

30 September 2020

Philip Broughton
Secretary

Bridget Irving
Otago Youth

Katharina Ruckstuhl
Kati Huirapa Runaka

Gareth Evans
Otago Business

Murray Brass
YEPT

Andrew Gorman
Tertiary Education

Thomas Buckingham
Catlins Community Trust

Nigel Davenport
South Canterbury

Nigel Gear
Southport, Bluff

Southern Community Panel

Rau rakatira ma, Tēnā koutou, and g'day,

I am writing to you regarding the Southern Community Panel, (the Panel) that we have been working with you on since it was established in 2015.

As noted in previous correspondence with Panel members, the combination of oil price falls, global slowdown in exploration budgets, the New Zealand offshore exploration ban and negative exploration drilling results in adjacent South Island exploration permits has resulted in New Zealand Oil & Gas (NZOG) proposing, and the Panel agreeing, the following:

- the Panel will be adjourned, with possible re-engagement in the future;
- two years funding of around \$25,000 per year will be set aside by NZOG for Community Projects in the region;
- NZOG will continue to engage directly with local Iwi as appropriate;
- the Panel Secretary will remain on standby to assist where appropriate; and
- a final letter of review will be provided to the Panel.

This letter is intended to fulfil the last point, and we hope it is received in the spirit in which it is given. In short, thanks, I honour your contribution and want you to know that you have positively influenced us and our business practices. Your input has helped us to grow and meaningfully progress our sustainability and community practices, for example we have:

- Offset carbon emissions from our corporate air travel and funding tree planting;
- Contributed around \$50,000 per year since the Panel's inception to community projects identified by the Panel as having a strong theme of 'Environmental Stewardship/ Kaitiakitanga';
- Adopted a 'Capturing Local Economic Benefit' corporate policy committing us to proactively identify business opportunities for communities and work to help meet supplier requirements;
- Distributed a regional economic impact assessment of commercialising the Barque prospect;
- Updated our Diversity Policy to ensure we are committed to an inclusive and supportive workplace, including working hard with the Rainbow Tick organisation to attain a Rainbow Tick – which we have now received; and
- Adopted a Carbon Policy and adhering to TCFD reporting.

Our close collaboration with the Panel, and the Panel's valued insights and guidance, has helped shape and grow us as an organisation in these important areas, and we feel it is beneficial to review the journey we have been on together.

Forming

When reviewing the achievements of the Panel it is instructive to look back at the original letter sent out by then CEO Andrew Knight in 2014. The idea behind the panel was born from meetings we held with Nga Rūnanga, Te Ao Marama and a range of stakeholders in the region. We came to the conclusion that the best way to build trust and a sense of belonging between us and the community was to form a group that would be able to provide information pathways to and from the communities in which we operate. We wished to create mechanisms through which we could better understand the concerns communities might have regarding our activities. We also wanted to help communities understand how we would mitigate risk and demonstrate the potential upside from our activities.

We hoped that the Panel could become a conduit to help us gain a deeper understanding of varying views on our activities within communities. We felt that through deeper understanding better decisions could be made and we could learn if we should operate differently to take account of differing views. Finally, we wanted to act as a vehicle for any investments we may have made into the communities.

From the first meetings, we made it our mission to empower the Panel to appoint its own Chairperson, establish its own operating procedures and to have Rūnaka participation as a priority. We wanted Rūnaka involvement to be in addition to the individual and separate relationships that we had with Iwi, Hapu and Rūnaka, which were governed by separate Relationship Agreements.

One of the earliest relationships we established was with Katharina Ruckstuhl, representing Kāti Huirapa Rūnaka ki Puketeraki. We continued to build relationships with the four other Otago-based Rūnaka: Hokonui Rūnanga, Te Rūnanga o Otākau, Te Rūnanga o Moeraki, and Te Rūnanga o Waihao.

The early establishment of the Panel drew membership from a wide range of groups and backgrounds, including Geoscience (Andrew Gorman); Youth (Bridget Irving); Environment and Conservation (Murray Brass), Otago Business (Gareth Evans) and the wider regions (Caitlins, Bluff and South Canterbury). We also appointed Philip Broughton (then of Polson Higgs) as a professional secretariat to the Panel. Philip also provided consultancy services to the Panel in relation to the establishment of its governance and decision-making structures.

From those earliest days we determined an engagement pathway that would lead to the formation of the terms of reference and how we would work together collaboratively.

Storming

The Terms of Reference for the Panel were established and agreed in 2015 and presented a summary of who New Zealand & Gas is and our values:

- Pono me te Tika (Integrity and Trust)
- Te Reo Whakawhitiwhiti (Communication)
- Tāngata Auaha (People and Passion)
- Arumoni Hāngai (Commercial Focus)

The Terms of Reference also noted our Community Engagement Policy which guides our engagement with the communities within which we operate. This requires us to have:

- Open, transparent and honest engagement with the community;
- Community engagement at the heart of our considerations regarding impacts of our activities;
- Appropriate resources available to address or minimise the impacts of our activities on the communities within which we operate and maximise the value we provide to those communities;

- Accountability to the community for our community engagement actions.

From the start we believed that it was important that we had shared expectations as to the extent of the Panel's work and agreed that the Panel would be involved in the following activities:

- Agreeing an annual "Letter of Expectations" (LOE) with us and holding us to account for meeting our commitments set out in that letter;
- Establishing its own decision-making and operating framework;
- A free and frank exchange of views with us regarding the impact and benefits of our activities within the community;
- Receiving education and information regarding those activities from technical experts and communicating the same to the community;
- Communicating the concerns of the community to us and helping us to work those concerns through to a satisfactory conclusion; and
- Identifying opportunities where we can invest our time and resources to add sustainable value to the community and earn or maintain the community's trust and support.

Norming

Once the Panel was established and the Terms of Reference agreed, New Zealand Oil & Gas became strongly committed to making our engagement with the Panel meaningful, effective and timely. To ensure that we would meet our commitments, we captured these in the annual LOE. We agreed that we would hold annual reviews to hold us accountable to the Panel for delivery against these commitments.

From the first LOE NZOG agreed that it would fund Community Projects identified by the Panel each year, averaging around NZ\$50,000 per year, with an additional NZ\$20,000 set aside to fund the activities and expenses associated with establishing and running the Panel.

The LOE varied from year to year, but had some underpinning philosophies that we aimed to honour at every opportunity, these included that NZOG would:

1. *Positively and meaningfully engage with the SCP.*
2. *Provide the necessary financial and human resources for the establishment and operation of the SCP.*
3. *Act in a manner that is entirely consistent with NZOG's Community Engagement Policy.*
4. *In particular, NZOG will:*
 - a. *have open, transparent and honest engagement with us underpinned by a no surprises policy for the SCP;*
 - b. *have community engagement at the heart of its considerations regarding the impacts of its activities in our community;*
 - c. *have appropriate resources available to discuss the impacts of its activities on our community and maximise the value it provides to our community;*
 - d. *provide full, clear and understandable information to us;*
 - e. *listen to our concerns and seek to discover and deliver a solution; and*
 - f. *seek to understand issues from the perspective of each community member, especially where that perspective is unfamiliar to NZOG;*
5. *Provide the SCP with information in relation to its activities in our community;*
6. *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 NZOG's activities;*

Performing

Our performance was measured annually in reports back to the Panel that held us to account on the expectations set out in the annual LOE and shared to the Panel website [here](#). NZOG's performance

against the Letters of Expectation are presented in these annual report cards, but highlights are presented in the attached Appendix (noting that as well as a final review this letter will serve as the 2019 report card).

Going forward, we have committed to providing \$25,000 per year for two years, with the majority going to the Dunedin Curtain Bank and local and regional science fairs. We note that this financial year we have already made a further payment to the Dunedin Curtain Bank, as they save huge amounts of material and plastic from landfill and annually help over 200 families, many living with respiratory issues.

Adjourning

Sadly, for NZOG, a combination of local drilling results, government policy making, and global events has led us to change our level of onshore activity to reflect the likely level of offshore activity. We realise taking part in the panel has been a considerable investment of time for panel members, so we reached the decision that would be better to adjourn the panel until the way forward becomes clear.

This is not something we are doing lightly, and I have personally enjoyed the brief opportunities I have had to meet you, and also to see some of the projects that we have contributed to. One that I will always carry with me is the "Yellow Eyed Penguin Trust" sponsorship, which was a superb thing to be involved with. Thinking small fluffy and cute I had asked the vet if the problem was cats and dogs attacking them, she gave me an odd look before introducing me to the large, snappy, and very sure of themselves penguins under her care....it would have been a brave cat or dog that took them on!

It has truly been a pleasure to be involved in the initiatives, you have identified, and to answer the excellent questions you put to us. I am hopeful that activity will ramp up and we will have the opportunity to work closely with you again, in some shape or form; it is a great part of the world you have there, and it was a pleasure to work with you to make a positive impact on the community there..

However, as Gluckman outlined in his research on high performing team, most teams will reach this stage eventually and a key element to this phase is to ensure we take the time to celebrate our team's achievements.

We look forward to catching up with you all over dinner towards the end of this year and we will start arranging this soon.

I would like to end this note with a heartfelt thanks for your time, effort, and intellectual contribution to us, and the communities we work in and with.

Whatungarongaro te tangata, toitū te whenua (as people disappear from sight, the land remains).

Tēnā koutou mo ō mahi tautoko i te kaupapa



Andrew Jefferies
Chief Executive Officer

Appendix: highlights of annual report card reviews

NZOG key Initiatives and outcomes
2015-2016
<ul style="list-style-type: none">• Engaged professionally and responded to Panel enquiries quickly and clearly.• Supported Panel transparency, with all minutes and other documents being available on the Panel website• Engaged wholeheartedly with Panel and had members of NZOG senior staff attend meetings of the Panel.• Sought specific feedback on Community views on social, governance and environmental issues relating to NZOG activities.• Set goal of responding to all feedback received, as well as using it to form the basis of first Sustainability Report• NZOG delivered on everything asked for by the Panel, including website• In collaboration with the Panel NZOG developed community investment principles, criteria and information forms.• Confirmed \$50K community funding to recipients included Otago's Cosy Homes Trust and Southland Warm Homes Trust.• Tagged funding for environmental projects and were involved in the Southland and Otago Science Fairs.• Promoted the Panel through media and networks.
2016-2017
<ul style="list-style-type: none">• Attended 100% of the SCP meetings• Introduced changes to the company's portfolio, management and key employees in a timely way, and face-to-face• Provided regular updates via newsletter and email in advance or at the same time as significant development/media releases relating to the company.• Ensured key company people attend meetings to provide more technical or specific updates.• Sustainability reporting process feedback identified a priority of capturing local value and promoting local content.• Capturing local content issue added to the 2017 LOE and draft corporate policy discussed with the Panel before presentation internally for adoption by NZOG Board.• Capturing Local Benefits corporate policy ensures NZOG improves business processes, demonstrating commitment to promoting regional growth in New Zealand.• Incorporated issue into a new Sustainability Code of Practice for partners and suppliers, also incorporating feedback from the Panel, as a tool to influence partners.• Improved understanding of Community investment decisions and provided information on regional impact• Initiated the "Regional Economic Impact Study of the Commercialisation of the Barque Prospect• Provided \$50k of funding to community projects: Wildlife Hospital, Dog Island Trust, Otago/ Southland Science Fairs and Cosy Homes Trusts in Otago and Southland.• Committed to promoting the Panel through media releases, mentioning the panel at attendance at science fairs and other events

2018-2019

- Attended 100% of the SCP meetings
- Publicly released the “Regional Economic Impact Study of the Commercialisation of the Barque Prospect and attended many local engagement meetings
- Workshopped community expectations around NZOG environmental management, including climate change
- Commissioned carbon impact study for the Barque project to consider development options for Barque and analyse the domestic and international carbon impacts
- Provided information sheets to Panel that respond to environmental considerations, regulatory processes and carbon mitigation opportunities
- Provided regular updates via newsletter and email in advance or at the same time as significant development/media releases relating to the company
- Delivered the environmental information requested by the Panel and committed to continue to report this information in sustainability reporting
- Supported Panel Chair to attend the annual Petroleum Conference
- Continued to resource the Panel appropriately via filling three vacated Panel positions
- Provided \$50k of funding to community projects: Cosy Homes Trusts in Otago & Southland; Otago/ Southland Science Fairs and co-funding of an electric vehicle.
- Continued to promote the Panel through industry networks and worked to improve two-way feedback

2019-2020

- Although activity levels were low, continued regular contact with SCP (four meetings in review period)
- Broadened Panel diversity through Nigel Gear, CE of South Port, Bluff joining the panel
- Provided NZOG CEO’s speech relating to South Island gas potential to replace global coal supplies
- Continued to seek Panel input on community investment opportunities
- Provided \$50k of funding to community projects: Cosy Homes Trusts in Southland; Dunedin Curtain Bank; Otago/ Southland Science Fairs and planting 3,564 trees
- Held meetings with Aukaha (formerly Kai Tahu ki Otago Limited (KTKO)), discussion focused on Aukaha’s experience through the OMV exploration consent process
- Discussed concepts of whakapapa and mauri and how this could relate to exploration drilling
- Emailed all our Iwi contacts to draw attention to the NZOG/OG scholarships announced in April 2019
- Advised Iwi of the scope and nature of the tertiary scholarships encouraged them to alert their contacts to this opportunity
- Liaised with Te Runanga o Awarua to set up a hui, set for around June or July 2019, was delayed due to the takeover process and then delayed due to lockdowns
- Provided information on the gas supply chain demonstrating the role of gas in displacing coal
- Updated our climate change policy taking on board the Panel’s feedback
- Provided regular updates via newsletter and email in advance or at the same time as significant development/media releases relating to the company
- Continued to provide the necessary financial and human resources to support the operation of the SCP
- Invited Beach Energy to join SCP panel meeting (cancelled due to COVID-19 lockdown)
- Continued to promote the Panel through media and networks