng.com

1.1 Production update

Following successful start-up of production in the second quarter 2014, activity ramped up with six wells on Hides Wellpads B, C and D providing a steady supply of gas and condensate. Associated gas from the Oil Search Limited Kutubu Central Processing Facility continued, and supply commenced from the Gobe Production Facility.

Two million tonnes of LNG have been produced since the start of production, with 1.6 million tonnes produced in the third quarter.

To date, EMPNG has delivered 30 cargoes of LNG to customers in Asia. The first tanker shipment of some 9,500 tonnes of naphtha was also completed.



Night operations at the Hides Gas Conditioning Plant

1.2 Infrastructure update

Hides Gas Conditioning Plant

The Hides Gas Conditioning Plant (HGCP) and Hides Wellpads were transferred to production in the second quarter 2014. Ongoing stable operation of these facilities enabled successful completion of a 72-hour performance test for the HGCP in July.



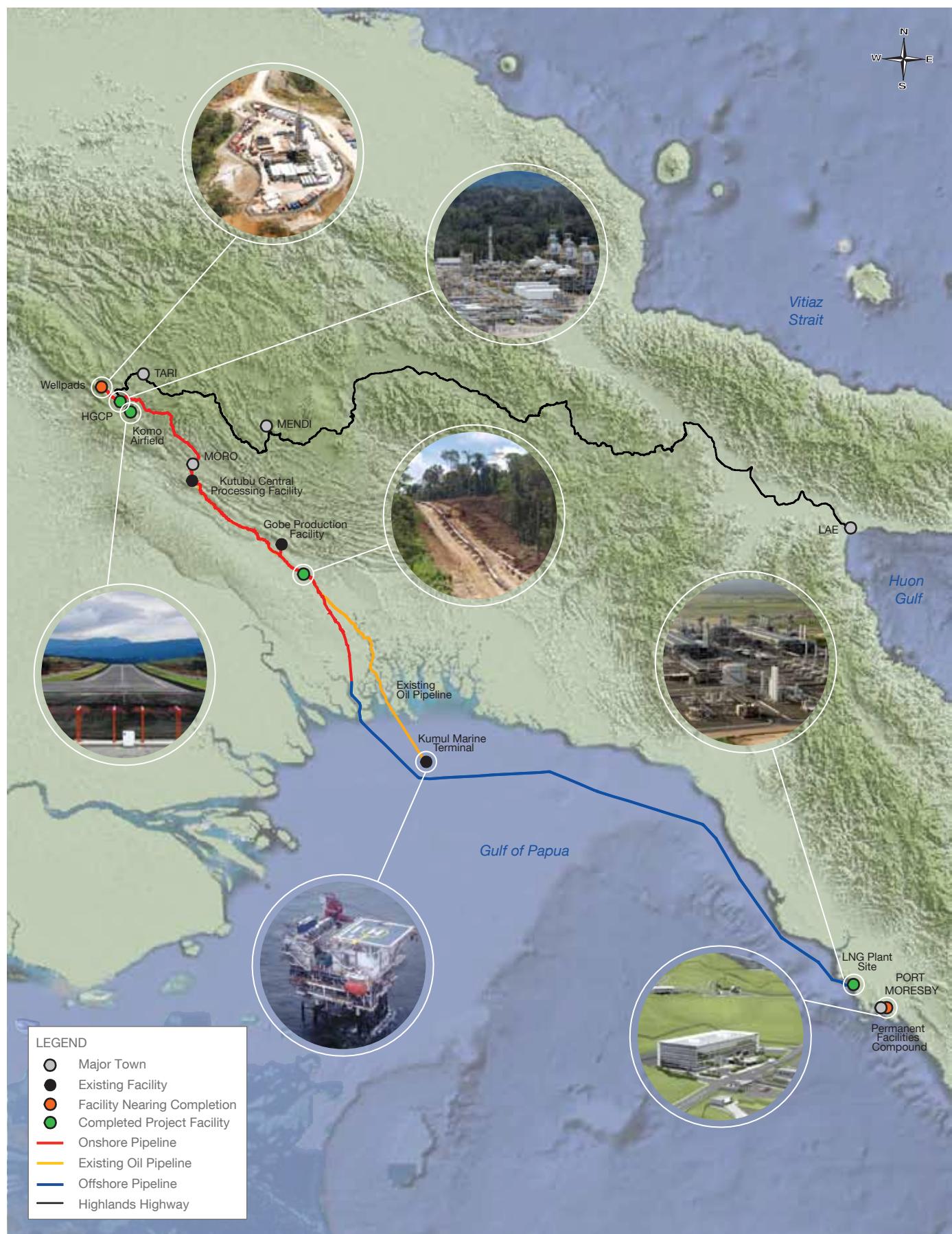
Produced gas compression trains at the HGCP

Drilling

Drilling Rig 702 completed the produced water disposal well in Hides, while Rig 703 completed drilling on Hides Wellpad G. Perforation of these wells will occur in 2015.

During this quarter, Rig 702 moved from the produced water disposal well to the Angore Wellpad B drilling location. Meanwhile, Rig 703 was moved from Hides Wellpad G to Hides Wellpad F.

FIGURE 1.1
PROJECT ELEMENTS





Rig 702 at the produced water disposal well in Hides

LNG Plant

A 72-hour performance test of LNG Plant operations was conducted in July. The performance test required both Train 1 and Train 2 to be operated at design capacity. It assessed performance such as: LNG production quality; plant efficiency; the inlet feed gas rate; and refrigerant and condensate quality. The LNG Plant successfully achieved all performance acceptance criteria tested.

Marine facilities

Following shipment of the first LNG cargo in May 2014, another 29 cargoes have been loaded and shipped to customers in Asia.

Permanent Facilities Compound

Construction continues at the Permanent Facilities Compound in Port Moresby, with interior works and facade installation commencing on the administration and support services buildings. Perimeter works also continue at the compound.

ENVIRONMENTAL AND SOCIAL FRAMEWORK

EMPNG operations are conducted in accordance with a series of safety, security, health, environment and social management plans that outline the company's commitment to protecting the health and safety of workers, local communities and the environment surrounding production facilities.

2.1 Approach

EMPNG's operations are guided by the Production Environmental and Social Management Plan (ESMP), which incorporates lessons learned from the construction phase, Exxon Mobil Corporation's Operations Integrity Management System requirements, and the International Finance Corporation Performance Standards.

The Production ESMP structure is based on two Environmental Management Plans and seven Social Management Plans, as shown in Figure 2.1. The Environmental Management Plans align to production facilities, while the Social Management Plans cover key social themes.

The ESMP with its supporting management plans, apply to normal operating conditions, start-up, shutdown, and reasonably foreseeable abnormal operating conditions or emergency situations.

In collaboration with PNG LNG Project stakeholders, the Production ESMP will be periodically updated to meet the ongoing operational needs of EMPNG, and of Papua New Guinea's environment.

The Production ESMP is available on the PNG LNG Project website at www.pnglng.com.



EXPLORE THE PLANS AT
www.pnglng.com

2.2 Management of Change

EMPNG's Management of Change process is initiated for any temporary or permanent modifications to facilities, or changes to previously approved documents, plans, processes or procedures. Before any proposed change, requirements for health, safety, security, environmental and social management, operability and maintenance, regulatory, cost and scheduling are considered. Changes are classified according to how they need to be managed.

Class I changes require Lender Group review prior to implementation, and Class II changes only require Lender Group notification in the Environmental and Social Report.

There were no Class I or II changes raised this quarter, however, drilling activity commenced at a ninth production well at Hides in accordance with a Class II change approved in the first quarter 2014.

FIGURE 2.1

PRODUCTION ENVIRONMENTAL AND SOCIAL MANAGEMENT PLAN STRUCTURE



PROCUREMENT AND SUPPLY

Throughout production, EMPNG is committed to supporting the development of Papua New Guinean businesses by contracting with local suppliers where they can meet cost, quality and delivery requirements.

The Enterprise Centre, which is supported by EMPNG, continues to deliver capacity building programs for Papua New Guinean businesses and entrepreneurs.

3.1 Supplier development

EMPNG uses landowner companies (Lancos) to provide catering, security, light vehicle maintenance, heavy equipment rental, spare parts supply and hire services. In the third quarter, almost 81 million Kina (US\$32.6 million) was spent on services through Lancos.

Non-Lanco Papua New Guinean businesses are also engaged to provide services such as port services, accommodation, catering, event coordination, office supplies, office cleaning and travel services.

Since the start of construction, EMPNG's total in-country spend with Lancos and non-Lanco services is 11.1 billion Kina (US\$4.5 billion). Of this, more than 121 million Kina (US\$48.7 million) was spent in the third quarter 2014.

3.2 Enterprise Centre

The Enterprise Centre assisted 42 entrepreneurs during this quarter. To date, more than 17,000 Papua New Guinean entrepreneurs have been supported by the Centre, which was established in 2010 to provide training and business assessments for Lancos and other Papua New Guinean businesses.

The equivalent of 1,444 training days were delivered to businesses during the third quarter. This included the provision of training services to organisations supporting businesses other than EMPNG. To date, more than 12,000 days of training have been provided through the Enterprise Centre.

The Enterprise Centre continues to build sustainable operations through marketing its services to resource projects outside of the PNG LNG Project, as well as to government departments and corporate organisations. This approach has resulted in the Centre securing new contracts with both government agencies and businesses. For example, the Centre is providing staff development and training programs for the Office of Climate Change and Development. The Centre has also been awarded the contract to manage supplier development on behalf of the Stanley Gas Project operated by Talisman Energy. The scope of this work is similar to the PNG LNG Project's Supplier Development Program.

Also during this quarter, the Enterprise Centre began offering an Australian Masters of Business Administration qualification, in partnership with Chifley Business School, as well as training and assessment programs in collaboration with Learning Potential International.



Signing of a Memorandum of Understanding for the Enterprise Centre to provide capacity building programs to the Office of Climate Change and Development

3.2.1 PNG Employment and Supplier Database management

The Enterprise Centre's new PNG Employment and Supplier Database continues to attract companies and individuals that are interested in securing work opportunities.

By the end of the quarter, 652 job seekers and 109 businesses were registered on the database.

EMPNG continues to invest in sustainable community development through the Community Development Support Management Plan and its community investment programs, which focus on education, safety and health, agriculture, women's empowerment, and law and justice. The types of support provided include institutional strengthening and infrastructure support. These are delivered in a manner that is sensitive to gender, and appropriate to the capacity and culture of the areas and organisations involved.

4.1 Education

4.1.1 National programs

During this quarter, four Grade 10 classes from Redscar High School and five Grade 7 classes from Port Moresby International School participated in Exxon Mobil Corporation's Science Ambassador Program. The Program, which provides students with education on topics such as the origins of oil and gas, or rocks and geology, was also introduced to Project area primary schools. Grade 6, 7 and 8 students from Mananda Primary School, Grade 5 and 6 students from Para Primary School, and Grade 7 and 8 students from St. Paul's Primary School in Komo, participated in the Program this quarter. The Program gives students a first-hand look at rocks and fossils to make science education fun and encourage students to pursue careers in science and engineering.

EMPNG contributed more than 62,000 Kina (US\$25,000) to the Department of Education in support of National Literacy Week activities from 8-12 September. The donation was used to help highlight the importance of literacy in education.

A further 62,000 Kina (US\$25,000) was donated to Leadership Papua New Guinea for the Emerging Pacific Dialogue conference to be held in October 2014. The two-week conference involves a Pacific Regional Commonwealth leadership study program and is expected to attract 120 emerging leaders from 21 Pacific countries. The EMPNG donation will be used to support Pacific island participants coming to Papua New Guinea as part of the study program.

Young leaders were also supported with a 49,600 Kina (US\$20,000) donation to the annual Mike Manning Youth Democracy Camp, which hosted 30 high school students at a two-week leadership camp in Lae this quarter. The Camp provides a forum for school-age children to discuss issues affecting Papua New Guinea, and hear from national corporate and civil society leaders.

EMPNG participated in a Students' Day conference hosted by the Papua New Guinea Chamber of Mines and Petroleum during the quarter. More than 60 students studying Communications for Development at the University of Technology attended the one-day event held in Lae.



Grade 7 students from St Paul's Primary School in Komo during Science Ambassador Program lessons



A Science Ambassador Program session delivered by an EMPNG employee to Grade 7 students from Port Moresby International School



Edwin Karagu asks EMPNG staff a question during the Mike Manning Youth Democracy Camp, which is aimed at helping young Papua New Guineans develop leadership skills

The Urban Youth Employment Program, which commenced in 2011, completed its mid-term review in July. The five-year Program received 2.2 million Kina (US\$900,000) from EMPNG to support its role in increasing the employability of unskilled youths in the National Capital District. Since the Program commenced, some 7,560 youths have been screened, with 4,586 completing the skills training, with 2,099 beneficiaries on the Youth Job Corps.

A team of 25 EMPNG volunteers donated their time in September to support National Literacy Week by visiting two children's wards at Port Moresby General Hospital. The volunteers spent more than an hour reading stories from the Toea book series to young patients. They used this time to help the children find comfort in books and encourage them to use the children's ward library at the Hospital. The team also donated books to the library.



An EMPNG volunteer reading to a young patient at the Port Moresby General Hospital children's ward



The team of EMPNG reading volunteers

4.1.2 Project area programs

EMPNG's Project area programs focus on building sustainable capacity in communities surrounding production facilities. A significant portion of this work this quarter involved helping to improve infrastructure in local schools to support the education of Papua New Guinean children.



Up close:

Supporting cultural festivals

EMPNG donated 47,100 Kina (US\$19,000) to two cultural festivals that coincided with Independence Day celebrations in September: the Hiri Moale Festival and the Kutubu Kundu and Digaso Festival.

The annual Hiri Moale Festival, held along Ela Beach on 15 and 16 September this year, celebrated the traditional Hiri trade between the Gulf and Central provinces. It began with the arrival and welcoming of the *lagatoi* a 'sailing canoe' and ended with the crowning of the Hiri Queen.

The Kutubu Kundu and Digaso Festival, held on 19 and 20 September, showcased the unique Digaso oil extraction method, along with sago production, tapa cloth making and other important livelihood traditions unique to people in the Kutubu region. Cultural groups from Hela, Samberigi, Kikori and other Highlands areas also attended.

EMPNG's Deputy Production Manager, Dale Pittman, said the company recognised and valued the rich and diverse culture of Papua New Guinea.

"Educating children and other young people on the importance of their cultural heritage is a key step in preserving and promoting the unique culture of Papua New Guinea," he said.



Presentation of the donation to the Hiri Moale Festival Committee



Presentation of the donation cheque for the Kutubu Kundu and Digaso Festival 2014

Eight education providers have signed agreements with EMPNG to receive infrastructure support. These include Omati and Inu elementary schools, Baguale, Idauwi, Tugupawi, and Mananda primary schools, Tari Secondary School and Dauli Teachers College.

Upstream area

During this quarter, EMPNG supported Para Primary School with the construction of two new teachers' houses, new water tanks and toilets. The school currently has 220 students and caters for classes from Grade 3 to 6.

At Waru Elementary School, a double classroom was refurbished, including new toilet facilities, and fencing was installed around the perimeter of the school. Waru Elementary serves Hides communities and currently has 77 students.

Also during this quarter EMPNG supported the Mananda Flexible and Open Distance Education Learning Centre in Komo with the construction of a new double classroom and provision of two water tanks. The company has supported the Mananda Centre since 2012. The Centre supports Grade 6 school leavers accessing higher education studies through distance learning.



The new classroom at the Mananda Flexible and Open Distance Education Learning Centre

Pipeline Right of Way

Building materials, including roofing sheets, a 1,000-litre water tank and taps and gutter brackets, were donated to support Wasami Island Elementary School in Kutubu. The materials were used for the construction of a double classroom.

LNG Plant site

EMPNG has completed infrastructure works at Porebada, Boera, Papa and Lea Lea primary schools. These works included classroom and sporting facility upgrades. For example, Lea Lea Primary School received new netball hoops, new blackboards, a 10,000-litre water tank, new

school desks and upgrades to staircases and roofs. During this quarter, work began on upgrading facilities at Redscar High School.



Students from Lea Lea Primary School celebrating the opening of their refurbished classroom

4.2 Community safety and health

4.2.1 Community safety

The company continues to engage with communities to help them understand their responsibilities in keeping safe, particularly in areas along the pipeline Right of Way (ROW).



Students from Lea Lea Elementary School listening to a road safety engagement session

During this quarter, a targeted road safety awareness campaign was conducted with nine schools in communities surrounding the LNG Plant. More than 2,000 students participated in the campaign, which included visual aids, interactive games and songs, all providing key messages about road safety.

4.2.2 Partners in health

EMPNG is supporting the development of sustainable health initiatives in Papua New Guinea through the 'Partnership in Health' program and other strategic initiatives.

The program, and its related health initiatives, are delivered through a partnership with the Papua New Guinea Institute of Medical Research (IMR). This year, EMPNG provided over 4.8 million Kina (US\$1.9 million) as part of its commitment to support the IMR's community health monitoring studies.

An Independent Scientific Advisory Board has conducted annual reviews of the program since 2010. These reviews assess the progress made and determine the effectiveness of EMPNG's health partners in developing and delivering community health initiatives. The Board consists of globally recognised community and public health experts. In its latest review, conducted this year, the Board confirmed that good progress was being made in all program areas.

Through the 'Partnership in Health' program, EMPNG is supporting the IMR with developing a sustainable, evidence-based public health monitoring and surveillance system for Papua New Guinea. This system is known as the Integrated Health and Demographic Surveillance System (iHDSS).

The iHDSS is implemented in Hiri and Hides, as well as in two control sites at KarKar Island and Asaro Valley. The iHDSS compares population and household-level data across these locations to determine health-related trends in the population.

Health studies are also conducted as part of the iHDSS to determine the impact of significant illnesses on people in the participating communities. The studies review the prevalence of respiratory illnesses such as tuberculosis and pneumonia, Sexually Transmitted Infections (STIs), vector-borne illnesses (such as malaria), and non-communicable diseases including cancer, diabetes and heart disease.

Early indications from iHDSS data show that respiratory infections, such as tuberculosis and pneumonia, are among the leading causes of illness in the four communities participating in the iHDSS.

The data collected through the iHDSS is providing a valuable baseline of health indicators for the Papua New Guinean Government, development partners and medical researchers so they can better assess community health needs and health policy outcomes.

Fieldwork for the iHDSS has this year provided employment for 72 Papua New Guineans in the survey areas. Further information about the IMR's research is available at www.pngimr.org.pg.

4.2.3 Other health initiatives

An outbreak of measles affected communities across the Hela Province during this quarter, with many patients presenting at the Tari General Hospital for treatment. In response to the urgent medical assistance needs of affected communities, EMPNG donated medical supplies to assist Hospital staff with treating large numbers of patients. The donated supplies included three vaccine refrigerators, syringes, antibiotics, Vitamin A capsules, and more than 60 mattresses.

EMPNG continues to provide support through a more than 2.2 million Kina (US\$900,000) commitment to the work of the Texas Children's Hospital, and its partner the Baylor College of Medicine, in Papua New Guinea. To date, this support has enabled two Texas Children's Hospital doctors to mentor more than 24 Masters of Medicine students, and provide lectures to another 65 students from the University of Papua New Guinea School of Medicine and Health Sciences.

Through the Texas Children's Hospital partnership, a comprehensive program has also been developed to diagnose, manage and document acute malnutrition in children at Port Moresby General Hospital. Ninety children have been treated through this program to date.

The Texas Children's Hospital doctors gave a presentation at the Papua New Guinea National Health Forum and annual medical symposium this quarter.

To support Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Syndrome (AIDS) prevention programs in Papua New Guinea, EMPNG has donated 62,000 Kina (US\$25,000) to Anglicare, which is playing a key role in curbing HIV/AIDS through the Anglicare Stop Aids Centre.

With support from EMPNG, the IMR continues to conduct research into Maternal and Child Health, STIs, non-communicable diseases, and diarrhoeal disease. Findings from this research are published on www.pngimr.org.pg.

4.3 Agriculture

More than 390 farmers from the four LNG Plant villages have participated in the community-led Agricultural Development Plan since it began in early 2013. EMPNG continues to assist these farmers by providing plant seedlings and technical advice on cultivation methods.

The African yam species introduced to farmers at the start of this initiative has proven successful, with farmers already harvesting their yams. The biggest single yam harvested this quarter weighed about 3 kilograms.

A fish catch landing survey, in-village vessel survey, and mangrove use survey were completed in Caution Bay this quarter.

During the survey period, which was conducted in late August and early September, strong winds and rough, cold seas impacted fishing efforts by local communities.

Only 175 fishers participated in the fish catch landing survey, compared to 336 in the last quarter of the construction phase. This was due to the poor weather conditions, as well as an increase in betelnut trading.

Survey participants yielded a combined catch of more than 8,100 fish, with a total weight of almost 2,000 kilograms. Almost 95 percent of this catch was sold.



Maria Asi, a Porebada farmer displaying her harvested African yam

A total 149 people participated in the in-village vessel survey, while the mangrove use survey attracted 187 participants. An analysis is being conducted on the results of these surveys.

Fish catch landing surveys conducted in Omati since 2010 have shown that PNG LNG Project construction activities did not impact fishing activities in this area.

Based on the results of these surveys, the Lender Group's Independent Environmental and Social Consultant (IESC) has advised that no further surveys are required in Omati. The final survey was conducted in May 2014.

4.4 Women's empowerment

In August, PNG LNG Project Executive, Decie Autin, spoke with 130 female students from the University of Papua New Guinea and the University of Technology about women in leadership. The students were participants in a mentoring program provided by The Voice Inc. (TVI), a non-government organisation formed by University of Papua New Guinea students in 2007.

EMPNG has formed a partnership with TVI to provide mentoring support, and donated 37,200 Kina (US\$15,000) to the organisation's programs. To date, more than 300 students have participated in TVI's leadership programs.



From left: EMPNG representatives Lisa Marie Tepu, Legal Counsel; Sisa Kini, Community Development Support Manager; Valentina Kaman, Corporate Citizenship Community Investment Adviser; and TVI Deputy Executive Director, Barbra Thomas, at a dinner held by TVI on 25 September

The Queensland University of Technology's Centre for Social Responsibility in Mining held a two-day consultative symposium in Papua New Guinea this quarter to develop a gender in extractive industries program at the University of Papua New Guinea.

Global Women in Management alumni members, Turiza Tandago and Doris Pipi, were among 70 attendees at the symposium. Since 2006, EMPNG has sponsored 49 Papua New Guinean women in the Centre for Development and Population Activities Global Women in Management program.

4.5 Law and justice

Agreement was reached between the Australian High Commission, EMPNG, and the Governor of Hela Province to jointly fund a Law and Justice Sector Adviser in Hela as part of a Law and Justice Program expansion. Recruitment of a suitably qualified candidate to be based in Tari is underway.

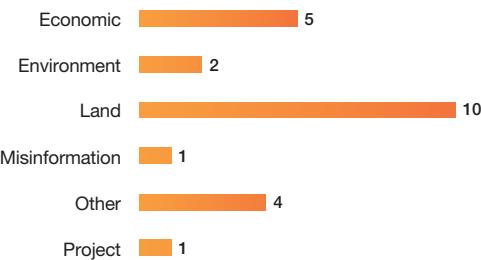
4.6 Project induced in-migration

A summary of Project induced in-migration trends was developed this quarter based on 2013 findings from the IMR's iHDSS.

The analysis shows that the population within the Hides area has increased slightly despite the demobilisation of construction contractors. In-migration data for the LNG Plant is currently being assessed.

4.7 Community grievance management

During this quarter, there were 23 active grievances addressed, as shown in Figure 4.1, including 16 grievances raised within the quarter. Timely closure of grievances remains a priority, with 91 percent of grievances closed within the 30-day target timeframe.

FIGURE 4.1NUMBER OF ACTIVE GRIEVANCES DURING
THE THIRD QUARTER BY CATEGORY

Land-related concerns continue to be the most frequently registered, with 44 percent of active grievances this quarter falling into this category. Most of these concerns related to compensation and assessment of land improvements. Claims for outstanding resettlement payments were also received. All these claims were assessed and closed.

Economic-related grievances, accounting for 22 percent, related primarily to people seeking business development opportunities from EMPNG.

Other grievances, representing 17 percent of the total, involved claims of animals being hit by PNG LNG Project vehicles. This issue has been addressed through means such as company driver training and efforts to encourage community members to drive safely.

Standard of living and livelihood restoration indicators are used to determine the success of the Livelihood Restoration Program, which is supporting people who were physically or economically displaced by EMPNG activities.

Compensation has been paid to households, individuals and community groups, in accordance with requirements of the *Oil and Gas Act 1998*, for economic and physical displacement and land deprivation as a result of PNG LNG Project construction.

5.1 Compensation

During this quarter, seven Clan Agency Agreements were signed, and 12 compensation payments made, for land access across 15 kilometres of the onshore pipeline ROW, a quarry along the onshore pipeline route, and for access roads and a spoil site in Angore.

Engagement continues with clans to complete Clan Agency Agreements along the onshore pipeline ROW from Homa to Dapia River, and in Angore. Some clans remain in dispute regarding customary land ownership, which prevents the progression of Clan Agency Agreements until these disputes are resolved.

By the end of this quarter, all 2014 annual deprivation payments were completed for land not impacted by clan disputes.

5.2 Livelihood restoration

With all resettlements required for construction finalised, the focus during the early phase of production is on the Livelihood Restoration and Monitoring and Evaluation Programs.



The PNG LNG Project has supported resettled communities with crop production

During this quarter, 749 chickens and 758 ducks were distributed to resettled households in the Hides, Komo, Angore, Homa and Paua areas, and also along the pipeline ROW, as part of the Livelihood Restoration Program.

Training on basic poultry management and crop production practices was provided to resettled households located along the pipeline ROW, and at Komo, Hides, Tumbi Quarry, Timalia River Borrow Pit and the Hides Waste Management Facility.

New water tanks were provided to 36 households in the Upstream area as part of the company's efforts to restore the standard of living of all resettled households.

The second phase of the Livelihood Restoration Survey was completed in September. The Survey assessed the livelihood status of a randomly-selected sample of economically displaced households from the Project area. Early survey results indicate a general improvement in the livelihoods of people who were economically displaced by PNG LNG Project construction activities.

Training and transition support continues for the incoming production team, with 777 workers trained through 618 training programs by the end of this quarter.

6.1 Workforce composition

The production workforce is approaching steady state numbers, with the majority of construction personnel demobilised.

At the end of September, the production workforce reached approximately 2,100. Papua New Guinean citizens comprise approximately 70 percent of production workers.

6.2 Workforce training

In production, EMPNG continues to build the skills of Papua New Guinean citizens through the delivery of ongoing training.

6.2.1 Production training

During this quarter, EMPNG provided more than 10,000 hours of training to 777 EMPNG workers. More than half of the training recipients were Papua New Guinean citizens.

The training was delivered through 618 courses, which focused on the development of graduate engineers, Operations and Maintenance trainees, and technical training for production personnel. Courses delivered included: Cultural Awareness, Safety with Hazardous Materials, Working at Heights, Work Management System, Operations Integrity Management System, Emergency Preparedness and Response, and Job Safety Analysis training.

In addition, general competency development training was conducted with 98 people, of whom almost 95 percent were Papua New Guinean citizens. Course topics included problem solving, career development, company policy training, effective presentation skills and the EMPNG Aiming for Excellence program.

Aiming for Excellence supports the successful Culture by Design initiative *Em pasin bilong ExxonMobil long PNG* meaning ‘the way we work at ExxonMobil in PNG’ by focusing on the beliefs, values, behaviours and skills that are essential for building the culture of a high performing organisation.

Engineering

EMPNG engineers continue to play a key role in the transition from the early operations phase to sustained operations.

For example, one of the engineers from the second intake of the Graduate Training Development Program is responsible for implementation of the integrity program to ensure safe operation of cranes and other lifting equipment.

Another engineer from the third intake is responsible for implementation of the security protocol for the process-control computing systems at the LNG Plant.

Engineers from the first intake are also involved in areas such as production planning and reliability, instrumentation and controls, machinery, operational and pipeline integrity, operations integrity management systems, process safety, and risk management.

To supplement on-the-job training, the engineers continue to complete courses that complement their disciplines. During this quarter, the engineers completed a course on economic evaluation and profitability. This course provided information about the nature of the oil and gas business and equipped the engineers with tools to evaluate the profitability of individual project decisions – a skill that ExxonMobil requires of all its engineers.

Operations and maintenance

Almost one quarter of EMPNG’s Operations and Maintenance trainees have achieved Technician Level 1 and are working alongside senior technicians. The trainees’ advancement to Technician Level is based on: quality of work; initiative; self-monitoring, planning and organisational skills; safety, health and environmental awareness; teamwork; and level of competency at the worksite.

A new intake of 30 Operations and Maintenance trainees will join the training program in 2015. Like their predecessors, these trainees will complete Basic Skills and, Advanced Skills programs, as well as on-the-job training.

6.2.2 Contractor training

With the completion of the PNG LNG Project’s construction phase and the demobilisation of the large Engineering, Procurement and Construction contractors, the production organisation is appointing new smaller-scale contractors to support the needs of the production environment. The new production phase contractors are developing and delivering training programs for workers, commensurate with their work scopes. Induction and safety training is among many training programs offered through the production contractors, who are focused on developing the skills of Papua New Guinean workers. More than 7,500 training hours were provided by contractors during the third quarter.

6.3 Workforce health

The transition of workforce health programs from the construction phase to production was completed this quarter. Health program services are provided for production operations at the LNG Plant site and the HGCP; and also to support drilling and Permanent Facilities Compound construction activities.

During production, health programs are based on three primary health management areas of: medical, public health and industrial hygiene.

Medical

The clinical service provider approached steady state operations during this quarter. A clinical educator role was established to provide training to health workers and ensure skills are maintained across clinical support teams. Clinical operations continue to provide a high standard of performance across all worksites.

Public health

Monthly health assessments are conducted at worker camps on areas such as food safety, potable water safety, vector surveillance and control, camp hygiene and sanitation, and infectious disease outbreak response requirements.

Results of these assessments show that EMPNG and its contractors and service providers are in compliance with camp health standards. Program improvements initiated during the quarter included menu adjustments, changes to food safety handling procedures, provision of additional worker training, and updating of food safety management plans.

During this quarter, the Health team developed potable water safety management plans as guidance tools for water treatment plant operators and maintenance teams, and also to assist laboratory support services.

Potable water quality treatment plant and water quality testing performance remained high across all sites during the third quarter.

Vector surveillance and control services included planned activities such as daily mosquito trapping, observations, reporting and control, which were completed as scheduled.

Weekly reminders on vector management were distributed electronically and during toolbox discussions. These reminders are designed for use in the workplace and at home. They cover general vector awareness, how to identify breeding areas, prevention techniques, and advice about seeking medical attention if symptoms occur.

Industrial hygiene

Production-related industrial hygiene programs began this quarter. These included implementation of the exposure assessment system and programs for: hazardous materials communication; noise and hearing conservation; respiratory protection; and heat stress.

Initial performance assessments show EMPNG is operating in accordance with its industrial hygiene requirements.

Other strategic initiatives

Infectious disease outbreak management training and drills were conducted at production worksites during this quarter. One drill scenario tested the response to a potential norovirus outbreak in a worker camp that rapidly spread throughout the worker population and threatened the community. Lessons learned from the drill are being applied to production health management programs.

In response to an outbreak of measles in communities across the Hela Province this quarter, EMPNG offered measles vaccinations to over 2,000 workers in the Hides area who did not have immunity. Since most of these individuals lived in the neighbouring communities, this helped to boost overall immunity levels in these communities.

6.4 Workforce safety

EMPNG continues reinforcing its core values and safety culture through the Culture by Design initiative, as shown in Figure 6.1.

FIGURE 6.1

EMPNG CORE VALUES

Safety	Nobody Gets Hurt
Security	Is Everybody's Business
Excellence	We perform to the best of our ability everyday
Teamwork	We respect and care for our Wanwoks
Integrity	Honesty and Fairness with all Stakeholders
Environment	Protect Tomorrow. Today

The company's safety focus areas are: creating a safety leadership environment; identifying hazards and reducing risk tolerance; and managing higher risks.

Safety initiatives supporting these focus areas include:

- **Active Management Engagement** – Senior managers maintain a visible and frequent presence at field locations to demonstrate leadership, reinforce expectations, and interact with the workforce. Structured contractor interface meetings, which focus on safety performance, have commenced with key production contractors.
- **Safety Leadership Training** – More than 200 production workers have completed Safety Champions initiative training. Workers are selected based on their ability to directly contribute to the development of a safety culture within operational worksites and in the local community.

The five-day Safety Champions training program provides workers with the skills they need to promote a safety culture within the complex EMPNG operational work environment.

- Work Management System Verification** – The company's Work Management System enables effective planning and control of safety-critical activities, such as hot work performed near hydrocarbons, and working near energised equipment. During this quarter, a comprehensive independent assessment demonstrated the system is functioning as intended, with lessons learned from the assessment being applied to further optimise the system.
- Improved Hazard Management Tools** – Enhancements have been made to Observations and Interactions, Near Miss Reporting, and Hazard Identification tools, allowing for the improved capture and analysis of at-risk behaviours that could cause higher potential incidents.
- Safety Messaging** – Communications tools have been developed to support management messaging on the safety focus areas. Examples of these tools are shown in Figures 6.2 and 6.3.

FIGURE 6.2
MANAGING HIGHER RISKS

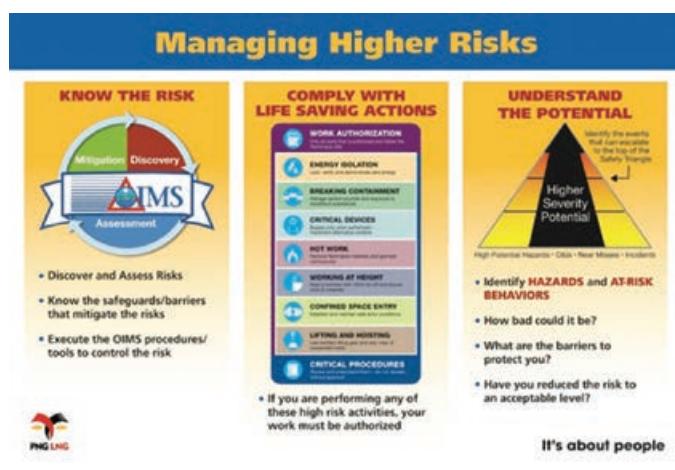
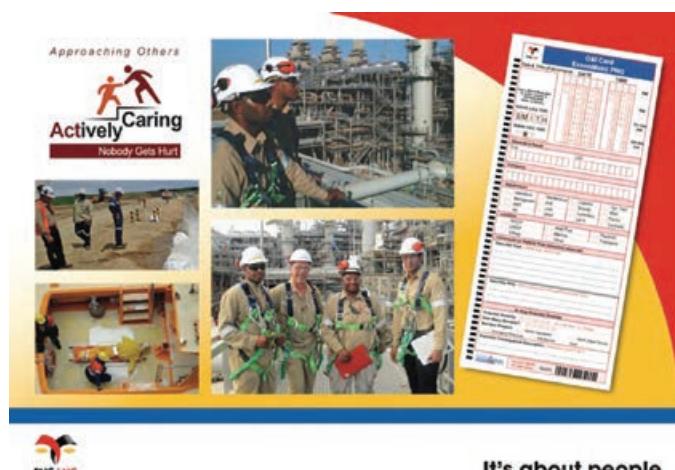


FIGURE 6.3
APPROACHING OTHERS

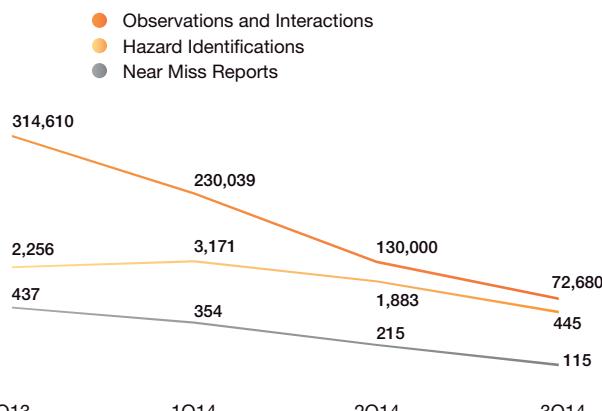


6.4.1 Leading and lagging indicators

EMPNG uses both leading and lagging safety indicators to measure safety system effectiveness. Leading indicators measure proactive incident prevention efforts, while lagging indicators measure actual incidents and their consequences.

Observations and Interactions, Near Miss Reporting, and Hazard Identification are core safety processes used for incident prevention, as shown in Figure 6.4. The decreasing trend in these processes is the result of more than 10,000 construction workers demobilising from completed worksites during 2014.

FIGURE 6.4
CORE SAFETY PROCESS PERFORMANCE NUMBERS BY QUARTER



During the third quarter, EMPNG construction and production organisations reached a combined 18 million work hours for the year-to-date without a Lost Time Incident. Since July 2013, more than 45 million work hours have been completed without a Lost Time Incident.

The high standards in safety performance have resulted in a 365-day moving average of 0.13 for the Total Recordable Incident Rate and 0.00 for the Lost Time Incident Rate.

6.5 Security

The annual EMPNG security workshop was held in Port Moresby during this quarter, with the theme 'Consolidating Security Support to Operations'. The workshop focused on developing core skills of Papua New Guinean security personnel, sharing lessons learned from the construction phase and building the long-term production security organisation.

6.6 Worker welfare and conditions

EMPNG is committed to maintaining high standards of worker welfare and conditions through implementation of the Labour and Working Conditions Management Plan.

6.6.1 Camps

Accommodation rooms at the HGCP camp were refurbished during this quarter. Work began on upgrading LNG Plant camp rooms, and is expected to be complete in 2015.

Recreation areas in both the LNG Plant and HGCP camps have also been refurbished to cater for the needs of the production workforce. For example, prayer rooms and dining facilities were refurbished, and additional meals were added to dining menus to cater for specific religious or dietary food requirements. Camp Committees have been established to monitor, provide feedback and lead improvements in all aspects of camp life including menus, recreation activities and facilities.

In addition to site inductions that provide workers with information about camp facilities and camp rules, a monthly HGCP camp newsletter was introduced this quarter to keep residents informed of camp updates.

At the LNG Plant, new fencing is being installed to control camp access and provide additional security for female worker accommodation.

Internet access and commissaries at the HGCP and LNG Plant camps were also upgraded this quarter.

Monthly Camp Committee meetings are scheduled to give camp residents and contractors a forum for discussion. The Camp Committee will also develop programs of recreational and sporting events, and help communicate these programs to camp residents.

Television systems at worker camps will have a dedicated local camp channel to provide site information on topics such as muster points, meal times, important health information and key contact numbers.

6.6.2 Labour and working conditions

Ongoing cultural awareness training sessions are being conducted at production worksites to help workers better understand the diverse range of Papua New Guinean cultures, refer to *Case Study – Celebrating Independence Day* for one example.

Enabling workers to understand the history, values, belief systems and behaviours of their fellow workers provides more effective cross-cultural communication in the workplace and has a direct impact on employee safety.

Traditional *bilas* or ‘costumes’ and dances were the highlight of cultural activities organised to celebrate 39 years of Papua New Guinea’s independence.

Papua New Guinea celebrates independence on 16 September each year. The country established its sovereignty in 1975, after being ruled by three nations since 1884.

EMPNG commemorated the nation’s independence with a day of festivities that included a lunch for workers, a parade of costumes from different regions and traditional dancing. The ‘Adopt an Expatriate’ theme, which involves expatriate employees joining with a Papua New Guinean sponsor and dressing in their traditional costume, continued for the fourth consecutive year.



Louise Jellard and her sponsor Margaret Maggio in bilas from Kairuku in the Central Province

One of the many costumes proudly displayed during the festivities was the Motuan traditional dress from the Tubusereia Village. This costume consists of red *lalaps* or ‘waistcloths’, a headdress made from a combination of chicken, parrot and bird of paradise feathers, and long black necklaces made from wild banana. Long tattoos are usually found on the arms, while single tattoos can be seen on the back and front of the knee. Facial ‘teardrop’ tattoos traditionally represent women whose husbands travelled away for many weeks on the *lakatoi*s or ‘large canoes’ for the Hiri trade.

Toea shells, as worn by EMPNG Lead Media and Communications Adviser, Rebecca Arnold (pictured centre) are symbolic for all Papua New Guineans because this shell was considered to be the main monetary unit of Papuan trade.



Evelyn Tau and Dari Verave with their adopted expatriate, Rebecca Arnold (centre) wearing traditional Motuan dress to celebrate Independence Day



Erik Botsford and sponsor Jennifer Gideon doing a traditional dance from Rigo in the Central Province



Betsy Edo and her adopted expatriate, Jed Beckstead, wear traditional Tufi bilas from the Oro/Northern Province. The costume includes tapa, a ‘cloth made from paper mulberry bark’, and is designed intricately using natural dyes

EMPNG remains committed to managing the impact of production activities on the environment in areas where the company operates.

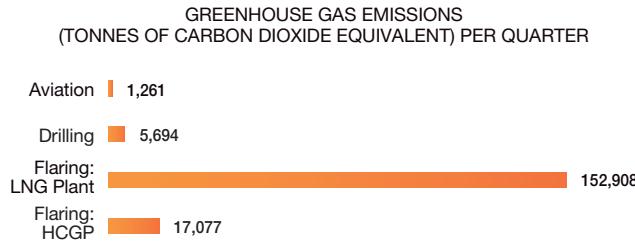
7.1 Air

Stack monitoring at the LNG Plant, the HGCP and Hides Waste Management Facility, began during the third quarter. Early results indicate that operations are complying with ESMP emission guidelines for nitrogen oxides, sulphur oxides, carbon monoxide, particulate matter, hydrogen chloride, cadmium, lead, mercury, dioxan/furan and opacity.

By the end of the quarter, preparations for ambient air quality monitoring at the LNG Plant, HGCP, and Hides Waste Management Facility, were well underway. A third party specialist was selected to conduct the monitoring, which will continue into 2015.

During this quarter, the total greenhouse gas emissions attributable to flaring were 17,077 tonnes of carbon dioxide equivalent at the HGCP, and 152,908 tonnes at the LNG Plant. The amount of flaring has steadily decreased, concurrent with the reduction of plant commissioning activities, completion of the cool-down process, fewer operational disruptions associated with start-up and the progression to steady state operations. Drilling activities generated 5,694 tonnes of carbon dioxide equivalent, while aviation has generated 1,261 tonnes, as shown in Figure 7.1. Total greenhouse gas emissions are calculated and reported on an annual basis.

FIGURE 7.1



7.2 Noise

In accordance with the company's ESMP, noise monitoring is conducted twice annually across three locations at the LNG Plant, one location at the HGCP and one at the Hides Waste Management Facility.

The first production noise monitoring was conducted this quarter at all three sites and indicated that noise levels during day and night hours (where applicable) were within the ESMP

guidelines for all three locations. There were no unresolved noise grievances reported during the quarter.

7.3 Water

Water is used during production for domestic purposes in worker camps, as well as for drilling wells and other activities, such as vehicle washdown and dust control.

7.3.1 Usage

Approximately 62,700 kilolitres of freshwater was extracted from groundwater sources during this quarter. Surface water extraction ceased at the end of the second quarter 2014.

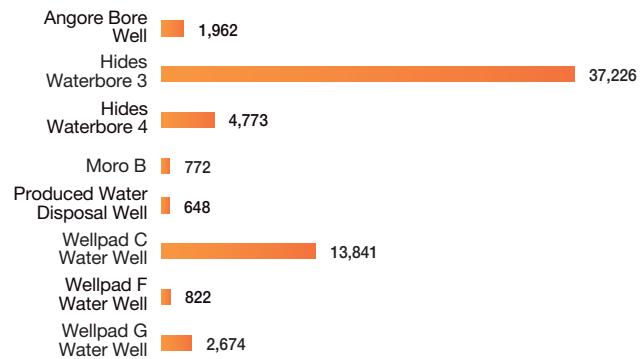
A total of 153,000 kilolitres of seawater was extracted to supply the desalination plant at the LNG Plant site, which generated almost 19,000 kilolitres of water to be used for both fire and service water at the site.

During this quarter, there was one new extraction point at the Wellpad F water well to support drilling activities. Water extraction volumes remain within the company's permitted limits.

Freshwater volumes from each extraction source are shown in Figure 7.2.

FIGURE 7.2

VOLUME (KILOLITRES) OF FRESHWATER USED DURING THE THIRD QUARTER BY EXTRACTION SOURCE



NOTE: Values under 100 kilolitres are not shown in this Figure, including Komo Camp with 4.95 kilolitres.

7.3.2 Quality

Production water quality monitoring began this quarter with the collection of discharge water samples, at the LNG Plant, HGCP, Hides Waste Management Facility, Komo Airfield and support camps located in the Upstream area.

Discharge water from operating facilities includes stormwater from site run-off, effluent from wastewater treatment plants, and retention ponds that capture water from processing facilities. These water streams are monitored for quality at designated end-of-pipe discharge locations along facility boundaries prior to reaching the surrounding environment. Water quality monitoring assesses factors such as pH, turbidity, temperature, suspended solids, conductivity, ammonia nitrogen, faecal coliform, salinity, and total dissolved solids.

In the third quarter, six environmental specialists received training in water quality analysis.

Monitoring during the quarter showed both in-situ and laboratory water quality results were within criteria for the effective management of freshwater and marine water quality, except for one sampling event at Komo and HGCP wastewater treatment plants that exceeded discharge guidelines for one or more of the following parameters: faecal coliform, total suspended solids, ammonia-nitrogen and/or biological oxygen demand levels. EMPNG immediately commenced further in-situ weekly monitoring, which confirmed there was no further exceedance and all wastewater treatment plants complied with Papua New Guinea's water quality guidelines. No health or environmental impacts were observed. Five HGCP retention pond releases also exceeded discharge criteria for one or more of the following parameters: turbidity, pH and/or phenol concentrations. No environmental impacts were observed, and the quality of the receiving water body was tested and complied with Papua New Guinea's water quality guidelines.

Groundwater monitoring is conducted at the LNG Plant, HGCP and Hides Waste Management Facility, with the timing of monitoring coinciding with seasonal extremes between the wet and dry seasons. Laboratory results from groundwater samples collected at the LNG Plant and HGCP were found to be either below baseline conditions or within natural background variations this quarter. Groundwater samples collected at the Hides Waste Management Facility were found to be generally consistent with baseline conditions, with the exception of the dissolved metals iron, cobalt and manganese, which were elevated. Monitoring will continue to ascertain whether the concentrations detected of these analytes is within the normal background range.

7.4 Cultural heritage

EMPNG respects the culture and history of communities located near production facilities. Cultural heritage management was a significant component during the construction phase, with measures implemented to manage known cultural heritage resources and newly discovered resources, including chance finds. Known sites were subject to either salvage activities or protection from disturbance by construction activities.

Chance finds were recorded and either monitored or transferred to the Papua New Guinea Museum and Art Gallery, in accordance with a protocol agreed with the Papua New Guinean Government and in close consultation with local communities.

During production, EMPNG's Cultural Heritage Management Plan and protocols are being applied to any new areas to be developed.

During this quarter, no cultural heritage management activities were required as there were no newly developed areas.

7.5 Materials management

EMPNG avoids the use of hazardous materials, particularly those subject to international bans or phase-outs. No hazardous materials subject to international bans or phase-outs were used during this quarter.

While the use of raw materials is reduced during production, occasionally materials such as aggregate from quarries will be required for maintenance, repairs or special projects. Wherever practical, material is sourced from existing third party quarry operations. During this quarter, the maintenance contractor used 700 cubic metres of gravel, sourced from local suppliers in Port Moresby, to complete upgrade works at the LNG Plant worker camp.

In the Upstream area, around 300 cubic metres of limestone was sourced from the pre-existing Wagili Quarry to repair erosion at the HGCP and along the onshore pipeline route at Homa.

A total of 80 cubic metres of sand, and 140 cubic metres of aggregate, were sourced from Tari to make the concrete pads and walkways around the HGCP.

Most of the timber required by EMPNG in the quarter was recycled from construction demobilisation waste. However, an additional 82 cubic metres of timber was purchased.

7.6 Spill prevention and response

EMPNG continues to provide plans, equipment, personnel resources, and workforce training and drills to reduce the likelihood and consequences of emergency situations. This includes hydrocarbon spill prevention and response.

During this quarter, the production organisation recorded one spill to ground of oily water (less than four litres), and six releases to air of LNG or refrigerant vapour. These releases were classified as Severity Level <0>.

Three small oil and paint spills to ground, all less than 1 litre and classified as Severity Level <0, were reported by the Drilling organisation. Seven near miss incidents were recorded for contained spills onto sealed surfaces.



Workers participating in oil spill equipment training sessions held at the HGCP

The Drilling organisation reinforces its ‘no spill’ culture through spill awareness initiatives that include drills and training specific to non-aqueous drilling fluid transfers and transport. The Drilling organisation conducted 13 drills during the quarter. The scope of the drills ranged from field-based discussions on appropriate responses through to simulated practical responses.

Production spill response drills were conducted at both the HGCP and LNG Plant on five occasions at each location. They covered a variety of scenarios, including spills of condensate, spills of diesel, simulated use of dispersants, and deployment of jetty equipment. Some scenarios were enacted as desktop exercises, while others involved full equipment deployment and practical execution of spill response methods.

7.7 Waste management

In accordance with the Production ESMP, the company implements measures to reduce, reuse and recycle waste wherever practicable. For waste that is unable to be reused, EMPNG uses a waste management hierarchy to manage and dispose of waste at approved facilities.

7.7.1 Solid waste

Two waste management contractors are responsible for managing production waste. Their work scope includes: landfill management; purchase and appropriate labelling of bins; and waste collection, transportation and disposal. The waste contractors are also providing relevant waste management system training to EMPNG workers and contractors. During this quarter, a joint site walkthrough was conducted with EMPNG management and one of the waste contractors to verify standard operating procedures.

The Kopeanda high temperature incinerator was out of service for 17 days due to a failed thermocouple, which is used for measuring the incinerator’s temperature. The thermocouple was repaired and the incinerator returned to efficient operation. The high temperature incinerator is primarily used to incinerate putrescible wastes from camp operations, as well as oily rags, filters and paints from worksites in the Upstream area. The volume of construction waste processed through the high temperature incinerator is decreasing as EMPNG moves to steady state operations. A second incinerator was commissioned in Hides and is expected to be operational when the high temperature incinerator is decommissioned next year.

As anticipated, the first landfill cell at the Hides Waste Management Facility reached 80 percent capacity with construction demobilisation waste during this quarter. Disposal of non-recyclable waste continues in both the first and second landfill cells.

The Hides Waste Management Facility is receiving treated drill cuttings to be used as landfill cover, while waste drilling oil is sent to a third party facility for recycling as incineration fuel. To date, 140,000 litres of waste oil has been recycled through the third party facility.

At the LNG Plant, the first and second construction landfill cells have been filled to capacity with construction and demobilisation wastes, as expected. Capping of the cells is expected to be completed in late 2014.

The Permanent Facility Compound construction contractor continues to manage waste in accordance with the site waste management hierarchy. During this quarter, combustible wastes were incinerated in the worksite incinerator, while landfill wastes were sent to the LNG Plant landfill.

Most waste generated in the Upstream area this quarter was due to construction demobilisation activities, including the processing of construction waste. At the LNG Plant, predominant wastes by type were food, paper and cardboard.

The majority of waste produced across EMPNG facilities was classified as non-restricted, as illustrated in Figure 7.3. Solid waste is primarily transferred to landfill in the Upstream area, while at the LNG Plant site most waste is incinerated. Total solid waste by disposal method is shown in Figure 7.4.

FIGURE 7.3

PERCENTAGE OF WASTE GENERATED DURING THE THIRD QUARTER BY CLASSIFICATION

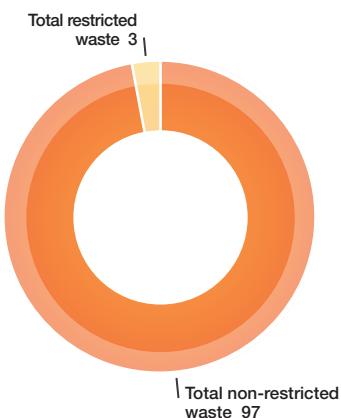
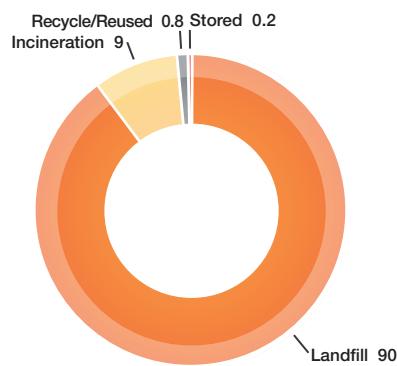


FIGURE 7.4

PERCENTAGE OF WASTE DURING THE THIRD QUARTER BY DISPOSAL METHOD



7.7.2 Wastewater

Both temporary and permanent wastewater treatment plants are being used to treat effluent from production facilities and worker camps. During this quarter, the waste management contractor provided operational and process control resources for all existing wastewater treatment plants.

At the HGCP, temporary construction wastewater treatment plants remain in use while the permanent treatment facility is being commissioned. The LNG Plant's permanent wastewater treatment plant has been fully operational since the end of the second quarter 2014.

7.8 Erosion and sediment control

EMPNG is using both ground and aerial inspections to monitor the effectiveness of permanent erosion and sediment control measures along the pipeline ROW, Komo Airfield, and the HGCP and LNG Plant sites. Specialist teams repair or augment control measures if they are not functioning effectively.

During this quarter, remedial works were required for erosion control measures along the pipeline ROW at the Tagari Fault Crossing, Kutubu Main Line Valve and on the ROW traversing Homa and Hegero. Engineering assessment and design of remedial works for erosion at Komo was undertaken at the end of the quarter. At the HGCP, site drains and culverts required maintenance to allow for effective drainage.



A Job Safety Analysis being conducted prior to commencing remedial works at Kilometre Point 9



Re-shaping and compaction of cross berms and jute matting replacement at Kilometre Point 9

Engagement continues with communities to raise awareness of reinstated sites and to minimise the risk of vandalism to reinstatement structures.



Awareness posters in support of the Clan ROW Maintenance Agreement

In addition to regular monitoring, Clan ROW Maintenance Agreements are being executed with clans along the pipeline ROW to control vegetation, notify the company of erosion issues, and report to the company the presence of unauthorised vehicles and structures on reinstated sites.

The Agreements provide opportunity for EMPNG and landowning clans to strengthen relationships and work toward a common goal of protecting the environment along the ROW.

Preserving Papua New Guinea's biodiversity by managing environmental impacts remains a priority during production.

8.1 Biodiversity Strategy

EMPNG is progressing its Biodiversity Strategy through implementation of the Biodiversity Offset Delivery Plan and the Biodiversity Monitoring Plan.

8.1.1 Biodiversity Offset Delivery Plan

On 6 September, the newly constructed Lake Kutubu Wildlife Management Resource Centre was officially transferred to the Lake Kutubu Wildlife Management Area Committee. For further information refer to Case Study – *Ongoing support for biodiversity management*.

During this quarter, two management workshops were held to plan a roadmap to complete the development of three remaining course modules in the University of Papua New Guinea's Strengthening Conservation Capacity Program. Terms of reference were also developed for Program scholarships, funded by EMPNG, to be offered from the start of the 2015 academic year. The Program is offered by the University with support from the Mama Graun Conservation Trust Fund as part of the Biodiversity Offset Delivery Program's Component 3: Enhancing Conservation Capacity Program.

8.1.2 Monitoring

The Biodiversity Monitoring Plan progressed this quarter, with the start of a post-construction biodiversity assessment to map focal habitats and biodiversity features affected and mitigated during the construction phase. Preparations began for in-field biodiversity surveys to collect flora and fauna data in and around EMPNG facilities. The in-field surveys are scheduled to begin in early 2015. Data from the surveys will be used to determine the effectiveness of ecological management activities.

8.2 Ecological management

Monitoring of two Sandalwood *Santalum macgregorii* trees located at the LNG Plant site is being conducted to determine their ongoing condition. Sandalwood is listed as 'Endangered' on the International Union for Conservation of Nature Red List of Threatened Species. Both trees at the LNG Plant site were found to be in a stable condition this quarter.

Mangrove regeneration is progressing, with the establishment of species such as the Stilted Mangrove *Rhizophora stylosa* along the pipeline ROW due to natural regeneration.

The results of freshwater ecology monitoring are being analysed and will be reported in late 2014.



A Stilted Mangrove sapling at the LNG Plant landfall site



Flowering Sandalwood at the LNG Plant site

8.3 Quarantine management

In August, the National Agriculture Quarantine and Inspection Authority introduced new procedures for airfreight shipments. As a result of the procedure change, the Authority has increased the number of airfreight inspections for shipments entering Papua New Guinea. During this quarter, 282 production-related consignments arrived in Papua New Guinea, with 32 percent inspected. None of the cargoes inspected required re-fumigation.

8.4 Weed, plant pathogen and pest management

During this quarter the second weed audit for 2014 was completed. Interim results from the areas surveyed show that all weeds identified have been previously recorded in Papua New Guinea.

One weed species, *Triumfetta pilosa*, was found in the Moro region for the first time but it was previously known to occur in other locations in Papua New Guinea. This weed species is classified as a Priority 3 weed (the lowest priority).

The weed identification training package, introduced in the second quarter 2014, was provided to Hides Waste Management Facility and HGCP workers, as well as to the Socioeconomic team this quarter. The package aims to raise worker awareness about EMPNG's Weed Management Strategy and train field officers in the monitoring of Priority 1 and Priority 2 weeds. Some workers who completed the training requested additional materials so they could raise awareness within their communities. One participant planned to remove Devil's Fig *Solanum mammosum*, which he had planted for ornamental purposes around his house.

During this quarter, a single juvenile Cane Toad *Rhinella marina* was recorded for the first time in Tamadigi. Cane Toads were previously identified in the Omati River to Kikori River region. A pest identification training package focusing on the Cane Toad has been prepared for field teams.

The Socioeconomic team intends to use the training they have received to raise awareness about weed and pest management during community engagements.

Site-specific worker training materials were developed this quarter for weed and herbicide management, including the preparation, use, disposal and storage of herbicides.

8.5 Access control

No new access roads were constructed during the third quarter. PNG LNG Project roads that will not be used during production have now been reinstated.

Access to the Hides Wellpad Access Road continues to be controlled through security checkpoints and the use of site identity cards for workers.

Monitoring of access control measures was conducted this quarter, in accordance with requirements of the production Induced Access Protocol. One attempt to gain access to a locked boom gate was noted early in the quarter but the boom gate was not breached, so unauthorised access did not occur.

A number of commercial, government and some community vehicles were permitted access to the Kopi Scraper Station Access Road, Gobe to Kantobo Road, and the Benaria Main Line Valve track after an assessment by EMPNG determined the access to be low-risk with regard to in-migration impacts. Additional monitoring is being conducted at these locations to ensure third party vehicular access does not cause in-migration impacts.



Devil's Fig growing close to the Hides Waste Management Facility



ONGOING SUPPORT FOR BIODIVERSITY MANAGEMENT

EMPNG is continuing its strong support for local management of biodiversity, which has been in place since the early planning stages of the PNG LNG Project.

A new Lake Kutubu Wildlife Management Resource Centre, built in Tugiri Village, was handed over to the community during a special ceremony on 6 September. The Resource Centre is now the base of the Lake Kutubu Wildlife Management Area Committee's activities to provide supervision and conservation of biodiversity in the Lake Kutubu region.

The Resource Centre contains office space and amenities, and will be fitted with solar panels for power. With support from EMPNG, the Centre was constructed in three months by a local Lanco, and provided employment for seven youths from Lake Kutubu communities.

Lake Kutubu Wildlife Management Area Committee chair, Lawrence Kage, said at the opening ceremony that the new Centre was a much-needed asset for the entire region.

"Today we witness an asset that will help us to protect our environment and our culture. We have a place in the village where we can meet, where we can conduct training and where we can develop materials so we will know more about our environment and how we can protect it," he said.

Local landowner Jack Kage, who donated the land for the Resource Centre, said it would provide long-term benefits for the community.

"When I pledged this land for the Resource Centre, it was not just for the Lake Kutubu Wildlife Management Area activities today, but for future generations. When we make decisions today, we should be making them with our children and their children in mind, so they have a good life in future," he said.

Completion of the Resource Centre is an important achievement for EMPNG's partnership approach to supporting biodiversity management through implementation of the Biodiversity Offset Delivery Plan. The Plan has involved the formation of constructive partnerships with a wide range of community organisations, government and non-government authorities, and academic institutions.

During this quarter, EMPNG also provided a further 998,000 Kina (US\$402,000) for research looking at ways to provide protection for the rare *Piku* 'Pig-Nosed Turtle *Carettochelys insculpta*', which lives only in the Kikori Delta Region of Papua New Guinea and Australia's Northern Territory.

This grant brings total funding provided for the research since 2011 to 2.4 million Kina (US\$967,200). The research and outreach work conducted by the University of Canberra, Australia, in collaboration with the University of Papua New Guinea, focuses on protecting the *Piku*'s nesting habitat. The additional grant will support two Papua New Guinea Master's students to lead community outreach research programs in the Kikori Delta.

EMPNG Managing Director, Peter Graham, said the *Piku* Project was a great example of ExxonMobil's commitment to investing in programs that support and encourage environmental conservation.

"This program promotes community-led conservation initiatives. A community leading the way in conservation is a key step to accomplishing sustainable environmental management and protection today for tomorrow," he said.



Presentation of the ceremonial key at the official opening of the new Lake Kutubu Wildlife Management Resource Centre



A blessing held outside the Resource Centre before its official opening to the public

EMPNG uses monitoring and evaluation tools such as system assessments, site inspections, surveys, sampling, and measurement to assess the effectiveness of its Environmental and Social Management Plans.

These tools enable the company to determine factors such as whether mitigation measures designed to manage risks and impacts are being implemented, and whether they are achieving the intended outcomes.

9.1 Incidents

An incident is a situation that has an unintended impact on a person's safety, security, health or livelihood, or an impact on property, the environment, or legal/regulatory compliance. EMPNG investigates the causes of incidents and near misses, and implements corrective actions to reduce the likelihood of reoccurrence.

During this quarter, the production organisation recorded seven environmental incidents all classified Severity Level <0, and 96 near misses. The incidents were primarily due to small leaks of LNG or refrigerant. Once each leak was identified, the equipment was isolated and appropriate maintenance work undertaken.

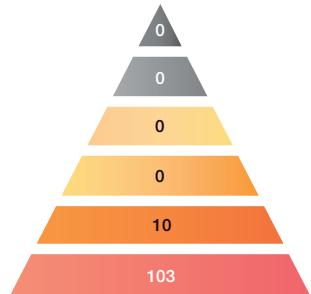
The Drilling organisation recorded three incidents, all classified Severity Level <0, and seven near misses. Two of the incidents involved small spills (less than 0.5 litres) of oil to ground. One incident related to a small paint spill.

No Severity Level 2 or 3 incidents, requiring notification to the IESC or Department of Environment and Conservation, occurred during the third quarter. All incidents and near misses are shown by Severity Level in Figure 9.1.

FIGURE 9.1

NUMBER OF INCIDENTS DURING THE THIRD QUARTER BY SEVERITY LEVEL

- Severity Level 3
- Severity Level 2
- Severity Level 1
- Severity Level 0
- Severity Level <0
- Near Miss



9.2 Monitoring and evaluation

Exxon Mobil Corporation's Operations Integrity Management System framework is used to monitor, verify, and assess conformance of production activities with the Production ESMP. It is also used to confirm that recognised risks are mitigated; and ensure intended outcomes are achieved.

The type, extent and frequency of monitoring and evaluation is commensurate with the level of risk involved in an activity.

The production verification program began this quarter, with field environmental specialists inspecting worksites using the field environmental protocol. The field specialists record both positive observations and field observations that require improvements. Observations made are entered into an action tracker and logged until the item is closed.

Conformance with the Production ESMP and its associated EMPS and SMPs is tracked through the recording of non-conformances, field observations and positive field observations.

9.3 Results

Positive field observations are identified as excellent performance against ESMP requirements. Non-conformances are situations that are not consistent with ESMP requirements and need corrective action.

Field observations involve an intervention and/or corrective action that is required to prevent a non-conformance.

One Severity Level 1 environmental non-conformance was recorded during the quarter. It related to the LNG Plant waste management contractor's disposal of restricted wastes, and keeping insufficient records. The waste management conformance gap has been sustainably closed. A competent Waste Coordinator has been appointed to oversee the waste contractor. The contractor has been directed, and empowered, to reject waste not conforming to landfill standards. Waste producers have been advised on segregation required before delivery to the landfill.

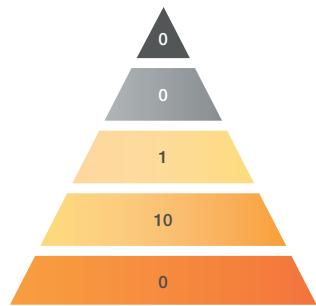
With the inspection program for verification commencing this quarter, 10 field observations, as shown in Figure 9.2, were recorded and tracked.

Most field observations related to weed management. Corrective actions included the removal and incineration of weeds, as well as worker awareness-raising through toolbox talks.

FIGURE 9.2

NUMBER OF NON-CONFORMANCES AND FIELD OBSERVATIONS DURING THE THIRD QUARTER BY SEVERITY LEVEL

● Severity Level III ● Severity Level II ● Severity Level I
● Field Observation ● Positive Field Observation



During their monitoring visit, the IESC identified that there had been a smooth transition from construction to production aided by the retention of key workers from the construction phase.

One Level 1 (low) non-conformance was identified where effective road access control was not in place at several locations in accordance with the ESMP. Access control measures at these locations have since been rectified.

The IESC will conduct its first production phase review in October 2014.

By the end of the quarter, 40 percent of field observations were addressed and closed.

No Severity Level II or III non-conformances, requiring notification to the IESC or Department of Environment and Conservation, were recorded during the third quarter.

Details of field-based environmental monitoring programs are covered in *Chapter 7 – Environmental Management*.

9.4 External monitoring

In addition to EMPNG's internal monitoring of production activities against the Environmental Management Plans and Social Management Plans, regular compliance reports are provided for review by relevant Papua New Guinean Government agencies. These include quarterly progress reports, water quality reports and environmental progress reports for agencies such as the Department of Environment and Conservation, and the Department of Petroleum and Energy.

Regular monitoring is also conducted by independent third party agencies. For example, the IESC conducts reviews based on the social and environmental mitigation measures outlined in the Production ESMP. The IESC completed a monitoring visit in June 2014, in which start-up activities were reviewed in the Upstream area and at the LNG Plant. The IESC's findings were published this quarter on the PNG LNG Project website.



VISIT THE WEBSITE AT
www.pnglng.com

STAKEHOLDER ENGAGEMENT

During production, EMPNG is committed to ongoing engagement with communities adjacent to PNG LNG Project facilities to build on the trust, collaboration and mutual understanding developed in the construction phase.

10.1 Communities

EMPNG is maintaining ongoing engagement with communities to keep them informed about production activities.

With the transition to production completed this quarter, engagements significantly increased to inform communities about production activities and LNG shipments. More than 1,880 engagements were conducted in 135 communities surrounding EMPNG facilities during this quarter. Of these, some 460 were formal engagements and over 1,400 were informal engagements. More than 12,680 attendees were present at stakeholder engagements during this quarter.



Meeting with clans in Moro to communicate pipeline ROW safety

In the Upstream area, messages focused on pipeline ROW safety, including what to expect during production. Communities along the pipeline ROW were also provided with information about how to help protect vegetation and monitor erosion along the ROW. Under Clan ROW Maintenance Agreements, members of these communities will be expected to notify EMPNG about erosion issues along the ROW.

10.1.1 Issues identification

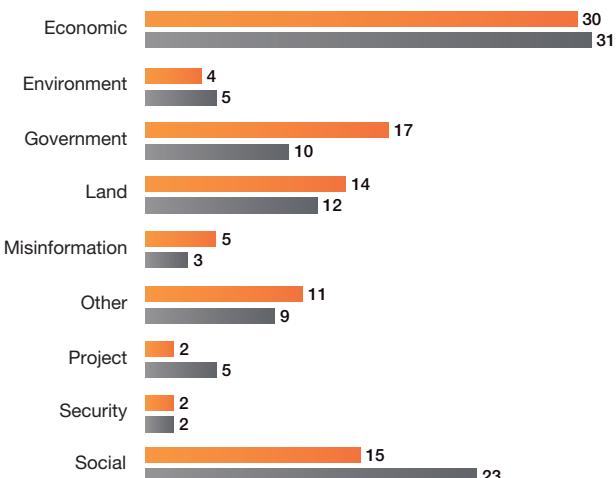
Economic concerns accounted for 30 percent of all issues raised this quarter, as shown in Figure 10.1. These generally related to requests for community development and investment projects.

Government issues, representing 17 percent, related to distribution of royalties and the clan vetting process. These issues were forwarded to the relevant government departments for resolution.

FIGURE 10.1

PERCENTAGE OF ISSUES RECEIVED BY ISSUE CATEGORY

● 3Q14 ● Last 12 Months



Social issues represented 15 percent and were mainly comments provided by community members during engagements, including appreciation for the information sharing by EMPNG.

Land issues, representing 14 percent, regarded concerns about land compensation payments.

10.2 Government

EMPNG is engaging periodically with representatives across the national, provincial and district-level governments of Papua New Guinea to keep them updated on production status.

10.2.1 Infrastructure and government support

During this quarter, EMPNG assisted the Hela Provincial Government with determining the scope and cost for installation of a bridge across the Benaria River. Construction of the bridge is scheduled to begin in 2015.

10.2.2 Advocacy

More than 80 dignitaries from government, foreign missions and international organisations participated in advocacy workshops and LNG Plant visits during this quarter.

Hela Province Governor, the Honourable Anderson Agiru, was among the first to see LNG tanker *Gigira Laitebo* berth at the LNG Plant Marine Terminal.



Mineral Resource Development Company representatives visiting the LNG Plant Marine Terminal

Advocacy workshops and LNG Plant visits provide a valuable forum for stakeholders to understand EMPNG's operations and witness the LNG production process. The workshops also provide participants with updates about other company activities, such as community development programs and national content initiatives.

10.2.3 Benefits assurance delivery

The Papua New Guinean Department of Planning and Monitoring has released a funding allocation to the Hela Provincial Government for implementation of Infrastructure Development Grant projects.

Funding for these projects is a national government commitment under the PNG LNG Umbrella Benefit Sharing Agreement between the State and Project area landowners.

The Department of Petroleum and Energy continues preparations for field work to determine sharing of royalty benefits among identified beneficiary clans.

10.2.4 Revenue management

Royalty payments to PNG LNG Project area landowners are being held in a trust account with the Bank of Papua New Guinea pending completion of clan vetting by the Department of Petroleum and Energy. This work is anticipated to be completed in the first quarter 2015.

During this quarter, Papua New Guinea's Department of Treasury began the recruitment process for the head of Papua New Guinea's Extractive Industries Transparency Initiative (EITI) National Secretariat.

This role will involve overseeing the activities of the National Secretariat, which – once formed – will be tasked with day-to-day implementation and coordination of EITI activities in Papua New Guinea. The World Bank-funded scoping study to identify challenges and solutions with respect to EITI implementation also began during this quarter.

The EITI is a voluntary initiative aiming to improve governance in resource-rich countries through disclosure and verification of company payments and government revenues from oil, gas and mining projects.

Papua New Guinea was officially accepted as a candidate country by the EITI Secretariat in Oslo, Norway, on 19 March 2014. ExxonMobil has served continuously on the EITI board since its inception in 2002 and EMPNG is a member of the Papua New Guinea EITI multi-stakeholder group.

10.3 Media

During this quarter, PNG LNG Project Executive, Decie Autin, was a guest writer for the monthly newspaper column *Yumi Stori long PNG LNG* meaning 'let's talk about PNG LNG'. Decie highlighted the issue of violence against women in support of new legislation passed by the Papua New Guinean Government, which aims to protect women from violent crimes. In the August *Yumi Stori long PNG LNG* column, EMPNG Managing Director, Peter Graham, discussed the importance of literacy as a foundation for Papua New Guinean education in the lead up to National Literacy Week. *Yumi Stori long PNG LNG* is published in the *Post Courier*, *The National* and *Wantok Nius* newspapers.

The eighteenth PNG LNG Quarterly Environmental and Social Report, which covered construction activities in the second quarter 2014, was published on the PNG LNG Project's website. Printed copies of the Report were made available to stakeholders with limited access to the internet.



READ THE REPORT SERIES AT
www.pnglng.com

The Report's Executive Summary was published in Tok Pisin in the *Wantok Nius* and in English in the *Post Courier* and *The National* newspapers.

ACRONYMS

AIDS	Acquired Immunodeficiency Syndrome
EITI	Extractive Industries Transparency Initiative
EMPNG	ExxonMobil PNG Limited
ESMP	Environmental and Social Management Plan
HGCP	Hides Gas Conditioning Plant
HIV	Human Immunodeficiency Virus
IESC	Lender Group's Independent Environmental and Social Consultant
iHDSS	Integrated Health and Demographic Surveillance System
IMR	Papua New Guinea Institute of Medical Research
Lanco(s)	Landowner company (companies)
LNG	Liquefied Natural Gas
PNG	Papua New Guinea
PSI	Population Services International
ROW	Right of Way
STI	Sexually Transmitted Infection
TVI	The Voice Inc.



www.pnglng.com

Port Moresby - Project Headquarters
ExxonMobil PNG Limited
Lawes Road, Munidubu Street
GPO Box 118
Konedobu, Port Moresby
Papua New Guinea

Email: pnglngproject@exxonmobil.com

ExxonMobil

PNG LNG is operated by a subsidiary of
ExxonMobil in co-venture with:


Oil Search


National Petroleum Company
Papua New Guinea

Santos
We have the energy.


JX Nippon Oil & Gas Exploration


MRDC


PETROMIN
PNG HOLDINGS LIMITED

