

4 December 2017

Andrew Jefferies
Chief Executive Officer
New Zealand Oil & Gas Limited,
36 Tennyson Street, Te Aro
Wellington,
New Zealand



Dear Andrew,

LETTER OF EXPECTATIONS 2017-18

We write to you as the Southern Community Panel (SCP) to outline our expected relationship with New Zealand Oil & Gas and the expected engagement protocols between us for the coming financial year ending 30 June 2018.

This letter builds on our two previous Letters of Expectation (2015-16 and 2016-17) and associated Report Cards. It also follows the engagement protocols outlined in our Southern Community Panel Charter.

We understand New Zealand Oil & Gas has established the SCP as a vehicle for two-way relationship building: primarily for the company to better understand local views and values, and for the Panel as representatives of the local community to help inform New Zealand Oil & Gas's community investment.

In achieving this, we expect that New Zealand Oil & Gas will:

1. Positively and meaningfully engage with the Southern Community Panel

We expect New Zealand Oil & Gas to act in a manner that is entirely consistent with the company's Community Engagement Policy. We expect New Zealand Oil & Gas to:

- have open, transparent and honest engagement with us, underpinned by a no-surprises policy;
- put community engagement at the heart of its considerations regarding the impacts of its activities in our community;
- make full, clear and understandable information available to us so we can assess the impacts of activities on our community;
- listen to our concerns and seek to discover and deliver a solution;
- seek to understand issues from the perspective of each community member, especially where that perspective is unfamiliar to New Zealand Oil & Gas;

- have a free and frank exchange of views with us regarding the impact and benefits of its activities within our community, allowing the SCP to work through the concerns of its respective communities in relation to New Zealand Oil & Gas's activities;
- demonstrate how our feedback has been taken in to account; and
- continue to report on this engagement in a Sustainability Report and on Panel and company websites to ensure open and transparent communication.

In return, we agree to positively and meaningfully engage with the Company, including undertaking an assessment of the Company's performance against this Letter, and providing that in a timely manner.

2. Provide timely updates on key activities

We expect to be kept informed in a timely manner about key events or activities relating to company activities, and issues relating to the wider industry. This will enable us to continually improve our understanding of the issues and thereby better reflect community concerns and views back to the company.

3. Respond meaningfully to local concerns

Since the Panel has been operating the key areas of concern have been identified as:

a. Promoting local content and capturing local value where possible

We continue to expect New Zealand Oil & Gas to advocate for local benefits resulting from its activities, where this is permitted within broader commercial and business strategies. This issue was first raised in the 2016-17 Letter, and as a result we contributed to the Company's Capturing Local Benefit corporate policy (2017). The Panel appreciated receiving the Regional Economic Impact Assessment this year. It has provided some good opportunities to discuss the pros and cons of NZOG's activities in our regions.

b. Environmental impacts of proposed activities

We expect New Zealand Oil & Gas to provide detailed comparative information on likely impacts and mitigation options for the on and offshore options discussed in the Regional Impact Report previously prepared. We would appreciate this over the coming year. This information will enable us to understand the environmental risks and management options, and discuss these with our networks. It would be useful if this could also compare the relative emissions generated from the two options to help us understand whether utilising product in New Zealand will better/worse /the same than utilising it elsewhere.

c. Climate change response

We expect New Zealand Oil & Gas to respond thoughtfully and thoroughly to climate change issues. To this end we would like to work with the Company to develop a policy and processes relating to climate change. We expect that policy, or associated work, to include:

- Measures that go further than simply participating in the ETS as required by law;
- NZOG considering and confirming either support for, or a stated position in relation to the Zero Carbon Act (promulgated by Generation Zero);
- Investigate options to develop or participate in projects that will promote uptake of renewable energy, promote energy efficiency, offset or mitigate carbon emissions.

4. Appropriately resource the Southern Community Panel

We expect the company to continue to provide the necessary financial and human resources for the continued operation of the SCP. This includes secretariat services and meeting rooms. It also includes replacing Panel members in a timely manner and maintaining a diversity of views from across the community.

In addition, we expect the company to continue to dedicate a community investment budget for the Panel to collaborate with the company on opportunities for community investment in the Southern region. It is our expectation that this budget will be \$50,000 plus GST for 2017-18.

With reference to community investment, it is our understanding we will collaborate with the company to identify projects consistent with the Community Panel investment principles and criteria agreed in 2015. Any conflicts of interest for Southern Community Panel members will be managed in accordance with the SCP charter. Due consideration will also be given to conflicts with New Zealand Oil & Gas interests as part of the assessment criteria.

5. Promote the SCP as appropriate relative to the level of activity undertaken by New Zealand Oil & Gas

We expect New Zealand Oil & Gas to take opportunities to promote the Panel as a vehicle for the voice of the Southern Community. We expect that promotion of the Panel, and consequential community awareness will be commensurate with the level of activity undertaken by the Company – i.e. it will rise significantly if exploration drilling proceeds.

Of course, we will endeavour to ensure that the Company is kept up to date with the issues that we believe are of concern to the networks and communities we represent. We look forward to our continued engagement with New Zealand Oil & Gas over the coming year.

Yours sincerely



Bridget Irving
Convenor
Southern Community Panel