

CORPORATE GOVERNANCE
STATEMENT

2020

Corporate Governance Statement

Oil Search is committed to adopting and implementing rigorous corporate governance practices across all aspects of its business. The Company recognises that effective governance arrangements drive informed decision making within the business and contribute to long-term value for shareholders in a socially responsible manner. The Board and its Committees regularly review the Company's governance arrangements to ensure that they continue to align with best practice and support the Board's strategic objectives.

The Company has reported against the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles) each year since their first release in 2003. The Company has followed all recommendations in the 4th edition of the ASX Principles, other than recommendation 7.1(a)(2) (to have independent Chair of a committee that oversees risk), during the 12 months ended 31 December 2020. An explanation regarding recommendation 7.1(a)(2) as it applies to the Board's Project and Technology Committee is included in this statement.

This corporate governance statement is current as at 19 February 2021 and has been approved by the Board.

Laying solid foundations for management and oversight

Role of the Board and management

The Board is accountable to the Company's shareholders for the overall strategic direction and performance of the Company. The Board discharges its duties in accordance with applicable laws and the provisions in the Company's Constitution.

The Board's charter sets out the role and responsibilities reserved for the Board and those delegated to management in accordance with the Board approved delegations of authority. The charter also sets out the role and responsibilities of the Chair of the Board and those delegated to the Managing Director. A copy of the charter is available on the Company's website.

Succession and recruitment

The Board regularly monitors senior executive succession and Board renewal plans. The selection and recruitment process for a new director involves a rigorous search and verification process overseen by the People and Nominations Committee and the Board Chair. To ensure that the candidate selected is fit and proper to serve on the Board, comprehensive reference checks are conducted including education, career history, capabilities and experience. There also is an extensive interview process with the Board Chair and other directors.

The Board is following this process in relation to its current succession program. The Board engaged an external specialist recruitment firm that undertook a comprehensive global search for the right candidates with the requisite skills and experience to assist the Company in delivering its strategic goals.

To assist shareholders in making an informed decision about whether to vote in favour of a director standing for election or re-election, the notice of meeting for the Annual Meeting contains all relevant material information including a career summary, directorships, material outside interests, the director's independence and a statement by the Board as to whether it supports their election or re-election.

The Company undertakes appropriate checks before appointing senior executives to ensure that the candidate can fulfil the inherent requirements of the role and that they possess the requisite qualifications and skills.

The Company has a written contract with each director and senior executive. The terms of each contract include duties and responsibilities, remuneration arrangements, and where appropriate, indemnity and insurance arrangements. Agreements with directors also include the circumstances under which a director may seek independent advice at the expense of the Company, rights of access to corporate information and requirements to disclose director's interests.

Group Secretary

The Group Secretary is accountable to the Board, through the Chair, and is responsible for facilitating all matters to do with the proper functioning of the Board. Each director is entitled to communicate directly with the Group Secretary.

The appointment or removal of the Group Secretary requires Board approval.

Diversity and inclusion

The Company values an engaged and diverse workforce which contributes to the Company's performance and delivery of its strategic objectives. The Company is committed to promoting diversity and inclusion across all levels of the organisation, including within the Board. This commitment is reflected in the Oil Search Diversity and Inclusion Policy. A copy of the policy is available on the Company's website.

To help promote diversity and inclusion in the workplace, the Board has set measurable objectives for achieving gender diversity in the composition of the Board, senior executives and workforce generally. In addition, objectives have been set to increase the representation of PNG citizens in leadership roles and the PNG workforce in order to promote an inclusive and diverse workplace. These measurable objectives and the Company's progress towards achieving them are disclosed in the Sustainability section of the 2020 Annual Report.

Laying solid foundations for management and oversight *continued*

Diversity and inclusion *continued*

The gender diversity of the Board, senior executive positions and across the whole organisation as at 31 December 2020 is detailed below.

Table 1 – Workplace diversity

Diversity in senior management and governance roles	2015	2016	2017	2018	2019	2020
% Women in organisation as a whole	23%	25%	25%	27%	27%	28%
% Women in senior management roles ¹	18%	21%	22%	23%	25%	21%
% Women in senior executive roles ²	0%	0%	10%	12%	14%	14%
% Women on the Board	11%	22%	22%	33%	33%	38%

1. Senior management roles are within three levels of the Managing Director with strategic, functional and/or operational leadership responsibilities.

2. Senior executive is defined as executive key management personnel as disclosed in the Company's Remuneration Report in the year of disclosure.

The Company's subsidiary, Papuan Oil Search Limited, lodges annually a Workplace Gender Equality Report pursuant to the Workplace Gender Equality Act, which discloses gender equality indicators for the Company's Australian workforce. A copy of the most recent report is available on the Company's website.

Board and senior management performance

The Board periodically reviews its performance, the performance of its Committees and of individual directors. A Board effectiveness review was conducted in 2020 led by an external specialist. The review included questionnaires and interviews with each director and senior executive, as well as a review of Board papers and meeting processes. An action plan was developed to further consider, and where appropriate, implement recommendations from that review. The Board Chair then met with each director to discuss their assessment and to provide performance feedback. Committee Chairs also conduct questionnaire-based performance reviews for their respective Committees.

A Board effectiveness review was conducted in 2020 led by an external specialist. The review included questionnaires and interviews with each director and senior executive, as well as a review of Board papers and meeting processes. Following the review an action plan was developed to further consider, and where appropriate, implement review recommendations.

The next performance review is planned for 2022.

The Managing Director conducts an annual performance review with each member of the senior executive team. The performance of each senior executive during the year is assessed against individual and corporate key performance indicators and agreed deliverables that are aligned with the Company's strategic objectives. The Board also conducts an annual performance assessment of the Managing Director against key performance indicators. The Chair meets with the Managing Director to provide feedback on that assessment.

Performance evaluations for the Managing Director and each senior executive were carried out in respect of the 2020 financial year in accordance with this process. Further details on the 2020 performance review and outcomes for senior executives identified as key management personnel are disclosed in the Remuneration Report in the 2020 Annual Report.

Structuring the Board to be effective and add value

Board composition



Rick Lee
Chairman

Keiran Wulff
Managing Director

Kostas Constantinou
Non-Executive Director

Bakheet Al Katheeri
Non-Executive Director



Susan Cunningham
Non-Executive Director

Eileen Doyle
Non-Executive Director

Fiona Harris
Non-Executive Director

Agu Kantsler
Non-Executive Director

Corporate Governance Statement *Continued*

Structuring the Board to be effective and add value *continued*

Board composition *continued*

The Company recognises that an effective board facilitates the efficient discharge of the duties imposed by law on directors and contributes to the delivery of the Company's strategic objectives. Accordingly, the Company has structured its Board so that it:

- has a proper understanding of, and the competencies to deal with, the current and emerging issues impacting the Company's strategic direction and business;
- exercises independent judgement;
- encourages enhanced Company performance; and
- effectively reviews and challenges management's performance.

The directors' qualifications, experience, and current Committee memberships as well as the number of Board and Committee meetings held and each director's attendance at those meetings during 2020, are disclosed in the 2020 Annual Report.

The non-executive directors allocate time at each regular or scheduled Board meeting throughout the year to discuss Board matters without the presence of the Managing Director or senior executives.

Board Committees

The Board has established five Board Committees to assist it in discharging its duties. The Committees report the deliberations of each meeting and make recommendations to the subsequent Board meeting. Each Committee has a charter formalising its membership requirements and responsibilities. All Committee charters are available on the Company's website.

The members of each Committee, their qualifications, the number of Committee meetings held and each member's attendance at those meetings during 2020 are disclosed in the Directors' Report in the 2020 Annual Report.

Table 2 – Summary of Committee membership requirements and responsibilities

Committee	Membership requirements	Responsibilities include:
Audit and Financial Risk Committee	<ul style="list-style-type: none"> – solely non-executive directors, a majority of whom are independent – an independent director as Chair who is not Chair of the Board – at least three members – each member must be financially literate and at least one member must have accounting or related financial expertise 	<p>Assisting the Board to fulfil its corporate governance and oversight responsibilities in relation to financial reporting, accounting policies, internal control systems, internal audit and compliance functions, external audit functions and Oil Search's process for managing compliance with laws and regulations.</p> <p>Reviewing the systems and processes employed to manage the Company's financial risks.</p>
Sustainability Committee	<ul style="list-style-type: none"> – solely non-executive directors, a majority of whom are independent – an independent director as Chair – at least three members 	<p>Monitoring material issues, risks and performance of the Company in respect of health, safety, security, environment, climate change and community.</p>
People and Nominations Committee	<ul style="list-style-type: none"> – solely non-executive directors, a majority of whom are independent – an independent director as Chair – at least three members 	<p>Providing advice and recommendations to the Board regarding:</p> <ul style="list-style-type: none"> – the remuneration of directors, executives and other employees – the skills needed and available for the Board to be able to discharge its duties and add value <p>Considering indicators or organisational culture to identify any material or systemic concerns.</p> <p>Overseeing the establishment and monitoring of strategies to promote diversity and inclusiveness.</p>
Project and Technology Committee	<ul style="list-style-type: none"> – solely non-executive directors, a majority of whom are independent – at least three members <p>This Committee is responsible for consideration of technology opportunities and project risks. The Board is satisfied that having only non-executive director members (a majority of whom are independent) is sufficient to ensure that independent views and consideration is given to all matters before the Committee and recommendation 7.1 is not fully complied with on that basis only.</p>	<p>Assisting the Board in monitoring the performance of the Company in respect of project and technology issues.</p> <p>Reviewing assurance programs at project stage gates and monitoring progress of projects against the Company's strategy, agreed budgets and schedules.</p> <p>Ensuring a culture of innovation and pursuing cost-effective and value-creating technology opportunities exists within the Company.</p>
Corporate Actions Committee	<ul style="list-style-type: none"> – the Chairman of the Board, the Managing Director and at least two other non-executive directors – at least one member must have expertise in corporate finance 	<p>Assisting the Board to fulfil its responsibilities relating to potential mergers, major acquisitions and divestments, capital raisings and other corporate initiatives as delegated by the Board.</p>

Structuring the Board to be effective and add value *continued*

Independent Committee Members

The Company launched its Independent Committee Member (ICM) program in 2016 to help expand PNG's pool of skilled business leaders, provide director training and experience as well as provide its board members with access to local experience and insights. The program includes successive two-year appointments to the People and Nominations Committee, Sustainability Committee and Audit and Financial Risk Committee. ICMs contribute to the deliberations of their respective Committees and attend training seminars focused on corporate governance and directors' duties and responsibilities.

The profiles of the six ICMs currently participating in the program are available on the Company's website.

Board skills

The Company believes the Board should consist of directors with a diverse mix of skills and experiences that are compatible with the Company's operating activities, geographic focus and strategic direction. The Board has a skills matrix that records its target mix of skills, experience and technical capabilities. The skills and experience of the directors have been mapped against this matrix to identify gaps in their collective skills.

The skills matrix is considered by the People and Nominations Committee and external specialists when assessing the appropriateness of a potential candidate to the Board. It is also used to assist with the ongoing director education program.

The Board skills matrix is reviewed annually. In 2020 the Board engaged an external specialist to review the skills matrix to ensure that it aligned with the Company's strategic priorities and business operations. The skills matrix was updated following this review to include "Strategy".

Table 3 – Board skills matrix

2020 Board Skills

Main Board	8 BOARD MEMBERS
Oil & Gas Industry Experience Senior executive experience in the oil and gas industry including in-depth knowledge of strategy, markets, competitors, operational issues, technology and regulatory concerns	6 BOARD MEMBERS
PNG / Government Relations Senior management or equivalent experience in PNG: familiarity with national and regional political, cultural, regulatory and business environments	4 BOARD MEMBERS
Strategy Senior executive experience in defining strategic objectives, constructively questioning business plans and implementing strategy using commercial judgement	7 BOARD MEMBERS
Finance & Accounting Senior executive or equivalent experience in financial accounting and reporting, corporate finance and internal financial controls, including ability to probe the adequacies of financial and risk controls	8 BOARD MEMBERS
Risk Management Experience working with and applying broad based risk management frameworks in various countries, regulatory or business environments	8 BOARD MEMBERS
Mergers & Acquisitions & Divestments Experience managing, directing or advising on mergers, acquisitions, divestments and portfolio value optimisation	8 BOARD MEMBERS
Capital Projects – Financing/ Project Management Experience in an industry with projects involving large-scale capital outlays and long-term investment horizons	7 BOARD MEMBERS
Remuneration (People & Nominations) Board People & Nominations Committee membership or management experience in relation to talent management, remuneration and contractual framework governing remuneration	8 BOARD MEMBERS
HSE Sustainability/ Corporate Social Responsibility Experience related to workplace health and safety, environment, social responsibility and community	7 BOARD MEMBERS
Capital Markets Experience related to capital markets and the listed equity environment	7 BOARD MEMBERS
Capital Management Experience in capital management strategies including debt financing and capital raisings	7 BOARD MEMBERS

Corporate Governance Statement *Continued*

Structuring the Board to be effective and add value *continued*

Table 3 – Board skills matrix *continued*

2020 Board Skills

Investor Relations Experience related to investor relations	6 BOARD MEMBERS
Legal Experience related to the management of legal and regulatory compliance matters	4 BOARD MEMBERS
International / Global Experience Senior management or equivalent experience in global locations, exposed to a range of political, cultural, regulatory and business environments	8 BOARD MEMBERS
US & Alaska Experience Senior management or equivalent experience exposed to the political, cultural, regulatory and business environment in the United States and Alaska	5 BOARD MEMBERS

Director independence and tenure

A majority of directors are considered by the Board to be independent. The Chair of the Board is an independent director and has no executive responsibilities.

Table 4 – 2020 director independence

Current Directors	Term in office	Qualifications / Honours	Status
Richard J Lee <i>Chairman</i>	Director since May 2012 Chairman since February 2013	AM, BEng (Chem) (Hons), MA (Oxon), FAICD	Independent
Keiran Wulff <i>Managing Director</i>	Director since February 2020	BAppSc, Grad Dip Petroleum, PhD Geology	Executive Not independent
Bakheet S Al Katheeri <i>Non-Executive Director</i>	Director since March 2018	PhD, BASc, MSc, Executive MBA (Hons)	Not independent
Kostas G Constantinou <i>Non-Executive Director</i>	Director since April 2002	OBE	Independent
Susan M Cunningham <i>Non-Executive Director</i>	Director since March 2018	BA Geol & Geog	Independent
Eileen J Doyle <i>Non-Executive Director</i>	Director since February 2016	BMath (Hons), MMath, PhD, FAICD	Independent
Fiona E Harris <i>Non-Executive Director</i>	Director since January 2017 (previously a director from Mar 2013 to Dec 2015)	AM, BCom, FAICD, FCA (Aust)	Independent
Agu J Kantsler <i>Non-Executive Director</i>	Director since July 2010	BSc (Hons), PhD, GAICD, FTSE	Independent
Former Directors	Term in office	Qualifications / Honours	Status at resignation
Peter R Botten <i>Managing Director</i>	Director from October 1994 to February 2020	AC, CBE, BSc, ARSM	Executive Not independent
Mel P Togolo <i>Non-Executive Director</i>	Director from October 2016 to October 2020	KBE, CBE, BEcon (Hons), MA (Econ), MA (Geography)	Independent

The Board considers each director, other than the Managing Director, Keiran Wulff and non-executive director, Bakheet Al Katheeri, to be an independent director. As such, as at the date of this Corporate Governance Statement, six of the eight directors (a majority of the Board) are independent.

The independence of each non-executive director is assessed regularly. The Board considers a range of factors when determining a director's independence, including the list of interests, positions and relationships in box 2.3 of the ASX Principles. In each case, the Board assesses the materiality of the interest, position or relationship to determine whether it might interfere, or might reasonably be seen to interfere, with the director's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole rather than in the interests of an individual security holder or other party.

The Board charter provides that a non-executive director should retire from the Board upon serving nine years from the date of their first election to the Board at an Annual Meeting. The Board may, at its discretion, decide to recommend a non-executive director for re-appointment where the tenure exceeds nine years if it is deemed to be in the best interests of the Company and its shareholders to do so.

Structuring the Board to be effective and add value *continued*

Director induction and education

New directors participate in a comprehensive induction program to understand the Company's strategic objectives, values and culture, financial performance, operations and risk management framework. The induction also includes training on their obligations under the Company's Code of Conduct and other corporate policies, as well as administrative and procedural arrangements that promote the effective functioning of the Board.

Directors and ICMs participate in the Company's ongoing director education program which includes briefings from external industry and subject matter specialists who present on matters of relevance to the Company. The program is monitored by the People and Nominations Committee having regard to the skills, knowledge and experience of the directors collectively as well as new and developing market, business and governance issues. The directors and ICMs also visit the Company's operating facilities to see at first hand the Company's operations and its relationships with the local communities in which it operates although this was not possible during 2020.

Instilling a culture of acting lawfully, ethically and responsibly

The Company actively promotes ethical and responsible decision-making by clearly stating its vision and core values in its Code of Conduct. The principles in the Code of Conduct underpin the Company's vision and values and provide guidance on standards of behaviour expected by its people and business partners and reinforce its commitment to meet applicable legal and regulatory requirements. Breaches of the Code are reported to the Audit and Financial Risk Committee and any breaches of the Code that raise systemic issues or cultural concerns that relate to People and Culture processes are also reviewed by the People and Nominations Committee.

The Company encourages reporting of concerns of suspected or actual wrongdoing openly or anonymously and adopted a formal Whistleblower Policy in 2019. The Audit and Financial Committee is informed of material incidents reported under the Whistleblower Policy.

The Company aims to conduct its business ethically at all times and adopts and advocates for principles, practices and standards which contribute toward combating corruption. The Company's zero-tolerance approach to bribery and corruption is reflected in its Corruption Prevention Policy. Material breaches of this policy are reported to the Audit and Financial Risk Committee.

The Company has adopted other policies that support the Code of Conduct, including policies on Social Responsibility, Health, Safety, Environment and Security (HSES), Climate, Diversity and Inclusion, Share Trading, Minimum Shareholding, Public Disclosure, and Drug and Alcohol.

The policies have been approved by the Board and are core to the Company's internal governance framework. They set the Company's legal and ethical expectations for all directors, employees and contractors on key areas of importance to the Company. Every new director, employee and on-site contractor must complete training on the Code of Conduct and Oil Search's policies relevant to their role. The Board and the senior executive team promote a culture of fair and ethical behaviour by regularly reviewing, endorsing and enforcing Oil Search's Code of Conduct and supporting policies. Copies of the Code of Conduct and the policies are available on the Company's website.

Safeguarding integrity of corporate reports

Oil Search recognises the importance of independently verifying and safeguarding the integrity of the Company's financial reporting. The Audit and Financial Risk Committee assists the Board in discharging its governance and oversight responsibilities in relation to corporate reporting processes, financial reporting, management of financial risks and internal control, external audit, internal audit and compliance.

Corporate reports

The Audit and Financial Risk Committee reviews the Company's half-year and full-year financial statements and supporting materials prepared by management before they are finalised and approved by the Board for release to the market. All directors are requested to attend the Audit and Financial Risk Committee meetings where the Company's financial statements are reviewed.

Both the Managing Director and the Chief Financial Officer provide detailed declarations in accordance with Section 295A of the Australian Corporations Act 2001(Cth). These declarations include a statement that they are formed on the basis of the Company's system of risk management and internal control which is operating effectively. The declarations are supported by a comprehensive certification process across the Company's broader management group.

Where a corporate report has not been reviewed or audited by the Company's external auditor, the Company conducts internal verification processes to ensure that it is materially accurate and balanced. Depending on the nature of the report, a third party subject matter expert may be engaged for this purpose.

Corporate Governance Statement *Continued*

Safeguarding integrity of corporate reports *continued*

External auditor

Oil Search's policy is to appoint an internationally recognised external audit firm with expertise in the energy sector. In accordance with the provisions in the PNG Companies Act, Deloitte Touche Tohmatsu, was automatically re-appointed as the Company's external auditor at the 2020 Annual Meeting.

The Audit and Financial Risk Committee reviews the performance of the external auditor and the rotational plan for external audit partners and recommends changes to the external auditor to the Board.

Deloitte's professional requirements mandate that each lead audit partner rotates from his or her client after no more than five years of service. That policy is followed for the Oil Search assignment and a partner rotation occurred in 2020.

Deloitte attended all Audit and Financial Risk Committee meetings in 2020 and held discussions with Committee members without management present during meetings where the Company's financial statements were reviewed.

Deloitte is required to attend Oil Search's Annual Meeting and respond to questions by shareholders relevant to the audit of the Company's financial statements. A Deloitte audit partner responsible for the audit of Company's financial statements attended the 2020 Annual Meeting.

Making timely and balanced disclosure

The Company has adopted a Public Disclosure Policy to ensure compliance with its continuous disclosure obligations under the ASX Listing Rule 3.1 so that all investors have equal and timely access to material information concerning the Company, including its financial position, performance, ownership and governance.

Under the Public Disclosure Policy, the Disclosure Committee is responsible for determining whether information is price sensitive and should be disclosed to the ASX. In all but exceptional circumstances, the Board reviews draft copies of material ASX announcements prior to their release. The Board receives copies of all ASX announcements immediately after their release. Any new and substantive investor or analyst presentations are released by the ASX ahead of the presentation being given. All ASX announcements are made available on the Company's website and lodged with the PNGX after their release by the ASX.

Respecting the rights of security holders

Investor engagement

Oil Search's investor engagement program is designed to promote effective two-way communication with shareholders by providing readily accessible, balanced and understandable information about the Company.

When the Company holds major investor briefings such as the half year and full year results presentations, electronic facilities (e.g. webcasting and teleconferencing) are used to facilitate wider participation. These presentations are also released by the ASX and made available on the Company website before the briefings take place so that investors who are unable to participate can access the information.

The Company's website is regularly updated to give all shareholders ready access to balanced and factual information about the Company, including its strategy and business activities, corporate reports, key events and dates, ASX announcements, and governance practices. The website also provides a form for investors to ask questions and provide feedback to the Company's Investor Relations team. It also contains contact details for the Company's external share registry, Computershare.

The Company's Investor Relations team is responsible for providing clear, meaningful and timely information on the activities and financial performance of the Company. It does this through regular telephone contact, one-on-one and group meetings and desk-top presentations. Participants include institutional investors, private shareholders, equity analysts and the financial media.

The Company's senior management team present at investor roadshows and participate in investor and industry forums and conferences, both locally and overseas. The engagement process extends to other relevant stakeholders, including government officials and regulators, local communities and Non-Government Organisations. The Board Chair regularly meets with institutional investors, proxy advisors and other stakeholders.

Shareholder meetings and communications

As the Company is incorporated in PNG, its Annual Meetings are usually held in Port Moresby. The meeting is webcast so shareholders located both within and outside PNG can participate. In 2020 due to COVID-19 restrictions the Company held a virtual meeting from its Sydney offices. Shareholders were encouraged to attend online or by telephone.

Oil Search's Constitution requires the Chair of the Annual Meeting to allow a reasonable time for shareholders at the meeting to question, discuss and comment on the management of the Company. All resolutions put to shareholders at the Company's Annual Meeting are decided by a poll.

The Company and its share registry, Computershare, offer facilities for shareholders to receive Company and registry communications electronically and to communicate either through email or by using one of the other communication options available on the company's website.

Recognising and managing risk

Risk management framework

Oil Search is committed to monitoring, mitigating and managing risk in a proactive, structured and effective manner. The Board is responsible for setting the Company's risk strategy and appetite and for reviewing at least annually, the implementation, adequacy and effectiveness of the risk management framework to ensure that it continues to be sound.

Management is responsible for the implementation of the risk management framework to identify, assess, mitigate, manage and monitor all risks to the Company with due regard to the risk appetite set by the Board. Management reports on risks with the potential to materially impact achievement of its strategic priorities and business objectives to the Board and its Committees responsible for the oversight of certain risks in accordance with their charters.

An independent review of the risk management framework was completed in 2019. The implementation plan addressing findings from that independent review was periodically reviewed by the Board during 2020. Recommendations have been implemented to enhance the effectiveness of the risk management framework, including updating the risk governance approach, expanding second line assurance capability and refining the Board's risk appetite statement. The risk appetite statement is designed to support and inform Board and management decision-making and will be reviewed at least annually to ensure alignment with the strategic priorities and business objectives of the Company. The Board will continue to oversee the timely and effective implementation of elements of the framework and will consider recommendations to further mature the risk management framework. The Company's approach to risk is disclosed in the Risk Management Policy, available on the Company's website.

A summary of the material risks that the Company is potentially exposed to, and the measures taken to mitigate these risks, is set out in the Material Business Risks section of the 2020 Annual Report. Those risks include pandemic, human rights and climate change.

Sustainability has always been at the core of Oil Search's history. Sustainability is central to the Company's strategy and growth and is embedded across its business and operations. Detail on how the Company operates in a socially responsible manner is set out in the Sustainability section of the Annual Report and on the Company's website. Recent social and environmental (including climate) performance is summarised in the annual Social Responsibility Report available on the Company's website.

Governance of risk management

Oversight of the Company's risk management framework resides with the Board. However, the Board has delegated oversight of specific risk categories to Board Committees as follows:

- the Audit and Financial Risk Committee supports the Board in reviewing the systems and processes employed to monitor and manage the Company's financial risks;
- the Sustainability Committee assists the Board in monitoring the performance of the Company in respect of health, safety, security, environment, climate change and community risks;
- the Project and Technology Committee assists the Board in monitoring and managing technology and project risks, including the risk of not contemplating or adopting useful new technologies; and
- the People and Nominations Committee assists the Board in reviewing the systems and processes employed to monitor and manage the Company's people-related risks.

Internal audit and compliance

Oil Search's Internal Audit team is part of the Group Risk and Compliance function. The Internal Audit team is responsible for managing the internal audit plan, and as part of its duties, provides independent and objective assurance on the adequacy and effectiveness of the Company's risk management framework and the completeness and accuracy of risk reporting by management.

The Internal Audit function conducts annual risk-based audits and reviews based on a plan agreed with senior management, the Audit and Financial Risk Committee and the Sustainability Committee. The SVP Group Risk & Compliance has access to all members of the management team and the right to seek information and explanations from any staff member or contractor.

The SVP Group Risk & Compliance is independent of the external auditor, with unfettered access to the Chair of the Audit and Financial Risk Committee, including regular private meetings. The SVP Group Risk & Compliance is also required to attend and report at Audit and Financial Risk Committee and Sustainability Committee meetings. The Internal Audit function is itself reviewed by external specialists on a five-year cycle. The Audit and Financial Risk Committee reviews the performance of the SVP Group Risk & Compliance and approves their appointment and termination.

Corporate Governance Statement *Continued*

Remunerating fairly and responsibly

Oil Search's remuneration approach is that the level and composition of remuneration for all employees is competitive and reasonable and that the relationship between remuneration and corporate and individual performance is clearly defined.

Remuneration structure and governance

The People and Nominations Committee provides advice to the Board on the remuneration arrangements for non-executive and executive directors and senior executives. Its responsibilities include reviewing and maintaining the appropriateness and competitiveness of Oil Search's policies and practices on employee remuneration and benefit programs in accordance with its charter.

Although not required by PNG law, Oil Search demonstrates its commitment to good governance practices by electing to prepare a Remuneration Report and from 2021, shareholders will be asked to adopt the Company's annual Remuneration Report via a non-binding vote at each Annual Meeting. The 2020 Remuneration Report complies with section 300A of the Australian *Corporations Act 2001(Cth)* and sets out the Company's remuneration strategies, policies and practices in relation to its key management personnel. The 2020 Remuneration Report has been audited by Deloitte.

Oil Search clearly distinguishes between the structure of non-executive director fees and remuneration of its executive director and senior executives.

Fees of non-executive directors are not performance-based. They are set at levels in line with the responsibilities of those directors and the time they spend discharging their duties and are within the aggregate amount approved by shareholders. When setting fees, the level of fees paid to directors of similarly sized companies is also considered. Non-executive directors are not entitled to retirement benefits.

Senior executive remuneration arrangements include short-term and long-term performance-based components. Short-term performance incentives are set and assessed through a balanced scorecard which includes a range of key measures directly linked to the Oil Search strategic plan performance incentives.

Performance rights granted to senior executives under the Long-Term Incentive Plan are linked to the long-term return to shareholders and only vest if performance hurdles are satisfied. These are designed to reward total shareholder return performance relative to comparator groups.

Further details on the Company's remuneration arrangements for its directors and other key management personnel, including summaries of the terms and conditions of short-term and long-term incentives, are set out in the Remuneration Report.

Employee share plan hedging prohibition

Oil Search's employee incentive plan rules expressly prohibit hedging (including any dealing with a derivative instrument intended to "lock in" a profit relating to an equity incentive awarded under the plan, and any other transactions in financial products that operate to limit the economic risk associated with holding that equity incentive).

Oil Search's Share Trading Policy also prohibits any dealing (including hedging) in unvested securities.