



Delivering sustainably



Detailed exploration maps are available on the Santos website www.santos.com. Percentage interests are provided in the Santos Group interests section of our *Annual Report*.

World of Santos

Ref	Location	Site/Asset	Activity	Santos operated	Product
AUSTRALIA					
1	Carnarvon Basin	Mutineer-Exeter Stag, Barrow Island, Thevenard Spar, John Brookes, Varanus Island, Reindeer, Devil Creek Fletcher Finucane Zola, Winchester	● Yes ● No ● No ● Yes ● 3 of 9 permits	Oil Oil Gas, condensate Oil Oil, gas	
2	Browse Basin	Crown, Burnside	● 4 of 5 permits	Gas, condensate	
3	Bonaparte Basin	Caldita Barossa Two exploration permits	● No ● Yes	Gas Gas	
4	McArthur Basin	Four exploration permits	● Yes	Oil, gas, condensate	
5	Amadeus Pedirka Basins	Mereenie	● ● Yes	Oil, gas, condensate	
6	Cooper/Eromanga Basins	South Australia – Moomba South-west Queensland – Ballera, Jackson Other oil assets	● ● Yes ● ● Yes ● ● No	Oil, gas, condensate, LPG Oil, gas, condensate, LPG Oil	
7	Surat/Bowen Basins	Denison, Mahalo Moonie Combabula, Spring Gully	● ● Yes ● Yes ● No	Gas Oil Gas	
8	Gunnedah Basin	Narrabri, Bando	● Yes	Gas	
9	Gippsland Basin	Kipper Sole	● No ● Yes	Gas, condensate Gas	
10	Otway Basin	Casino, Henry, Netherby Minerva	● Yes ● No	Gas, condensate Gas, condensate	
LNG PROJECTS					
11	Bonaparte Basin	Bonaparte LNG	● No	LNG	
12	Timor Sea and Timor Gap	Bayu-Undan, Darwin LNG	● No	LNG, condensate, LPG	
13	Surat/Bowen Basins	GLNG	● Yes*	LNG	
14	Papua New Guinea	PNG LNG	● No	LNG, condensate	
ASIA					
15	Papua New Guinea	SE Gobe Hides, Barikewa	● No ● No	Oil, Oil, gas, condensate	
16	Papuan Basin, Indonesia	Warim	● No	Oil, gas, condensate	
17	East Java Basin, Indonesia	Maleo, Oyong, Wortel, Peluang	● Yes	Oil, gas, condensate	
18	South Sumatra, Indonesia	Four CSG licences	● No	Gas	
19	Nam Con Son Basin, Vietnam	Chim São Dua Block 13/03	● No ● No ● Yes	Oil, gas Oil, gas Oil, gas	
20	Phu Khanh Basin, Vietnam	123 PSC	● Yes	Oil, gas, condensate	
21	Bengal Basin, Bangladesh	Sangu/Block 16	● Yes	Gas, condensate	
22	North East Coast Basin, India	Two exploration permits	● Yes	Gas	

* Santos operates the upstream and has a 30% interest in the jointly held project company that operates the downstream.

Contents

FOLD OUT

- Location of our activities
- 2 CEO's message
- 5 Our leadership team and company values
- 6 About this report and materiality assessment
- 8 Measuring our performance
- 44 Sustainability performance data
- 47 Glossary
- 48 Assurance statement
- 49 Sustainability performance scorecard

COMMUNITY

Working together to build strong and enduring relationships in the communities in which we operate through our actions, and by continuing to be open and accountable.

10



Cover:
Kyla Schliebs, Field Production
Engineer EQ/Roma

This page:
Giligenting coast of Madura, East Java,
where Santos funded the plantation
of 55,000 mangrove seedlings

All reasonable effort has been made to provide accurate information in this sustainability report but Santos Limited (Santos) does not warrant or represent its accuracy. Anyone seeking to rely on information in this report or draw detailed conclusions from the data should contact Santos via email: sustainability@santos.com.

The report concentrates on sites operated by Santos globally, and data presented are for these sites unless otherwise stated.

Santos Limited ABN 80 007 550 923

Santos' vision is to be a leading energy company in Australia and Asia through delivering our base business, executing our LNG growth strategy, building our regional portfolio, being a great place to work and doing it safely and sustainably to deliver a superior shareholder return.

ENVIRONMENT

Doing more with less, conserving natural ecosystems, actively managing water resources, realising a low carbon future, and lightening our environmental footprint.

18



OUR PEOPLE

Encouraging diversity, fostering resilience and maximising potential and performance of our workforce in a healthy and safe work environment.

26



ECONOMIC

Meeting global energy challenges, socioeconomic contribution, unlocking unconventional resources, building supply chain partnerships, risk management and security practices.

36



Delivering sustainably CEO's message

Sustainability is an integral part of Santos. This means responsibly managing our environmental impact, working in partnership with the communities in which we operate, focusing on the health and wellbeing of our people and reliably managing our business.

Our key challenge over the short to medium term is to ensure we continue to deliver from existing operations, and develop new projects, sustainably. To do this we will seek to improve our safety performance, responsibly manage resources including water, improve our energy efficiency and maintain strong governance to achieve our strategy.

We will continue to look beyond our business to assess our potential economic, environmental and social impacts on the community, and seek to make decisions that will deliver outcomes that are beneficial for everyone.


Santos has the ability to help meet future energy challenges in our region through the safe and reliable production of natural gas. As well as providing the energy that will underpin prosperity for decades to come, natural gas will be critical to the Asia Pacific region's transition to a lower carbon economy. Natural gas projects also benefit us economically through many thousands of jobs and billions in taxes and royalties.

Santos is undertaking a crucial phase of expansion. It is a time of hard work and commitment, focusing on the development and investment strategy we have in place with an eye on the long-term benefits we can achieve.

This year, we have performed strongly against our targets for the majority of our sustainability indicators. Unfortunately, we did not meet our personnel safety target this year – we must do so in 2013. I am confident we have the right systems, people and culture in place to achieve this.

Our commitment to sustainability extends throughout the organisation, from the newest apprentice to the Chairman of the Board. Through our dedicated people and rigorous procedures we endeavour to meet or exceed the highest legal and ethical standards. I regularly monitor our progress and ensure this is reported to our Board.

I invite you to read this report and find out more about our approach. It is complemented by our annual report which provides further detail on our strategic and financial performance in 2012.

A portrait of David Knox, the CEO, smiling. He is wearing a white shirt and a blue and white striped tie. The background is a blurred office setting with large windows.

David Knox.

DAVID KNOX

Chief Executive Officer and Managing Director

Key themes

Key to our sustainability commitment is understanding our place in the bigger picture and engaging with those broader issues, people and places in the way we do business.

We continue to listen and respond to issues and concerns as they arise. While these are many and varied and all need thought and attention, we are hearing three recurring themes that lie at the heart of our business: social responsibility or social licence; energy security; and the need for a clean energy future.

SOCIAL RESPONSIBILITY

We are committed to listening to the needs of the community and operating our business in a way that supports these needs.

We are in business for the long haul and we therefore have a long-term commitment and empathy with the people and places where we operate.

People are telling us that they have questions regarding our industry's approach to land access and water management. We are confident that we will make a positive contribution to the communities in which we operate.

We have the rigour of scientific monitoring and management programs in place to protect water resources and our track record speaks for itself with regard to land access – we form enduring partnerships based on trust.

DELIVERING ENERGY CONFIDENCE

South-East Asia is one of the fastest growing economic regions in the world.

Economic growth is driving growing energy demands as populations grow and people across the region seek a better way of life.

Meeting this energy demand is one of the biggest challenges facing our region. A secure, affordable and reliable supply of energy can help build a stable, prosperous and competitive region. Natural gas has a pivotal role in meeting this energy challenge.

MOVING TO CLEAN ENERGY

We support the global transition to a low carbon economy and Santos, as one of Australia's largest gas producers, has a key role to play in this transition.

Key to this transition is the decarbonisation of the electricity sector, which accounts for over 30% of Australia's greenhouse gas emissions.

Natural gas electricity generators can be switched on and off more rapidly than other sources making it an ideal partner to support the increased uptake of intermittent renewables, which are dependent on the amount of wind or solar radiation.

More importantly, when used for baseload electricity generation, natural gas has fewer than 50% of the greenhouse gas emissions of coal.

Our company

Our vision is to be a leading oil and gas exploration and production company in Australia and Asia.



Australia

Growing our strong domestic base business

From its relatively humble beginnings in the Cooper Basin in 1954, Santos now has the largest exploration and production acreage in Australia, with interests in all major Australian petroleum provinces as well as Indonesia, Vietnam, Papua New Guinea, Bangladesh and India. Santos employs 3,289 people across Australia and Asia, and has offices in Adelaide, Brisbane, Dhaka, Gladstone, Gunnedah, Hanoi, Jakarta, Narrabri, New Delhi, Perth, Port Moresby, Roma, Sydney and Singapore.

LNG

Delivering our transformational LNG portfolio

In 2012, Santos produced 52.1 million barrels of oil equivalent (mmboe) and has a proven plus probable (2P) reserve base of approximately 1406 mmboe.

With significant investment in the development of liquefied natural gas (LNG), Santos is positioning itself to meet growing regional demands for energy, particularly gas, over the next 25 years. Largely driven by population growth and the desire for improved living standards in Asia, this demand is also backed by global trends towards a low carbon, energy secure future.

Asia

Building a focused exploration-led portfolio

Natural gas and Santos have a strategic role to play in this future – providing a stable and affordable energy supply for the Asia region and capitalising on the carbon advantage that natural gas offers compared to other fossil fuels.

Santos has been exporting LNG to Asia since 2006 from its Darwin LNG project and has another two LNG projects soon to come on line, PNG LNG, scheduled for 2014, and GLNG in Queensland, scheduled for 2015.

Our leadership team

Left to right:

Christian Paech, James Baulderstone, Bill Ovenden, Diana Hoff, John Anderson, Trevor Brown, David Knox, Petrina Coventry, Peter Cleary, Andrew Seaton, Rod Duke, Martyn Eames, David Lim



Our values

DISCOVERS

By opening our minds to new possibilities, thinking creatively and having the courage to learn from successes and failures, to take on new challenges, to capture opportunities and to resolve problems.

COLLABORATES

By recognising the value and power in diversity of thought and communicating openly to understand the perspectives of others; demonstrating leadership by sharing what we know and respectfully challenging each other to achieve the best results for all.

DELIVERS

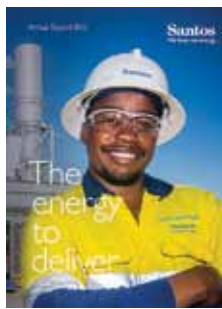
By taking personal responsibility and pride in our work to deliver timely, quality results that benefit Santos and help achieve our vision and strategy.

CARES

By taking the long-term view to build a sustainable future for our company, our people and the environment and communities in which we operate.

Delivering sustainability

Sustainability at Santos is not just about reporting – it is about integrating environmental, social and governance considerations into the way we do business.



Santos has been publishing sustainability reports for nine years, producing our first sustainability report in 2004.

Santos' sustainability reports are published annually in conjunction with our annual reports. The documents form a complementary pair, with the sustainability report focusing on our social and environmental performance.

Santos' annual report provides further detail on our business strategy, financial performance and governance approach. Read in conjunction with this sustainability report, it will provide a comprehensive overview of our priorities and performance. Our Annual Report 2012 is available on our website.

We value your feedback, so please take the time to complete our online survey at www.santos.com/sustainability.

Each year, we review our approach to sustainability reporting, considering the merits of changing to online reporting or integrating sustainability updates into our annual report. At this time, we think this is the best approach, providing a document for you, our stakeholders, which describes in detail our approach to management of environmental and social issues.

MEETING GLOBAL STANDARDS

Each section of our report – community, environment, our people and economic – provides detailed discussion of our management approach and performance during 2012, including reporting on progress against targets and setting goals for 2013.

Within each section, a suite of sustainability indicators is used to measure performance. These indicators support a consistent reporting method, enabling systematic compliance with global reporting standards (Global Reporting Initiative – GRI G3.1) and provide data that can be compared across the years to assess our performance trends.

A GRI-G3.1 content index is available at www.santos.com/sustainability/gri.

PROVIDING ASSURANCE

An independent audit provides our stakeholders with assurance that we are being transparent and honest in our reporting. It is also a useful tool for us to verify and improve our systems where necessary.

In 2012, we commissioned external assurance, in accordance with AA1000AS (2008), of the following documents: our Sustainability

(p.48); Greenhouse Gas Emissions (p.20); and Sustainability Performance Scorecard (p.8 and p.49) reports.

Full audit statements are available on our website.

OUR SUSTAINABILITY MATERIALITY ASSESSMENT

We have identified 24 sustainability indicators that are relevant to our business.

For Santos, all sustainability indicators are important. However, with evolving social and environmental values, the relative importance of these indicators to stakeholders can change over time.

We monitor these changes through our materiality assessment. This assessment process helps ensure our sustainability efforts remain relevant and, importantly are keeping pace with stakeholder concerns.

The materiality assessment for 2012 was prepared by an internal working group which considered comments from stakeholders, peers, regulators and researchers.

We were not surprised to see that this year the most material sustainability issues were stakeholder engagement, water management, climate change and transparency and disclosure. Santos recognises that these are important issues and has dedicated considerable resources to address these. Our management approach to these issues is discussed further in the following sections of this report.

Santos' sustainability materiality assessment

COMMUNITY PAGE 10

- 1 Community wellbeing
- 2 External stakeholder engagement
- 3 Indigenous rights and cultural heritage
- 4 Product responsibility and reputation
- 5 Social infrastructure
- 6 Transparency and disclosure

ENVIRONMENT PAGE 18

- 7 Air quality
- 8 Biodiversity and land disturbance
- 9 Climate change management
- 10 Incidents and spills
- 11 Waste management
- 12 Water resources

OUR PEOPLE PAGE 26

- 13 Governance and policy
- 14 Health and wellbeing
- 15 Safety
- 16 Workforce capability
- 17 Workforce composition, culture and commitment
- 18 Workforce remuneration and benefits

ECONOMIC PAGE 36

- 19 Business partnerships performance
- 20 Economic contribution
- 21 New project development and acquisition
- 22 Security
- 23 Risk management
- 24 Supply chain performance

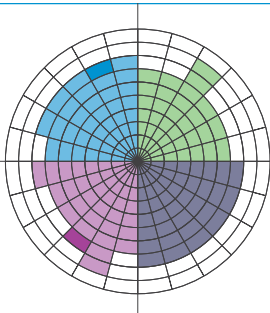
INCREASING SIGNIFICANCE TO STAKEHOLDERS



INCREASING SIGNIFICANCE TO SANTOS' STRATEGY

Measuring our performance

At Santos we realise that sustainability is not something we just talk about: it's about continuously striving to improve our performance and making real sustainability gains in areas like climate change, water management and community wellbeing.



PERFORMANCE SCORECARD METHODOLOGY

- 1–2 No procedure in place, poor performance
- 3–4 Developing policy and systems
- 5–6 Implementation and compliance focus
- 7–8 High performance
- 9–10 Recognised leader

For example, to achieve a high performance score of eight for an indicator we must have:

- policy and management systems in place
- set clear performance guidelines
- trained our workforce
- implemented systematic data collection
- established an audit program
- successfully implemented performance improvement initiatives.

Indicator performance is discussed in the following sections of this report and our 2012 performance scorecard is provided on page 49.

SANTOS' SUSTAINABILITY INDICATORS

Each year we report against our suite of 24 sustainability indicators. These indicators cover sustainability issues that are material to Santos.

Our sustainability scorecard provides a graphic representation of our annual performance according to our ten-point rating system. The rating system is designed to be self-assessed.

Clear performance requirements are tailored for each indicator specifying the systems and improvements needed to achieve a certain sustainability score, ranging from one for poor performance to ten for recognised leadership. This scoring system allows performance comparison across our 24 sustainability indicators.

Performance targets are driven by our indicator owners who manage and monitor performance against specific policies and standards. Improvement targets are reviewed annually and performance is reported quarterly to our Environment, Health, Safety and Sustainability Board Committee.

MEASURING PERFORMANCE

The year 2012 was a period of consolidation of performance across our sustainability domains. As stakeholder expectations around environmental and social performance evolve, we must ensure that we continue to improve our performance. What was considered best practice five years ago, such as greenhouse emissions auditing and reporting, is now standard practice.

Therefore to maintain our sustainability scores we must continue to improve our performance.

During the past two years, we have closed the gap between our high performance indicators and those with room for improvement. We have achieved this through improving our systems and data capture procedures, which enables us to better understand our potential impact, and put in place bespoke mitigation approaches.

Our support for community projects during 2012 led to an increased sustainability score for our social infrastructure indicator from seven to eight. These projects provide improved and expanded services to the community including health, emergency services, low-income housing, education and training and development (see pages 12–15).

OUR OBJECTIVES

With the current phase of development and the associated increase in activities and new employees, achieving our 2012 objectives was challenging.

Disappointingly, we did not achieve our safety target. Our injury severity decreased, but our injury rates increased in 2012. Our safety performance and injury prevention programs are discussed in further detail on pages 28–29.

We met the majority of our performance targets and progressed well toward our longer-term goals. We are proud of our performance in achieving these objectives, and we are looking forward to another challenging year in 2013.

Community

2012 OBJECTIVES

- Invest in community services projects
- Consult stakeholders and provide reliable and timely information

2012 PERFORMANCE

- Two new agreements with Aboriginal communities, Kullilli and Wongkumara
- No cultural heritage impacts recorded
- Landholder and community compensation scheme introduced for New South Wales
- Ongoing engagement opportunities
- Investment in community projects including education, health, arts and culture, community wellbeing and environment
- Regular, updated information provided via web

FUTURE FOCUS

- Deliver on commitments contained in agreements with Aboriginal communities
- Continue to invest in projects that improve community wellbeing

Environment

2012 OBJECTIVES

- Zero environmental incidents of major or greater consequence
- Centralised system for collection of water, waste and biodiversity data
- Achieve emissions intensity target of 70kt CO₂e/mmboe

2012 PERFORMANCE

- Zero environmental incidents of moderate or greater severity
- Fully enclosed sludge treatment plant at Moomba
- Extension of online Water Portal, giving landholders access to real time bore water data
- Emissions intensity target of 70kt CO₂e/mmboe achieved

FUTURE FOCUS

- Rehabilitate legacy sites
- Improve energy efficiency
- Implement new incident reporting system
- Complete new water management facilities at NSW sites

Economic

2012 OBJECTIVES

- Progress LNG projects according to schedule
- Meet production guidance of 51 to 55 mmboe

2012 PERFORMANCE

- Met production guidance, producing 52.1 mmboe
- LNG projects on track – PNG LNG over 75% complete, GLNG 47% complete
- New oil projects sanctioned – Dua, Vietnam and Fletcher Finucane, Western Australia
- First commercial production of gas from a shale well
- Roma Logistics Hub completed

FUTURE FOCUS

- Continue to deliver on strategic objectives
- Pursue opportunities for Aboriginal employment through supply chain partnerships
- Improve opportunities for local industry participation
- Deliver LNG projects on time

Our people

2012 OBJECTIVES

- Achieve safety TRCFR of less than 3.5
- Conduct employee commitment survey
- Complete training, induction and awareness programs around Code of Conduct and related policies
- Improve workforce diversity

2012 PERFORMANCE

- TRCFR of 5.0
- Process safety checks and disclosure of gas releases meeting international standards
- Improved gender balance
- Increased Aboriginal employment opportunities

FUTURE FOCUS

- Continue to address risks that cause high-impact events
- Reduce occurrence of minor injuries
- Recruitment and succession planning
- Continue emphasis on building workforce diversity and training opportunities

Community

Strong and enduring community relationships are fundamental to our business. The way we interact with communities is based on a genuine commitment to and empathy with the people and places in which we operate.



2012 Sustainability snapshot

- ✓ Santos GLNG Community Handbook released
- ✓ Landholder and community compensation scheme introduced
- ✓ New agreements signed with the Kullilli and Wongkumara communities
- ✓ Boost to cultural heritage training and induction

\$200m

committed to invest in the communities associated with the GLNG project

\$150m

potential payments to NSW host landholders over the next 20 years

500

Santos employees from SA took part in volunteer activities during 2012

\$16m

total community sponsorship

Left:

In support of the Clontarf Foundation, four employees from Santos' Perth office, along with eight boys from East Kimberley Clontarf Academy, cycled over 700 km along the rugged Gibb River Road in Western Australia. The Clontarf Foundation aims to improve the education, self-esteem, life skills and employment prospects of young Aboriginal men.

Working together

ENGAGEMENT APPROACH

We have a clear understanding of our stakeholders, whether they are local, across a region, in government or business, and we seek out and listen to their concerns.

Our objective is to engage with communities and stakeholders in a way that meets community and business needs and we aim to consistently improve these efforts.

Our engagement approach includes:

- face-to-face meetings
- consultation forums
- client liaison managers
- intranet – blogs, webcasts
- internet – Santos website
- Annual General Meeting
- investor briefings
- newsletters.

We are committed to conducting all our activities within a culture of trust, openness and cooperation. Strong and enduring community relationships are fundamentally important to our business success.

Community engagement forms a core element of our day-to-day work. We invest time in maintaining open and regular channels of communication; we share relevant information frequently and listen to community questions.

At Santos, we aspire to earn the respect of the communities where we operate and ultimately become part of those communities, continuing to build the company's reputation as an industry leader in the safe and sustainable production of natural gas and oil in Australia and Asia and working in partnership with host communities to share the benefits of our projects and activities.

SUPPORTING COMMUNITIES

Santos respects the land, the locals and values of the communities in which it operates. We aim to make positive and meaningful contributions to local communities and ensure the economic and social benefits of our activities are shared with, and available to, these communities.

To achieve this, we have in place community engagement plans for our major operations that provide opportunities for Santos and communities to work together to identify and maximise social benefits while delivering our business outcomes.

Through our projects, we are making investments in local infrastructure, creating economic benefits and employment opportunities.

OUR STAKEHOLDERS AND KEY SUSTAINABILITY ISSUES

Stakeholder	Key issues	Report reference
Aboriginal groups	Cultural heritage, training, employment and business development opportunities	 
Customers	Product delivered reliably and in an environmentally and socially responsible manner	 
Employees, contractors and trade unions	Workforce diversity, wellbeing and capacity, business viability	 
Local communities including landholders, non-government organisations and media	Mutually beneficial outcomes, accountability, managing impacts, clear and frequent communication	 
Joint venture partners / shareholders	Financial performance, development strategy, risk management and security	
Government and industry associations	Compliance with relevant standards in all spheres of operations	  
Suppliers and contractors	Supply partnerships	

 Community  Environment  Our people  Economic

‘Santos is very proud of its ongoing commitment to supporting local economic development and employment opportunities.’

Rob Puckridge, EABU Operations Training and Development team

MUTUAL BENEFITS

Santos understands the importance of supporting local communities in meaningful ways, and seeks to invest in the areas of education and youth, health, community wellbeing and infrastructure, environment, indigenous programs, and arts and culture.

When selecting avenues of support, Santos looks to those that foster progress and deliver tangible benefits to the community, such as using local suppliers, creating local employment and training opportunities, providing health and essential services, and sponsoring other beneficial community initiatives.

We also encourage our employees to participate in community and fundraising programs. During 2012 in South Australia, for example, 500 of our employees took part in volunteering opportunities including the Santos Tour Down Under, Symphony under the Stars, the University of Adelaide Careers Expo and the Cooper Cup raising funds for the Royal Flying Doctor Service.

OPEN ENGAGEMENT

Santos seeks to engage and inform communities, providing transparent, accurate and up-to-date information needed to fully understand its operations.

As part of all community engagement strategies for major projects, we provide regular and timely project updates, targeted briefings, site tours, free-call telephone numbers, regional offices and information sessions. We also help facilitate local consultative committees, consultation forums, working groups and landholder advisors.

During 2012, the Santos GLNG Community Handbook, approved in May 2012 by Queensland’s Coordinator General, was developed based on the outcomes of a series of community information sessions and consultative committees. The Handbook is designed to help locals recognise the possible social impacts of the GLNG project and addresses six themes – water and environment, community safety, social infrastructure, community wellbeing and liveability, local industry participation and training, and Aboriginal engagement and participation.

PARTNERSHIPS

As we develop our activities in New South Wales we are continuing to respectfully consult with land users and foster transparent and mutually-beneficial relationships.

Santos has introduced a landholder and community compensation scheme that will see greater consultation and agreement with landholders and substantial financial benefits delivered to both landholders and their regional communities. Total payments to host landholders in Santos’ NSW permit areas could be in excess of \$150 million over a 20-year period, while the local regional communities could benefit by an amount in excess of \$300 million – reflecting contributions from Santos and the NSW Government.

The new scheme demonstrates Santos’ commitment to upholding fair and productive working relationships with local landholders and the community to secure a sustainable and prosperous future for the domestic gas industry for NSW.



SANTOS GREAT BIKE RIDE FOR CHARITY

Santos has extended its partnership with the Santos Great Bike Ride for Charity for another three years, strengthening our portfolio of community cycling events around Australia, including the Santos North Western Tour in New South Wales, Santos Top End Gran Fondo in Darwin and Santos GLNG Brisbane to Gold Coast Cycle Challenge, all of which complement the Santos Tour Down Under UCI WorldTour event in Adelaide. In 2012, Santos also participated in the Tour de Work: the Adelaide Workplace Cycling Challenge and achieved the highest participation rate for its category – 10.7%.

Above:
Santos riders in the Santos GLNG Brisbane to Gold Coast Cycle Challenge

Making a difference



RIDING FOR A REASON

The 2012 Santos Tour Down Under was once again a spectacular show of cycling, but it was the \$30,000 raised by Santos staff that made for real applause. A total of 220 employees participated in the Bupa Challenge Tour and raised much-needed funds for Cancer Council SA. Santos made an additional \$20,000 donation to the cause in recognition of staff efforts.



BOOSTING LOCAL HEALTH

GLNG project staff joined the Roma community in Queensland to celebrate the opening of the Nuriyn Wellness Centre which now provides 1,500 people suffering chronic disease with easy access to first-class health facilities. Santos invested \$1 million to build the facility comprising four dental surgeries, a dental laboratory, rehabilitation facilities and injury prevention/management clinics.



CONNECTING WITH COMMUNITIES IN NEED

In Western Australia, Santos staff helped raise \$34,500 for Homeless Connect Australia at the second Santos Oil and Gas Industry Charity Quiz Night. The money raised helped fund the Homeless Connect Day in Perth where Santos employees volunteered to provide the city's homeless with new clothes, shoes, medical and dental check-ups, food, haircuts and photographs of themselves to send to loved ones.



ENRICHING THE ARTS

Santos has reaffirmed its long-standing relationship with the Adelaide Symphony Orchestra, with a three-year partnership commitment for 2012 to 2014 inclusive, the ASO's most significant sponsorship in its 75-year history.

This partnership celebrates its 15th year in 2013 and will support diverse and varied concerts in the ASO's program, including the free Santos Symphony Under the Stars concert.

‘Through our partnership and in particular the Desert Country exhibition, Santos is adding to the broader community’s understanding and appreciation of the stunning art of remote Australia.’

Nick Mitzevich, Director of the Art Gallery of South Australia



FUTURE FOCUS

In South Australia, 50 Santos employees contributed over 100 volunteer hours to help financially disadvantaged students make the transition from school to work through the Smith Family Next Steps workshops. A further 21 staff participated in the Learning for Life’s iTrack initiative, a 20-week program providing one-on-one personal and career mentoring to students from various Adelaide high schools.



SUPPORTING RURAL TRAINING

Santos hosted two rural trainees through a local Narrabri training and employment initiative. The program, designed by Narrabri Shire Council, targets skills development and employment pathways for rural youth leading to nationally recognised Certificate 3 level qualifications in Rural Operations.

Five indigenous trainees, part of a traineeship working on the Fairview Irrigation Project, also graduated with a Certificate II in Horticulture.



AFFORDABLE HOUSING

Santos GLNG has committed over \$13 million to establish partnerships with state and local governments and not-for-profit housing companies providing support to residents in the Maranoa and Gladstone regions. This includes the creation of the Gladstone Affordable Housing Company and funding to Horizon Housing in the Maranoa. Both projects will commence construction during 2013. This is in addition to accommodation for the workforces associated with the Project, with 65 houses in Gladstone already complete and another 36 to be finalised in 2013.



LENDING A HAND

Santos employees in Bangladesh supported financially disadvantaged people throughout winter and volunteered to purchase and help distribute 750 blankets to the poor community in the old Dhaka area. During the June floods, Santos staff provided clean water, shelter, clothing and bedding to those affected by extreme flooding.

In Queensland, 40 employees helped the local community after the early-2012 floods by cleaning up nearly 80 homes and businesses in both Roma and Mitchell.

Respecting culture



DESERT ART SHOWCASE

Santos received the national Australian Business Arts Foundations (AbaF) Partnering Award for our national Desert Country exhibition, a showcase of the Art Gallery of SA's Aboriginal and Torres Strait Islander Collection which charts the 40-year evolution of the Australian desert art movement. A total of 54 Aboriginal groups were engaged while researching, curating and exhibiting Desert Country, which has helped raise the profile of many indigenous artists at a national level.

In 2012, Santos also celebrated NAIDOC week with a display of Aboriginal artwork and craft for sale and an 'artist in residence' for the week.

Above: Keith Stevens, Pitjantjatjara artist from Tjungu Palya Arts, Nyapari community in the APY Lands, South Australia

We are committed to working with Aboriginal communities in a way that respects their cultures.

PROTECTING CULTURAL HERITAGE

Santos seeks to fully inform Aboriginal communities and consult with them on the company's activities.

The remoteness of many of our operations means that our employees and contractors are often the first to find cultural heritage sites. These sites are not only of scientific interest, many continue to contribute to our understanding of history and also play a vital part in Australian and Aboriginal culture today.

Cultural heritage sites are protected under legislation and by Santos standards, including our Aboriginal Engagement Policy and Cultural Heritage Hazard Standard for Santos and the GLNG project.

Our activities must also comply with agreements negotiated between Santos and traditional owners, known as Cultural Heritage Management Plans/Agreements. Santos has agreements with the Dieri, Boonthamurra and Yandruwandha Yawarrawarrka peoples of the Cooper Basin. In 2012, Santos signed two new agreements with the Kullilli and Wongkumara communities.

During 2012, cultural awareness training and induction was enhanced, with four levels provided depending on an employee's role and responsibilities and the likely exposure to cultural heritage risk. For example, seismic line preparation teams and surveyors have more extensive training than office-based workers. All employees receive some level of cultural heritage training.

A handbook, Procedure for the Management of Cultural Heritage Sites, was updated during 2012 (third edition), providing staff and contractors with practical information about how to avoid damage to cultural heritage, record cultural heritage information to meet company and project obligations, and required actions if cultural heritage is discovered.

The systems are proving effective, with no impacts to cultural heritage recorded during 2012.

ABORIGINAL ENGAGEMENT AND PARTICIPATION

Santos is committed to providing opportunities for all Australians and has developed an Aboriginal Engagement Policy for the participation of Aboriginal people.

We are meeting with representatives from local communities to make sure our policies on Aboriginal engagement are being effectively implemented. We will continue to have these conversations to ensure that we have an ongoing dialogue with all the relevant parties.

More information is provided on Santos' Aboriginal employment, training and education on page 32, and Aboriginal engagement within our supply chain on page 42.

Being open and accountable

We have an obligation to our shareholders and host communities to operate in an open and transparent manner, building respect and understanding about Santos and our operations as the basis for sound commercial and community relations.

We place a high priority on the integrity of our everyday actions: we will be judged on what we say and do across all parts of our business and operating areas.

We recognise that our reputation as a good corporate citizen is essential to our social licence to operate and that this demands ongoing stakeholder engagement.

COMMUNICATING WITH STAKEHOLDERS

All new price sensitive information is disclosed to shareholders via the Australian Securities Exchange as well as on our website.

We also communicate via news briefings, in our annual and sustainability reports and through regular investor briefings.

For specific activities or areas of operation, communication is tailored to relevant communities, with ongoing opportunities provided for people to contact us with queries or concerns including face-to-face meetings, telephone lines, newsletters, websites and email contacts.

This information exchange is particularly critical to our growing business in Queensland and New South Wales, given its scale and relative unfamiliarity. It is important that we provide factual information about how our production works and its role in a low carbon future, and respond to individual concerns as they arise.

We also contribute to wider debate on the natural gas industry, energy and carbon via public submissions, parliamentary inquiries and media briefings, which are on the public record and consistent with our stated corporate policies and goals.

CUSTOMER RELATIONS

As an oil and gas company involved in exploration and production, we do not have a retail customer base. Any concerns or issues are addressed directly with our commercial customers.

Sales and transportation of our product are conducted in accordance with industry and legislative health, safety and environmental standards.

REPUTATION

Santos works to build and maintain a reputation as a good corporate citizen. Essentially, this means operating responsibly in line with all applicable legal and other standards (commercial, environmental and social), and establishing and sustaining good working relationships with stakeholders and those affected by our activities.

Reporting accurate and timely information about our business is essential to maintain this reputation. Our sustainability report, published annually, complies with global sustainability reporting guidelines (Global Reporting Index – GRI G3.1 Oil Gas Sector Supplement) and is independently audited.

Using GRI as a guide, Santos provides detailed and accurate information on all aspects of its business – including gross production of oil and gas products – and potential impacts – including biodiversity footprint, landfill volumes, greenhouse emissions and formation water volumes. Any incidents of non-compliance or grievances are reported.

In 2012, Santos did not receive any fines, legal actions or sanctions relating to commercial dealings or anti-competitive behaviour.

RECOGNITION AND AWARDS

BEST IN CLASS
environmental and
social performance
STOREBRAND 500



Dow Jones Sustainability Indexes
Member 2012/13

AuSSI
The Australian SAM Sustainability Index
Member 2012/13

sam 2012 gold class

Member 2012/2013
STOXX
ESG LEADERS INDICES

EITI Extractive Industries Transparency Initiative

APPEA Environment Award, for Santos GLNG Water Portal

CDP 2012 ASX200 Carbon Disclosure Leadership Index (fourth consecutive year)

Australian Event Awards – 2012 Santos Tour Down Under, Best Tourism Event (fourth consecutive year) and Best Sporting Event

South Australian Chamber of Mines and Energy – Premier's Community Excellence Award in Mining and Energy

Queensland Training Awards – Premier's Industry Collaboration Award for the Coal Seam Gas and Gas Transmission Pipeline Operations Training Centre

Australasian Reporting Awards – Gold Award for the Santos Annual Report

Indonesian Ministry of Environment's Program for Pollution Control, Evaluation and Rating (PROPER) rated Santos' Oyong and Maleo sites blue (compliance)

Environment



Santos nurtures a long-held culture of environmental care. We have integrated systems and procedures in place to manage our activities responsibly and find new ways to further reduce our ecological footprint.



2012 Sustainability snapshot

- ✓ Remediation of Pilliga Forest site, NSW, underway
- ✓ Waste management upgrades at Moomba
- ✓ Landholders given online access to real time groundwater data
- ✓ Achieved 2012 emissions intensity target of 70kt CO₂e/mmboe

4.8PJ

annual energy saving from implemented energy efficiency projects

0

environmental incidents recorded of moderate or greater impact

70kt

CO₂e/mmboe 2013 emissions intensity target

2.2Mm³

water for beneficial use applications

Left:
Strzelecki Creek in the Cooper Basin, South Australia.

Moving to a clean energy economy

GREENHOUSE GAS ASSURANCE STATEMENT

Total Scope-1 and Scope-2 greenhouse gas emissions for Santos' Australian and international operations for the financial year ended 30 June 2012 were 3,845,568 tonnes of carbon dioxide equivalent (tCO₂e).

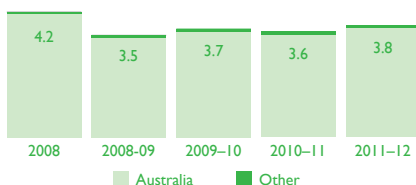
Total Scope-1 emissions were 3,807,773 tCO₂e.

Emissions were determined in accordance with the federal government's *National Greenhouse and Energy Reporting Act 2007* (NGER), *National Greenhouse and Energy Reporting Regulations 2008* and *National Greenhouse and Energy Reporting (Measurement) Determination 2008* as amended on 30 June 2011.

Our emissions profile has been subject to independent reasonable assurance by Ernst & Young in accordance with *International Standard on Assurance Engagements ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information*. See www.santos.com/sustainability for the Independent Reasonable Assurance Report.

GREENHOUSE GAS EMISSIONS FROM SANTOS OPERATED ASSETS

million tonnes CO₂e (Scope-1)



COMMITMENT TO ACTION

We support a global transition to a low carbon economy and believe that Santos, as a global energy player and one of Australia's largest gas producers, has a key role to play in this transition.

We recognise our environmental and social responsibility to reduce the carbon intensity of our products. We aim to do this through energy efficiency, deployment of low emission technologies and embedding a carbon price in all our activities.

We have a centralised corporate team that drives greenhouse and energy policy and standards. The carbon team regularly reports progress to Santos executives and the Board.

UNDERSTANDING OUR EMISSION SOURCES

Our emission sources consist of vehicle and equipment fuel combustion, venting, flaring and fugitive emissions. Together, these are reported as total emissions from our operated facilities and are grouped as Scope-1 emissions.

Fugitive emissions include minor losses from flanges, valves, wellheads and other equipment that occur during gas production. Emissions from flaring and venting can also be defined as fugitive. At Santos, we manage all of our emissions to keep them as low as possible – it's in our economic interest to capture as much gas as we can. We measure, document and report fugitives in accordance with the *National Greenhouse and Energy Reporting Act 2007*.

We endeavour to eliminate flaring and venting of gas wherever practicable as stated in our Climate Change Policy. However, flaring is sometimes necessary for safety reasons, allowing gas to be combusted when needed as part of incident response management or routine maintenance.

We also report Scope-2 emissions – indirect emissions from purchased electricity.

Emissions from extracting and processing gas and oil account for only 20% of the lifecycle emissions for our product. The remainder, known as Scope-3 emissions, are produced by our customers when our products are combusted; for example, to generate electricity or for residential heating and cooking. If we assume that all our products are combusted, our Scope-3 emissions are approximately 16 MtCO₂e.

We support independent, relevant and robust research that can be used to inform discussion and assist with refinement of emissions factors and methodologies.

SAVING ENERGY

Saving energy makes good business sense, conserving our product and reducing our emissions footprint.

Ongoing energy efficiency assessments are part of our regular business in all areas of our operations. For us it is about finding ways to work smarter and looking at initiatives and infrastructure upgrades that can deliver energy savings.

For example, where operating conditions have changed, rationalisation of equipment provides an opportunity to deliver energy savings.

In the Cooper Basin, we completed an extensive review of coolers which are used for finer inlet temperature control. At some sites, the coolers were providing little or no benefit while still consuming energy. Where feasible these coolers have been decommissioned, which will deliver an annual energy saving of approximately 35,000 GJ.

Further detail on our assessments and opportunities is provided in our Energy Efficiency Opportunities (EEO) Report, which can be downloaded from our website.

‘We welcome discussion, support and partnerships with government both in Australia and across South-East Asia as we seek to help deliver a sustainable supply of energy to power the region’s future.’

SANTOS VICE PRESIDENT, MARTYN EAMES addressing the South-East Asia Australia Offshore Conference, Darwin, 20 Sept 2012

**MAKING THE TRANSITION:
A PIVOTAL ROLE FOR GAS**

Santos believes that natural gas has a strong role to play in the global effort to reduce greenhouse gas emissions.

Using gas to generate electricity can deliver significant reductions in carbon emissions. A proven and established technology, combined cycle gas turbine (CCGT) plants emit less than half the emissions of black coal and less than a third of the emissions of brown coal.

The environmental benefits of gas are not limited to lower carbon emissions. Gas creates significantly less air pollution (nitrogen oxides, sulphur dioxide and particulates) and uses a fraction of the water needed by coal-fired or nuclear generators.

While the use of renewable energy sources will produce even fewer carbon emissions, gas remains an essential, reliable source of power generation and a vital enabler of intermittent, renewable energy technologies such as wind and solar for which there are currently technological and commercial constraints.

NEW TECHNOLOGIES

Santos is continuing to search for and develop new techniques to increase energy efficiency and deliver natural gas to energy-hungry markets.

New reservoirs of natural gas are being discovered and wells are being drilled to bring this valuable energy product to the surface and ultimately to our homes and businesses.

Natural gas has been traditionally sourced from high permeability rocks, like sandstone; however, with the advancement in drilling techniques it can now be economically sourced from less permeable rocks like shale.

Gas also occurs naturally within underground coal seams and traditionally this gas was a waste product for the coal industry. We are now tapping into this resource and extracting the natural gas, while leaving the coal in place underground.

We have been producing natural gas from coal seams for over 15 years and already approximately 70% of Queensland’s natural gas is sourced from coal seam deposits.

Santos also looks to alternative technologies as an opportunity to reduce our emissions intensity. We continue to review the integration of low emission technologies such as solar thermal and carbon storage into our operations.

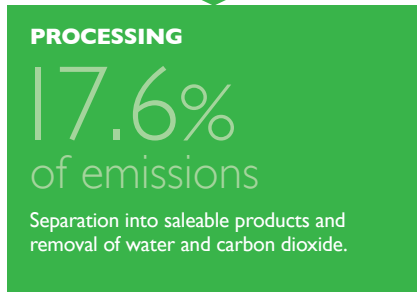
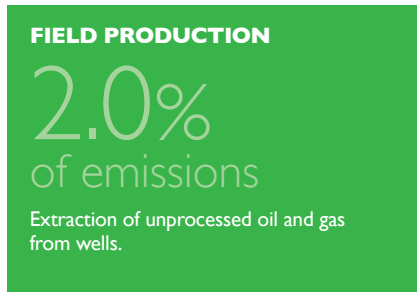
We have also installed solar photovoltaic cells at many of our remote field locations. The cells are used to power well site monitoring (telemetry). These initiatives, together with our energy efficiency projects, will save energy, reduce our emissions and lower our carbon cost liability.

ADAPTING TO CLIMATE CHANGE

Climate change is the change in the average pattern of weather over a long time period. Potential risks include rising sea levels, increasing frequency and severity of extreme weather events and changes in local weather. For example, our central Australia operations are likely to experience more days over 40°C.

Extreme weather also means greater demand for our products, representing both an opportunity and a challenge to meet potential demand growth and peaks.

We have adopted the precautionary principle and considered the risks associated with climate change in our business decisions. Climate change is considered in our corporate risk assessments, reflected in our engineering standards and we have adopted mitigation strategies to manage potentially extreme weather events, such as heat stress awareness training provided to all of our employees working in the field.



Water resources



GIVING LANDHOLDERS ACCESS TO WATER INFORMATION

Santos has installed new water monitoring equipment on landholders' properties as part of a trial to collect real time data on the water levels of their bore throughout the day. Landholders can obtain this information at the click of a button, using their own individual accounts to access their bore information via the internet.

'This is the first time we have had detailed information about what is happening underground in the aquifers – the lifeblood of our region,' said Mr Bruce Scott, a Roma landholder and the Federal Member for Maranoa.

The trial will continue with a view to rolling out to other landholders in the Roma region in coming months.

This is an extension to our Water Portal, launched last year, which provides results from more than 100 locations where we are monitoring surface and groundwater. The online portal was awarded the Australian Petroleum Production and Exploration Association's (APPEA) environment award at their 2012 national conference in Adelaide. It can be viewed online at www.santoswaterportal.com.

Above:
Water produced during natural gas extraction is treated and re-used in several ways, including irrigation in the Fairview region

PROTECTING WATER RESOURCES AND ECOSYSTEMS

Santos recognises water as a precious resource, especially given our long history of working in some of the driest parts of the world. Our Environmental Hazard Standard for Water Resources sets out the requirements we must follow to protect watercourses, lakes, springs, overland flows, groundwater aquifers and the ecosystems associated with this water. This standard addresses both protection from degradation and sustainable use.

TURNING WASTE INTO WATER

Our oil and gas activities use very little potable water; however, the nature of oil and gas production involves bringing water to the surface that has accumulated underground with oil and/or gas deposits. This water is known as formation water (or produced formation water, associated water or incidental water). Managing this is a key environmental priority for our company and industry.

Our Environmental Hazard Standard for Produced Water Management defines what is required to minimise the environmental impacts of formation water produced during our operations. The quality and quantity of formation water produced varies over time and by region.

Santos seeks to continually improve the way it manages the storage, treatment and disposal of formation water, looking for innovative ways to limit impacts and seek beneficial outcomes for the community and environment. Water management solutions aim to benefit local communities and augment existing water supplies through recharging groundwater and surface water. Reuse of produced formation water for irrigating pasture and forests is one such example.

Water treated through reverse osmosis produces a brine concentrate. Brine will be injected into depleted coal seams or deeper basement formations. Where injection is not feasible, brine will be refined for disposal at a registered or purpose-built repository, or for commercial production of mineral salt

Treatment is critical to the success of water reuse initiatives to ensure water quality is suitable for its intended use, whether it be irrigation, stock watering, boosting local supplies or aquifer recharge. Santos incorporates treatment and regular monitoring into its water management strategies which are tailored to each operating area to ensure compliance with strict licence conditions.

BUILDING OUR KNOWLEDGE AND UNDERSTANDING

As well as independent reviews by third parties, including state and federal regulators, Santos is committed to keeping check on our potential water resource impacts. Regular and ongoing monitoring ensures water resources are protected and any unforeseen impacts of innovative water reuse projects are detected early. This involves monitoring the movement of water and salts using sophisticated probes to provide data for ongoing research and early warning of any unacceptable trends. Results are made available to regulatory authorities and interested community members.

COOPER GAS WATER MANAGEMENT

During 2012, we carried out a Cooper gas water management study to find the best solutions for managing formation water at locations that currently use traditional disposal methods – interceptor ponds, holding ponds and waste water lagoons. Alternative options being assessed include reinjection, beneficial reuse methods and centralised management. This information will help establish a range of suitable methods for managing formation water that can be applied to future projects.

FAIRVIEW CSG FIELD – DISCHARGE TO CREEKS CEASES

When Santos took over as operator of the Fairview field in Queensland, formation water from some wells was being disposed to Hutton and Baffle Creeks. This practice ceased in November 2012. Instead, water will be sent via water gathering systems to treatment facilities. Production from wells not yet connected to such gathering systems will stop until suitable infrastructure is installed.

UNDERSTANDING THE SCIENCE IN NAMOI

A two-and-a-half year, \$4.5 million study of the Namoi catchment concluded in July 2012, providing detailed scientific modelling to assess the potential impacts of coal and natural gas development on the quality and quantity of ground and surface water in the catchment.

The study was commissioned by the New South Wales Government in August 2010 in response to increasing community concerns about resource activities in the catchment and was undertaken by consultants Schlumberger Water Services (Australia) Pty Ltd.

The study forecast an aquifer draw-down of 0.5 metres over the next 90 years from likely natural gas development. This compares to a draw-down of nearly 80 metres over the past 30 years from existing uses including agriculture and coal mining. The half-metre projected estimate for natural gas is within existing annual variations in aquifer levels.

While extracting the gas is very important for NSW future energy needs, it is equally important to protect the Namoi water resources.

LEARNING ABOUT WATER QUALITY WITH LOCAL STUDENTS

In partnership with Santos GLNG, St John’s year eight students in Maranoa are conducting their own water testing and monitoring as a part of the 2012 world-wide Water Monitoring Challenge.

St John’s School Head of Department, Wayne Bambling said the water monitoring project was valuable. “In the afternoon following our field trip, we were able to access both the water portal and the world water monitoring website where we entered our student data which was a great activity for the students.”

The Santos GLNG student water monitoring program will be continued next year.



FAIRVIEW DRILLING FLUID RECYCLING

An innovative system to close the loop on drilling fluids is helping to minimise the disposal of waste water and cut consumption of surface water requirements for drilling, completions and construction at Fairview.

Since commencing the recycling process in late 2011, more than 500,000 barrels (approximately 80,000 cubic metres) of drilling fluid have been processed with around 90% being reused throughout operations.

Reducing the volume of waste water has the additional benefit of decreasing truck movements required to move waste to licensed disposal, with associated environmental, safety and cost benefits.

Water use and disposal is now part of well activity planning, with plans being made to treat water in areas of upcoming activity.

Above:
Mike Carroll, Landholder Adviser,
Saxon Rig 189, Roma Field

‘I have been very impressed by the significant commitment made by the GLNG project to the expertise and the technology being utilised in its irrigation project. The quality of the water system being implemented is world class ...’

KEVIN HARVEY Internationally acclaimed soil scientist and irrigation expert

Lightening our footprint



27 DIFFERENT SPECIES RESCUED

A trial conducted on our newly developed Fauna Rescue and Return System (FRRS) found that it greatly enhances the recovery and survival of native fauna species during pipeline construction. The FRRS is the result of a collaborative effort between Santos and the Australian Reptile Research and Breeding Centre.

During pipeline construction, fauna – mainly snakes, reptiles and small marsupials – can be trapped in open trenches, leaving them vulnerable to exposure and predation. The FRRS, a sturdy, lightweight, ventilated refuge can be placed in open trench lines at any stage of construction, allowing animals to enter voluntarily, based on their natural instinct to seek shelter and security. Up to seven animals have been found sharing the same refuge.

During the trial, conducted from March to June on a pipeline project in the Cooper Basin, a total of 578 live animals encompassing 27 species were removed from the pipeline trench and released. Survival from sections of the trench containing the FRRS was nearly seven times greater than for sections without the FRRS.

Based on the success of this trial, Santos will apply the FRRS across all future pipeline construction projects.

Above:
Bearded dragon identified near Dullingari in Cooper Basin

PROTECTING BIODIVERSITY

Santos has a genuine, long-held commitment to look after the environment. This is reflected in the care we take to avoid, minimise or rectify disturbance to land, ecological systems and wildlife. Our actions are governed by the Santos Environmental Hazard Standards for Biodiversity and Land Disturbance, which includes a protocol for risk assessments, and Pest Plants and Animals, as well as relevant legislative obligations.

Employees and contractors are briefed on this culture of care and the specific requirements affecting their work during induction and training. Field handbooks and posters are also available to employees and the broader community in which Santos operates, providing information on native flora and fauna. Santos endeavours to reduce the impact on biodiversity from land disturbance, keeping disturbance to a minimum through responsible work practices and where disturbance cannot be avoided, implementing timely methods to rehabilitate.

Rehabilitation of disturbed areas is conducted for all operations in accordance with our hazard standards. When land is significantly disturbed, the top layer of the soil profile is removed, stockpiled and used later to rehabilitate the site. We aim to return land to a state that is consistent with pre-existing land use.

We are constantly looking for ways to further lighten our footprint. Our activities in Queensland have recently incorporated technology to capture data in the field during each stage of the land disturbance process, providing greater precision in meeting company and legislative environmental standards and ultimately reducing potential biodiversity impacts.

Where impacts cannot be adequately avoided, Santos supports offset strategies which boost biodiversity values more broadly. Santos works cooperatively with governments and experts to invest in priority areas or species to achieve the greatest biodiversity benefits.

MANAGING WASTE

At Santos, we recognise both the financial and environmental benefits of responsible waste management. We aim to keep waste generation to a minimum through greater efficiencies, reuse and recycling, thereby reducing our environmental impacts. Our Environment Hazard Standard for Waste Management sets out the requirements for managing waste generation, transportation, storage and disposal at all our operations and for all our activities.

Projects are also ongoing to improve recycling and minimise waste volumes across all our operating areas. At Moomba, we recently completed work on a permanent, fully enclosed sludge treatment plant to replace temporary facilities. The new plant will operate more efficiently, enabling oil from cleaning out vessels and pond skimming to be captured and recycled.

Management of Moomba landfill has also been upgraded, including installation of an impermeable lining at the base to prevent potential leakage.

INCIDENTS

Santos achieved the 2012 target of zero environmental incidents of moderate or greater consequence.

We have a rigorous system in place through our Environment, Health and Safety Management System (EHSMS) to investigate and respond to incidents, generating learning opportunities for continuous improvement and preventing recurrence. Santos employees and contractors report all incidents, near misses and hazards through our Incident Management System. Risks are incorporated into hazard registers and procedures are modified. Our Environment, Health and Safety Compliance Database specifies relevant Commonwealth, State and Territory legislation, and compliance performance is monitored on a regular basis through internal and external audits.

We have focused on two key areas during 2012: formation water management and oil spill response capability. We are improving our understanding and transparency of the ways we manage formation water through comprehensive and consistent monitoring and making these results publicly available. Our oil spill contingency plans have been reviewed and ensure our response capability is suitable to the task and adequately resourced.

In order to streamline requirements from growing regulatory obligations, we have developed a centralised database to record and collate incident data including notifications to regulatory authorities, regulatory instruments received from authorities and any fines. This systematic approach ensures accuracy of data and reporting and is useful for identifying priorities for future improvement.

This year we have also developed an interactive on-line guidance tool to help identify the appropriate Australian regulator to notify an incident to. The tool provides a single location to access Regulator Notification Forms, and ensures that Santos can respond immediately in the event of an incident or a crisis situation.

PILLIGA FOREST

Santos acquired Eastern Star Gas in late 2011. There were a number of environmental incidents that had occurred prior to that date and some had not been reported.

Since the acquisition, Santos has reported these incidents and invested nearly \$20 million in remediation and rehabilitation works, progressing towards returning the site to its original condition.

The spill that occurred in Pilliga Forest in 2011 is in the process of remediation, guided by a remediation plan and trial to select the best method of remediation. As part of this work, water has been transferred from the large Bibblewindi ponds to the newer, smaller Tintfield Pond and monitoring bores have been installed adjacent to the ponds.

Santos is also working with the New South Wales Department of Resources and Energy on the remediation of other Eastern Star Gas facilities. This includes the deconstruction of the Dewhurst tank farm, rehabilitation of the Dewhurst 8 well area and more than 20 other existing lease sites.

As a long-term solution, Santos is seeking state government approval to construct a new purpose-built water treatment facility and associated water storage ponds outside the area of the Pilliga Forest. This will allow the Bibblewindi ponds to be removed and the site rehabilitated, and will greatly reduce the scale of operations in the Pilliga.

Santos will continue to work closely with New South Wales regulators to make improvements that will prevent future incidents.

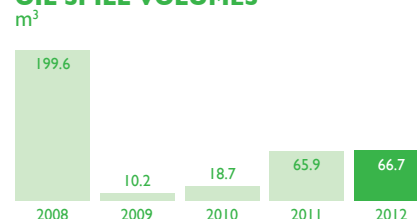
INFRINGEMENT NOTICES

In 2012, Santos received \$7,000 in fines relating to seven Infringement Notices:

- \$2,000 for disturbance to land at Mount Kingsley within 1km of a category A or 500m of category B environmentally sensitive area.
- \$3,000 for two events involving the release of permeate from the reverse osmosis plant into Bohena Creek in excess of average background conductivity levels. No harm was caused and no further actions were issued by the Environment Protection Authority. These events occurred prior to Santos' acquisition of this facility (on 11 March and 25 November 2010).
- \$2,000 regarding a release of water at Fairview due to failed electro fusion coupling.

In addition, GLNG received \$28,000 in fines relating to seven Infringement Notices, including \$19,800 for the late reporting of five minor oil spills and two recorded increases in turbidity levels, in breach of environmental approval conditions during 2011.

OIL SPILL VOLUMES



Increased spill volume in 2008 was due to the Carindale oil spill. In 2012 there were three spills with volumes exceeding 2m³, all in the Cooper Basin, including a 30m³ spill at Naccowlah due to external corrosion of a flowline. All spills have been remediated, and incident investigations have helped identify corrective measures.

Our people

Santos is committed to creating a safe, supportive and productive work environment that encourages diversity, fosters resilience and maximises potential and performance.





2012 Sustainability snapshot

- ✓ Gender equality programs achieved improved gender diversity: 50% of graduates and 34% of all new recruits were female
- ✓ No severe safety incidents
- ✓ Resilience program introduced, helping employees reduce stress, improve energy and sustain a healthy lifestyle

74%

of employees have a high level of commitment according to the Santos Employee Survey

1.7

Employee Total Recordable Case Frequency Rate

99.9%

efficiency rate for process safety maintenance program

137

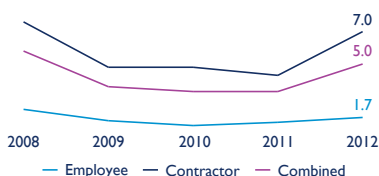
Aboriginal employment, training and education opportunities created to date

Left:
Liam Gallagher, Senior Geoscientist and Clare Murdoch, Graduate Bio Stratigrapher looking at Santos prospects.

Safety culture

TOTAL RECORDABLE CASE FREQUENCY RATE

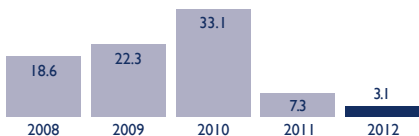
recordable injuries per million hours worked



While injury rates have increased, our systems are successfully preventing severe injuries and our severity has fallen.

TOTAL RECORDABLE CASE SEVERITY RATE

sum of the injury severity index for all recordable cases, per million hours worked



For each recordable injury, the severity of the injury is quantified according to guidelines. The type of injury, impact on the individual and days lost from work are considered to determine the appropriate severity score.

To achieve our goal of an injury-free workplace, we continuously review our health and safety systems. This enables us to identify and quickly implement improvements where necessary. We regularly report on our management approach and performance to our most senior executives and the Board.

Our business is in an expansion phase with associated growth in the number of new employees and contractors, often working in remote and harsh locations. This creates the additional challenge of bringing new people on-board with our systems and influencing their behaviour to ensure a safe work environment.

At Santos, we look at safety management in two ways – as process safety and as personnel safety. Process safety looks at eliminating low frequency but potentially catastrophic scenarios in our business such as an uncontrolled release of hydrocarbon, in contrast to personnel safety which addresses incidents that are typically more frequent but have less widespread consequences.

PROCESS SAFETY

Process safety is all about keeping hydrocarbon contained. Process safety hazard identification and management is essential in supporting an injury-free workplace,

continually improving our systems and preventing major accident events.

Santos has systems in place to carry out regular preventive maintenance on equipment that is assessed as critical to safety, such as pressure vessels and safety valves. This process safety maintenance system, which allows risk-based scheduling, operates at almost 100% effectiveness. Process safety exceptions, which could be precursors to an incident with greater consequences, are identified and recorded. All exceptions are reported each year, providing a rigorous feedback mechanism for continuous improvement.

This year, the Global Reporting Initiative requires information on gas releases to be recorded and reported.

As part of our process safety checks, Santos records gas releases that are divided into Tier 1 releases (>500kg/hour) and Tier 2 releases (>50kg/hour) in accordance with API 754. These are further divided into those occurring within occupied areas (for example, a plant or processing facility) and unoccupied areas (for example, from a pipeline), with the former posing the greatest potential safety hazard because of the potential impact within a confined area.

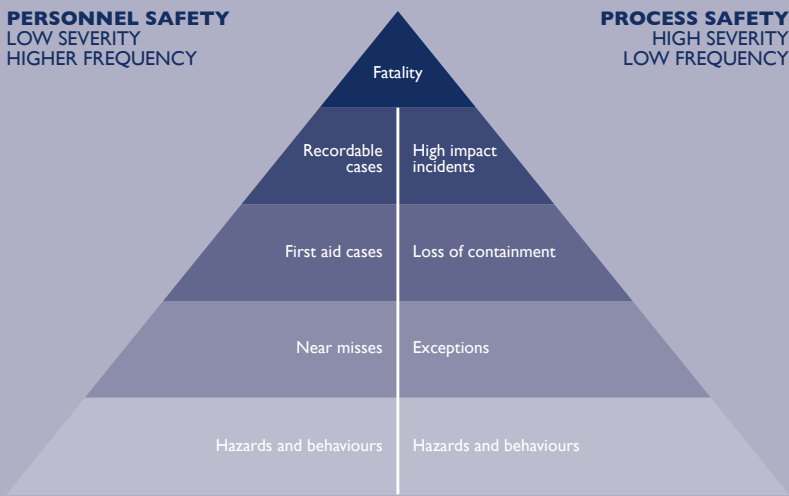
BALANCED FOCUS ON PROCESS AND PERSONNEL SAFETY

Santos maintains an active focus on both personnel safety and process safety, including systems, standards and behaviours that prevent rare but high consequence incidents such as fires and explosions.

Performance in personnel and process safety is measured by both the frequency and the severity of incidents. Santos encourages the reporting of near misses and process safety exceptions, growing our understanding and awareness of safety hazards in our workplace.

PERSONNEL SAFETY
LOW SEVERITY
HIGHER FREQUENCY

PROCESS SAFETY
HIGH SEVERITY
LOW FREQUENCY



We believe that no business objective will take priority over health and safety, and no task is so important or urgent that it cannot be done safely.

For 2012, Santos recorded one Tier 1 release at an occupied facility and eight at unoccupied sites. For the lower volume Tier 2 releases, six were recorded at occupied sites and seven at unoccupied sites.

Greenhouse gas emissions from these releases continue to be included in Santos' annual reporting.

PERSONNEL SAFETY

During 2012, Santos recorded no severe safety incidents. Our injury rates have increased while our injury severity has fallen. This means our systems are successfully preventing severe injuries, but day-to-day minor injuries (such as sprained ankles) are still occurring and require further attention.

The total recordable case frequency rate (TRCFR), which covers both lost-time and medical treatment injuries, was 5.0 cases per million hours worked, up from an average yearly rate of 3.4 over the previous three years, with the major component of this occurring amongst contractors. The average severity rate for 2012 was 3.1, down from 7.3 in 2011.

We are confident that our rigorous incident reporting and recording procedures, in particular our high potential near misses, ensure a high level of accuracy in our results and importantly, provide insights to how our

systems can be improved and where we should focus our efforts in the future – for example, our successful drilling and completions Hands Free program.

SANTOS EHS FUNDAMENTALS

In 2012, Santos launched a new program called Environment, Health and Safety Fundamentals, aimed at improving understanding, knowledge and awareness of topics to prevent incidents and injuries. This program is similar to the safety lifesavers program run in previous years, and is the next level of focus to help prevent incidents, and keep our people, plant and environment safe.

The program included topics that related to everyday activities:

- safety hazard identification
- following procedures
- chemical management
- process safety identification
- environment hazard identification
- noise management
- biodiversity and land disturbance
- emergencies
- plant (equipment and machinery)
- manual tasks.



HANDS FREE

Hand and finger injuries were highly represented amongst Santos drilling and completions cases, prompting measures to improve various risk controls, from equipment design to personal protective equipment. In 2012, our new 'Hands Free' initiative has seen injury rates fall dramatically.

In 2008, 61% of onshore drilling and completions injuries involved hands and fingers. In 2012, this figure dropped to 18%. For offshore activities during 2012, there have been no hand injuries associated with suspended loads since the implementation of 'Hands Free'.

The initiative focuses on the removal of hands from direct contact with equipment that may cause harm. This means that once a load is connected to a mechanical lifting device, personnel do not touch the load with any part of their body as it is lifted or before it is set down and all potential energy is released.

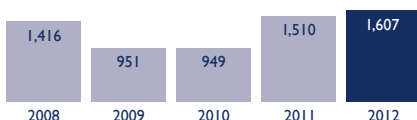
The challenge is to find a way to do any task involving lifting or hand/equipment interaction hands free. Any task that cannot be done hands free must be specifically approved for exemption.

Specialised equipment has been developed to support the initiative which is supported by training and induction. The initiative has strong management commitment and leadership.

Looking after our people

HEALTH EXPOS

Number of Santos employee participants



The 2012 Health Expos held for Santos employees across all Australian operating areas were the most well attended in the history of the program. This growth comes on top of a significant increase in 2011.

EMPLOYEE ENGAGEMENT

%



The Employee Survey is a valuable tool for listening to our employees ensuring Santos is, and continues to be, a great place to work.

RESPECTING HUMAN RIGHTS

Our recognition of the human rights of our employees, contractors, their families and the communities in which we work includes understanding the broad range of cultural differences in the company and the countries in which we operate.

Our Code of Conduct commits to upholding the spirit of the Universal Declaration of Human Rights and other key international human rights documents to which Australia is a signatory. This applies in every country in which we do business.

LISTENING TO OUR EMPLOYEES

During 2012, the Santos Employee Survey was conducted to help us understand what is working well and where we need improvement. The survey is conducted every two years covering a variety of themes including job satisfaction, corporate values, leadership, support, feedback and recognition, integrity, fairness and culture. The 2012 survey was completed by 2,429 employees, 79% of the workforce.

Results for 2012 are reassuring, with a significant increase in favourable responses in the following areas:

- workplace safety (93%, up 2%)
- job satisfaction (79%, up 3%)
- commitment to the company (74%, up 4%)
- training and development (62%, up 9%)
- integrity and fairness (64%, up 6%).

Importantly, the survey also highlighted areas for further improvement. Follow-up action will focus on three main areas: improving productivity, performance-based leadership and team collaboration.

EMPLOYEE BENEFITS AND REMUNERATION

Santos has a robust remuneration system in place, which is applied equitably across the company and benchmarked against the market and industry. Our remuneration system is market competitive and rewards individual performance with reviews conducted regularly. In addition, employees can choose from a range of benefits that suit their individual needs including:

- superannuation – we contribute 10.5% of notional base salary toward an employee's superannuation fund and offer insurance benefits such as income protection
- performance bonus scheme – Santos offers a performance incentive scheme, based on both company and individual performance. Bonuses may be earned annually
- salary sacrificing – in line with Australian Taxation Office guidelines, employees can minimise their tax through salary sacrifice where they make before-tax contributions to work-related costs such as superannuation, car leasing, laptop and portable computers, subscriptions to professional journals and financial advice.

Other benefits include access to a share plan, study assistance and education programs, paid maternity leave, an employee assistance program, health and fitness memberships, professional memberships and relocation assistance (where applicable).

WORKPLACE AGREEMENTS

Approximately 15% of our workforce is covered by collective workplace agreements. The four union agreements in place are: the Santos Cooper Basin Workplace Agreement, the Santos Petroleum Management Collective Workplace Agreement, Eastern Star Gas Limited Collective Workplace Agreement 2009 and the AGR Asia Pacific Pty Ltd Patricia Baleen Gas Plant Employee Collective Agreements 2011.

We believe resilience is an important factor in building successful and sustainable organisations.

ENCOURAGING WORK-LIFE BALANCE

We recognise that encouraging and supporting our employees to establish a healthy work-life balance is essential for maintaining a diverse, adaptable and high performing workforce.

We understand that people want to work in a challenging and supportive environment that gives them the capacity and enthusiasm to do a good job. We also realise that our employees have wider commitments and interests, and flexible work options are important to cater for these. Such options include paid maternity leave, job sharing, working part-time and ‘buying’ additional leave.

Santos also organises social events and volunteering opportunities that give employees the chance to be a part of the communities where they’re operating.

We aim to create an enjoyable workplace, where employees feel respected and equipped to perform at their best.

PROMOTING HEALTH AND WELLBEING

An important part of our sustainability agenda is to make Santos a healthy, fulfilling and supportive place to work, whether that be in an office, on an offshore rig or in remote field locations.

We take a proactive approach, offering specialist advice, one-on-one support and guidance and programs to encourage participation and ongoing commitment to maintain a healthy lifestyle and work fitness.

Our programs include our newly released resilience program, tailored seminars on key

health issues such as back-care, individual health and exercise consultations, gym facilities and classes, health expos and extra support for individuals with high health risks.

BUILDING RESILIENCE

Our new resilience program for office and field-based employees offers practical techniques to reduce stress under pressure, improve energy and sustain a healthy lifestyle. Our resilience approach helps employees set daily and weekly goals for building long-term resilience.

Resilience is also incorporated into the Santos leadership development and graduate programs. In 2012, 376 employees participated in a resilience event or program.

The program highlights success stories for building and sustaining a resilient culture and identifies areas of common adversity and organisational stress that require positive support.

EXTRA HELP WHEN IT’S NEEDED

We recognise that, from time-to-time, employees may need some extra help to manage the ups and downs of everyday life. Through our Employee Assistance Program, employees can seek professional and confidential counselling to help them resolve or better cope with personal or work problems that may be affecting their work and overall wellbeing.

Counselling may be used for any reason, including marital/family problems, grief and bereavement, substance abuse, financial problems, interpersonal conflict, work stress, depression and anxiety. In 2012, 137 employees used the program.

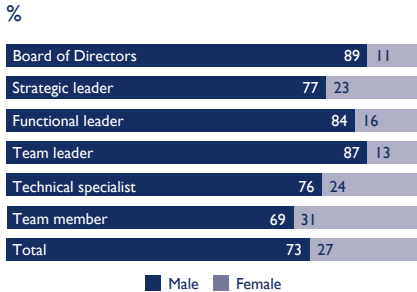


SANTOS TEAMS TRIUMPH AT 2012 NISSAN CORPORATE TRIATHLON

Santos teams took part in the 2012 Nissan Corporate Triathlon events held in Adelaide, Perth, Sydney and the Gold Coast. At the Adelaide event, Santos Fearless Divas (Jasi Watson, Sam Nunan and Sarah Westmoreland, pictured) won the women’s race, Santos Triple B’s (Hugh Banister, Glen Lydyard and Chris Sproston) came 2nd in the men’s race. With 18 teams registered, Santos also won the Participation Award.

Diversity and continuous learning

WORKFORCE GENDER PROFILE



Santos is committed to providing an inclusive workplace that embraces diversity and supports women in technical and management roles.

EMBRACING DIVERSITY

We are committed to providing an inclusive workplace that embraces people with a diversity of skills and backgrounds. This commitment recognises that a rich, diverse and tolerant workforce is better able to provide the breadth of talent and skills required for our business.

Our efforts to improve diversity have a high level of corporate accountability, with senior executives reporting annually to the Board's People and Remuneration Committee on initiatives and progress.

Improving gender balance in leadership roles is an important focus which we are pursuing as an industry partner in the Gender Equality Project (GEP), an initiative of the Melbourne Business School's Centre for Ethical Leadership.

Figures for 2012 show that 34% of our new recruits are female (compared to 25% females in the total workforce at the end of 2011), revealing a trend towards greater female participation.

Our Equal Opportunity Policy states that harassment, bullying and discrimination is unacceptable and will not be tolerated. Awareness of this policy was boosted during 2012 with our revised Code of Conduct, associated training and induction programs, and specialist training such as educating leaders on unconscious bias, how it may affect their decisions and how to address it.

ABORIGINAL EMPLOYMENT AND TRAINING

Santos encourages Aboriginal workforce participation through sponsoring cadetship, traineeship, apprenticeship and scholarship opportunities. To date, 137 Aboriginal employment, training and education opportunities have been created within Santos and our contractor companies, as well as 135 opportunities within the GLNG Project – well on the way to our combined target of 500.

During 2012, Santos engaged five additional Aboriginal cadets (three year full-time placements) across various areas of the business including Information Systems, Occupational Health and Safety and Communications and several Aboriginal apprenticeships. Training opportunities include two full-time oil and gas traineeships, four full-time trainees recruited in Warehousing and Distribution, and two full-time trainees at our Moomba operations (in partnership with Spotless Facility Service).

In a new partnership with the Adelaide Botanic Gardens, Santos will be supporting four school-based Aboriginal trainees to study horticulture and another three school-based trainees hosted by our training, facilities maintenance and warehouse and distribution departments.

Indigenous scholarship opportunities include ten students at Scotch College through the Yalari Scholarships and two Wilto Yerlo Scholarships at Adelaide University.

PEOPLE DEVELOPMENT FOR THE FUTURE

Our success with human capital management is based on rigorous workforce and resource planning combined with well executed development and succession programs.

The CEO and Chief Human Resources Officer report annually to the Board on the progress of human capital planning efforts which includes tracking demographic changes, succession and development successes, future workforce requirements and investment in development. The effectiveness of the company's succession planning was exemplified by the attainment of 21% of internal appointments during the year.

We actively source and develop new talent through our strong global networks of associations, schools and training institutions and we invest heavily in high school, university and community programs to encourage students into science and engineering careers within our industry.

‘Aboriginal groups seek the opportunity to benefit from Santos activities through jobs, training or business development opportunities.’

KERRYNE LIDDLE Arrernte woman from central Australia and Santos Manager, Aboriginal Participation

Building strong trade skills through apprenticeships, cadetships and traineeships is critical to our future operations. This allows us to maximise the local workforce and build communities.

Future leaders have exposure to many professional and leadership development opportunities and we ensure responsibility is increased alongside competency development. Regular meetings and visibility of the leadership pipeline to Santos Executives and Board members is fundamental to our future planning and their careers.

Technology enhanced development systems, including web-based training and virtual communication tools have increased our ability to consistently reach and support field-based or remotely located employees.

DEVELOPING GRADUATES

Santos’ graduate program recognises the strategic value in recruiting new talent at this level and providing ongoing opportunities for growth and development. Graduates receive on-the-job technical training and specialist development including:

- the graduate induction program helping first year graduates find their feet quickly at Santos and build networks with their colleagues
- job rotations giving graduates a breadth of experience through various teams or locations
- assigning a mentor for each first-year graduate to help with technical work, career guidance and settling into the organisation.

Santos also has a long-standing partnership with the University of Adelaide’s School of Petroleum Engineering in a bid to address major skills shortages worldwide in the disciplines of petroleum engineering and geosciences. Santos provided a \$25 million donation over 14 years to create

a world-class centre for education, training and research in petroleum geosciences, engineering and management, which opened in 2002. The School offers a degree in Bachelor of Petroleum Engineering, as well as post-graduate courses.

CONTINUOUS LEARNING

In partnership with the University of South Australia (UniSA) and the University College London (UCL), Santos supports an energy-focused Master of Business Administration (MBA) to address the growing demand for professionals in the energy sector. Beginning in 2011, this year saw the first 13 employees graduate with a Graduate Certificate in Energy and Resources from UCL, and 10 with an MBA from UniSA. Fifty employees are currently enrolled in the program.

To encourage personal and professional growth, our employees are given the opportunity to create a personal development plan which can help direct their career path, keep them informed of development options and in touch with the organisation’s needs.

Our internal training program is well regarded, both internally and externally. It focuses on leadership, capability and personal effectiveness development.

The Santos Geoscience and Engineering Conference was held in 2012, providing an opportunity for Santos technical employees across a range of disciplines to come together and share their knowledge and progress.

RECRUITMENT

Santos is committed to attracting talented employees to support the constantly changing requirements of our business and the challenges of our future development strategies. To achieve this we have a well-designed, web-based recruitment system to attract applicants in the disciplines of geology, geophysics, geosciences, petrophysics, petroleum, chemical, mechanical, mechatronic and civil engineering.



RECOGNISING OUTSTANDING ACHIEVEMENT

The annual Santos Directors’ Environment, Health and Safety Awards which recognise achievements and innovation in environment, health and safety, attracted 45 entries from Santos employees and contractors in 2012.

Health and safety award recipients for 2012 were:

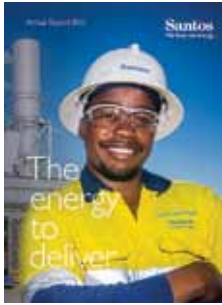
- Santos Indonesia, Oyong Wortel for outstanding safety performance and delivering a long trend of EHS performance with a large portfolio of project and operational work
- international drilling and completions for building a new supply base in Chittagong Bangladesh, including recruitment and safety training of 42 local employees.

Environment award recipients for 2012 were:

- international drilling and completions for the successful control and management of potential drilling impacts in Bangladesh
- CSG Drilling and Completions team for the recycling of cutting fluids
- QLD Upstream Operations for reducing risks associated with turkey nest dams.

Above: Santos environment, health and safety awards hand crafted by local Adelaide artists at Jam Factory

Corporate governance



This section provides a summary of our governance approach. For further detail, please refer to our Annual Report 2012 available at www.santos.com.

To achieve our vision of becoming a leading energy company in Australia and Asia, we believe we must meet the highest standards of governance and business conduct across our operations in Australia and internationally.

The Board has established a set of corporate governance policies and charters, designed to achieve the highest legal, regulatory and ethical standards of corporate governance within Santos. These policies meet the requirements of the *Corporations Act 2001* (Cth), the Australian Securities Exchange's Listing Rules and the ASX Corporate Governance Principles and Recommendations with Amendments (ASX Principles).

Policies, practices and procedures are regularly reviewed and updated to meet changing regulatory requirements and community expectations.

The company's Corporate Governance Statement comprises a comprehensive overview of Santos approach to corporate governance and is available in the corporate governance sections of the Santos Annual Report 2012 and on our website.

SANTOS BOARD

Santos has a unitary Board structure with an independent Chairman. We have nine Board members: eight men and one woman. The Board composition is determined in accordance with our constitution and Board Guidelines.

The Board has adopted the definition of independence in the ASX Principles, and all Board members, except the CEO, are independent.

Directors' details and information about Board committees are set out in our Annual Report 2012.

The Board is responsible for the overall corporate governance of Santos, including approving the strategic direction and financial objectives, oversight of the company and its management, establishing goals for management and monitoring the attainment of these goals.

The Board's guidelines, policies and charters cover risk management, business and ethical conduct, dealing in securities, shareholder communications and market disclosure.

BOARD COMMITTEES

The Board has established a number of Committees to assist with the effective discharge of its duties. All Committees are chaired by and comprise only non-executive, independent Directors, except for the Environment, Health, Safety and Sustainability Committee, which includes the CEO.

Each Committee operates under a specific charter approved by the Board. Board Committees include:

- Audit
- Environment, Health, Safety and Sustainability
- Finance
- Nomination
- People and Remuneration.

Our organisational and governance structure is designed to support growth and build functional excellence.

SOUND GOVERNANCE SYSTEMS

Santos' governance objectives and business systems are documented in our How Santos Works publication.

This document outlines our management principles, key assurance activities and the framework in which we set out our policies and ensure that our business systems, behaviour and performance align with our vision, values and strategy.

EXTERNAL AUDITING

Santos ensures the independence and impartiality of our external auditor. We require that services that are considered to be in conflict with the role of the statutory auditor are not performed by our external auditor.

Santos is committed to practising high standards of business conduct and corporate governance.

Santos' external auditor attends Annual General Meetings to be available to answer shareholder questions relevant to the conduct of the audit.

CONTINUOUS DISCLOSURE

Santos is committed to giving all shareholders timely and equal access to information required to make informed decisions about investment in the company.

Management and directors are aware of and fulfil their obligations in relation to timely disclosure of material price-sensitive information.

Company information must not be selectively disclosed prior to being announced to the ASX.

Employees must notify their departmental manager or a designated disclosure officer as soon as they become aware of information that should be considered for release to the market.

WORKING RESPONSIBLY

Santos strives to be a great place to work and a responsible and respected corporate citizen. All Santos employees share responsibility for this – directors, employees, contractors and agents acting on our behalf – each playing their part in establishing high standards of

ethical conduct and compliance with legal and other policies in all our operations.

To help our employees understand what these expectations mean for their day-to-day decisions and actions, Santos has a Code of Conduct which provides a framework for sound business behaviour and interactions. This is supported by the Santos values and underlying policies, procedures and standards.

During 2012, our Code of Conduct was reviewed and relaunched, incorporating new and refreshing existing policies including Reporting Misconduct, Issue Resolution, Equal Opportunity, Bullying and Harassment and Human Rights. This was combined with mandatory online training for all employees.

Our Reporting Misconduct policy recognises that most people try to do the right thing and behave in a responsible way but that occasional deviations may occur and we need a process to address this. It encourages employees to raise concerns and requires Santos leaders and directors to be receptive to such concerns and take follow-up action.

Where normal channels have failed or are inappropriate, reports can be made confidentially to the independent Reporting Misconduct Hotline.

Our policies include:

ETHICAL BUSINESS CONDUCT

- Anti-Corruption
- Compliance
- Confidentiality
- Conflict of Interest
- Corporate Identity
- Enterprise-wide Risk Management
- Financial Governance
- Gifts and Benefits
- Local Industry Participation
- Privacy
- Procurement and Logistics
- Reporting Misconduct
- Securities Trading
- Shareholder Communication and Market Disclosure
- Sponsorship and Donations

ENVIRONMENT AND COMMUNITY

- Aboriginal Engagement
- Climate Change
- Community
- Environmental
- Health and Safety
- Human Rights

WORKPLACE AND EMPLOYMENT

- Conditions of Employment
- Diversity
- Employee Assistance
- Equal Opportunity
- Information Systems
- Issue Resolution
- Performance Management
- Recruitment and Selection
- Remuneration, Superannuation and Benefits
- Training, Development and Study Assistance

Economic

Natural gas has a pivotal role in meeting the region's energy challenges and Santos' resource interests are well placed – geographically and geologically – to play a key role in securing this future.



2012 Sustainability snapshot

- ✓ Two new oil projects sanctioned, Fletcher Finucane in Western Australia and Dua in Vietnam
- ✓ Roma Logistics Hub opened, reducing impacts on the local community
- ✓ Transitioning to multi-well pad drilling technology in Cooper Basin, lightening footprint while achieving higher volumes at lower cost

52.1
mmboe
Production

1,406
mmboe
2P reserves

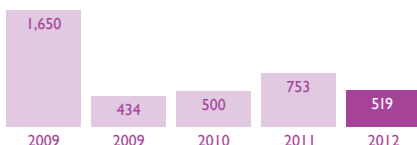
\$519m
Net profit after tax

180%
2P reserve replacement ratio

Left:
Fletcher Finucane oil project in the Carnarvon Basin, offshore Western Australia, sanctioned in January 2012. First oil production is expected in mid-2013.

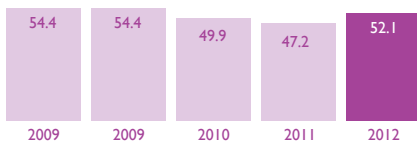
Economic contribution

NET PROFIT AFTER TAX \$519 million



Net profit after tax was 31% lower, as the prior year included \$408 million from the sale of interests in GLNG and Evans Shoal.

PRODUCTION VOLUME 52.1 mmmboe



Production was up 10% , driven by new producing assets combined with strong Cooper oil production.

The oil and gas industry is a significant generator of wealth for all Australians, delivering more than 100,000 full-time jobs this year and accounting for more than one third of all business investment.

Santos contributes significantly to the community, not only through its financial performance, but also through local employment, supply contracts, investments in social infrastructure and environmental programs. In 2012, we broadened the focus of our financial performance sustainability indicator to include consideration of these wider economic contributions and potential impacts.

OUR VISION AND STRATEGY

Our vision is to be a leading oil and gas exploration and production company in Australia and Asia. We have a three-pronged strategy centred around Australia, LNG projects and Asia.

Detailed information on Santos’ financial performance is provided in Santos’ Annual Report 2012.

AUSTRALIA

As an Australian company, we are committed to looking after our nation’s land and communities as well as fuelling its future.

Santos has a 50-year track record of sustainable operations within Australia. We continue to be a leading domestic gas producer with a presence in every major hydrocarbon basin and increasing exposure to oil-linked gas prices.

It is our resource and infrastructure positions, combined with our strong track record that gives us the confidence to meet growing domestic and export demand.

LNG PROJECTS

Santos has a unique LNG portfolio for a company of its size. We have equity stakes in four LNG projects, three in Australia – Darwin, offshore Northern Territory and Gladstone (GLNG) – and one in Papua New Guinea.

These LNG projects are delivering transformational growth led by GLNG where we are the upstream operator of the two-train project with first LNG exports expected in 2015.

LNG projects enable the transportation of natural gas to our customers in the Asian region. This provides energy confidence for those markets and a lower carbon fossil fuel alternative to traditional fuel sources.

ASIA

Asia represents one of the fastest growing economic regions in the world and is not only a significant new resource opportunity, but also provides Santos with portfolio diversification from its Australian base business.

Santos is committed to building scale in Asia through a focused, exploration-led strategy to help provide a secure and sustainable supply of energy for the region.

DELIVERING THE STRATEGY

Any industry needs to work with numerous challenges and the oil and gas industry is no different. The challenges facing Santos’ business include the need to innovate and bring in world-leading technology, increase productivity and lower costs, work within a highly regulated environment, and address

questions in the community about our activities. Santos is committed to working constructively with communities, governments, partners, suppliers and our workforce to achieve success.

SOCIAL BENEFITS AND THE MULTIPLIER EFFECT

Since 2008, the GLNG project alone has added over \$1 billion to Queensland’s economy and has created thousands of new jobs. In addition, the company has invested more than \$500,000 in Queensland community sponsorships and is contributing up to \$2.5 million to upgrade Roma Airport, as part of the GLNG project.

Santos is also helping to build the long-term capacity of communities by purchasing goods and services locally, building skills through school-based training, and apprenticeship and indigenous employment programs.

Through successful partnerships with governments and communities, Santos has contributed to improved infrastructure, skills development, access to healthcare, education and other vital services.

DEVELOPING ECONOMIES

Santos recognises the importance of its contribution to developing economies. We develop our programs to ensure we are partnering responsibly with local communities, respecting local priorities and values and aiming for long-term sustainable benefits for the community.

In Sampang and Sumenep in the East Java province of Indonesia, Santos has partnered

with local universities and NGOs to deliver social responsibility programs based on community needs assessments.

The programs are intended to provide public infrastructure, protect the surrounding environment, and provide economic empowerment to the local villages. Our projects include building roads to connect villages, construction of sea walls to prevent erosion, and establishing health care, education and farming programs.

DELIVERING ENERGY CONFIDENCE

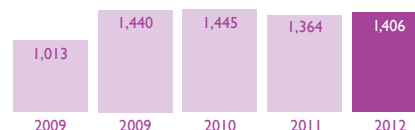
Global gas consumption is projected to grow faster than any other fossil fuel in the 25 years to 2035 and, with less than half the carbon emissions intensity of coal, natural gas has an important role to play in supporting the transition to a low carbon economy.

Australia is well placed to capture this growth with enough natural gas resources to meet both domestic and export demand today and well into the next century.

Meeting the growth in the demand for natural gas will require continued investment to support the development of both conventional and new gas resources. Australia holds significant natural gas resources and is estimated to be the sixth largest holder of shale gas reserves in the world.

Investment in the sustainable development of these gas resources will meet domestic demand and ensure Australia is positioned to become one of the largest LNG exporters in the world.

2P RESERVES
1,406 mmboe



Santos continued its consistent track record of reserves growth. Proved and probable reserves have increased in nine of the past ten years, while producing over 480 mmboe in the same period.

2P RESERVES REPLACEMENT RATIO

%



Santos has a strong track record of reserves replacement which is an important target to drive long-term shareholder value growth. A reserves replacement ratio (RRR) of more than 100% indicates that reserves grew by more than production during the period.

Australia is well placed to meet the pace and scale of economic and social change taking place in the Asian region.

Unlocking natural gas from new sources

Santos is developing an industry that will provide long-term energy confidence and leave a legacy of social and economic benefits.

UNLOCKING NEW SOURCES

The terms 'conventional gas' and 'unconventional gas' refer to natural gas differentiated primarily by the types of rocks in which they are found.

Unconventional rocks include coal seams and shales. Natural gas from coal seams is already well advanced in Australia, while shale has become an increasingly important source of natural gas in the United States in recent years.

Extracting natural gas from less permeable rocks has been made possible through well stimulation technology such as hydraulic fracturing.

HYDRAULIC FRACTURING

Hydraulic fracturing is used to enhance the productivity of a gas well. The process is highly regulated and has been used in the oil and gas industry for more than 60 years.

The technique involves pumping into the well pressurised fluid made up of approximately 99% water and sand as well as 1% of a range of compounds in minute quantities, which assist in carrying and dispersing the sand in the source rock. The compounds are not specific to the oil and gas industry and have many common uses such as in swimming pools, toothpaste, baked goods, ice cream, food additives, detergents and soap.

The sand remains in the source rock keeping the passageways open to improve the flow-efficiency of the well. Santos has decades of experience using this technology in the Cooper Basin and in southwest Queensland.

DEVELOPING RESOURCES

Queensland's Bowen and Surat Basins have the largest identified onshore coal seam gas reserves in the world while the Cooper Basin offers world-scale resource potential for shale gas. Santos is one of the coal seam gas industry's most experienced operators and the development of these resources is bringing significant benefits to local communities.

The sector is expected to bring \$60 billion of investments and tens of thousands of new jobs to Queensland alone. But the development of natural gas will not proceed without sustainability assurance. Santos has an integrated development approach that focuses on:

- engaging with stakeholders and communities early to negotiate land access and cooperative arrangements
- rigorous monitoring programs in place and disclosure of results
- responsible water management, both in terms of ensuring aquifers are safe from impact and surface water systems are not affected by waste water disposal
- minimising air emissions by reducing venting and flaring.

COMMUNITY CONCERNS

Santos recognises that the community has questions about the growing coal seam gas industry and development of Australia's shale gas resources. Applying our integrated approach to the development of these resources means that developments will not proceed without community consultation.

One of the key community concerns is around the potential impact that the industry will have on groundwater and the treatment of water produced during the recovery of gas from coal seams.

WATER MANAGEMENT

The Queensland natural gas industry is governed by strict water management legislation designed to safeguard landholders' and environmental water supplies.

Santos has a comprehensive water strategy in place that addresses potential impacts on soil and regional water resources. Our strategy also includes predictive modelling to determine when and where our operations could potentially impact other water sources, well before it happens, and has mitigation plans to prevent or mitigate those effects.

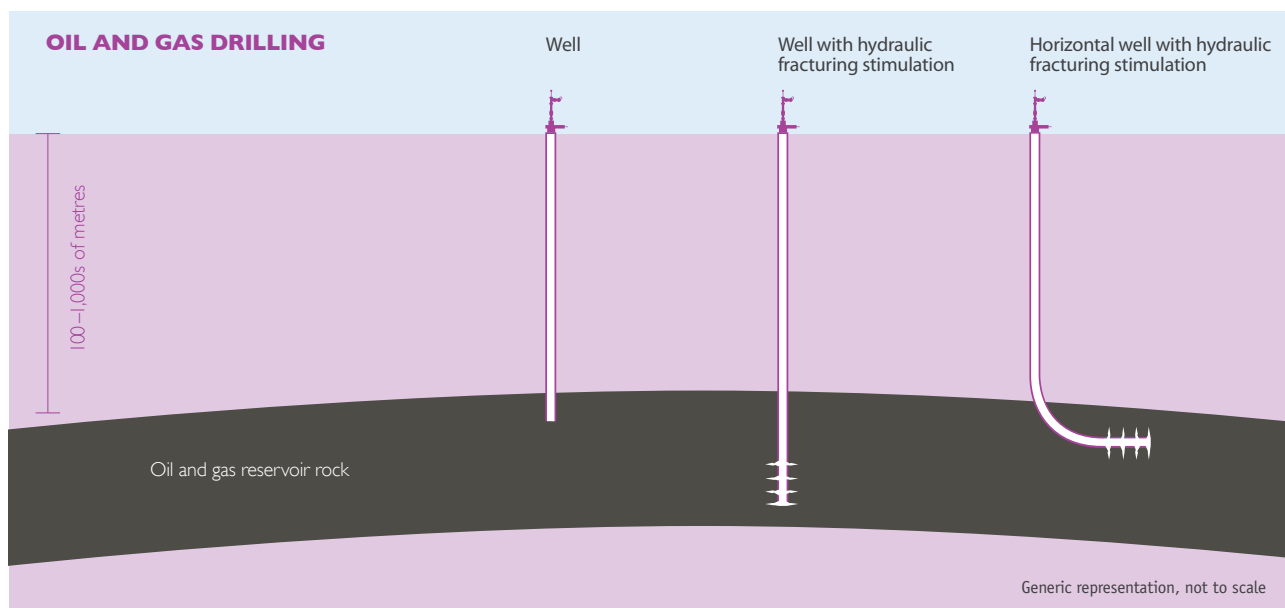
We publish an online annual groundwater impact report containing the results of our monitoring and testing programs.

WATER TREATMENT

Developing sustainable water treatment processes that protect the environment and add value to local communities is a crucial part of Santos' water management strategy.

Potential beneficial uses of treated water include managed aquifer recharge, dust suppression, irrigation and industrial use.

The solutions are intended to add value to local communities by providing associated water for beneficial reuse (such as irrigation) and augmenting existing water supplies (groundwater and surface water resources).



DRILLING FOR OIL AND GAS

In accordance with strict environmental approvals, oil and gas wells are cased with concrete to protect the surrounding substrate (and any water reservoirs) and to contain oil and gas within our wellbores.

Oil and gas flows naturally to the surface from permeable rocks such as sandstones in conventional hydrocarbon accumulations.

Tight gas is held in low permeability and low porosity sandstones and limestones. The lack of permeability does not allow the gas to flow naturally from the rock.

Shale gas is trapped in its source rock, therefore the source rock is also the reservoir. Shales are organically-rich sedimentary rocks, very fine grained and composed of many tiny layers (laminated). They typically have low permeability and do not flow gas to the surface in an unstimulated state.

Horizontal drilling and well stimulation techniques such as hydraulic fracturing may therefore be required to enable gas to flow from low permeability rocks and bring previously inaccessible gas to the surface.

Coal seam gas is simply natural gas, predominantly methane, which is produced from coal seams. Coal seam gas production may often be associated with water production early in well production life.

Santos is investing in water treatment and reuse projects to turn the produced water into a useful resource for local landholders with associated benefits for local industry and employment.

MORE INFORMATION

www.santos.com/csg
www.glng.com
www.santoswaterportal.com.au

Supply partnerships



ROMA LOGISTICS HUB

The Roma logistics hub was opened in 2012, providing a purpose built facility to store drilling and maintenance equipment. The location of the facility has enabled us to lighten our foot print in town. The hub is located on Kimbler Road which is approximately 10.5 kilometres from the town centre, substantially reducing impacts from truck movements on the local community.

Above:
Craig Winter, Material Controller, GLNG Supply Chain at Santos' Roma logistics hub

Effective partnerships with our suppliers are integral to providing the products and services we need and also play an important part in reinforcing our business and sustainability values.

PROCUREMENT STRATEGY

During 2012, the role of the Santos corporate procurement function was realigned to provide strategic and leadership support tailored to the needs of each business unit. For example, ensuring delivery of resources to support the GLNG project; focusing on cost efficiency in Eastern Australia; and emphasising security of supply for Western Australia and the Northern Territory.

We are also implementing a category management framework. Category management is a method for managing the supply of related commodities, goods or services by identifying and monitoring expenditure and analysing the market, demand and risks in order to engage suppliers and optimise value.

ROMA LOGISTICS HUB

Santos officially opened a new logistics hub outside of Roma in 2012, providing a purpose-built facility 10km out of the town to replace a site in the Roma town centre. The facility is part of our commitment to lighten our footprint and minimise impacts on the local community.

The logistics hub provides state-of-the-art technology to measure, move and organise equipment. In 2013, a warehouse management system will also be introduced, using bar-coding technology to control, audit and track inventory.

The hub also features rest and fatigue management facilities for truck drivers, reflecting our commitment to ensuring safety is a priority.

ABORIGINAL ENGAGEMENT

We continued to embed our Aboriginal Engagement Policy in our supply chain in 2012, with the intent to expand opportunities for employment and training for indigenous

Australians. We have supported some of our largest suppliers to integrate suitable policy objectives within their human resource strategies.

A survey of companies who provide contractors within field operations will be conducted in 2013 to gain feedback on these initiatives and ascertain employment opportunity figures.

LOCAL SUPPLIERS

In order to stimulate the economies in the regions in which we operate, Santos recognises the importance of providing full, fair and reasonable opportunities for local industry to contribute to our activities.

Our approach to engaging local consultants, suppliers and contractors is detailed in our Local Industry Participation Policy. We are committed to identifying local suppliers of goods and services and ensuring early communication with interested parties to maximise the potential for local industry participation.

Where comparative tenders are commercially competitive and technically acceptable, preference is given to maximise local content in both labour and materials.

CONTRACT MANAGEMENT TRAINING

In recognition of the importance of contract management to our business, Santos embarked on a program in 2012 to provide contract management training to all contract representatives, sponsors and analysts.

The customised course covers the theory and practical application of contract management at Santos, building expertise in performance management, contracting risks and mitigation, negotiation, compliance with Santos' processes, and extracting increased value from contracting activities.

Approximately 380 employees attended the two-day course in Adelaide, Brisbane and Perth.

Managing risks

A trusted and proven approach to managing risk is essential to the ongoing sustainability and commercial viability of our business. It is the backbone of our social licence to operate, assuring stakeholders that we understand the possible risks of our activities, have taken adequate steps to avoid or mitigate them to an acceptable level and have systems in place to operate responsibly.

INTEGRATED APPROACH

We adopt an integrated approach to manage risk systematically throughout the company via a series of discrete yet interrelated strategies including:

- establishing a robust risk management framework based on ISO 31000: *Risk Management – Principles and Guidelines*
- integrating risk management into our governance framework, ensuring line-management responsibilities are clearly identified and communicated
- identifying and reviewing risks that affect our business annually, particularly during periods of internal or external change – for example, new acquisitions and climate change scenarios
- maintaining accurate, up-to-date Hazard Risk Registers that enable us to learn from operational incidents and better manage risks in the future
- incorporating risk management into employee training, education and induction programs
- reporting regularly to the Board on risk status and management.

Risk management plans are developed for all areas of our operations. These are regularly maintained and reviewed. Performance against these plans is monitored and reported to the Board.

UPDATED ENVIRONMENTAL RISK GUIDE

To assess possible environmental risks, Santos uses the Environmental Consequence Classification Guide. First developed in 2003, the guide was updated during 2012 to take account of changes in production methods and expanded areas of operation.

SECURITY RISKS

Our approach to managing security risks is contained in the Security Hazard Standard as part of our Environment, Health and Safety Management System.

Management of security risks is aligned with the Voluntary Principles on Security and Human Rights which addresses security for extractive industries within the context of fundamental human rights and freedoms. Human rights issues are addressed as part of our security standards and training.

Armed security personnel are only utilised if the level of risk requires their use. At our operations in Bangladesh, the host government provides paramilitary personnel to protect the site as an item of 'National Critical Infrastructure'. The guards operate under a Memorandum of Understanding between Santos and the Bangladeshi Government.

Santos also complies with domestic and international requirements for maritime, aviation and land transport security and maintains active engagement with relevant government and industry bodies.

Our employees have access to our internal, online security portal which includes information on site security, travel assistance and safety, human rights and protecting our physical assets.



MANAGING RISKS

Risks are inherent to our business. As an international exploration and production company, the risks we face cut across many facets of our day-to-day activities including:

- environmental impacts
- health and safety
- reservoir assessments
- sovereign risk associated with international investment
- market uncertainty; for example, commodity prices, interest rates and foreign exchange rates
- cost and scheduling predictions, particularly related to major development projects
- commercial issues related to acquisitions and divestments
- fraud and security.

Our integrated approach is designed to mitigate these risks and successfully deliver our corporate strategy.

Successful risk management not only ensures long-term sustainability, but can also create a competitive advantage.

Performance data

Community

2012 SPONSORSHIP (\$)

	Arts/ Culture	Community	Education/ Youth	Environment	Health	Indigenous	Industry/ Government ¹	Total
New South Wales	19,091	155,016	45,789	0	48,955	7,349	27,800	304,000
Northern Territory	75,386	47,000	1,800	0	0	0	0	124,186
Queensland	456,000	6,476,160	45,335	63,000	106,459	339,471 ²	319,865	7,806,290
South Australia	698,826	1,472,679	1,264,707	800,000	339,058	1,654,979 ³	36,315	6,266,564
Victoria	0	18,000	25,200	30,000	0	0	33,182	106,382
Western Australia	125,000	70,730	0	200,000	0	23,000	9,091	427,821
Bangladesh	0	31,582	0	0	158,835	0	0	190,417
Indonesia	0	420,534	35,159	18,436	8,550	0	43,674	526,353
Malaysia	0	0	0	0	0	0	48,100	48,100
Singapore	0	0	0	0	0	0	9,028	9,028
Vietnam	0	0	0	0	21,527	0	0	21,527
Total	1,374,303	8,691,701	1,417,990	1,111,436	683,384	2,024,799	527,055	15,830,668

Environment

ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS

	2011-12
Direct energy consumption (PJ)	30.4
Indirect energy consumption (PJ)	0.2
Direct greenhouse gas emissions, Santos equity share (scope-1, tCO ₂ e)	2,769,524
Total direct greenhouse gas emissions, operated sites (scope-1, tCO ₂ e)	3,807,773
Indirect greenhouse gas emissions, operated sites (scope-2, tCO ₂ e)	37,796

EMISSIONS INVENTORY⁴ – AUSTRALIAN OPERATIONS (TONNES)

	Air	Land	Water
Benzene	17	0	0
Lead and compounds	0.003	0.022	0.103
Oxides of Nitrogen	20,083	0	0
Particulate Matter < 2.5 um	245	0	0
Sulphur dioxide	21	0	0
Total Volatile Organic Compounds	6,885	0.001	2

WASTE MANAGEMENT

Waste stream	Solid waste (tonnes)					Liquid waste (m ³)		
	Reuse	Recycle	Energy recovery	Incineration	Landfill	Oil sludge collected	Product recovered	Liquid waste
Unregulated waste	29	916	0	0	8,715	0	0	0
Regulated waste	3.4	1,103	0	2.3	1,401	0	0	0
Hydrocarbon waste	0	68	62.3	0	1	127	6,044	5,166
Drill mud and cuttings (aqueous)	0	0	0	0	2,661	0	0	1,092

Extended data, including historical performance from 2008 to 2012, is available at www.santos.com/sustainability.

WATER RESOURCES

	Water withdrawal (m ³)				Water discharge (m ³)			
	Formation	Bore	Surface	Municipal supply	Evaporation ponds	Ocean/surface	Beneficial use	Aquifer injection
New South Wales	3,037	6,691	1,225	106	2,600	0	0	0
Northern Territory	13,846	8,020	0	0	7,300	0	0	0
Queensland	9,971,221	112,881	139,027	10,041	4,598,000	2,669,940	2,189,000	514,000
South Australia	5,737,868	1,252,056	0	94,115	6,485,615	0	28,827	0
Victoria	12,500	0	0	0	0	0	12,500	0
Western Australia	1,638,673	0	0	0	0	1,656,391	0	0
Indonesia	439,754	0	6,250,226	0	0	6,689,980	0	0
Bangladesh	15,498	0	0	8,411	0	24,729	0	0
Total	17,832,397	1,379,648	6,390,478	112,673	11,093,515	11,041,040	2,230,327	514,000

FOOTPRINT OF OPERATIONS⁵ (ha)

	Tenements	Operations	Rehabilitated sites	Protected areas	Operations within
				within tenements ⁶	protected areas
New South Wales	6,177,601	228	37	699,926	1
Northern Territory	2,739,865	2,610	1	182,546	0
Queensland	4,745,755	11,523	243	262,897	131
South Australia	760,326	11,089	1,193	531,281	1,183
Victoria	147,620	168	0	0	0
Western Australia	1,169,110	260	0	0	0
Indonesia	138,915	121	0	0	0
Bangladesh	8,524	2	0	0	0
Total⁷	15,887,716	26,001	1,474	1,676,650	1,315

INCIDENTS AND SPILLS

	2012
Uncontained hydrocarbon volume (m ³)	66.7
Total number of hydrocarbon spills (>10L)	161
Uncontained non-hydrocarbon volume (m ³)	873
Total number of non-hydrocarbon spills (>10L)	46
Number of fines for non-compliance with environmental regulations	14
Value of fines for non-compliance with environmental regulations (\$)	35,000

Our people

SAFETY PERFORMANCE DATA

	2012
Fatalities (employee and contractor)	0
Employee TRCFR ⁸	1.7
Contractor TRCFR ⁸	7.0
High potential incidents	16
Tier 1 process safety events	9
Tier 2 process safety events	13

Performance data (continued)

WORKFORCE BY REGION AND TYPE (HEADCOUNT)

	Full-time		Part-time		Graduate/ Trainee		Santos employee total	Secondee		Contractors (onsite)		External service providers		Contractor workforce total
	M	F	M	F	M	F		M	F	M	F	M	F	
New South Wales	27	9	0	0	0	1	37	0	0	2	0	17	7	26
Northern Territory	25	0	0	0	0	0	25	0	0	1	0	3	1	5
Queensland	909	304	7	40	33	25	1,318	39	6	121	34	874	285	1,359
South Australia	1,120	274	16	76	58	40	1,584	0	0	135	31	1,945	256	2,367
Western Australia	45	18	1	6	3	1	74	0	0	60	21	40	5	126
Victoria	15	2	0	0	0	0	17	0	0	0	1	34	3	38
Bangladesh	31	4	0	0	0	0	35	0	0	10	0	8	0	18
Indonesia	102	64	0	0	2	2	170	0	0	33	10	85	15	143
Papua New Guinea	2	1	0	0	0	0	3	0	0	0	0	0	0	0
Other	19	5	0	0	2	0	26	2	0	15	3	33	17	70
Total	2,295	681	24	122	98	69	3,289	41	6	377	100	3,039	589	4,152

WORKFORCE COMPOSITION, TRAINING AND TURNOVER

	< 30yrs		30–50yrs		> 50yrs		Total	Average number of training hours	
	M	F	M	F	M	F		M	F
Strategic Leader	0	0	5	2	5	1	13	1	1
Functional Leader/Manager	1	0	127	33	66	3	230	9	10
Team Leader/Supervisor	13	6	265	48	127	7	466	18	21
Technical Specialist	11	1	204	92	100	5	413	81	12
Team Member	278	201	821	415	394	58	2,167	34	30
Total	303	208	1,422	590	692	74	3,289		
Non-Executive Director	0	0	0	0	8	1	9		
Voluntary employee turnover rate (%)							7.3		
Employee turnover rate (%)							9.7		

Economic

SOCIOECONOMIC CONTRIBUTION

	2012
Number of shareholders	111,135
Wages and salaries (\$million)	533
Materials, goods and services (\$million)	6,492
Royalties and taxes (\$million)	375
Sponsorship (\$million)	16
Payments to providers of capital (excluding capital repayment) (\$million)	353

1 \$9,776 total for government (Santos provided a venue and catering for six political functions).

2 Includes Santos' share of GLNG education and training investment.

3 This figure is inclusive of costs of education, training and wages incurred through delivery of our partnership agreements.

4 These data are reported mid-year to the National Pollutant Inventory; 2012 data will be published in the 2013 Sustainability Report.

5 Santos also holds permits to conduct oil and gas operations in India, Tajikistan and Vietnam, there are no operations currently within these tenements.

6 Protected areas within tenements refer to land included on the Australian Government Protected Areas Network, for its natural, ecological and/or cultural values RAMSAR sites and Important Bird Areas within tenements operated by Santos. There are no UNESCO World Heritage Sites and United Nations Biosphere Reserves within Santos tenements.

7 Santos conducts activity in tenements in India, Tajikistan and Vietnam, there is no land disturbance at these locations.

8 First aid injuries are not covered by the TRCFR, Santos injury rate is based on the APPEA (2005) Safety Incident Reporting Guidelines.

Glossary

Aboriginal

Refers to both Aboriginal and Torres Strait Islander people.

barrel/bbl

The standard unit of measurement for all oil and condensate production. One barrel = 159 litres or 35 imperial gallons.

boe

Barrels of oil equivalent.

carbon dioxide equivalent (CO₂e)

A measure of greenhouse gases (e.g. carbon dioxide, methane, nitrous oxide) with the equivalent global warming potential as carbon dioxide when measured over a specific time.

the company

Santos Ltd and its subsidiaries.

condensate

A natural gas liquid that occurs in association with natural gas and is mainly composed of pentane and heavier hydrocarbon fractions.

contingent resources

Those quantities of hydrocarbons which are estimated, on a given date, to be potentially recoverable from known accumulations, but which are not currently considered to be commercially recoverable. Contingent resources may be of a significant size, but still have constraints to development. These constraints, preventing the booking of reserves, may relate to lack of gas marketing arrangements or to technical, environmental or political barriers.

crude oil

A general term for unrefined liquid petroleum or hydrocarbons.

CSG

Coal seam gas. Predominantly methane gas stored within coal deposits or seams.

cultural heritage

Definitions of cultural heritage are highly varied. Cultural heritage can be considered to include property (such as landscapes, places, structures, artefacts and archives) or a social, intellectual or spiritual inheritance.

EBITDAX

Earnings before interest, tax, depreciation, depletion, exploration and impairment.

exploration

Drilling, seismic or technical studies undertaken to identify and evaluate regions or prospects with the potential to contain hydrocarbons.

greenhouse gas

A gas that contributes to the greenhouse effect by absorbing infrared radiation.

- Scope 1 – direct greenhouse emissions.
- Scope 2 – indirect greenhouse emissions.

hydrocarbon

Compounds containing only the elements hydrogen and carbon, which may exist as solids, liquids or gases.

joules

Joules are the metric measurement unit for energy.

- A gigajoule (GJ) is equal to 1 joule $\times 10^9$
- A terajoule (TJ) is equal to 1 joule $\times 10^{12}$
- A petajoule (PJ) is equal to 1 joule $\times 10^{15}$

liquid hydrocarbons (liquids)

A sales product in liquid form; for example, condensate and LPG.

LNG

Liquefied natural gas. Natural gas that has been liquefied by refrigeration to store or transport it. Generally, LNG comprises mainly methane.

lost-time injury

A lost-time injury is a work-related injury or illness that results in a permanent disability, or time lost from work of one day/shift or more.

LPG

Liquefied petroleum gas. A mixture of light hydrocarbons derived from oil-bearing strata which is gaseous at normal temperatures but which has been liquefied by refrigeration or pressure to store or transport it. Generally, LPG comprises mainly propane and butane.

market capitalisation

A measurement of a company's stock market value at a given date. Market capitalisation is calculated as the number of shares on issue multiplied by the closing share price on that given date.

mmbtu

Million British Thermal Units.

medical treatment injury

A medical treatment injury is a work-related injury or illness, other than a lost-time injury, where the injury is serious enough to require more than minor first aid treatment. Santos classifies injuries that result in modified duties as medical treatment injuries.

mboe

Million barrels of oil equivalent.

oil

A mixture of liquid hydrocarbons of different molecular weights.

proven reserves (1P)

Reserves that, to a high degree of certainty (90% confidence), are recoverable. There is relatively little risk associated with these reserves. Proven developed reserves are reserves that can be recovered from existing wells with existing infrastructure and operating methods. Proven undeveloped reserves require development.

proven plus probable reserves (2P)

Reserves that analysis of geological and engineering data suggests are more likely than not to be recoverable. There is at least a 50% probability that reserves recovered will exceed proven plus probable reserves.

proven, probable plus possible reserves (3P)

Reserves that, to a low degree of certainty (10% confidence), are recoverable. There is relatively high risk associated with these reserves.

sales gas

Natural gas that has been processed by gas plant facilities and meets the required specifications under gas sales agreements.

Santos

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seismic survey

Data used to gain an understanding of rock formations beneath the earth's surface using reflected sound waves.

top quartile

Top 25%.

total recordable case frequency rate (TRCFR)

A statistical measure of health and safety performance. Total recordable case frequency rate is calculated as the total number of recordable cases (medical treatment injuries and lost-time injuries) per million hours worked.

Conversion

Crude oil	1 barrel = 1 boe
Sales gas	1 petajoule = 171,937 boe
Condensate/ naphtha	1 barrel = 0.935 boe
LPG	1 tonne = 8.458 boe

For a comprehensive online conversion calculator tool, visit the Santos website at www.santos.com

Independent assurance statement

netbalance



AA1000
Licensed Assurance Provider
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To the Board of Directors, Executive and stakeholders of Santos Limited:

Santos Limited (Santos) commissioned Net Balance Management Group Pty Ltd (Net Balance) to provide independent assurance of the Santos 2012 Sustainability Report (the 'Report'). This statement provides a brief summary of the assurance outcomes. A full copy of the assurance statement is provided at www.santos.com/sustainability.

ASSURANCE STANDARD AND OBJECTIVES

The assurance process was undertaken in accordance with the AA1000 (2008) Assurance Standard (AA1000AS). The AA1000AS provides a comprehensive way of ensuring an organisation is responsible for the management, performance and reporting of its sustainability issues. This is achieved through evaluation of the organisation's adherence to the AA1000 Accountability Principles (2008) of Inclusivity, Materiality and Responsiveness, and by reviewing the accuracy and quality of disclosed sustainability performance information. The assurance of the accuracy and quality of selected sustainability performance information was further guided by the Australian Standard on Assurance Engagements ASAE3000 Assurance Engagements other than Audits or Review of Historical Financial Information (ASAE3000) issued by the Australian Auditing and Assurance Standards Board.

ASSURANCE TYPE, LEVEL AND SCOPE

Net Balance provided Type 2 moderate level assurance in accordance with the AA1000AS (2008). This included:

- evaluation of Santos' adherence to the AA1000 Accountability Principles (2008) of Inclusivity, Materiality and Responsiveness
- a limited level of assurance of selected performance data contained on page 44 to 46 of the Report, in accordance with the ASAE 3000
- a review of the sustainability scores assigned to the indicators which make up Santos' Sustainability Scorecard on page 49

- a Global Reporting Initiative (GRI) G3.1 Application Level Assessment.

FINDINGS AND CONCLUSIONS

Adherence to AA1000 Principles

Inclusivity:

Santos was found to have a variety of formal and informal processes in place to assist the business with the collection of stakeholder feedback. During 2012, the business continued its effort on engagement with community stakeholders in the regions where the business is operating or developing coal seam gas (CSG) and liquefied natural gas (LNG) assets. For example, the GLNG Project has a number of forums that facilitate stakeholder engagement. These include community information sessions and events, targeted briefings, newsletters and factsheets, targeted working groups, community consultative committees, dedicated advisors, shopfronts and an established grievance mechanism.

Materiality:

In 2012, Santos formally applied a materiality process to define its environmental, social and economic material issues for reporting. The identified issues were ranked and prioritised based upon significance to Santos and its stakeholders. Consideration was also given to industry trends, the regulatory setting and the context of the issue itself. These issues were then also linked to the Santos Sustainability Scorecard. The issues identified through this formal process were found to be addressed in a fair and balanced way within the Report.

Responsiveness:

The Santos sustainability scorecard provides a good platform for the business to measure and keep track of how it responds to key sustainability issues. Continuous improvement against the scorecard criteria is required as a minimum to maintain scores year on year. In 2012 the business was found to have either maintained or increased scores in all categories.

During 2012 Santos also continued to respond to stakeholder concerns regarding potential groundwater impacts from its operation of CSG assets in Australia. Further

work was undertaken to widen the coverage of data within the Santos Water Portal which provides groundwater monitoring data within operational regions to local agricultural and community stakeholders.

Real time water monitoring was also introduced at a number of locations during the reporting year.

Santos also finalised and launched the Santos GLNG Project Social Impact Management Plan Community Handbook. This handbook summarises the project's Social Impact Management Plan (SIMP) and contains information on how the business aims to respond to issues including the management of water and the environment, community safety, social infrastructure, community wellbeing and liveability, local industry participation and training and finally Aboriginal participation and engagement.

RELIABILITY OF PERFORMANCE INFORMATION

Overall, it is Net Balance's opinion that the information presented within the Report is fair in all material respects. Further, nothing has come to our attention that causes us to believe that selected performance data contained on pages 44–46 of the Report has not been prepared and presented in all material respects in accordance with relevant criteria. The GRI application level check classified the Report as A+.

THE WAY FORWARD

To ensure continued improvement of Santos' sustainability performance reporting, Net Balance has provided recommendations for improvement in a more detailed report presented to Santos' management.

On behalf of the assurance team

5 March 2013
Melbourne, Australia

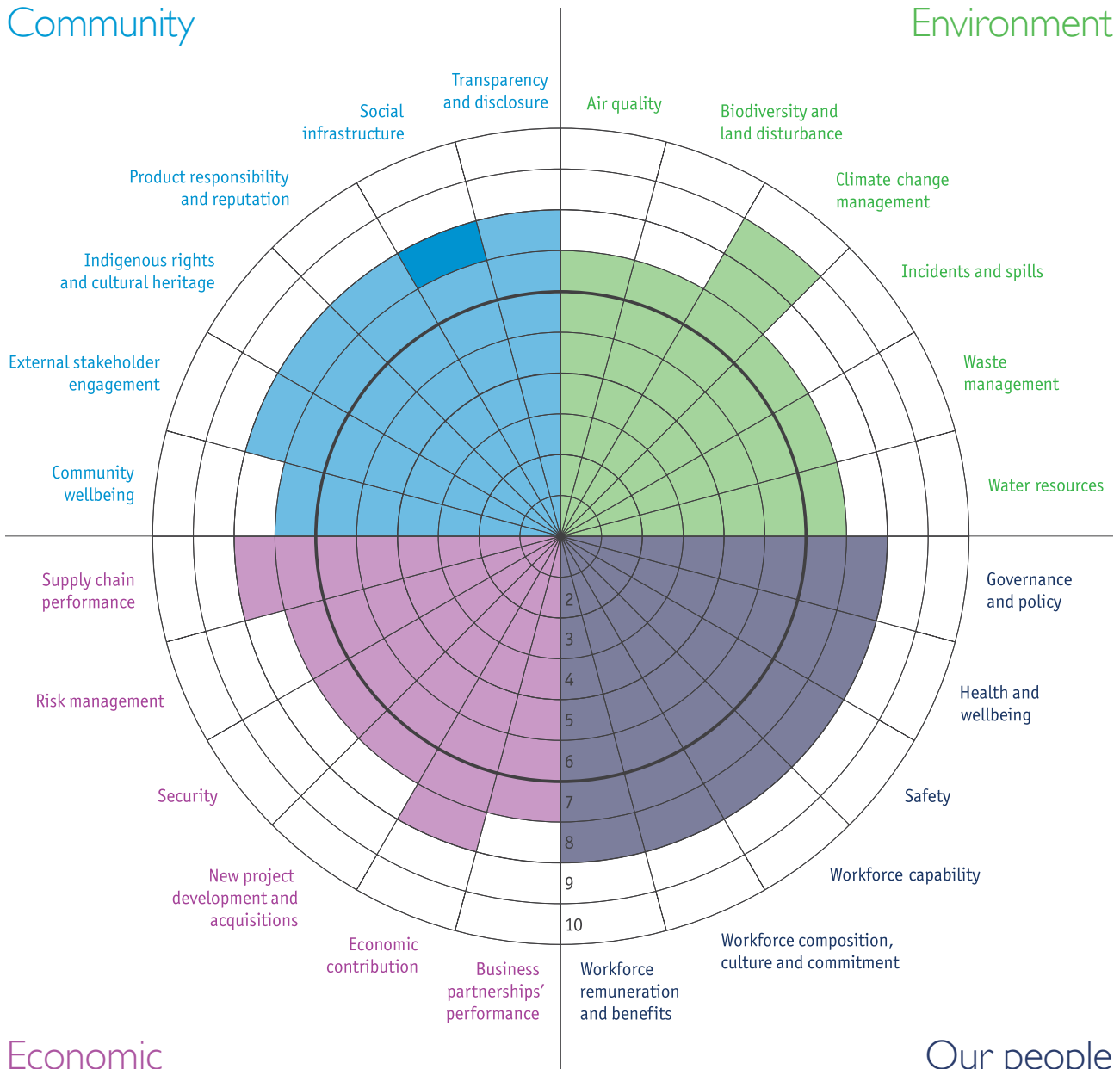
KIRSTEN SIMPSON

Associate Director, Net Balance
Lead CSAP

2012 performance scorecard

Community

Environment



2012 PERFORMANCE COMPARED TO 2011



SUSTAINABILITY SCORE

1-2	No procedure in place, poor performance
3-4	Developing policy/systems
5-6	Implementation and compliance focus
7-8	High performance
9-10	Recognised leader

Santos

We have the energy.

Santos Limited
ABN 80 007 550 923

REGISTERED AND HEAD OFFICE

Ground Floor Santos Centre
60 Flinders Street
Adelaide South Australia 5000
GPO Box 2455
Adelaide South Australia 5001
Telephone: +61 8 8116 5000
Facsimile: +61 8 8116 5050

SHARE REGISTER

Computershare Investor
Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford Victoria 3067
GPO Box 2975
Melbourne Victoria 3001

Telephone:
Within Australia: 1300 017 716
From overseas: +61 3 9938 4343
web.queries@computershare.com.au

OFFICES

Brisbane
Level 22 Santos Place
32 Turbot Street
Brisbane Queensland 4000
GPO Box 1010
Telephone: +61 7 3838 3000
Facsimile: +61 7 3838 3350

Dhaka
Santos Sangu Field Limited
IDB Bhaban (9th Floor)
E/8-A Rokeya Sharani
Sher-e-Bangla Nagar, Agargaon
Dhaka 1207, Bangladesh
Telephone: +880 2918 3111 Ext 4575
Facsimile: +880 2918 3130

Gladstone
114 Goondoon Street
Gladstone Queensland 4680
Telephone: +61 7 4978 8410
Facsimile: +61 7 4978 8444

Gunnedah
206 Conadilly Street
Gunnedah New South Wales 2380
Telephone: +61 2 6741 5100
Facsimile: +61 2 6741 5101

Hanoi
Santos Vietnam Pty Ltd
Suite 701 Level 7
39 A Ngo Quyen
Hanoi, Vietnam
Telephone: +84 4 2220 6000
Facsimile: +84 4 2220 6002

Jakarta
Santos Asia Pacific Pty Ltd
Level 4 Ratu Plaza Office Tower
Jalan Jendral Sudirman Kav 9
Jakarta 10270 Indonesia
PO Box 6221 JKS GN
Jakarta 12060 Indonesia
Telephone: +62 21 2750 2750
Facsimile: +62 21 720 4503

Narrabri
125 Maitland Street
Narrabri NSW 2390
Telephone: +61 2 6792 9035
Facsimile: +61 2 6792 9089

New Delhi
Santos International Operations Pty Ltd
1401 & 1402 Level 14
Naraïn Manzil
23 Barakhamba Road
Connaught Place
New Delhi 110 001 India
Telephone: +91 11 4351 2000
Facsimile: +91 11 4351 2070

Perth
Level 1, 40 The Esplanade
Perth Western Australia 6000
Telephone: +61 8 9333 9500
Facsimile: +61 9333 9571

Port Bonython
PO Box 344
Whyalla South Australia 5600
Telephone: +61 8 8649 0100
Facsimile: +61 8 8649 0200

Port Moresby
Barracuda Ltd
PO Box 1159
Level 8 Pacific Place Building
Cnr Musgrave Street and
Champion Parade
Port Moresby
Papua New Guinea
Telephone: +675 321 2633
Facsimile: +675 321 2847

Roma
39 Currey Street
PO Box 329
Roma Queensland 4455
Telephone: +61 7 4624 2100
Facsimile: +61 7 4624 2140

Singapore
Santos International Pte Ltd
50 Collyer Quay
#05-03 OUE Bayfront
Singapore 049321
Telephone: +65 6403 3309
Facsimile: +65 6403 3329

Sydney
Level 7, 51 Pitt Street
Sydney New South Wales 2000
Telephone: +61 2 9251 5599
Facsimile: +61 2 9251 2299

PAPER AND PRINTING OF THE SUSTAINABILITY REPORT

Both the printer and the paper used to produce this document have Forest Stewardship Council® (FSC®) and ISO 14001 environmental certification. FSC® is a Chain of Custody (COC) process.

ISO 14001 is the international standard of Environmental Management Systems (EMS) designed to ensure the continuous measurement and reduction of environmental impacts.

This publication is printed using vegetable based soy inks.

HELP SAVE PAPER BY READING THIS REPORT ONLINE

An electronic version of this report is available on our website at www.santos.com/sustainability.



Designed and produced by Twelve Creative