



# 2013 Living Our Values Corporate Social Responsibility Report

PDF Format



Marathon Oil Corporation's CSR report is issued in a digital-only format for expanded reporting. This allows stakeholders to assemble and print specific sections into a customized report that meets their individual information needs. As a result of this customization, PDFs that are created will not include a table of contents or page numbers.

For the complete version of Marathon Oil's 2013 CSR report, please visit:

[http://www.marathonoil.com/Social\\_Responsibility/Reporting/](http://www.marathonoil.com/Social_Responsibility/Reporting/)

## ABOUT THIS REPORT

Marathon Oil Corporation's *2013 Living Our Values Corporate Social Responsibility Report* illustrates our efforts to advance our [nonfinancial performance](#) and to promote greater economic, social and environmental sustainability in the communities where we live and work. We provide examples of how we are "[living our values](#)" – health and safety, environmental stewardship, openness and honesty, strong community partnerships and an engaged and solution-driven workforce – through our business endeavors.

Unless otherwise stated, all information and performance data relate to exploration and production operations. In some cases, we include information on our non-operated assets, such as Equatorial Guinea LNG Holdings Limited (EG LNG), that are material to our corporate social responsibility performance.

Our reporting follows the [Oil & Gas Industry Guidance on Voluntary Sustainability Reporting](#), a joint publication of [IPIECA](#), the American Petroleum Institute ([API](#)) and the International Association of Oil & Gas Producers ([OGP](#)). This common framework for the petroleum industry helps Marathon Oil select indicators to demonstrate our sustainability performance. Our approach to reporting is also informed by the [Global Reporting Initiative](#) (GRI) *G4 Sustainability Reporting Guidelines*. We include quantitative and qualitative metrics to provide relevant and meaningful information about our operations and nonfinancial performance.

This report has not been evaluated by any third party or external assurance agency, with the exception of the financial and operational highlights excerpted from the [2013 Annual Report on Form 10-K](#).

### Content Determination

To prepare our 2013 report, Company managers identified and prioritized the issues that are most relevant to our operations and to our stakeholders and that we can directly control. Additionally, through [stakeholder engagement](#), Marathon Oil seeks internal and external perspectives to help us identify, understand and consider the risks and opportunities associated with new and emerging issues, regulations, standards and leadership practices. This report focuses on our actions and performance on issues of greatest relevance to our stakeholders.

### INQUIRIES OR COMMENTS

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## MARATHON OIL AT A GLANCE



Marathon Oil Corporation (NYSE: MRO) is an independent international exploration and production (E&P) company. Based in Houston, Texas, the Company has activity in North America, Europe and Africa. The Company has three reportable operating segments, each of which is organized and managed based primarily upon geographic location and the nature of the products and services it offers. The three segments are as follows:

- **North America E&P** – explores for, produces and markets liquid hydrocarbons and natural gas in North America.
- **International E&P** – explores for, produces and markets liquid hydrocarbons and natural gas outside of North America and produces and markets products manufactured from natural gas, such as liquefied natural gas (LNG) and methanol in Equatorial Guinea.
- **Oil Sands Mining** – mines, extracts and transports bitumen from oil sands deposits in Alberta, Canada, and upgrades the bitumen to produce and market synthetic crude oil and vacuum gas oil.

## TO OUR STAKEHOLDERS

Marathon Oil believes that developing oil and gas resources in a safe and responsible way is vital to the sustainability of our Company, the communities we call home and our industry. Our job is to deliver these energy resources while working with stakeholders to develop solutions to the social, environmental and geopolitical challenges that accompany development and growth.



It is my pleasure to present Marathon Oil Corporation's *2013 Living Our Values Corporate Social Responsibility Report* on our progress in meeting commitments to governance, society, the environment and our workforce. We believe that business success and corporate social responsibility (CSR) efforts are interdependent. A company will not achieve sustainable business success without addressing its responsibilities to society. Conversely, a company can only pursue effective social responsibility projects if it delivers strong operational and financial results to create long-term shareholder value.

Marathon Oil is results driven, but recognizes the importance of how we achieve our results. We apply the highest operating standards and best practices to protect our license to operate as we help to meet global energy needs, create employment and advance economic progress.

Throughout all of our efforts, we are accountable to our shareholders and business partners, support those who work for us, and strive to improve the communities where we operate.

### Strategic Imperatives Start with a Focus on Our Values

Our stated goal is to be recognized as the premier independent exploration and production (E&P) company. To accomplish this, we must excel against the [seven strategic imperatives](#) that guide us, and these imperatives start with a focus on our long-standing core values of health and safety, environmental stewardship, openness and honesty, strong community partnerships and an engaged and solution-driven workforce. These values help us earn and retain our license to operate on a daily basis and, in concert with our strategic imperatives, drive business performance.

The growth engines for Marathon Oil's business are our U.S. unconventional resource plays. We have allocated \$3.6 billion in capital toward accelerating rig activity and growth in the [South Texas Eagle Ford](#), [North Dakota Bakken](#) and Oklahoma resource basins in 2014. We also plan to spend approximately \$1.4 billion on our conventional E&P assets worldwide and approximately \$530 million on exploration focused on the high impact areas of the [Kurdistan Region of Iraq](#), East Africa, Gabon and the deepwater Gulf of Mexico.

### Corporate Commitments, Local Approach

To support our business activities and put our values into action, Marathon Oil sets corporate-level [CSR commitments](#) that our local asset teams are responsible for achieving. Local operations work with key stakeholders to identify specific impacts and issues and then implement CSR programs to address them. This integrated, solution-driven approach ensures that CSR programs help us build relationships, meet the most critical needs and deliver real benefits locally.

For example, our corporate [environmental commitment](#) translates into local efforts to reduce fresh water use, flaring, air emissions, truck traffic and other impacts in our shale plays. In the Eagle Ford, where water is a critical resource, we have significantly reduced the amount of water we use in our operations. Our strategies include switching to a gel mix for hydraulic fracturing and using water that is restricted or unsuitable for drinking, agriculture or livestock. We believe that our industry must continue working to minimize the impact of E&P operations on local water supplies.

In addition, Marathon Oil supports specific, state-level disclosure of fracturing fluid components. We participate in the [FracFocus](#) chemical disclosure registry, voluntarily entering all of our wells drilled and hydraulically fractured in the U.S. Through these and other actions, Marathon Oil hopes to foster a better understanding of technologies like [hydraulic](#)



fracturing and address community concerns about the potential impacts.

We also recognize the global concern about greenhouse gases and other air emissions. To reduce flaring in the Eagle Ford and Bakken, Marathon Oil continues to build gas-gathering facilities to connect wells to expanding infrastructure. This also reduces truck traffic and emissions from individual well facilities. In 2014 alone, we have budgeted \$225 million for infrastructure in the Eagle Ford, including central batteries and pipeline construction.


We strive for an accident- and injury-free workplace, and we believe that our safety performance promotes Marathon Oil as a partner and operator of choice. Because this commitment extends to our large contractor workforce, our asset teams provide training for their local contractors to improve safety performance. In addition, we piloted a [field verification audit program](#) in 2013 to ensure our onshore U.S. contractors' safety programs are meeting our expectations, and in 2014 we will audit contractors in each U.S. onshore asset.

To fulfill our commitments to society, Marathon Oil builds national capacity and supports education programs. For example, we fund [scholarships](#) for students from Equatorial Guinea and the Kurdistan Region of Iraq and for diverse students in the U.S. We also support a variety of science, technology, engineering and math (STEM) education programs. Our intent with all of these programs is to build the pipeline of future employees for Marathon Oil and our industry. Once employee are hired, we continue to invest in their capabilities and competencies so they can actively contribute to growing our business.

Marathon Oil is also committed to the health of our employees and the communities where we operate. In 2013, we celebrated the 10th anniversary of the Bioko Island Malaria Control Project (BIMCP) that we established with business partners and the Government of Equatorial Guinea. This program has substantially reduced the number of malaria cases and deaths of children under age 5. We signed a five-year extension of the Project in 2013 and are excited that the BIMCP will play an important role in trials of a promising vaccine to block malaria transmission.

Marathon Oil and our employees intend to grow our business responsibly, safely and ethically, and to never lose sight of the fact that we are guests in communities where we operate. Our neighbors expect the highest standards of behavior and we must expect the same of ourselves. We will strive to establish corporate social responsibility programs that address challenges and also support business growth. Thank you for giving Marathon Oil the opportunity to share our values, business plans and corporate social responsibility results with you.

Sincerely,

A handwritten signature in black ink, reading "Lee M. Tillman". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

Lee M. Tillman  
President and Chief Executive Officer

## PERFORMANCE SUMMARY

Corporate Social Responsibility Performance Highlights			
	2013	2012	Change
Fatalities (Employee and Contractor Workforce)	0	0	N/A
Global Safety Performance – Total Recordable Incident Rate (TRIR)	0.71	0.66	7.6%
Social Investments – Philanthropic and Sustainable (million dollars)	\$30.7	\$29.8	3.0%
Global Greenhouse Gas Emissions (million tonnes CO <sub>2</sub> e) <sup>a, b, c</sup>	4.78	5.06	-5.5%
Global Greenhouse Gas Intensity (tonnes CO <sub>2</sub> e on a weighted basis/production) <sup>a, b, c</sup>	20.70	23.70	-12.7%
Methane Emissions (million tonnes CO <sub>2</sub> e) <sup>a, b, c</sup>	0.91	0.91	0.0%
Methane Intensity (tonnes CO <sub>2</sub> e on a weighted basis/production) <sup>a, b, c</sup>	3.96	4.26	-7.0%
Energy Use (trillion BTU) <sup>c</sup>	74.9	69.0	8.6%
Global Fluid Spills – Number <sup>d</sup>	77	84	-8.3%
Global Fluid Spills – Total Volume of Fluid Spilled (barrels) <sup>d</sup>	4,182	4,664	-10.3%
Employees – Minorities as a Percentage of Workforce (U.S.) <sup>e, f</sup>	20.2%	19.9%	1.5%
Employees – Females as a Percentage of Workforce (Global) <sup>e</sup>	27.7%	27.0%	2.6%

a Greenhouse Gas (GHG) carbon dioxide equivalent (CO<sub>2</sub>e) emissions are based on carbon dioxide, methane and nitrous oxide from Marathon Oil-operated facilities only.

b U.S. GHG emission and intensity values reflect revisions to the calculation methodology under new U.S. EPA reporting requirements.

c 2012 data has been updated to account for global warming potential (GWP) changes, corrected calculation errors or other reporting revisions.

d Data includes spills greater than or equal to 1 barrel outside of secondary containment.

e Workforce statistics reflect year-end data.

f As defined by U.S. Equal Employment Opportunity Commission.

Financial and Operating Highlights (dollars in millions, except per share data) <sup>a</sup>		
Category	2013	2012
Total Revenues and Other Income	\$14,959	\$16,221
Income from Operations	\$5,204	\$6,349
Income Tax Expense on Continuing Operations	\$3,337	\$4,517
Income from Continuing Operations	\$1,593	\$1,613
Discontinued Operations <sup>a</sup>	\$160	\$(31)
Net Income	\$1,753	\$1,582
Income from Continuing Operations Per Common Share – Diluted	\$2.24	\$2.27
Discontinued Operations Per Common Share – Diluted <sup>a</sup>	\$0.23	\$(0.04)
Net Income Per Common Share – Diluted	\$2.47	\$2.23
Dividends Paid	\$0.72	\$0.68
Long-term Debt <sup>b</sup>	\$6,394	\$6,512
Stockholders' Equity <sup>b</sup>	\$19,344	\$18,283
Total Assets <sup>b</sup>	\$35,620	\$35,306
Capital Expenditures <sup>c, d</sup>	\$4,757	\$4,780
Average Daily Net Sales: <sup>d</sup>		

North America Exploration and Production Segment (mboed)	201	166
International Exploration and Production Segment (mboed) <sup>e</sup>	234	266
LNG (mtd)	6,548	6,290
Methanol (mtd)	1,249	1,298
Oil Sands Mining Segment Synthetic Crude (mbbld)	48	47
Net Proved Reserves: <sup>b</sup>		
Liquid Hydrocarbon, Natural Gas and Synthetic Crude Oil Reserves (mmboe)	2,171	2,017
Number of Employees <sup>b</sup>	3,359	3,367

a In the first quarter of 2014, Marathon Oil closed the sale of its Angola assets; the Angola business is reflected as discontinued operations in all periods presented.

b As of period presented.

c Excludes acquisitions and includes accruals.

d Excludes discontinued operations.

e Includes natural gas acquired for injection and subsequent resale of 7, 15 and 16 mmcf in the years ended December 31, 2013, 2012 and 2011, respectively.

## CSR IN CONTEXT

Your Company – now a smaller yet international business as a major independent exploration and production (E&P) company – has new senior management. But they and your Board are committed to Marathon Oil Corporation's longstanding central tenet, "Living Our Values."

We trust that this online report and the accompanying print brochure demonstrate model corporate citizenship within our industry and throughout the communities where we operate. And we hope that our shareholders can take pride in, and will hold us accountable for, the strategies, initiatives and goals presented in this report.



These reports can be dismissed as rhetoric, punctuated by photos of smiling faces and scenic landscapes. Admittedly, ours has its share, all authentic and representative of the terrific Marathon Oil workforce and remarkable places where they work. We invite you, however, to focus on the policies, data and examples, and to note how we seek to have a meaningful impact on our communities, and live up to the bold objectives and pretty pictures.

Living Our Values is not a vague slogan mounted on our headquarters wall. At Marathon Oil, veterans and newcomers alike, there is far more to corporate social responsibility than simply earning our license to operate.

To illustrate how seriously and widely Living Our Values is embraced within Marathon Oil, this report examines many of the Company's relevant undertakings in 2013 and early 2014:

- We sought to respond to stakeholder feedback by significantly increasing our transparency and reporting for environmental performance, initiating a management system review and committing to assign senior-level accountability for management system elements, and strengthening local contractor engagement.
- We continued to review and revise many of our operations' key governing processes, including the health, environment, safety and security (HES&S) audit program, security and human rights training, standards for environmental management and reporting, and the risk-based process safety program.

Marathon Oil's new management, with close scrutiny by the Board, is not only articulating the value of these and similar actions, but also strengthening these efforts.

For them, the E&P business may seem tougher than ever. As the market appetite for our products increases, the conditions under which we can satisfy growing demand, while meeting externally mandated and internally desired standards, are ever more difficult. Noble objectives aside, that is why education in new technologies, training in new skills, proactive measures in day-to-day work and communications with neighbors are all essential.

Our principal mission is optimizing our shareholders' economic value. But stewardship of our nonfinancial values, particularly as they define our environmental, safety, workplace and community responsibilities, is also uppermost in the minds and everyday efforts of our people.

Last year, I noted that, as unconventional resource plays become more central to the Company, certain questions demand fresh thinking. With the many changes at Marathon Oil in the past year, these questions are worth repeating:

- What are the practical manifestations that reflect how the Company is truly Living Our Values?
- How are we specifically meeting HES&S, social and political challenges – recurring and new – wherever we work?
- What public policy, social and community, and political issues confront us? How are they being addressed? Are our responses and initiatives adequate?
- How can we improve both our performance and our stewardship?
- And in each of our detailed responses, we further ask, "Could, should and how might we do more?"

The hazards to the environment, our communities, our earnings, our reputation and our brand – are both perceived and real.



Yet so are the opportunities.

We invite your consideration of this report and welcome your suggestions.

A handwritten signature in blue ink, appearing to read "Philip Lader". The signature is fluid and cursive, with the first name "Philip" and last name "Lader" clearly distinguishable.

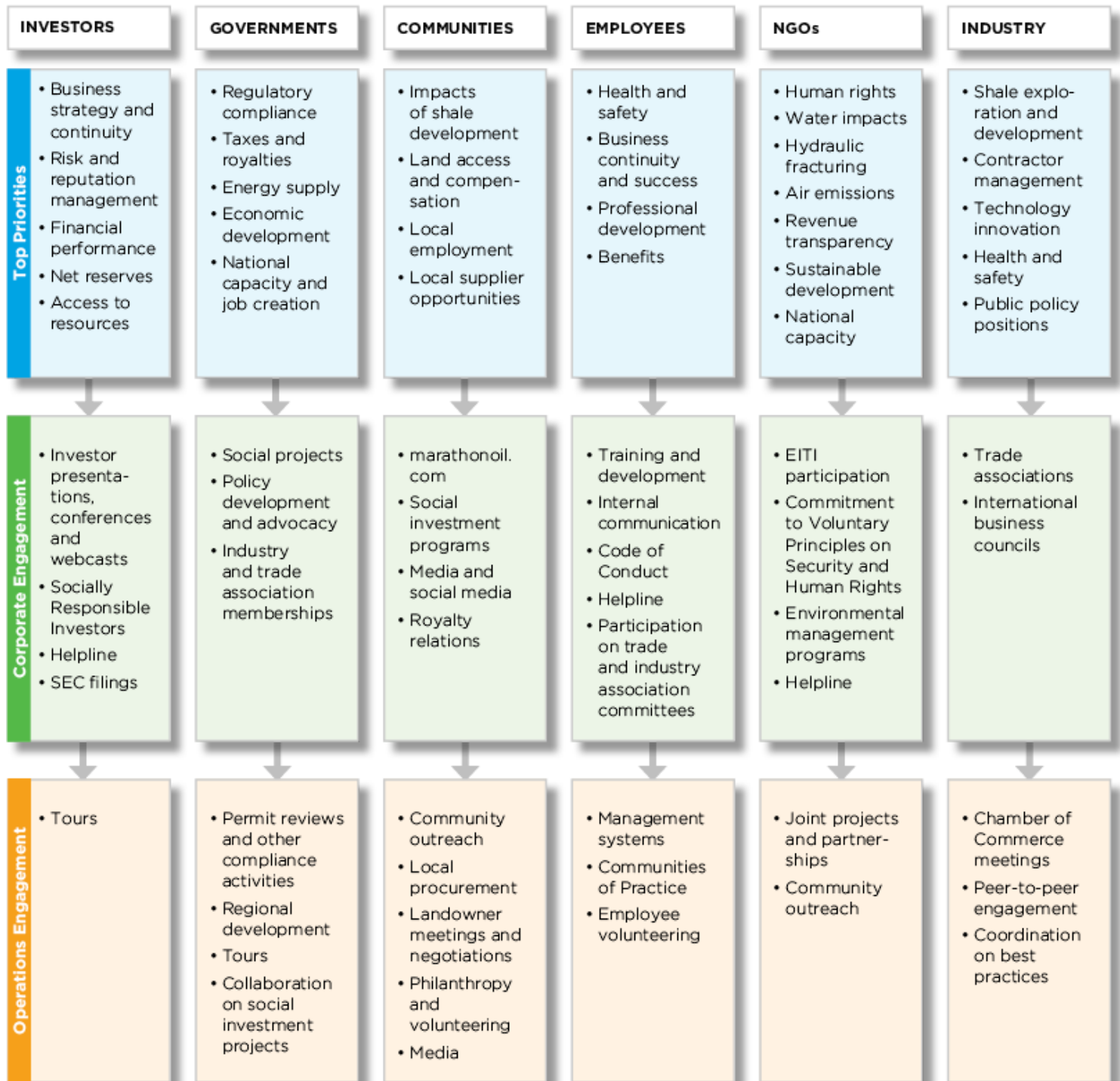
Philip Lader

Chairman, HES&CR Committee, Marathon Oil Corporation Board of Directors

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## STAKEHOLDER ENGAGEMENT MAP

Marathon Oil engages with stakeholders at every level of the Company through formal and informal means. Our stakeholders voice concerns, provide suggestions and help us in our efforts to seek continuous improvement in conducting our business in a more responsible and productive manner. Below is a snapshot of the priorities and mechanisms we use to discuss and resolve issues at the corporate and operations levels.



## MANAGEMENT SYSTEMS

Marathon Oil uses the Enterprise Risk Management process to identify and monitor our risks and mitigation activities. Executive management, business units and internal audit provide input to identify critical risks and assess their mitigation. Internal champions are assigned for critical enterprise risks, including public policy, health, environment, safety and security. These champions, in conjunction with the business units, are responsible for assessing current and future risks, including nonfinancial risks, raised through research or stakeholder feedback. The most significant risks are reported in our [2013 Annual Report on Form 10-K](#), and identified risks are reported regularly to the Board of Directors and executive management. Reported risks relate to issues including commodity prices, operational results, reserve replacement, compliance with regulations and laws, capital projects, capital expenditures and operating costs, risk management, geopolitical and economic developments, cyber security, transportation capacity constraints, competition, taxation and stockholder concerns.

### Global Performance System

To oversee health, environment, safety and security (HES&S) and social performance, we use the risk-based Global Performance System (GPS).

We developed GPS internally to control risks, meet regulatory requirements and improve performance. It is aligned with international standards and formalizes a best-practices approach to HES&S and social performance and other processes. Risk assessment and risk management are fundamental to our management system and are integrated into business and operating planning cycles and decision-making processes. GPS has 16 elements covering key focus areas and helps us focus on the right things by:

- Identifying and prioritizing risks.
- Establishing sustainable processes to control the risks.
- Assessing our performance.
- Driving continuous improvement.



### HES&S Standards and Practices

HES&S standards set expectations for organizational performance to drive consistency across the Company. We review standards periodically and update them to reflect changes in laws or regulations, to incorporate recommendations arising from audits and incident investigations, and to continuously improve performance.

Marathon Oil implements a tiered audit program to maintain regulatory compliance and adherence to Company standards. Business units develop plans to address audit findings, track the plans through completion of corrective actions and share lessons learned. Key audit findings and trends are communicated to HES&S leadership and executive management.

## CORPORATE COMMITMENTS

Marathon Oil has eight corporate-level commitments covering governance, society, environment and workplace as denoted below. Our local operations are responsible for identifying and implementing programs to fulfill these commitments at the local level, including setting measurable goals to drive continuous improvement. Our progress in 2013 and primary activities for 2014 are also denoted below.

<div>+</div> Governance		
Commitments	2013 Progress	2014 Focus
Participate in the public policy process and maintain employee awareness on issues relevant to our company and industry.	<ul style="list-style-type: none"> <li>Continued promoting state regulation and enforcement of oil and gas operations.</li> <li>Actively <a href="#">participated in legislative and regulatory processes</a> at all levels of government where we have operations.</li> <li>Hosted <a href="#">legislative and regulatory official tours</a> in our South Texas <a href="#">Eagle Ford Shale</a>, <a href="#">Bakken Shale</a> and Oklahoma operations to increase understanding of our business.</li> </ul>	<ul style="list-style-type: none"> <li>Promote responsible, state-based regulation of <a href="#">hydraulic fracturing</a>; safe and reliable infrastructure; tax regimes that encourage investment; regulations that promote clean air and water while enabling energy development; and reliable permitting processes.</li> </ul>
Conduct our business with high standards for responsible operations, business ethics and integrity, corporate governance and transparency.	<ul style="list-style-type: none"> <li>Continued <a href="#">training contractors</a> in higher risk domestic locations, focusing on conflicts of interest, gifts and entertainment, and other trending issues to improve accountability.</li> <li>Rolled out a revised <a href="#">Anti-Corruption Standard</a> that strengthens controls for compliance.</li> <li>Conducted live, facilitated <a href="#">anti-corruption training</a> for employees, and online and facilitated ethics training.</li> <li>Created a centralized, risk-based compliance function within the Law organization reporting to the Audit Committee.</li> <li>Conducted <a href="#">emergency response drills</a> in 100 percent of our assets, as well as major exercises in our South Texas Eagle Ford Shale operations and a third-party shipping exercise with a contractual product shipping provider in Rotterdam, The Netherlands, to ensure emergency preparedness.</li> </ul>	<ul style="list-style-type: none"> <li>Participate on the multi-stakeholder National Commission overseeing <a href="#">Equatorial Guinea's efforts to attain readmission to EITI</a>.</li> <li>Revise health, environment, safety and security (<a href="#">HES&amp;S</a>) <a href="#">Management System</a> elements and appoint corporate element owners to strengthen operations accountability.</li> <li>Implement a redesigned <a href="#">HES&amp;S audit program</a> that focuses on high-priority compliance areas and critical risks in assets.</li> <li>Develop and implement specific processes and practices to supplement the <a href="#">Anti-Corruption Standard</a>.</li> <li>Conduct <a href="#">emergency response drills</a> in 100 percent of our continuing assets and a major drill simulating a deepwater well control event in the Gulf of Mexico and spill response in the Kurdistan Region of Iraq.</li> <li>Evaluate third-party product transportation arrangements and implementation of vetting programs for Marathon Oil contracted haulers.</li> <li>Participate in the API committees to develop a recommended practice for the classification and testing of oil products to improve safety during transportation.</li> </ul>





## Society

Commitments	2013 Progress	2014 Focus
Work with stakeholders to understand how our operations impact local communities.	<ul style="list-style-type: none"><li>Conducted a <a href="#">gap analysis of the HES&amp;S Management System</a> to assess its effectiveness in addressing CSR considerations within its scope.</li><li>Through recruitment, training and other efforts, <a href="#">increased the percentage of national employees in Equatorial Guinea (EG)</a> to 71 percent.</li><li>Strengthened <a href="#">local content in Equatorial Guinea</a> by awarding a major engineering contract to a regional provider.</li><li>Provided jobs to approximately 500 people from local communities in our operating area in the <a href="#">Kurdistan Region of Iraq</a> in the three years since entering the region.</li><li>Implemented a community safety plan and temporarily resettled two villages during drilling activities in the Mirawa area of the Kurdistan Region of Iraq.</li><li>Participated in industry organizations to <a href="#">address stakeholder concerns in shale plays</a>.</li></ul>	<ul style="list-style-type: none"><li>To further address the impacts of our operations, integrate social considerations into our HES&amp;S Management System.</li><li>Develop a process to capture and manage external stakeholder issues and concerns.</li><li>Track and resolve concerns using grievance and lessons learned guidelines in the Kurdistan Region of Iraq.</li><li>In response to stakeholder concerns about road traffic, evaluate alternative delivery locations for materials and equipment in the South Texas Eagle Ford and North Dakota Bakken shales.</li><li>Fabricate modules and structural steel work for the brownfield component of the <a href="#">Alba compression project</a> strengthening local content in Equatorial Guinea.</li><li>Collaborate with local Karnes County government and community <a href="#">stakeholders in Eagle Ford</a> to address the concern about trash impacts on local land and water.</li></ul>
Partner with community organizations to develop and support projects that address existing social issues related to education, health and the environment.	<ul style="list-style-type: none"><li>Signed the third phase of the <a href="#">Bioko Island Malaria Control Project (BIMCP)</a> and commemorated the 10th anniversary of project initiation.</li><li>Funded approximately \$1.5 million in <a href="#">school and medical facility rehabilitation projects in EG</a>.</li><li>Continued to work with local organizations in Equatorial Guinea to support youth education and development and distribution of medical supplies.</li><li>Analyzed our U.S. university funding to determine if grants attracted diverse college recruits.</li><li>Analyzed <a href="#">Integrated Education Funding Model</a> and identified gaps in support for grades K-8 and teachers.</li><li>Piloted the <a href="#">Reasoning Mind Program</a> and a LULAC STEM initiative in Eagle Ford operating areas.</li><li>Provided technical expertise to <a href="#">develop petroleum operator-related curriculum</a> at four <a href="#">community colleges in Eagle Ford</a> area and three in the Bakken area.</li><li>Awarded <a href="#">seven full scholarships to</a></li></ul>	<ul style="list-style-type: none"><li>Participate in trials of a promising malaria vaccine aimed at eliminating malaria from Bioko Island as part of <a href="#">Phase III of the BIMCP</a>.</li><li>Commit approximately \$1.9 million to <a href="#">school and medical facility rehabilitation projects in EG</a>.</li><li>Based on 2013 analysis of education grants, establish a <a href="#">Marathon Oil Diversity Scholarship</a> program to align funding with our goal to hire a diverse workforce.</li><li>Identify up to five core educational initiatives to address gaps identified in 2013 <a href="#">integrated education study</a>.</li><li>Based on results of <a href="#">Reasoning Mind pilot</a>, evaluate expanding program to additional school districts in the Eagle Ford.</li></ul>

	<p><a href="#">Kurdistan high school graduates</a> to attend Texas A&amp;M University to major in oil and gas disciplines.</p> <ul style="list-style-type: none"> <li>Supported <a href="#">educational, youth recreation, infrastructure and environmental projects</a> in the Kurdistan Region of Iraq.</li> <li>Supported Syrian refugee humanitarian relief in the Kurdistan Region of Iraq with a \$500,000 donation to the American Red Cross.</li> <li>Contributed \$600,000 of a \$3 million multiyear commitment to the MD Anderson Moon Shots program to accelerate the end of eight major cancers.</li> </ul>	
<p>Manage security activities in a responsible and ethical manner in accordance with the best practices associated with the Voluntary Principles on Security and Human Rights.</p>	<ul style="list-style-type: none"> <li>Conducted a <a href="#">gap analysis of existing security and human rights program</a> as part of implementation of the <a href="#">Voluntary Principles on Security and Human Rights</a>, working in consultation with external stakeholders.</li> <li>Based on gap analysis, updated the <a href="#">security personnel vetting and training efforts</a> to make them more practical and relevant at the operations level.</li> <li>Worked with IPIECA to improve awareness and share best practices among members of the Social Responsibility Working Group.</li> </ul>	<ul style="list-style-type: none"> <li>Integrate social and security considerations into the ESHIA process to create one comprehensive safety, social, security, environmental and health impact assessment as part of the planning process for oil and gas activities.</li> <li>Provide revamped security training that incorporates ethical, legal and operational aspects.</li> <li>Launch new vetting program for all proprietary and contract security personnel.</li> </ul>



# Environment

Commitments	2013 Progress	2014 Focus
Reduce spills and releases, minimize wastes, and promote water management, conservation and biodiversity.	<ul style="list-style-type: none"><li>• Developed a consolidated Environmental Management Program Standard to drive more consistent, regular evaluation and implementation of measures to reduce emissions, water use, waste and spills.</li><li>• To reduce air emissions from drilling, <a href="#">piloted a dual fuel system on two rigs in the Eagle Ford</a>.</li><li>• Substantially reduced truck traffic and associated air emissions by <a href="#">increasing pipeline transportation of produced water in the Eagle Ford</a>.</li><li>• Continued managing air emissions in North Dakota and Eagle Ford by <a href="#">connecting wells to gas sales</a> and installing oil gathering systems.</li><li>• Pursued <a href="#">alternative water sources</a> and reviewed available technology to enable water reuse in fracturing operations, and reported all hydraulically fractured wells in the U.S. in <a href="#">FracFocus registry</a>.</li><li>• Improved consistency of <a href="#">spill reporting</a> and corrective action tracking by implementing Synergi software.</li><li>• Received the 2013 Rookie of the Year Award from the nonprofit <a href="#">Wildlife Habitat Council</a> recognizing our Rocky Mountain Operation's Environmental Stewardship Program managing 4,648 acres of varying habitat for wildlife.</li><li>• Plugged, abandoned and reclaimed 376 of 700 wells in the Powder River Basin of Wyoming, working with local landowners to transfer ownership of viable wells and produced water impoundments for agricultural benefit.</li></ul>	<ul style="list-style-type: none"><li>• Identify and prioritize significant emission sources, and evaluate and implement emission reduction projects for these sources.</li><li>• To further reduce emissions, evaluate expansion of dual fuel system pilot in Eagle Ford.</li><li>• Implement Environmental Management Program Standard.</li><li>• Participate in <a href="#">industry flaring task force in the Eagle Ford</a>.</li><li>• Use <a href="#">alternatives to fresh water</a> for at least 50 percent of water needs in the Eagle Ford.</li><li>• Use new methodology to systematically <a href="#">identify and control corrosion</a> caused by bacteria in non-regulated crude oil pipelines and vessels in Eagle Ford, as well as Bakken and Wyoming.</li><li>• Develop and implement an improved environmental compliance assurance system and tools.</li><li>• To enhance biodiversity, work with stakeholders on invasive species (Russian olive) eradication in Wyoming.</li></ul>



## Workplace

Commitments	2013 Progress	2014 Focus
Strive for an accident and injury free workplace, with safe and healthy work practices and conditions throughout our operations.	<ul style="list-style-type: none"><li>• Our 2013 <a href="#">Total Recordable Incident Rate (TRIR)</a> for employees and contractors combined was 0.71, 30 percent below the E&amp;P industry average as reported by AXPC, comparing favorably to peer rates.</li><li>• <a href="#">Engaged contractors as partners in safety performance</a> in locally driven training and other efforts.</li><li>• Improved consistency in safety event reporting and corrective action tracking.</li><li>• Conducted 37 <a href="#">contractor field audits</a> in U.S. onshore assets to verify that contractors are implementing safety programs effectively in the field.</li><li>• Shared more than 90 safety-related ideas and solutions worldwide through an internal <a href="#">Safety Community of Practice</a> and lessons learned process.</li><li>• To improve the quality of HES communication and performance in the Eagle Ford, held nine <a href="#">front-line supervisor leadership training</a> sessions for Company and contractor personnel.</li></ul>	<ul style="list-style-type: none"><li>• Continue to engage contractors as partners in safety performance on the local level and adjust approach as needed to improve <a href="#">contractor safety performance</a>. Conduct and report on approximately 60 <a href="#">crew-level field audits</a> in U.S. onshore assets.</li><li>• Implement a Company-wide, <a href="#">structured safety leadership program</a> focused on the operational level.</li><li>• Implement a voluntary risk-based <a href="#">process safety</a> program intended to prevent significant hydrocarbon releases in operations worldwide.</li></ul>
Maintain an inclusive work environment where we attract, develop and retain employees who actively contribute to growing our business.	<ul style="list-style-type: none"><li>• Our U.S. workforce included 32 percent women, 8 percent Hispanics and 6 percent African Americans.</li><li>• Reached an 89 percent <a href="#">recruiting</a> acceptance rate, which is above industry average. Hired 389 new employees and had 83 interns.</li><li>• New hire diversity metrics exceeded market availability and current Marathon Oil employee demographics with 36 percent female and 23 percent minority.</li><li>• Established a Technician Workforce Development Board to leverage and integrate the skills and capabilities the petrotechnical technician workforce.</li><li>• Developed <a href="#">field operator competency training</a> to improve environmental, safety and operational performance through accelerated skill development.</li></ul>	<ul style="list-style-type: none"><li>• Implement recommendations of the <a href="#">Technician Workforce Development Board</a> to more effectively and efficiently utilize the technician and petrotechnical workforce.</li><li>• Deliver <a href="#">commercial skills class</a> in Equatorial Guinea for national and expatriate employees for the first time, enabling more national employees to attend.</li><li>• Begin using detailed analytics data from new integrated HR system to track progress of employee competency development and determine areas for improvement.</li></ul>



## GOVERNANCE



**We are open and honest: We hold ourselves to a high standard of business ethics and integrity through open communication and transparency in our operations.**

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### Management Approach

The Marathon Oil Board of Directors oversees the business and affairs of the Company. The board is accountable to our shareholders and directs Company management to ensure high levels of achievement for responsible operations, business ethics and integrity, corporate governance, transparency and participation in the public policy process. Our [Corporate Governance Principles](#) detail the expectations and guidelines for the functioning of the board, including independence, committee composition, new director selection, planning and oversight, compensation, retirement and resignation.

### Board of Directors Independence

We believe an independent board ensures proper oversight of the Company. Marathon Oil's Board of Directors meets the criteria for independence based on the New York Stock Exchange Listed Company Manual and our Corporate Governance Principles. Directors are elected annually and require majority voting in their election. In 2013, eight of nine directors qualified as independent and two directors (22 percent of board members) were women. Our former Chairman, President and CEO Clarence P. Cazalot Jr. announced his retirement on June 13, 2013, and remained executive chairman of the board until his retirement on January 1, 2014. Dennis H. Reilley was elected non-executive chairman of the board and Chad Deaton was elected as a director effective January 1, 2014.

Our [Corporate Governance and Nominating Committee](#) screens and evaluates director candidates to maintain an independent board, with input from the chairman of the board and the chief executive officer. Candidates should demonstrate an understanding of the financial and operational aspects and associated risks of a large global company. Marathon Oil seeks directors with diverse professional and leadership experiences that complement the existing board's makeup. They must be able to provide sound guidance on Marathon Oil's strategy, structure, assets, corporate finance, governance, ethics and issues affecting our business.

Stock ownership links the compensation of Marathon Oil directors, executives and senior managers with organizational performance. The Board believes directors should be shareholders and have a financial stake in the Company. Stock ownership guidelines for directors are contained in the Corporate Governance Principles. The [Compensation Committee](#) reviews the executive compensation program, which is designed to motivate long-term organizational and individual performance and is aligned with corporate goals and the long-term best interests of the Company. The Compensation Committee recommends a combination of base salary, annual incentives, long-term incentives and employee benefits to deliver competitive and performance-based compensation.

Executive compensation is based on quantitative metrics for operational, financial, safety and environmental performance, as well as qualitative metrics for organizational and strategic performance and individual performance. In the second full year as an independent exploration and production company, we demonstrated our ability to execute on our strategy while delivering competitive shareholder value through strong dividends and significant share repurchases. Performance-related executive compensation outcomes for 2013 included annual cash bonus payments above target levels and performance unit payouts above target. Details of executive compensation are available in the Compensation Discussion and Analysis section

of [Marathon Oil's 2014 Proxy Statement](#).

In addition, the Audit and Finance Committee is responsible for enterprise risk management, oversight of Sarbanes-Oxley and Dodd-Frank financial reform controls, and review of ethical, legal and regulatory compliance.

Interested parties, including security holders, may send [communications to the board](#) through the Secretary of the Company.

Marathon Oil respects local laws and promotes the principles of justice, fairness and equality wherever we operate. Our [Code of Business Conduct](#), compliance with applicable laws and regulations, and other business integrity practices support our efforts to uphold the rule of law.

### Progress on Our Commitments

Marathon Oil invests in education, training and resources to promote and maintain high levels of employee awareness of, and compliance with, relevant laws, regulations and policies. We foster an environment where employees feel comfortable raising concerns or issues in good faith without fear of retaliation, which helps us prevent unintentional reputational issues and other risks. Marathon Oil's commitment is to [participate in the public policy process](#) and maintain employee awareness on issues relevant to our Company and industry. We believe maintaining a voice in public policy discussions related to regulations, taxation and other issues supports our efforts to build a sustainable business.

- In 2013, Marathon Oil was active in legislative and regulatory processes at all levels of government where we have operations.
- We [hosted legislative and regulatory official tours](#) in our [Eagle Ford](#), [Bakken](#) and Oklahoma assets to increase their understanding of our business and how we conduct operations. We also continued to promote state regulation of oil and gas operations.
- To maintain our high standards, [prevent corruption](#) and ensure compliance with applicable laws, Marathon Oil updated our [Anti-Corruption Standard](#) in 2013 and conducted approximately 100 live, facilitated training sessions on the new standard for employees.
- In addition, we continue to strengthen processes and clarify responsibilities for evaluating new vendors and auditing existing vendors, and we continue to make employees aware of their accountability for interactions with vendors. When allegations of contractor or employee misconduct are received through our Business Integrity Office, [Integrity Helpline](#) or other channels, we conduct a thorough and complete investigation and take appropriate action.
- We conducted [emergency response drills](#) in the Eagle Ford Shale and the Kurdistan Region of Iraq and participated in two industry deepwater well containment exercises to ensure emergency preparedness.

As part of responsible operations, we work to continuously improve our health, environment, safety and security (HES&S) performance. In 2013, we began reviewing the elements and expectations of our Global Performance System (GPS). Recognizing that further successes in HES&S performance will result from stronger operations accountability, in 2014 we will assign accountability for individual GPS elements to corporate vice presidents. Also in 2014, we will implement a newly redesigned HES&S audit program. The new program is more fit-for-purpose and focused on high-priority areas of HES&S compliance and ongoing critical risks in our assets. During 2014, we are testing the new program in our UK operations, having a third party observe an audit in the UK, and then refining the audit program based on feedback from the third party. We believe external review will ensure we have the best possible HES&S audit program.

We remain committed to transparent payments to host governments and continue to participate in the [Extractive Industries Transparency Initiative \(EITI\)](#) by offering implementation assistance to countries where we operate. Other regulatory activities include progressing toward the finalization of the European Directive that will apply to European Union (EU) incorporated companies as well as non-EU companies that have a listing in the EU.

## BUSINESS ETHICS

Marathon Oil's assistant general counsel for governance, compliance and regulatory affairs is the chief compliance counsel and leads our Business Integrity Office. He is accountable to the Board of Directors for the Company's compliance with its policies and provides an annual report of activities to the Audit and Finance Committee.

The Code of Business Conduct articulates our commitment to high ethical standards and reinforces prompt and consistent actions to maintain these standards. The Code applies to every employee, manager, officer and director of Marathon Oil.

The Company raises awareness of ethics and integrity as a core value through training. Ethics training for new employees is required, and biannual computer-based training or supervisor facilitated ethics training on selected topics is required of all employees.

### Integrity Helpline

One of Marathon Oil's resources for promoting ethics and integrity is the confidential Integrity Helpline. Employees, vendors, contractors and the general public can use the Helpline to anonymously report suspected unethical or illegal activity. The Code of Business Conduct prohibits retaliation against an employee who reports concerns in good faith. This resource is available at all times and in several languages via phone (1.877.713.8314) or online (<https://www.integrity-helpline.com/MarathonOil.jsp>). The Business Integrity Office coordinates the resolution of all calls, which may include the involvement of Audit, Law, Human Resources, HES&S and department management.

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## **PREVENTING CORRUPTION**

Marathon Oil opposes corruption in any form. Wherever we do business, the Company and our wholly owned and majority-owned subsidiaries strive to comply with all applicable laws aimed at preventing corruption, including the U.S. Foreign Corrupt Practices Act (FCPA) and United Kingdom Bribery Act. In 2013, Marathon Oil updated our Anti-Corruption Standard to incorporate new developments in applicable anti-corruption laws and regulations. We use a risk-based approach to anti-corruption training and conducted approximately 100 live, facilitated training sessions on the new Anti-Corruption Standard for employees.

We have a comprehensive annual anti-corruption compliance audit program that covers our operations outside of the U.S. and outside-operated interests in non-OECD countries.



## TRANSPARENCY OF PAYMENTS

Transparent reporting of revenue flows from oil and gas production is an important vehicle for combating bribery and corruption. We believe that the [Extractive Industries Transparency Initiative \(EITI\)](#) strengthens governance, fosters stakeholder cooperation, aids development of civil society and assists in managing risk. The Company has participated in the EITI process since 2004 in various locations, and we continue to support transparency and to communicate our aggregated payments to governments.

Several countries in which Marathon Oil has operations are in various stages of EITI implementation. [Norway](#) and [Iraq](#) (including the Kurdistan Region) are EITI-compliant countries. In 2013, activities progressed to further the EITI reporting process in the U.S., and Ethiopia submitted an application to become an EITI candidate country. Marathon Oil accepted an invitation to sit on a multi-stakeholder group in Equatorial Guinea, referred to as the National Commission, which, once formed, will oversee implementation of the EITI as the country works toward readmission. The Minister of Mines, Industry and Energy was appointed president and the Director General of the EITI was appointed secretary of the National Commission. Marathon Oil nominated two employees to this group and continues to actively pursue the initiative.



In addition, we are monitoring transparency initiatives in the European Union and within EITI.

## PUBLIC POLICY AND POLITICAL CONTRIBUTIONS



Marathon Oil promotes sound, fact-based public policies that encourage responsible energy development and allow us to contribute to economic progress while building a sustainable business. We believe that a collaborative spirit is required to resolve issues facing our industry, communities and society.

We want Marathon Oil to have a voice in regulatory and legislative decisions that affect our business. Our commitment is to participate in the public policy process on issues relevant to our Company and industry. The challenge is to meet or surpass legal and regulatory requirements while maintaining the ability to operate cost-effectively, add value for shareholders and offer competitive employment opportunities. We also want to preserve our ability to have a positive impact on communities where we operate and to protect the environment.

### Working with Regulators and Policy Makers

Marathon Oil believes that U.S. state governments are best positioned to formulate and enforce regulation of oil and gas operations because they have a better understanding of local and regional physical characteristics, conditions and needs. Additionally, some proposed federal regulations are duplicative or conflict with existing state regulations. If enacted, the proposed federal regulations would slow economic development.

To encourage constructive oversight, our employees meet with regulators and policy makers to share technical and operational information and discuss potential government actions and policies. We work with stakeholder groups and industry to propose mutually acceptable solutions that address concerns.

Marathon Oil continues to work with U.S. federal, state and local legislative and regulatory agencies on issues affecting our significant holdings in unconventional resource plays. In 2013, we hosted tours of our Eagle Ford, Bakken and Oklahoma operations for legislative and regulatory officials to increase their understanding of our business.

In addition, Company subject matter experts in hydraulic fracturing, well integrity, drilling, completions, safety practices and water management review proposed regulations and legislation, provide testimony to legislative bodies and participate in industry working groups.

In 2014, we will focus on promoting responsible, state-based regulation of hydraulic fracturing; safe and reliable infrastructure; tax regimes that encourage investment; regulations that promote clean air and water while enabling energy development; and reliable permitting processes.

### Managing Shale Development Impacts

Marathon Oil is engaged in multi-stakeholder initiatives to proactively manage the benefits and challenges of rapid growth in

the Eagle Ford and Bakken shale plays. While oil and gas activity contributed more than \$61 billion of economic impact to South Texas in 2012,\* the Company and our industry recognize that this development causes stress on schools, health services, law enforcement, traffic and other infrastructure and services. Marathon Oil took a leadership role in forming the nonprofit [South Texas Energy and Economic Roundtable \(STEER\)](#), which facilitates effective collaboration among industry, local officials, regional stakeholders, academia, area residents and community members.

In 2013, STEER met with water boards, county commissioners, Chambers of Commerce, elected city officials and key stakeholders throughout South Texas. Working with the Alamo Area Council of Government, STEER assisted in developing and distributing a survey for an air emissions study made possible by a grant from the Texas Commission on Environmental Quality. Through STEER, Marathon Oil participated in the Be Safe/Drive Smart Campaign, a partnership with the Texas Department of Transportation and Department of Public Safety aimed at reducing vehicle accidents.

### **Political Contributions**

In 2013, Marathon Oil contributed \$23,375, where allowed by law in the U.S. and Canada, to candidates, political party organizations and political action committees. Contributions are made to candidates who support responsible energy development and are based solely on a candidate's position on business issues.

Employees may contribute to candidates for U.S. federal and state elected office through the Marathon Oil Company Employees Political Action Committee (MEPAC). In 2013, MEPAC donated approximately \$235,000 to 83 candidates, political party organizations and political action committees. MEPAC is registered with the U.S. Federal Election Commission (FEC) and complies with all FEC, state and local rules and reporting requirements. Our donations to candidates and political action committees at the state and local level in Texas are made through the Marathon Oil Company Political Action Committee of Texas (MOCPAC-TX). In 2013, MOCPAC-TX donated approximately \$37,000 to 23 candidates and political action committees. MOCPAC-TX is registered with the Texas Ethics Commission and complies with all Texas rules and reporting requirements.

Our policy is to comply with all federal, state and local lobbying and ethics laws and related reporting obligations. Marathon Oil does not disclose memberships in, or payments to, trade associations, or the portions of such payments used for lobbying. The Company's expenditures on direct federal lobbying activities, which totaled approximately \$5.23 million in 2011 and 2012, are publicly disclosed and available on the websites of the Office of the Secretary of the U.S. Senate and the Office of the Clerk of the U.S. House of Representatives.

\*UTSA Economic Study

## EMERGENCY PREPAREDNESS AND RESPONSE CAPABILITIES



As part of good governance, Marathon Oil conducts our business with high standards for responsible operations. We work to prevent emergency situations through operational excellence, but recognize that incidents can and do happen. We maintain comprehensive preparedness and response capabilities, even as our operations expand. Events that present a risk to Marathon Oil include natural disasters like hurricanes or earthquakes, security-related incidents like civil unrest, and operational disruptions that may result in injuries, spills, fires or explosions.

To respond aggressively and in cooperation with all relevant stakeholders when an emergency situation arises, Marathon Oil:

- Maintains response teams at the local, regional and corporate levels, including the Corporate Emergency Response Team (CERT) that operates under the authority of our executive-level Crisis Management Team.
- Maintains a network of response contractors and consultants.
- Conducts annual training, drills and exercises with government agencies and key stakeholders.
- Participates in industry associations to share lessons learned and drive improvements.
- Employs a corporate Emergency Preparedness Group with professionals dedicated to full-time preparedness training, drills and industry participation.

### 2013 Emergency Preparedness Drills

To ensure readiness for a large-scale incident, Marathon Oil held our annual CERT exercise in our South Texas Eagle Ford asset in October 2013. The exercise in Floresville, Texas, simulated a hurricane in the Gulf of Mexico that impacted several operational areas and facilities. The scenario exercised the facilities emergency response and spill response plans.

Local and regional emergency response team members started and managed the simulated response and then transitioned management to the CERT, using the unified command process for overall coordination. Approximately 150 people participated in the exercise, including employees, government agency personnel, consultants, specialists and personnel from contract response companies.

In addition, every Marathon Oil asset conducted an emergency drill with its region-level response team in 2013. Our international response team conducted a drill in Rotterdam, The Netherlands, simulating a midstream incident with participation of a shipping company and the Netherlands Coastguard.

Our planned 2014 CERT exercises are as follows:

- Deepwater oil spill response drill in the Gulf of Mexico involving regulatory agencies, the asset Incident Management Team and Marathon Oil's CERT Emergency Strike Team.
- Onshore spill response drill in the Kurdistan Region of Iraq, involving the local Incident Management Team and Marathon's CERT International Emergency Strike Team.

### **Deepwater Source Control and Spill Response Capabilities**

To ensure our capabilities for oil spill response, Marathon Oil holds memberships in [Oil Spill Response Limited \(OSRL\)](#), [Clean Gulf Associates \(CGA\)](#), the National Response Corporation (NRC) and other response organizations. In the area of deepwater drilling source control, we are a founding member of the [Helix Well Containment Group \(HWCG\)](#), a Gulf of Mexico mutual aid organization that employs deepwater technical and equipment assets of member operating oil companies and deepwater service providers.

In addition, Marathon Oil joined the [International Association of Oil & Gas Producers \(OGP\)](#) Subsea Well Response Project, an international deepwater source control project modeled after the HWCG. During 2012-2013, OGP handed this project off to OSRL, which subsequently formed OSRL Capping Limited to operate the project's incident response bases in Singapore, Norway, South Africa and Brazil to cover deepwater drilling operations around the world. We also joined the new OSRL Global Dispersant Stockpile project, an add-on to OSRL Capping Limited.

### **Industry Response Associations**

We participate in the oil spill working groups of the American Petroleum Institute (API) and IPIECA, the global oil and gas industry association for environmental and social issues. This allows us to be part of the regulatory and technical development processes for new and innovative response techniques worldwide.

In North Dakota, Marathon Oil was a leader in establishing Sakakawea Area Spill Response, LLC, to respond quickly and comprehensively to an open water spill in the upper Missouri River and Lake Sakakawea region. Member oil, gas and pipeline operators share and deploy emergency response and spill containment equipment and resources in the event of a spill. In addition, the group collects, maintains and updates mutual aid information, and trains member company employees on spill control and response. These preparedness measures are designed to protect the area's water resources.

In the Kurdistan Region of Iraq, Marathon Oil was the catalyst to form a new industry spill response cooperative, operated by the National Response Corporation (NRC). As the Kurdistan Region of Iraq is a new exploration area for the global oil and gas industry, NRC will provide vitally needed oil spill response capability to all operators in the area.

## CORPORATE SOCIAL RESPONSIBILITY OVERSIGHT

Marathon Oil has a Health, Environmental, Safety and Corporate Responsibility (HES&CR) Committee of the Board of Directors whose responsibilities include:

- Identifying, evaluating and monitoring health, environmental, safety, social, public policy and political trends, issues and concerns that could affect the Company's business activities and performance.
- Analyzing our global reputation and developing recommendations to strategically position the Company to support our business objectives.
- Developing recommendations to the Board for formulating and adopting policies, programs and practices concerning health, environmental, safety, social, public policy and political issues.
- Reviewing and approving the report on corporate social responsibility (CSR).

At the corporate level, the Corporate Alignment Decision Board or Operations Committee handles issues related to HES&S policy, strategy and performance reviews, and maintains awareness of legislative and regulatory activities that could impact the Company's performance.

CSR is fundamental to Marathon Oil's ability to do business in any community. We look beyond our office walls and operational facilities to consider how our decisions, actions and operations affect others, and how we can address our stakeholders' critical needs.

Marathon Oil's CSR processes and activities are integrated into business planning, asset-level operations and HES&S Management Systems. Under this model, all CSR activities are managed through the Company's [Global Performance System](#) (GPS) process. Asset teams establish CSR activities that align with Marathon Oil's commitments and their operational goals, and assess the HES&S and social risks and objectives associated with these activities. As part of this assessment, business units determine the support they need from our corporate HES&S function, which subsequently evaluates execution of CSR activities in the auditing process.

During 2013, we conducted a gap analysis around CSR implementation to assure continued integration of social performance into our management system and local operations. During 2014, we will continue to work on the identified gaps with particular focus on the development of a process to formally manage external stakeholder concerns.

Marathon Oil's [Corporate Responsibility policy](#) includes 12 principles that continue our commitment to our values, complement the Code of Business Conduct and drive continuous improvement. These principles are incident prevention, environmental stewardship, communities, security, emergency preparedness, risk assessment, legislative and regulatory compliance, training and education, contractor performance, measurement of performance, continuous improvement and communication.



## SOCIETY



**We are community partners: We build stronger communities by developing relationships with our stakeholders and by investing our time, talent and resources.**

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### Management Approach

Marathon Oil has an uncompromising focus on our core values to protect our license to operate and drive business performance. We fulfill our commitments to communities and society through stakeholder engagement, collaborative partnerships, and ongoing monitoring and evaluation to understand our operational impacts. We have an assessment process to identify potential risks and impacts before and during our operational activities. Engagement and assessment inform our understanding of potential social and economic concerns, priorities, existing issues and opportunities.

### Progress on Our Commitments

Marathon Oil's commitment is to work with stakeholders to understand how our operations impact local communities.

- During 2013, we conducted a gap analysis around CSR implementation to assure continued integration of social performance into our management system and local operations. During 2014, we will continue to work on the identified gaps with particular focus on the development of a [process to formally manage external stakeholder concerns](#).
- Based on an operations risk assessment in the Mirawa area of the [Kurdistan Region of Iraq](#), Marathon Oil implemented a community safety plan and voluntary temporary resettlement prior to drilling an exploration well in summer 2013. The purpose of the resettlement, which followed the International Finance Corporation (IFC) resettlement guideline, was to mitigate safety risks during drilling for approximately 200 residents living within 1 kilometer of the drilling site. We engaged with community leaders and residents to implement the plan. Marathon Oil continues to assess drilling risks and take steps as needed to protect people who live near our drilling operations.
- Our asset in the [Kurdistan Region of Iraq](#) also developed grievance guidelines and in 2014 will use the system to ensure grievances are tracked and resolved in a timely manner.
- We continued to [engage with communities, industry and all levels of government](#) in our areas of operations. By participating in the [South Texas Energy and Economic Roundtable \(STEER\)](#), [North Dakota Petroleum Council](#), [Petroleum Association of Wyoming](#), [Montana Petroleum Association](#), [Colorado Oil and Gas Association](#) and other organizations, we seek ways to manage the potential benefits and impacts of industry activities in communities.

We are also committed to partnering with community organizations to develop and support projects that address existing social issues related to education, health and the environment.

- Education is Marathon Oil's primary area of social investment and philanthropy. To ensure our contributions are effective, in 2013 Marathon Oil analyzed our funding for all levels of education. Based on an assessment of our [Integrated Education Funding Model](#), we committed to strengthen our support for K-8th education and for teachers. We also established the [Marathon Oil Diversity Scholarship](#) program at three U.S. universities to align our funding strategy with our goal to hire a diverse workforce.
- Marathon Oil donations totaling \$250,000 have enabled the Houston Zoo to significantly expand its [online interactive distance learning program](#) to reach schoolchildren across the Houston area. With the initial contribution in 2010, the zoo upgraded its technology to allow students to view real-time animal behavior, zoo activities and conservation



messaging from their classrooms. More than 19,000 students in grades K-7 have participated in the program that takes them around the globe without leaving the classroom.

- In 2013, we commemorated the 10th anniversary of the life-saving [Bioko Island Malaria Control Project \(BIMCP\)](#) in [Equatorial Guinea](#) and, along with our project partners, agreed to extend the BIMCP through 2018. The five-year extension supports continued use of standard anti-malaria control measures while the BIMCP and Equatorial Guinea participate in researching a promising vaccine designed to block the transmission of malaria. In 2014, we will participate in a trial to test the vaccine's safety and conformity with international scientific standards.
- Our [health and human services](#) partnerships focus on educating our employees and communities about the major causes of death in the U.S. and other western operating areas: heart disease, stroke and cancer. In partnership with the [American Heart Association \(AHA\)](#), Marathon Oil supported fundraising activities, heart health educational programs in schools and cardiopulmonary resuscitation (CPR) courses for our employees. In addition, we contributed \$600,000 of a \$3 million multiyear pledge to the [MD Anderson Cancer Center Moon Shots](#) program in 2013 to accelerate the end of eight major cancers.
- Due to the conflict in neighboring Syria, approximately 215,000 Syrians are now registered refugees in the Kurdistan Region of Iraq. Marathon Oil participated in the Kurdistan Regional Government (KRG) Ministry of Natural Resources' Kurdistan Oil and Gas Humanitarian Initiative by donating \$500,000 to the [American Red Cross](#) for Syrian refugee humanitarian relief in 2013. The Kurdistan Regional Government provides a "dollar for dollar" match for any contributions from the oil sector.

Marathon Oil is committed to managing security activities in a responsible and ethical manner in accordance with the best practices associated with the Voluntary Principles on Security and Human Rights.

- In 2013, we conducted a [gap analysis of our security and human rights program](#) as part of implementation of the Voluntary Principles on Security and Human Rights. Subsequently, we better integrated human rights issues in all [security training programs](#). In 2014, we will provide scenario-based training to our contract and proprietary guard force personnel worldwide.
- Marathon Oil helped create a task force for responsible security within IPIECA to share best practices for security and human rights among all members.
- We continue to integrate security and social risk assessments into other processes to ensure consistency and efficiency. In 2014, we will integrate them into the environmental impact assessments (EHSIA) framework to create a single impact assessment for social, security, environmental, health and other risks.

## STAKEHOLDER ENGAGEMENT



Proactive, ongoing dialogue to maintain effective relationships with people who may have a stake in our projects or operations is a core business activity for Marathon Oil. Stakeholder engagement strengthens our ability to access new resources, operate efficiently and avoid project delays. Our commitment is to work with [stakeholders](#) to understand how our operations impact local communities. To understand concerns, priorities and opportunities, we engage with local residents, local and regional governments, industry, business partners, nonprofit organizations and nongovernmental organizations. We also share our values and operational standards.

Using our risk assessment process, Marathon Oil identifies possible social risks and opportunities, evaluates their relative significance and sets priorities. The priorities also suggest potential stakeholders. Local project teams are encouraged to develop and implement formal stakeholder engagement programs for consistent and transparent dialogue around our activities; to continuously solicit feedback; and to validate our understanding of stakeholder concerns and priorities.

Our challenge is to engage an increasing number of stakeholders with different needs and expectations in new and existing asset areas. Across our operations in 2013, we engaged a variety of stakeholders on road safety, water management, air emissions, product transportation, shale development, capacity building, education, public health and other issues.

In 2014, we will further integrate social considerations into the HES&S Management System and formally capture stakeholder issues to help us to effectively track, trend and resolve concerns.

Stakeholder engagement was essential to the community safety plan and voluntary temporary resettlement we implemented during the drilling of an exploratory well in the Mirawa area in the [Kurdistan Region of Iraq](#) in 2013. The plan and resettlement mitigated potential safety risks identified in an operations risk assessment prior to drilling the well. Marathon Oil engaged with community leaders and residents to implement the plan. We continue to assess drilling risks and take steps as needed to protect people who live near our drilling operations.

## SOCIAL INVESTMENT



Marathon Oil wants to be a positive influence in the communities where we operate and to contribute to their long-term viability. Our commitment is to partner with community organizations to develop and support projects that address existing social issues related to education, health and the environment. As part of our strategy, we promote responsible community interactions and provide direction to operating units on building sustainable programs. We frequently collaborate with business partners, nonprofit organizations and others on social investment programs.

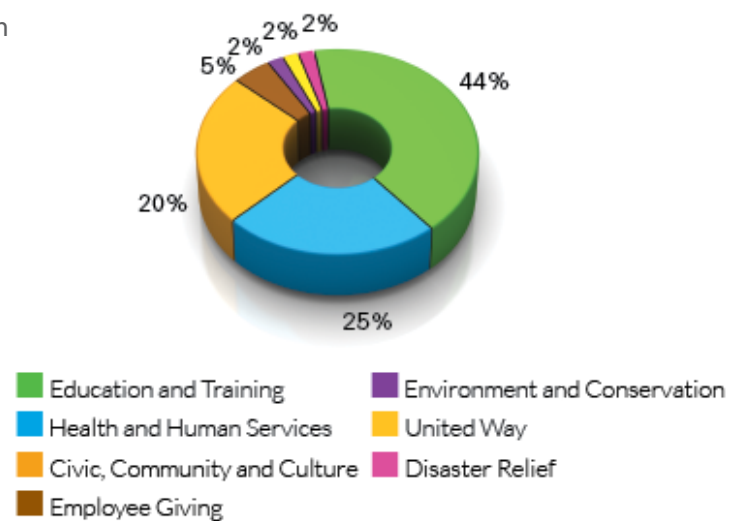
In addition, risk assessments and ongoing stakeholder engagement drive development of our corporate social responsibility plans and programs. The Company emphasizes capacity building to ensure local capabilities are in place to sustain social programs beyond our initial investment and involvement. We have employed participatory consultation to enable local communities to organize and assess their own needs, and offered training, materials and support so ultimately they can manage social projects independently.

Philanthropy is a part of Marathon Oil's business and corporate social investment strategies. We use stakeholder data to identify innovative nonprofit programs that align with our business goals, broad objectives and strategies, and community needs. We support nonprofit organizations that focus on education and training, health and human services, and protecting and conserving natural resources, habitats and environments.

Education at all levels is Marathon Oil's primary area of social investment and philanthropy. To ensure our contributions are effective, in 2013 Marathon Oil analyzed our funding for all levels of education in the U.S. Based on an assessment of our Integrated Education Funding Model, we committed to strengthen our support for K-8th education and for teachers. We piloted the [Reasoning Mind Program](#) to improve mathematics education and a [League of United Latin American Citizens \(LULAC\)](#) science, technology, engineering and math (STEM) initiative in our [Eagle Ford](#) operating areas. In 2014, we will evaluate expanding Reasoning Mind to two or three additional school districts in the Eagle Ford, as well as

### Marathon Oil Social Investments by Giving Area

Total Social Investments: \$30.7 million\*



\* Total Philanthropic Giving: \$10.9 million in corporate giving and \$1.6 million in employee giving; Total Sustainable Investments: \$18.2 million.

identify several core educational initiatives to address gaps identified in the 2013 study.

In the [Kurdistan Region of Iraq](#), in 2013 we provided backpacks and school supplies for approximately 2,300 children in three villages near our drilling operations and 28 primary schools in other operating areas. We also sponsored an eight-month program to foster literacy and improve basic skills for 243 adults living in a rural area. We will continue funding these activities in 2014.

Marathon Oil strives to work with local leaders to advance important public health initiatives that promote the common good and protect the public. Our main social responsibility program for health is the Bioko Island Malaria Control Project (BIMCP) in Equatorial Guinea. In its first 10 years, the BIMCP reduced the rate of malaria transmission 70 percent in children 2 to 14 years old, while deaths of children under age 5 declined 65 percent. In 2013, Marathon Oil and our BIMCP partners signed an agreement to extend the project for five more years to continue the progress toward eliminating malaria on Bioko Island. In addition, the BIMCP and [Equatorial Guinea](#) will play a role in trials of a promising vaccine designed to block the transmission of malaria. In addition, we rehabilitated two health centers and the Malabo Hospital emergency room in 2013.

As stewards of the environment, Marathon Oil supports environmental projects in our areas of operations, such as removal of invasive Russian olive and habitat enhancement in Wyoming in partnership with The Nature Conservancy. We also partner with the University of Wyoming Renewable Resources Department, U.S. Forest Service, Wyoming Game and Fish Department and nonprofits for [Friends of a Legacy \(FOAL\)](#). This program benefits the McCullough Peaks Wild Horses through water conservation, augmentation and range management strategies to offset the reduced availability of surface water. In addition, Marathon Oil was the corporate sponsor for a [Restore America's Estuaries \(RAE\)](#) community-based habitat restoration program in Fourchon, Louisiana, in 2013. Employees from our Gulf of Mexico operations joined other volunteers to plant 14,000 native plants in a beach area eroded by tropical weather systems. RAE preserves the network of estuaries in the U.S. by protecting and restoring the lands and waters essential to the richness and diversity of coastal life.

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## LOCAL CONTENT: WORKFORCE INTEGRATION



Marathon Oil aims to develop workforces that reflect the communities where we have operations. This assists us in building relationships and generating valuable social and economic contributions locally. Since entering the [Kurdistan Region of Iraq](#) in 2010, Marathon Oil and our subcontractors have provided jobs for approximately 500 people from communities within our operating area. In [Equatorial Guinea](#), we employ almost 700 Equatoguineans in our operations.

In some Marathon Oil operating areas, we develop training and workforce integration programs and may also provide opportunities through educational and vocational programs to build workforce capabilities. For example, ongoing recruiting, training and development efforts in Equatorial Guinea have helped us increase the percentage of national employees in our workforce to 71 percent.

We provide scholarships for students from Equatorial Guinea to study at universities in the U.S. and Malaysia and for students from the [Kurdistan Region of Iraq](#) to study at a U.S. university. We also have national interns who shadow employees in our Equatorial Guinea facilities to learn on the job. The intent is for these students and interns to obtain degrees in engineering, geosciences or geology, and then return to build the oil and gas industry in their home country.

In the U.S., two-year community colleges are a pipeline of potential workers for Marathon Oil and our industry. We provide technical expertise to develop petroleum operator-related curricula at four community colleges that serve our South Texas [Eagle Ford](#) operations and three community colleges that prepare North Dakota students for jobs in the [Bakken Shale](#). In Oklahoma, 13 employees teach petrotechnical courses at two technology centers collaborating with the Oklahoma Energy Resources Board (OERB) on the PetroTech Certification Program. Marathon Oil has hired program participants as interns.

## LOCAL CONTENT: PROCUREMENT



Marathon Oil seeks suppliers that share our commitment to safety, environmental stewardship, ethical business conduct, sound labor practices and human rights. Contracts address our expectations for aligning with Marathon Oil values, adhering to our policies and complying with all relevant export laws and regulations, including the U.S. FCPA, UK Bribery Act and other applicable anti-corruption laws.

Vendors are evaluated and approved before we begin working with them. Those that provide personnel for safety-sensitive work in North America must register with [ISNetworld](#), a global online resource to manage, evaluate and qualify contractors. In 2013, we took steps to better identify potential FCPA concerns with new vendors during this evaluation process.

In addition, we seek out suppliers that represent our diverse customer base, while assuring products and services are acquired competitively. Our supplier strategy includes capacity building, training, education, certification tracking and outreach.

Marathon Oil has ongoing programs to increase local content in [Equatorial Guinea](#) and the [Kurdistan Region of Iraq](#) and has increased local procurement to support our operations. Items we procure from local suppliers include furniture, diesel, personal protective equipment, office consumables, tires, fresh produce and vehicles. We also procure services such as engineering, construction, labor, training, landscaping and customs brokerage from suppliers in Equatorial Guinea and the Kurdistan Region of Iraq.

To extend the life of our Alba asset in Equatorial Guinea, we are installing new compression facilities into the existing offshore infrastructure. The main project scopes are a greenfield component to build the new offshore compression platform and a brownfield component to link the new platform into the existing Alba offshore infrastructure. For the greenfield component, the bridge and flare structures for the new platform are being built in Equatorial Guinea. For the brownfield component, we awarded the engineering contract and a subsequent contract for project procurement to a West African engineering company associated with a global provider. This is the first time Marathon Oil has hired a regional company for engineering work in Equatorial Guinea; previously, engineering and procurement for Equatorial Guinea were managed from our corporate headquarters in Houston, Texas. Brownfield items such as piping spools and structural steel modifications are being fabricated in Equatorial Guinea. In addition, two Equatoguinean engineers are working alongside Marathon Oil employees and contractors on the Alba compression project in our Houston office.

Our liquefied natural gas (LNG) production facility, EG LNG, promotes sustainable development and growth of small and medium sized business enterprises in [Equatorial Guinea](#). EG LNG provides education and training for these businesses and encourages national companies to supply goods, materials and services. EG LNG has engaged local service companies to

maintain the plant construction jetty, portable toilets and the heating, ventilation and air conditioning (HVAC) system. The plant also promotes and implements activities within Equatorial Guinea that improve the quality of life and attempts to combine these efforts with economic development. For example, EG LNG has used national companies for all the work on community projects such as renovating and building schools and sports facilities and building water wells.

Our procurement staff continues to hold conferences and meetings in Equatorial Guinea to inform suppliers of opportunities to work with Marathon Oil, explain the procurement process and answer questions. In 2014, we have assigned additional staff to focus on increasing local content.

In the U.S., Marathon Oil procures products and services from Minority or Women Owned Business Enterprises (MWBEs). To identify and build relationships with local suppliers where we have operations, we have shifted to registering with local MWBE organizations, instead of regional and national groups. In 2013, Marathon Oil spent approximately \$294 million on goods and services from MWBEs in the U.S. This included \$205 million with MWBEs in the South Texas [Eagle Ford](#) region, where we have a high level of activity and spending, and approximately \$55 million with American Indian suppliers in the North Dakota [Bakken Shale](#) region.



## SECURITY AND HUMAN RIGHTS

Marathon Oil strives to respect the human, cultural and legal rights of individuals and communities where we operate and throughout our business relationships. We also work to prevent abuses and to advance human rights in the communities where we operate. This commitment stems from the [United Nations Universal Declaration of Human Rights \(UDHR\)](#) and the [International Labor Organization's \(ILO\) Declaration on Fundamental Principles and Rights at Work](#).

Our commitment to the UDHR is underscored through our participation in the Voluntary Principles on Security and Human Rights since 2005. This international initiative guides extractive companies in maintaining the safety and security of their operations globally within a framework that ensures respect for human rights and fundamental freedoms. Before entering new countries, Marathon Oil conducts risk assessments covering security and social risks associated with our business activities. The identified risks drive potential security and community liaison staffing, budgeting and specific mitigation measures. Marathon Oil implements the Voluntary Principles in locations where we have operating responsibility and identified risks. We have specific guidelines for conducting risk assessments, interacting with public security and managing contract security. In non-operated locations, Marathon Oil works with business partners to promote awareness of the Voluntary Principles.

To reduce the likelihood and mitigate the potential impact of human rights abuses, we promote awareness of security and human rights issues during routine meetings with host government political officials, members of public security forces, security vendors and with local communities.

Our commitment is to manage security activities in a responsible and ethical manner in accordance with the best practices associated with the Voluntary Principles. In 2013, we conducted a gap analysis of our security and human rights program, working with former Red Cross staff, external legal counsel, international nongovernmental organizations (NGOs) and other Voluntary Principles implementers. This resulted in revamping our annual training program for security personnel to incorporate ethical, legal and operational aspects through the use of scenarios and practical exercises. Training is mandatory for Marathon Oil managers with security oversight responsibilities and for all security personnel. All Marathon Oil asset security managers completed the new one-week training course in Houston, Texas, on security and human rights. We will provide this training and launch the new vetting program for all proprietary and contract security personnel in 2014. In addition, Marathon Oil helped create an IPIECA task force on responsible security to develop best practices for security and human rights and corresponding training.

In 2013, Marathon Oil also provided training on security and human rights to security personnel in [Equatorial Guinea](#) and awareness briefings to public security liaisons. In the [Kurdistan Region of Iraq](#), private and public security providers received security and human rights training during initial Marathon Oil site orientation and emergency response drills.

The Company is developing a security and human rights verification program incorporating nine facets: governance, risk assessments, managing relationships with host country security forces, security vendor/provider due diligence, personnel selection and vetting, training, community engagement, incident reporting and investigation, and audit. We have engaged with several NGOs to assist in the review and improvement of our program.

## GRIEVANCE SYSTEM

Marathon Oil provides processes for employees, contractors and members of the public to report grievances or violations of our [Code of Business Conduct](#), including incidences of non-compliance, discrimination, workplace harassment and violence, and safety, health and environmental concerns. The Code prohibits retaliation against an employee who reports concerns in good faith. In addition, internal and external parties can call the [Integrity Helpline](#) at any time to anonymously report suspected unethical or illegal activities.

For third parties as well as employees, Marathon Oil provides a [Policy for Whistleblower Procedures](#) for reporting concerns related to accounting, internal accounting controls or auditing matters. The Audit and Finance Committee of the Marathon Oil Board of Directors established these procedures for receiving, retaining and treating these concerns raised through confidential, anonymous submission through a variety of means.

We believe an inclusive workplace promotes an open exchange of ideas that creates value and supports profitable, sustainable growth for Marathon Oil. We reinforce a culture of treating fellow employees with dignity, respect and fairness. If issues arise, we encourage employees to work directly with their supervisors and management to resolve them. Confidential reporting resources are available through Human Resources, Audit, HES&S, Law and Business Integrity.

In our asset in the Kurdistan Region of Iraq, Marathon Oil developed a system that tracks and resolves grievances.

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## ENVIRONMENT



We are environmental stewards, who responsibly grow and improve our business by effectively applying best-in-class technologies, training, and processes to minimize our environmental impact.

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### Management Approach

Marathon Oil has a long-standing commitment to environmental stewardship and continuous improvement in our environmental performance. To produce energy responsibly, while expanding our operations to meet growing global demand for energy, we work to understand and manage our environmental risks. Our efforts include using natural resources efficiently and actively managing potential impacts on the environment.

Consistent with the [Global Performance System \(GPS\)](#) management system, we strive to eliminate or reduce the environmental impact of our operations by developing sound practices for [emissions](#), [water](#) and [waste management](#) at the regional and local levels. We work to continuously improve our understanding of regulatory requirements as well as our procedures and tools to identify, record, understand and comply with applicable laws, regulations and Company policies. As part of this effort, we are committed to developing and implementing more robust environmental compliance assurance systems, processes and tools during 2014.

In addition, each Marathon Oil asset conducts annual risk assessments. This involves systematically analyzing and addressing their unique environmental risks, determining the need for controls, and establishing performance objectives and action plans to mitigate those risks and to meet our corporate-level commitments. Based on these assessments, Marathon Oil employs environmental management strategies and processes to, at a minimum:

- Ensure compliance with all applicable regulations or, in the absence of fully developed regulatory regimes, with World Bank Standards.
- Encompass geographic diversity, operational needs and resource availability, applicable regulatory requirements and other local considerations.
- Identify and prioritize significant sources of air emissions, waste generation and water use.
- Systematically identify, evaluate and implement potential emissions or waste reduction options, technological solutions to use alternatives to fresh water, and spill prevention measures.
- Systematically track and report environmental performance data and management practices to internal and external stakeholders.

### Progress on Our Commitments

Marathon Oil's continuing commitment is to reduce spills and releases, minimize waste and promote water management, conservation and [biodiversity](#). We strive for an incident-free workplace and look to implement best management practices (BMPs) to reduce the impact of oil and gas production throughout our operations. During 2013, we achieved the following:

- Developed a consolidated Environmental Management Program Standard to drive more consistent, regular evaluation and implementation of measures to reduce emissions, water use, waste and spills. The standard, which expands the scope and level of data that is internally tracked and reported to promote enhanced understanding and oversight of environmental performance across the Company, is being implemented during 2014.

- Continued addressing concerns associated with the [hydraulic fracturing](#) process, including water use and potential water contamination. We continued to voluntarily report fracturing fluid components for all wells drilled and hydraulically fractured in the U.S. in the [FracFocus](#) chemical disclosure registry. Through December 2013, Marathon Oil entered data for a total of 1,048 wells into the database. To address concerns about well integrity, Marathon Oil participated in drafting and commenting on the new API recommended practices for hydraulic fracturing. For detailed discussions of our efforts, see: [emissions overview](#), [water management](#) and [hydraulic fracturing](#) operations.
- Internally reported and investigated every [spill](#) to manage risk proactively, which can lead to more effective measures for preventing environmental incidents. Tools for reporting and investigation included our internally developed [Event Reporting and Management Standard](#) and Synergi software to report spills and track corrective actions more consistently. Synergi consolidates reporting for water, waste, air, injuries, illnesses, near misses, security and reliability incidents and audit data. Data is integrated for up-to-the-minute analysis.

## AIR EMISSIONS MANAGEMENT

Marathon Oil recognizes the concern over global greenhouse gas (GHG) emissions and local air emissions. As a founding and continuing partner in the U.S. Environmental Protection Agency's (EPA) [Natural Gas STAR](#) and [Natural Gas STAR International](#) Programs, Marathon Oil strives to reduce the emission intensity and increase the energy efficiency of our operations. Our corporate strategy for minimizing air emissions relies on each asset evaluating their air emissions, identifying and prioritizing significant sources, and developing emissions reduction plans tailored to their specific operations.

We are focused on reducing our methane emissions as a means of reducing GHG emissions. According to the U.S. President's Climate Action Plan, released in March 2014, methane makes up nearly 9 percent of all greenhouse gases emitted as a result of human activity in the U.S. Main sources of human-related methane emissions are agriculture (36 percent), natural gas systems (23 percent), landfills (18 percent), coal mining (10 percent), petroleum systems (6 percent) and wastewater treatment facilities (2 percent).

### 2013 Air Emissions Performance

Marathon Oil continuously evaluates air emission reduction strategies and technologies for new and existing operations, and we are becoming more efficient in our operations. In 2013, we achieved a 5 percent reduction in our corporate GHG emissions, 13 percent reduction in our GHG emission intensity, and 7 percent reduction in our [methane emission intensity](#) compared to 2012. In North America, our overall GHG emissions dropped by 10 percent in our Mid-Continent asset and by 35 percent in our Wyoming asset from 2012 to 2013.

While GHG emissions in the South Texas Eagle Ford increased by approximately 29 percent from 2012 to 2013, we reduced our overall GHG emission intensity by 40 percent and methane intensity by 26 percent while more than doubling our production from the asset. Our use of central facilities to process more production was a contributing factor in this reduction. By routing the production of most wells through central facilities, we make our operations more efficient, and reduce air emissions and the overall land footprint of our operations.

Our methane emission intensity also dropped in all four of our onshore U.S. assets during 2013, including a 13 percent intensity reduction in the Mid-Continent Asset Team (MCAT), our sole natural gas-focused asset. MCAT's methane emissions, which accounted for more than 40 percent of our Company-wide methane emissions in 2013, are largely driven by pneumatic devices. Pneumatic controllers have been identified as a focus area for MCAT, and opportunities for the reduction of methane emissions from pneumatics will be evaluated in 2014.

## ENVIRONMENT METRICS

### Total GHG & Methane Emissions

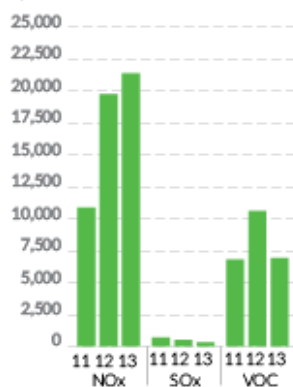
Million Tonnes CO<sub>2</sub>e



■ GHG ■ Methane

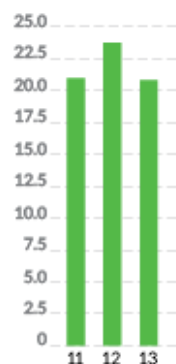
### Global Air Emissions

1,000 Tons



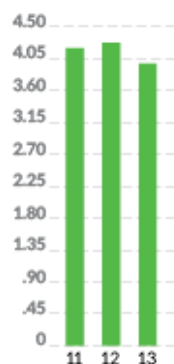
## Global GHG Intensity

Tonnes CO<sub>2</sub>e/MBOE



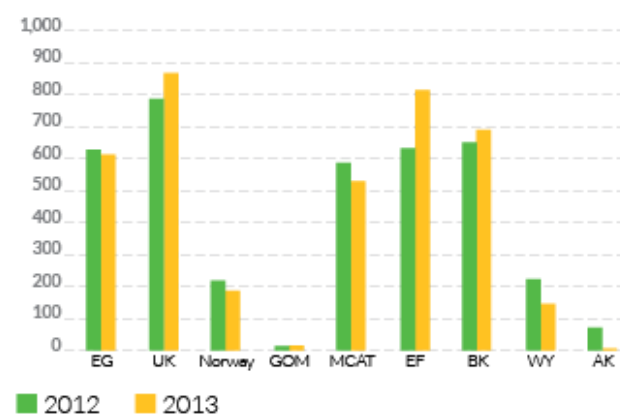
## Global Methane Intensity

Tonnes CO<sub>2</sub>e/MBOE



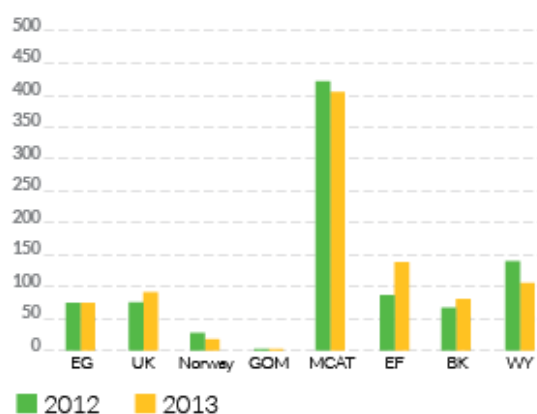
## GHG Emissions by Asset

Thousand Tonnes CO<sub>2</sub>e



## Methane Emissions by Asset

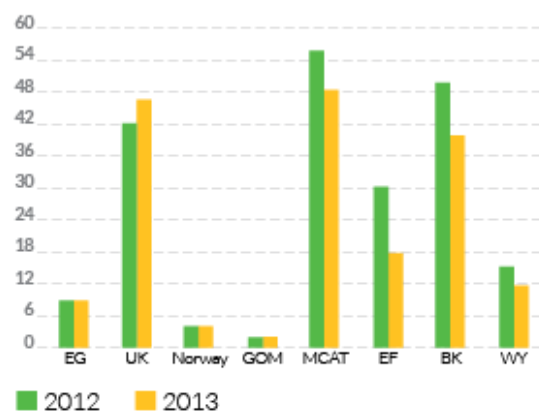
Thousand Tonnes CO<sub>2</sub>e



EG-Equatorial Guinea  
UK-United Kingdom  
GOM-Gulf of Mexico  
MCAT-U.S. Mid-Continent  
EF-Eagle Ford  
BK-Bakken  
WY-Wyoming  
AK-Alaska

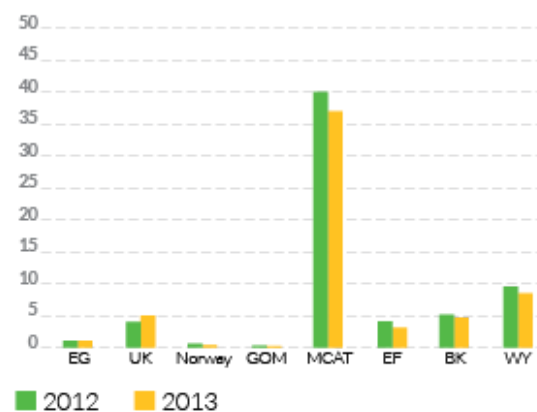
## GHG Intensity by Asset

Million Tonnes CO<sub>2</sub>e/MBOE



## Methane Intensity by Asset

Million Tonnes CO<sub>2</sub>e/MBOE



EG-Equatorial Guinea  
UK-United Kingdom  
GOM-Gulf of Mexico  
MCAT-U.S. Mid-Continent  
EF-Eagle Ford  
BK-Bakken  
WY-Wyoming  
AK-Alaska

## EMISSIONS OVERVIEW, METHODOLOGY AND MITIGATION STRATEGIES

Air emissions from the oil and gas industry can be divided into two primary categories: fuel combustion and venting. Emissions from fuel combustion result from the operation of equipment such as engines, heaters and generators. Fuel combustion results in emissions of nitrogen oxides (NO<sub>x</sub>), carbon monoxide (CO), sulfur dioxide (SO<sub>2</sub>), particulate matter (PM), volatile organic compounds (VOC) and carbon dioxide (CO<sub>2</sub>). Venting primarily results in VOCs and methane (CH<sub>4</sub>) emissions, and generally comes from storage tanks, well venting, uncontrolled gas dehydrators and equipment leaks. Utilizing control equipment such as flares eliminates approximately 98 percent of VOCs and methane that would ultimately be vented, so it is often a better choice unless there are operational or safety restrictions on their use. Marathon Oil's air emissions are managed according to strict air regulations and World Bank standards.

Marathon Oil's emission methodology varies depending on the emission source and the regulatory requirements in the country of origin. We report our emissions on an operated basis for [direct emissions \(Scope 1\)](#) and [indirect emissions \(Scope 2\)](#). Direct emissions are measured and/or estimated, recorded and reported in accordance with applicable regulatory requirements for the respective operations. For example, emissions from U.S. oil and gas operations are calculated using methodologies outlined in the Environmental Protection Agency's GHG Mandatory Reporting Rule (MRR). While approximately 94 percent of our U.S. operations report to EPA through this program on a barrel of oil equivalent basis, we use the same methodology for U.S. assets that are not required to report to the EPA under this regulation. We also report all of these emissions in this report. In the absence of applicable regulations, assets calculate GHG emissions using the API *Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Gas Industry*. For indirect emissions, we track purchased electricity and calculate emissions using the API *Compendium*.

Some highlights of our air emission mitigation strategies during the drilling and production lifecycle include:



### Well Drilling

**Well drilling:** Most of the emissions associated with drilling a well come from the combustion of fuels in the engines and other portable equipment used during the drilling phase. To minimize these emissions, Marathon Oil strives for best-in-class drilling efficiency to drill wells faster, use fewer rigs to drill the same number of wells and use less fuel per well drilled. In addition, in the Eagle Ford, we piloted a dual diesel-wellhead gas fuel system to power two rigs in 2013 and will evaluate expansion of the system in 2014.



### Well Completions

**Well completions, including hydraulic fracturing:** Emissions from well completions, including hydraulic fracturing, generally come from engine and on-site equipment fuel combustion, and venting that occurs during the flowback process. After a well is completed, the liquids and solids that were injected must be "flowed back" to the surface. During this time, some natural gas may vent as the liquids/solids return and the well is cleaned out for production. Once the flowback operation is completed, the well can be connected to the production process and the gas may be sold.

- In Oklahoma, we have performed [reduced emissions completions \(RECs\)](#), also known as green completions, for the last seven years. We have also started metering our completions emissions in Oklahoma, improving data accuracy and contributing to the emission reduction from 2012 to 2013.
- In our Eagle Ford and Bakken assets, we strive to complete connections to gas sales lines as soon as possible to reduce flaring and venting. In the Bakken, for example, 95 percent of our wells have been connected to natural gas sales lines, which has reduced the amount of associated gas flared and contributed to the 20 percent reduction in overall greenhouse gas emission intensity in the asset from 2012 to 2013. We also strive to connect to electrical utility power as soon as possible to reduce the amount of diesel or natural gas used as fuel for power generation in the Bakken.





## Storage Tank Venting

**Storage tank venting:** Oil, condensate and [produced water](#) are stored in tanks until they can be transferred for sale or disposal. Storage tanks emit VOCs as a result of tank filling/emptying, temperature changes and pressure changes. The largest source of tank emissions typically occur when the oil/condensate undergoes a pressure drop between the wellhead and the tank. The pressure drop causes volatile compounds in the liquid to vaporize, or flash.

Marathon Oil determines the best emissions mitigation method for each site after evaluating the potential air emissions. Methods may include vapor recovery units (VRUs), which recover the gas for sale, and/or flares, which combust the gas instead of venting it. Once VRUs are installed, we work to evaluate and optimize vapor recovery; for example, we upgraded several VRUs in Wyoming in 2013. We have also modified the design of our facilities in the Eagle Ford as we have gained more experience performing vapor recovery. In addition, in Wyoming, we replaced several bolted tanks with new welded tanks, and more tank replacements are planned to reduce the potential for leaks.



## Liquids Unloading

**Liquids unloading:** Marathon Oil uses several methods to minimize emissions associated with unloading liquids from the well, such as [plunger lifts](#) in our East Texas/North Louisiana and Oklahoma assets. In Oklahoma, we have installed six to eight plunger lifts per year over the past five years.

Plunger lifts are not practical in all situations, and other methods are also used. For example, Marathon Oil pumps surfactant/foam down the well to reduce the gas velocity needed to overcome liquids in the well. This may help reduce the number of blowdowns needed to unload liquids from the well.



## Pneumatic Devices

**Pneumatic devices:** [Pneumatic controllers](#) are devices that help control different process variables, such as fluid level in tanks or vessels, pressure or temperature. Marathon Oil uses different pneumatic devices based on site-specific needs, since not all types of controllers may work in every situation.

In areas that have access to a reliable electricity supply, such as several fields in Wyoming, we use compressed ambient air, instead of natural gas, to power pneumatic controllers. This helped to decrease methane emissions in Wyoming from 2011 through 2013. We are converting additional sites in Wyoming from natural gas- to ambient air-driven pneumatic controllers. In Eagle Ford and other assets, we have started using low-bleed continuous bleed controllers or intermittent vent controllers instead of high-bleed controllers.

Pumps are a different type of pneumatic device and may also vent if they are powered by gas. In Oklahoma, we have installed solar-powered or electric-driven chemical pumps at approximately 100 wells over the past two years. In addition, many gas-operated units have been reconfigured to pump two chemicals at once, eliminating approximately 170 gas-operated pumps in the region.



## Equipment Leaks:

**Equipment leaks:** Gas leaks occur for a variety of reasons, including failure of seals between connections and equipment corrosion. Marathon Oil has used infrared cameras to survey our facilities and detect leaks since 2008. In the Eagle Ford, we piloted a leak detection program in which we perform monthly surveys at our central facilities. We will implement a leak detection program in North America in 2014.



## Transportation Emissions

**Transportation emissions:** Marathon Oil also strives to reduce air emissions by using alternative fluid transportation solutions. In Eagle Ford, we installed a produced water pipeline between a central battery and a commercial disposal facility and started operation in November 2013. Several more produced water pipelines to disposal facilities are planned in the Eagle Ford. Pipeline transportation of produced water will remove over 4,000 truck trips annually, reducing both emissions and traffic impacts on communities.

In the Bakken, we have worked closely with third parties to install oil pipeline gathering infrastructure that connects to 50 well sites. These connections allow the oil to be sold at the location instead of trucking to off-site locations, reducing air emissions and road traffic, enhancing safety and reducing the potential for spills. Reducing truck transportation continues to be a focus for Marathon Oil.

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## WATER MANAGEMENT

Marathon Oil recognizes that water is a valuable resource in the communities where we live and operate. Our water use is guided by the core water stewardship practices of responsible sourcing, conservation, reuse and disposal. In 2013, we continued to develop processes to track water withdrawal, use and recycling/reuse at operating facilities to identify additional opportunities to minimize our water footprint. In addition, we invested \$10 million in Eagle Ford in 2013 to build infrastructure to transport and manage water more effectively.

Marathon Oil is aware that [hydraulic fracturing](#) operations in our industry have increased concerns around water use in the [Eagle Ford](#) region. In addition to mining operations, water use is in high demand for irrigation, livestock, municipal and industrial uses.

We continuously look for ways to use less water and have significantly reduced the amount of fresh water used in our hydraulic fracturing operations in Eagle Ford. Marathon Oil uses fresh water only when there is not enough non-potable water available and plans to use alternate water sources for at least 50 percent of water needs in the Eagle Ford in 2014.

Marathon Oil evaluates technology to develop fresh water alternatives for use in our operations. We operated a pilot water treatment unit in Eagle Ford for more than a year, and recovered approximately 130,000 barrels of water for re-use. Finding additional uses for other streams should allow us to reuse approximately 65 percent of the treated water stream. We plan to continue evaluating technology to develop fresh water alternatives in 2014.

In our [Bakken](#) asset, we actively pursue water recycling technologies primarily centered on using fracturing flowback and produced water as a base fracturing fluid water source. Bakken labs have tested new technology that appears to generate a fresh water output stream from treated flowback and produced waters. We plan a field pilot test of this technology in 2014. A new fracturing chemistry that uses filtered fracturing flowback and produced waters with typical fracturing systems also is up for testing in 2014.

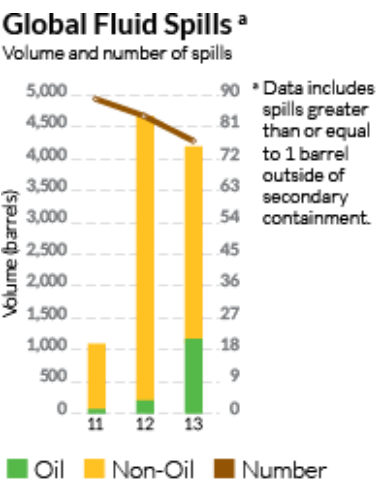
For decades, wild horses, wildlife and livestock inside the McCullough Peaks Wild Horse Herd Management Area east of Cody, Wyoming, depended on produced water from a Marathon Oil field. When compliance with new state environmental regulations reduced the amount of produced water released to Dry Creek, Marathon Oil created a partnership with the Bureau of Land Management and nonprofit Friends of a Legacy to find alternative water sources to augment the anticipated reduced flow.

# SPILLS AND RELEASES

Preventing releases of oil and gas to the environment is of the utmost importance. Marathon Oil provides training, procedures, preventive maintenance, equipment inspections and mechanical safeguards to prevent spills and releases. We periodically update our plans for storm water and spill prevention, control and countermeasures to ensure compliance and continuous improvement. We investigate spills and discharges to identify their cause and take incident-specific and, if necessary, broad corrective actions including remediation.

In addition to meeting all state and federal regulations for reporting hydrocarbon and produced water discharges, we internally report and investigate every spill. The total number of spills fell from 84 in 2012 to 77 in 2013, while the total volume of spills increased 38 percent compared to 2012.

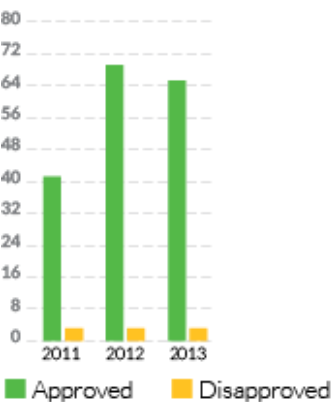
The total volume spilled outside of secondary containment decreased by 10 percent from 2012 to 2013. In 2013, about 28 percent of the volume spilled outside of secondary containment was oil, with the remainder being produced water and other chemicals. One of the highest-consequence spills in 2013 involved a 1,134-barrel spill of produced water of which 1,069 was contained. The other significant spill occurred during a well workover when there was a loss of well control, resulting in a release of 776 barrels of crude oil and 707 barrels of produced water. The investigation led to several corrective action items, such as developing a work practice and training for personnel.



# WASTE MANAGEMENT

We strive to eliminate or reduce the environmental impact of generating, storing, transporting and disposing of drilling mud and cuttings and other solid waste generated in our operations. Additionally, we qualify and periodically reevaluate waste management vendors to ensure proper management and disposal of waste and recyclable materials and to reduce liability exposure and costs. Under our Waste Management Vendor Approval Program, Marathon Oil reviews vendors' HES&S programs and past performance. Vendors with the highest identified risk undergo an onsite audit, usually conducted by a third party. Common reasons for rejecting vendors are significant prior fines and poor safety performance.

Waste Management Vendor Approval Program Vetting



## BIODIVERSITY



Marathon Oil understands and appreciates the importance of biodiversity, and we continuously evaluate potential habitat management projects. We work closely with national, regional and local governments to ensure compliance with applicable laws that protect wildlife. This includes conducting endangered species assessments as part of environmental reviews for permits, and changing or delaying operations to protect threatened or endangered species or their critical habitats. Marathon Oil also conducts environmental impact assessment studies (EIAs) that comply with or augment conservation regulations for new operations. By identifying areas with a high number of plant and wildlife species, EIAs allow the Company to address potential biodiversity impacts from new facilities.

To further promote habitat conservation, we are a member of the [Wildlife Habitat Council \(WHC\)](#). WHC presented its 2013 Rookie of the Year Award to Marathon Oil's Rocky Mountain Operations (RMO), the highest award a newly certified program can receive. The award recognized RMO's Environmental Stewardship Program covering 4,648 acres of varying habitat types managed for wildlife. The program is successful due to the collaboration of many employees, contractors, agency personnel and affiliated project partners, and included:

- Managing cattle and wild horse populations.
- Creating more than 1,400 acres of wetland and lacustrine habitat, 3,100 acres of riparian habitat and 107 stream miles of perennial waters.
- Instituting ecologically sound agricultural practices on riparian land.
- Implementing avian protection practices in oilfields and sharing the practices with industry groups.
- Participating in projects focused on water management and conservation, habitat enhancement and species-specific benefits.

We have been a steward of Wyoming's natural resources the past 100 years. We work with stakeholders to identify biodiversity projects that have strategic value for the Company and positive effects on our operating areas. We support organizations and academic projects aimed at wildlife habitat preservation and restoration, invasive species control, water resource development and regional challenges. Our partners include the National Wild Turkey Federation, The Nature Conservancy, Wildlife Heritage Foundation of Wyoming and University of Wyoming Renewable Resources Department.

For decades, the wild horses, wildlife and livestock inside the McCullough Peaks Wild Horse Herd Management Area depended on produced water from a Marathon Oil field flowing into Dry Creek. When compliance with new state environmental regulations reduced the amount of produced water released, we created a partnership with the BLM and nonprofit Friends of a Legacy to find alternative water sources to augment the anticipated reduced flow in Dry Creek.

## WORKPLACE



Creating a safe, healthy,  
inclusive work environment  
where employees can excel.

We are passionate in what we do and achieve results through an inclusive, diverse and collaborative team culture that allows people to reach their full potential to help create shareholder value.

We conduct our business with high regard for the health and safety of our employees, contractors and the communities in which we work.

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### Management Approach

Our HES&S vision is to achieve an accident- and injury-free workplace and continuous improvement through policies and standards. The Marathon Oil [Global Performance System \(GPS\)](#) is the framework to control risks, meet regulatory requirements and improve performance to realize this vision.

Risk management is fundamental to GPS and is integrated into planning and decision-making processes. Safety issues and hazards are identified and evaluated for immediate and long-term potential impacts to people, the environment and our business. Following this assessment, appropriate controls are applied to manage identified risks.

Proactive risk management can lead to more effective measures for preventing personal safety and process safety incidents. Marathon Oil developed the Event Reporting and Management Standard as a tool to manage risk proactively. Under this standard, all incidents and near misses (incidents that did not result in any harm) are evaluated to determine their actual and potential consequences, and hazard controls are assessed for effectiveness. These evaluations assure that we undertake the appropriate level of investigation, implement targeted corrective actions and learn from incidents and near misses.

To further articulate our safety expectations, we developed a [Statement of Health, Environmental Safety and Security \(HES&S\) Beliefs](#) and communicate it to all employees and contractors at every Marathon Oil facility worldwide. In addition, our Life Critical Expectations highlight Company-wide expectations to reduce the potential for serious injury or fatality.

### Progress on Our Commitments

Marathon Oil's workplace commitments drive programs and activities to keep employees safe, healthy, trained, engaged and well-prepared to run safe, reliable and profitable operations. Meeting our safety commitments is a responsibility shared by our employees, contractors and third parties involved in our operations.

- In 2013, we met our commitment to launch a Safety Community of Practice (COP) and lessons learned process. Safety staff tapped into our global expertise and resources and shared more than 90 issues and solutions to improve safety performance. The Safety COP held nine member meetings and shared topics such as safety leadership, hydrocarbon release reduction, safety strategies and challenges of Marathon Oil's unconventional operations, and creating an accepting culture for advanced hazard assessments. The community's online message board fostered opportunities for sharing knowledge and best practices on confined space safety, hydroexcavation methods, heat stress and other topics. In addition, our Lessons Learned team communicated six Company-wide lessons learned.
- We implemented Synergi software in 2013 to improve consistency in reporting events and tracking corrective actions. This enterprise-wide HES&S solution consolidates reporting for water, waste, injuries, illnesses, near misses, security and reliability incidents, and audit data. Web-based Synergi integrates data for up-to-the-minute analysis of global trends. As



a result, we now publish up-to-date, bi-weekly scorecards. In the past year, our event reporting culture has greatly improved, as evidenced by an over 100 percent increase in events reported in a month. Synergi also allows us to rapidly respond to data trends of concern. Most notably, we used Synergi to analyze Occupational Safety and Health Administration (OSHA) recordable injury trends to evaluate opportunities for improvements in hand safety.

- Based on the successful implementation of the Event Reporting and Management Standard and to further promote the use of leading indicators as performance metrics, the Serious Event Rate (which was previously a monitor-only metric) was added as a target metric in our 2014 bonus plan. We employ a risk-based evaluation to bring attention to high potential events so that improved hazard controls can be implemented to reduce risk.
- Marathon Oil's 2013 Total Recordable Incident Rate (TRIR) for employees and contractors combined was 0.71, which was 30 percent below the exploration and production industry average as reported by the American Exploration and Production Council (AXPC). Our Lost Time Incident Rate (LTIR) was 0.23.
- To continue to [improve contractor safety performance](#), we used a local approach in our assets. Operations leaders generally focused on engaging contractor company leaders to promote understanding of our HES culture and performance expectations. In 2013, we reinforced these engagements with [37 field audits](#) in our Eagle Ford, Bakken and Wyoming assets to verify that contractors were implementing their written safety programs effectively in the field. As a result of this pilot, we are expanding contractor field verification audits to all our U.S. onshore assets and expect to perform 60 audits in 2014. We also provided safety training to contract construction workers in the Kurdistan Region of Iraq.
- Marathon Oil uses a large number of contractors in our field operations. We will continue local contractor engagement and adjust the emphasis as needed to address safety, environmental performance, ethical conduct, compliance and other existing and emerging issues. We will validate contractor safety programs and identify gaps at the field crew level to ensure accountability for results, as well as establish a [structured safety leadership program](#).
- Based on recent industry events, Marathon Oil has committed to evaluate our options and existing vetting programs for transporting crude oil in 2014. Marathon Oil representatives also will participate in API committees developing a recommended practice for classification and testing of oil products to improve safety during transportation.
- To meet our commitment to healthy work practices and conditions, in 2013 we improved many of our global voluntary wellness programs as planned. We also established a community of global Marathon Oil and contractor clinical personnel in 2013 to share cases and outcomes in a confidential setting. In 2014, we will further expand our communication efforts to ensure all employees are aware of the health and wellness resources available to them.

Our commitment is to maintain an inclusive work environment where we attract, develop and retain employees who actively contribute to growing our business.

- Our diversity [recruiting strategy](#) focused on building awareness about Marathon Oil among women and minorities through targeted social media channels, conference attendance, advertising and sponsorships. As a result, 36 percent of our new hires were women and 23 percent were minorities in 2013, exceeding market availability and current Company demographics.
- We began capturing detailed analytics about employee training, competencies and performance in our new integrated human resources system in 2013. The system will enable Marathon Oil to tailor training to improve competencies critical to our success and drive employee development plans.
- Our mentoring program had 150 pairs in 2013, including many women, geoscientists and minorities.
- We established a [technician workforce development program](#) to raise and integrate the skills and capabilities of our technicians to more effectively support geoscientists, engineers and other petrotechnical staff. A workforce development board of Marathon Oil leaders was established to oversee technician recruiting, training and development efforts, and guide and assess progress. These efforts address opportunities identified in the 2013 organizational study to improve effectiveness throughout our workforce.
- Our efforts around employee development and retention in 2014 include implementing a new succession planning system with defined accountabilities.

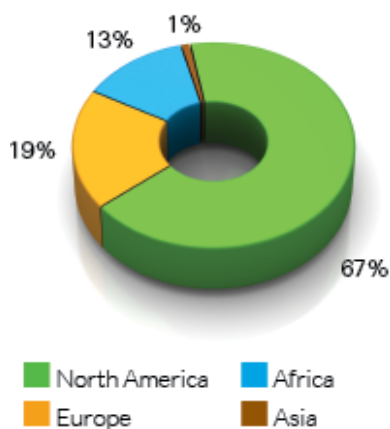
## WORKFORCE PRACTICES AND STATISTICS



Marathon Oil is committed to maintaining an inclusive work environment where we attract, develop and retain employees who actively contribute to growing our business. We recruit employees representing a broad spectrum of experience levels, backgrounds and points of view and provide training, development and mentoring to ensure they have the skills and knowledge to be successful. At year-end 2013, Marathon Oil employed 3,359 men and women worldwide. Our turnover rate in 2013 was 9.3 percent, compared to 7.6 percent in 2012, excluding retirements.

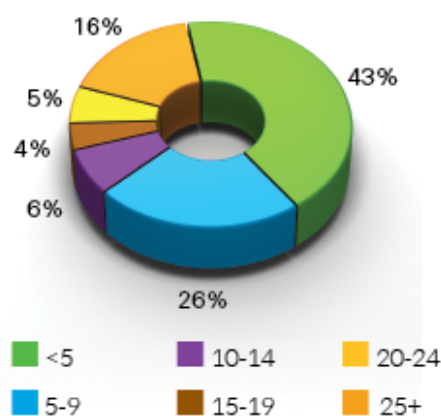
## WORKPLACE METRICS

### Who We Are



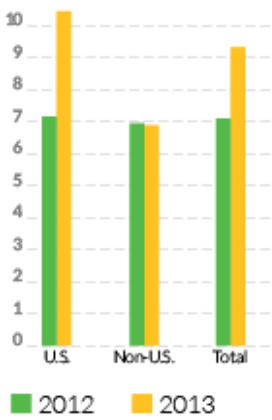
The geographic distribution of our workforce provides the opportunity to draw upon talent across the globe.

### Years of Service



Approximately 43 percent of our workforce has less than five years of service with Marathon Oil. Even though a large percentage of our workforce is new to the Company, in the U.S. our exempt employees had an average of more than 16 years of industry experience.

**Company Turnover Rate**  
Percentage



## DIVERSITY AND INCLUSION



We believe that a diverse workforce and an inclusive workplace are essential to build a profitable global company for our shareholders. We seek to create an environment where employees feel respected for their unique talents, skills, viewpoints and experiences and motivated to drive our business strategy. We invest in recruiting, training and developing talented, qualified people to grow the Company. To further enhance individual and business performance, Marathon Oil promotes sharing lessons learned to transfer knowledge among employees.

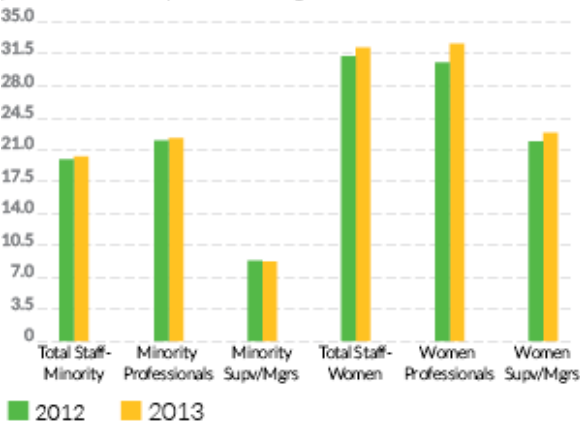
Marathon Oil and our industry want to increase the number of women and minorities in all sectors of the oil, natural gas and petrochemical industry. According to an API study, in 2010 women made up approximately 47 percent of the U.S. labor force, but only 19 percent of the oil and gas industry workforce of approximately 1.2 million people. Hispanics were 15 percent of the U.S. labor force and 16 percent of the oil and gas industry, while African Americans made up 11 percent of the U.S. labor force and 8 percent of the industry. The study estimated the industry will employ 1.3 million people by 2030, with women projected to account for approximately 16 percent and minorities projected to total 32 percent of industry employment.

In 2013, women represented more than 32 percent of Marathon Oil's U.S. workforce, well above our industry as reported in the API study. In response to the results of our 2012 employee engagement survey and our desire to retain the women in our workforce, in 2013 we held two events for women to encourage networking, mentoring and a sense of community. Research indicates that networking is key to advancement. In addition, a large number of approximately 300 participants in our mentoring program in 2013 were women and minorities. The networking and mentoring programs are ongoing in 2014.

Hispanics and African Americans in 2013 made up 8 percent and 6 percent of Marathon Oil's U.S. workforce, respectively, below our industry as reported in the API study. [To increase the number of minority employees in our workforce](#), we are working with local and national minority-based organizations such as Tribal Employment Rights Offices, the Anti-Defamation League, the Human Rights Campaign, the League of United Latin American Citizens (LULAC), the National Council of La Raza and the Urban League. We also maintain recruiting relationships with educational institutions and professional organizations that give us access to minority candidates.

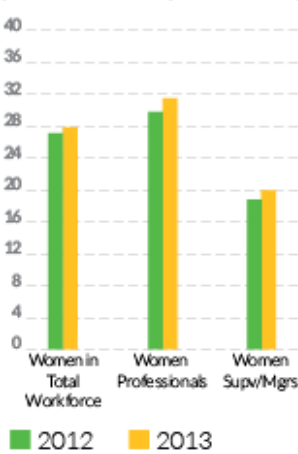
### U.S. Workforce

Percentage by major categories: total staff, professionals and supervisors/managers



### Global Workforce-Female

Percentage by major categories: total staff, professionals and supervisors/managers



## RECRUITING, TRAINING AND DEVELOPMENT



### Recruiting

Marathon Oil seeks employees with a variety of experience levels, backgrounds and perspectives to build a diverse workforce. To grow our candidate pool, our recruiting efforts focus on raising awareness about Marathon Oil among petrotechnical, veteran and diverse candidates.

We have a tiered approach to college recruiting concentrated on universities offering diverse student bodies and degrees in engineering, geosciences, information technology, finance and accounting, global procurement, human resources, land management and health, environmental, safety and security (HES&S). We also use an employee referral program, social media networking and online resources to recruit new employees. In 2013, approximately 30 percent of new hires came through our employee referral program. Employees refer people they believe to be a good fit with our culture and organization, so referrals tend to be successful hires.

As a result of this strategy, 89 percent of the employment offers we extended in 2013 were accepted. Of our new hires, 36 percent were women and 23 percent were minorities, exceeding market availability and current Company demographics.

In 2014, we will award the first scholarships from our new Marathon Oil Diversity Scholarship Program to increase the number of qualified diverse hires. Three U.S. universities will select scholarship recipients seeking targeted degrees and administer the scholarships, which will total \$360,000 over four years. We also maintain relationships with educational institutions and professional organizations that give us access to diverse candidates. They include the National Society of Black Engineers (NSBE), the American Indian Science and Engineering Society (AISES), the Society for Women Engineers (SWE), the National Action Council for Minorities in Engineering (NACME) and similar organizations. In addition, Marathon Oil supports science, technology, engineering and math (STEM) initiatives with K-12 schools, community colleges and universities to build our candidate pool.

### Training, Competency and Development

One of Marathon Oil's strategic imperatives is to invest in our people to grow and maintain our capabilities and competencies. We begin training and developing employees their first day on the job and provide formal and informal growth opportunities throughout their careers. Orientation is a team effort to ensure employees understand the Company's values, expectations and culture.

We deliver and track training in a web-based learning management system that houses individual training plans based on specific job requirements. The system allows us to monitor training progress against individual plans at the local and corporate levels. In 2013, employees and contractors reported more than 164,000 hours of training and development in the



system.

Marathon Oil has identified 12 employee competencies that are critical to our success. Through our new integrated human resources system that captures information on every employee from their day of hire, we have access to detailed analytics on employee skills, competencies and performance. This information will help us improve employee recruiting, training, competency development, career development and retention.

### Competency Development for Field Operations Workforce

To operate responsibly around the world, Marathon Oil needs a safe, trained and competent field operations workforce. Training needs are increasing as we expand our operations, face skilled labor shortages and introduce new technology and tools. Competency-based training strategies ensure our workers have the appropriate skills for their jobs, which we believe will help to reduce safety and environmental risks, improve efficiency and productivity to control costs, and lower employee turnover rates. We will continue to expand use of these systems to facilitate competency-based training.

To meet our employees' increasing needs for technical competency, Marathon Oil provides instructor-led courses and structured on-the-job training (OJT). Both are critical components for an effective competency-based program. Marathon Oil supervisors, mentors and subject matter experts are involved in OJT to ensure knowledge transfer to less experienced employees.

In 2013, our emphasis was on developing the technical competencies of U.S.-based field operators. As a first step, we conducted technical assessments of targeted new field operators to identify competency gaps and put training plans in place to close them. In addition, based on the identified need for targeted training for Instrumentation & Electronics (I&E) and SCADA technicians, a customized course was developed in partnership with a Marathon Oil supplier of process automation equipment. The one-week course was attended by 44 employees and key contractors representing all U.S. asset teams.

In addition to training for specific job disciplines, Marathon Oil offers programs that support local operational and business needs. For example, to enhance the leadership skills of front-line supervisors in our Wyoming asset, a unique Supervisor University leadership development program was designed. The program consisted of one day of concentrated training per quarter for 27 supervisors. Content included life critical safety training, operational management systems, risk acceptance, hazard identification, effective job planning, leading safe work and developing a high performance team through coaching.

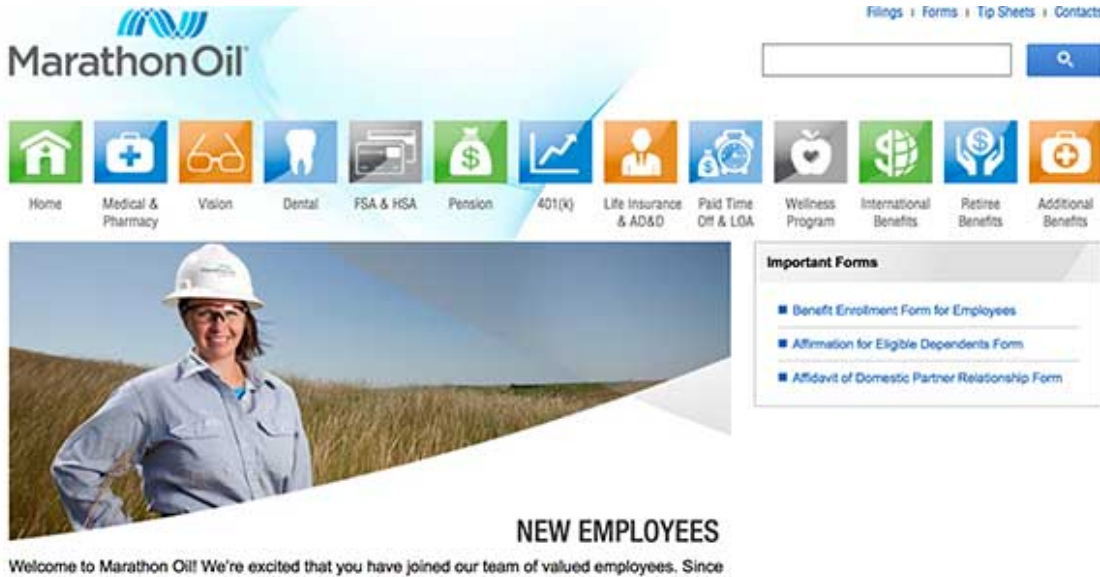
Additional targeted programs include the following:

- Leadership, supervisory skill and commercial skill development programs delivered in [Equatorial Guinea](#) for national staff.
- Customized training programs to develop English business writing skills in the [Kurdistan Region of Iraq](#).
- Leadership skills training for [Eagle Ford Shale](#) employee and contractor front-line leaders.

### Technician Workforce Development

Marathon Oil conducted an organizational study in 2013 to ensure that we are competitive and structured to drive profitable growth. This study resulted in projects to make our workforce as efficient and effective as possible. For example, we established a technician workforce development program to raise and integrate the skills and capabilities of our technicians to more effectively support geoscientists, engineers and other petrotechnical staff. A workforce development board of Marathon Oil leaders oversees the implementation of technician recruiting, orientation, training and development programs rolling out in 2014, and guides and assesses progress.

## COMPENSATION AND BENEFITS



At Marathon Oil, our success is based on operational results, financial performance and our reputation in the industry and communities. Our compensation and benefits programs are an important driver of our current performance and long-term success. They are based on the following guiding principles:

- Provide competitive programs that attract, retain and motivate our employees, including base pay, bonus and long-term incentives such as stock programs.
- Pay for performance.
- Align interests with shareholders.
- Foster a culture of safety and strong values.
- Maintain strong governance of programs.

We seek to engage employees in our business and our success, enhance and preserve their work/life balance, and help them plan and prepare for the future. Marathon Oil benchmarks our programs regularly and adjusts them as needed to stay competitive.

In locations where it is competitive to do so, including the UK, Norway and Canada, we offer retirement savings plans for employees. In the U.S., retirement savings plans include a 401(k) plan and a cash balance pension plan. Our 401(k) plan allows eligible employees to contribute beginning with their first paycheck. This is especially attractive to professionals who join the Company in mid- or late-career. Marathon Oil matches 401(k) plan contributions up to 7 percent of eligible earnings. In addition, participants accrue cash balance benefits of 7 to 11 percent of eligible earnings annually through the pension plan.

Marathon Oil values the health and wellness of our employees and their families, and we are committed to promoting and protecting their health on and off the job. Since 2007, our voluntary wellness program has offered employees programs and incentives to encourage healthy lifestyle behaviors and improve their overall health.

Additional benefits depending on location can include health, dental and vision assistance plans for employees and their families, including domestic partners and children of domestic partners in the U.S.; adoption assistance; vacation; paid holidays; sick pay; flexible work arrangements; life and accident insurance; leaves of absence; educational reimbursement; matching gifts; and a volunteer incentive program.

For additional information related to our U.S. benefits, please click the following link – [MRO Benefits](#).

## WORKFORCE PROTECTION



The safety of our employees, contractors and neighboring communities is a core value at Marathon Oil. Our commitment is to strive for an accident- and injury-free workplace, with safe and healthy work practices and conditions throughout our operations.

We believe safety performance promotes Marathon Oil as an operator and partner of choice, and that a safe business is a well-run business. To reinforce our commitment to safety, we communicate clear expectations, analyze and manage risk, encourage reporting of incidents and near misses, investigate incidents and take corrective actions. To prevent accidents and injuries, the Company encourages sharing safety insights and issues in daily, weekly, monthly and corporate-wide quarterly employee meetings in field and office locations.

Marathon Oil encourages employee participation in health and safety processes and training, and provides opportunities to get involved at the local level. For example, the Equatorial Guinea National HES Committee champions safety on and off the job. About 25 employees selected by the workforce and department managers develop projects and organize activities such as National Safety Awareness Day. During this daylong campaign centered around a specific high-impact topic, committee members visit each department, make a presentation and distribute safety awards to employees. The committee also periodically presents special topics, including home fire safety prevention and malaria, typhoid and HIV/AIDS awareness. The National HES Committee has also been involved in the prescription safety glasses program, with financial and logistics support from Marathon Oil.

Company safety standards clarify our expectations for organizational performance to drive consistency across our operations. We provide safety training to promote individual responsibility for personal and process safety, safety leadership, specific high-risk tasks, hazard identification and emergency preparedness, as well as to meet regulatory requirements.

Following a critical review of our ongoing programs to promote safety leadership, in 2013 we initiated an effort to improve their effectiveness. To create awareness of the Company's safety culture and the importance of each individual's role in successful safety performance, the Personal Responsibility for Safety (PRfS) program was developed for both field and office-based personnel. The goal of PRfS is to improve safety performance by building and sustaining a culture where everyone:

- Understands and accepts responsibility for safety by agreeing to identify and mitigate hazards and to actively look out for the safety of themselves and others.
- Intervenes when at-risk behaviors or unsafe conditions are observed and shares their experience and knowledge with

others.

In 2014, PRfS pilot programs will be conducted in field and office locations. We continue to reinforce expectations for supervisors' roles in our safety efforts through safety leadership training that provides an overview of responsibilities and describes the Company tools in place to aid supervisors in meeting safety expectations. Safety leadership programs for supervisors are being conducted throughout the Company.

### Product Stewardship

Marathon Oil produces and uses potentially hazardous materials such as crude oil, natural gas, diesel fuel and propane. To fulfill our commitment to be a responsible operator, product stewardship principles in our management system require supplying information to, and working with, applicable parties to foster the safe use, handling, transportation, storage, recycling, reuse and disposal of materials, products and wastes.

For example, [Safety Data Sheets \(SDS\)](#) covering health and safety aspects of products such as crude oil are available online to employees, customers, suppliers and others. All chemicals or additives used at a well site must have a corresponding SDS for use by our workforce and emergency services personnel. We also publicly disclose the additives and other fluid components used in hydraulic fracturing fluids in specific wells on [www.fracfocus.org](http://www.fracfocus.org).

In addition, based on recent industry events, Marathon Oil has committed to evaluate our options and existing vetting programs for transporting crude oil in 2014. Marathon Oil representatives also will participate in API committees developing a recommended practice for classification and testing of oil products to improve safety during transportation.

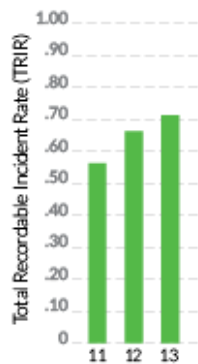
### Safety Performance

Marathon Oil measures safety performance, strives for continuous improvement and periodically benchmarks our performance against industry indicators. We recorded 27.7 million exposure hours in 2013, 13 percent less than the prior year, due to operational efficiencies. Contractors accounted for approximately 74 percent of all hours worked in 2013. The Company's 2013 Total Recordable Incident Rate (TRIR) for employees and contractors combined was 0.71, which was 30 percent below the exploration and production industry average as reported by the American Exploration & Production Council (AXPC), and compared favorably to peer company rates. Our 2013 Lost Time Injury Rate (LTIR) was 0.23, compared to 0.11 in 2012.

Marathon Oil offers a variety of defensive driver safety programs such as the Smith System, which may be voluntary or mandatory at the local level depending on local requirements. In our Eagle Ford asset, in late 2013 Marathon Oil started testing the use of global positioning systems (GPS) in Company vehicles to improve safety, security and fuel efficiency. GPS devices on cars and pickup trucks gather data on speed and other performance measures, which allows us to coach individuals to drive safely. Real-time vehicle tracking improves security by enabling Marathon Oil to identify vehicles entering and exiting Company facilities like drilling sites and to locate vehicles requiring roadside assistance. The data also helps us plan safe and fuel-efficient driving routes and review trip history in the event of claims. After a successful pilot in our San Antonio, Texas, office, we installed GPS devices on approximately 180 vehicles across South Texas. GPS devices are being used for some Houston vehicles and could expand to other assets.

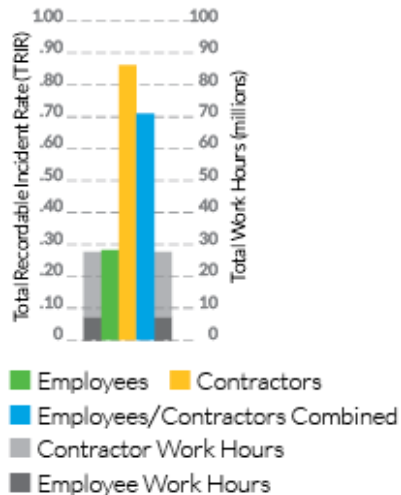
## Global Safety Performance

Combined Employee and Contractor Workforce Incidents per 200,000 work hours



## 2013 In-Depth Global Safety Performance

Combined Employee and Contractor Workforce Incidents per 200,000 work hours





## CONTRACTOR SAFETY



Marathon Oil wants to work with contractors who share our commitment to keeping people, the environment and communities safe. We have strengthened our programs for verifying contractor HES&S performance during the qualification process, which requires contractors to disclose their written safety programs, OSHA injury and illness records and performance history. Vendors that provide personnel for safety-sensitive work in North America must register with [ISNetworld](#), a global online resource to manage, evaluate and qualify contractors. Contractors must meet a threshold score on ISNetworld to work with Marathon Oil. We take steps to ensure contractors fulfill their contractual commitments and comply with our HES&S standards, the Code of Business Conduct and other programs.

Our Contractor Management Standard establishes processes to ensure contractors are aware of our safety expectations and that their capability to meet these expectations is verified before starting work. In 2013, we enhanced the standard to drive consistency and clear expectations across the Company. Organizations will establish a formal methodology for evaluating HES performance of safety-sensitive contractors. All elements of the standard are consistent with API and OGP recognized good practices for contractor safety management and include pre-qualification, selection, pre-job activities, performance evaluation and the waiver/exemption process.

New field-based contractors receive formal orientation on Marathon Oil's safety culture, management expectations and specific safety requirements. Select contractors receive additional instruction on isolation of energy sources, confined space entry and other life critical elements to enable them to issue safe work permits. For more information visit [Contractor Safety](#).

### Contractor field verification audits

To ensure onshore contractors in the U.S. implement their safety programs effectively, we developed a field verification audit process modeled after the job evaluation process in our Gulf of Mexico operations. During the pilot in 2013, HES professionals conducted 37 unannounced audits of contractor crews in the field in our Eagle Ford, Bakken and Wyoming assets. Auditors asked questions to determine if crew members understand Marathon Oil's expectations around life critical programs such as hot work, confined space entry, energy isolation and reporting near misses, injuries and incidents. They also touched on the contractor company's safety culture, training and management system.

The pilot revealed that contractors in our major assets could strengthen their training programs, competency programs for employees in their first six months on the job and fall protection practices. The asset teams will determine how to address identified gaps or concerns. Our operations staff and contractors gave positive feedback about the approach and results. In 2014, we are expanding the field verification audits and will visit each U.S. onshore asset for one week twice during the year. Auditors will record the results in an online tool that will be sent to contractor management and allow our leadership to view results and trends.



## PROCESS SAFETY

**Process safety** includes various programs intended to prevent unwanted releases that may have the potential to impact people, property and the environment. It is an integral component of Marathon Oil's [Global Performance System](#). We work continuously to improve our process safety culture and performance. In addition, we track and investigate process safety incidents and near misses, develop corrective actions and share them across our operations.

To meet our goals for safer and more efficient operations, to address increasing stakeholder concerns about process safety and proactively address potential revisions to OSHA's process safety management (PSM) regulations, we adopted a risk-based process safety program at all operating facilities. It establishes clear expectations and assures appropriate process safety principles are applied in our operations worldwide to manage risks and prevent process safety incidents. These expectations are that:

- Process safety risks are assessed.
- Controls to manage process safety risks are implemented.
- Process safety events are reported to identify opportunities for improvement.

We continue to evaluate our process safety principles and practices and are monitoring the progress of OSHA's review of the President's Executive Order 13650 issued in August 2013.

### Process Safety Metrics

In 2013, we recorded no high consequence process safety events and two medium consequence events. Both medium consequence events were small releases of hydrocarbons on offshore platforms in our UK operations.

Low consequence incidents such as minor loss of primary containment and operating deviations that trigger alarms have declined significantly since 2010 and indicate that our focus on process safety is making a difference and process safety programs are effective.

## WORKFORCE HEALTH



In addition to valuing the health and wellness of our employees and their families, Marathon Oil strives to work with local leaders in communities where we operate to recognize and advance public health initiatives that promote the common good and protect the public. These include the Bioko Island Malaria Control Project, maternal and child health programs, [Project C.U.R.E.](#) in Equatorial Guinea and a corporate partnership with the [American Heart Association](#) to spread awareness about cardiovascular health. In addition, Marathon Oil is a major donor to St. Joseph's Hospital in Dickinson, North Dakota.

We address key health challenges through an integrated health management system focused on seven core areas of operational interface. A health risk assessment to identify key risks is the initial step that leads to continuous improvement through ongoing evaluation and modification of our primary health programs and standards. The core health functions are occupational hygiene and exposure control, medical emergency management, fitness-for-duty and medical surveillance, reporting and record keeping, management of workplace injuries and illnesses, public and community health impacts, and food, water and sanitation control. Via the management system process, identifiable health-related risks for each asset are reviewed and prioritized for mitigation annually.

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## CASE STUDY: BAKKEN SHALE

Pursuing solutions and collaborating with stakeholders



**Key Words:** [Air Emissions](#) | [Economic Benefits](#) | [Flaring](#) | [Managing Environmental Impacts](#) | [NORM](#) | [Pipelines](#) | [Safe Transportation](#) | [Stakeholder Engagement](#) | [Water Use](#)

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Marathon Oil holds approximately 370,000 net acres in the North Dakota Bakken Shale play, making it our largest U.S. unconventional resource asset by acreage. We began drilling in the Bakken play in 2006 and have since grown the asset to contribute 8 percent of our worldwide production in 2013. Marathon Oil plans to continue the growth trend in the Williston Basin in North Dakota and eastern Montana in 2014 with \$1 billion in planned capital spending and a 20 percent increase in rig activity.

Among U.S. states, North Dakota was second only to Texas in oil and gas production in 2013. The success of the oil and gas industry in North Dakota contributed to a state unemployment rate far below the national average, much higher salaries than the national average and the fastest growth in personal income in all 50 U.S. states in 2013. The industry accounted for approximately \$2.9 billion in taxes for state and tribal governments.

While the **economic benefits** of industry activity are significant, Marathon Oil recognizes that the increase in the level of oil and gas activity has contributed to concerns about air emissions and water use, housing shortages, transportation safety and other potential impacts. We are pursuing our own solutions as well as collaborating with a variety of stakeholders on issues related to oil and gas activity.

**\$55 million**  
COMPANY SPENDING WITH  
AMERICAN INDIAN SUPPLIERS  
IN THE BAKKEN SHALE IN 2013.

Marathon Oil **engages regularly with landowners, community members and leaders** from townships, counties and tribes to understand their needs and encourage open dialogue. We keep local, state, tribal and federal government leaders informed on our operating plans. Marathon Oil works with regulators in the permitting and reporting processes and through our active participation in the [North Dakota Petroleum Council](#). Our personnel are available for discussions or onsite informational visits, which included an operations overview and field tour for North Dakota Department of Health representatives in 2013.

When we learned that the rapidly growing population strained the state's medical services, Marathon Oil became the lead donor, contributing \$1 million to a fundraising effort to build a new hospital in Dickinson, North Dakota. When St. Joseph's Hospital opens in late 2014, it will greatly improve services and access to health care. To address community concern around housing, in 2013 Marathon Oil contributed \$500,000 to the North Dakota Housing Incentive Fund, which develops

affordable multi-family housing for essential service workers and households of modest means.

Additionally, Marathon Oil employees are active in the community and support events such as the American Cancer Society Relay for Life and organizations such as the Fort Berthold Reservation Boys & Girls Club.

## Managing Our Impacts

**Natural gas flaring** is a primary concern among our stakeholders. Factors unique to the Bakken contribute to flaring in the region, including the liquids-rich gas, weather constraints to building infrastructure, play size, drilling technology improvements, and easements and tribal lands. We have several strategies to reduce the amount of gas flared from our Bakken wells, such as working to enable third-party gas gatherers to build gas infrastructure by providing our drilling plans, assisting with landowner right-of-way acquisitions and prioritizing connections to the gas infrastructure. By 2013, 95 percent of our wells had been connected to natural gas sales lines, which reduced the amount of associated gas flared. We also strive to connect to electrical utility power as soon as possible to minimize the need for portable onsite generators for power, which reduces the emissions from power generation.

In 2013, our Bakken team worked closely with third parties to install oil **pipeline gathering infrastructure** that connects to 50 of our well sites. These connections allow the oil to be sold at the location instead of trucking to off-site locations. These efforts reduce **air emissions** and road traffic, enhance safety and reduce the potential for spills. Expansion of these gathering systems during the next two years will result in gathering approximately 90 percent of our oil by pipeline.

We are also active in the North Dakota Petroleum Council's Flaring Task Force that is spearheading efforts to significantly reduce natural gas flaring in the Bakken. The task force announced in early 2014 that member companies had developed a comprehensive plan to increase natural gas capture to 85 percent within two years and 90 percent within six years with the full engagement of the industry, state agencies, the legislature, landowners and other stakeholders. We have already carried out the task force recommendation to develop specific gas-capture plans to regulate currently flaring wells and future wells. Task force recommendations also included planning and tracking projects to report progress to the North Dakota Industrial Commission, and creating a pipeline hotline for landowners to flag problems or concerns.

We believe that continuing to build out the pipeline infrastructure in North Dakota will have many benefits for the environment and public safety. Marathon Oil supports efforts of the U.S. Department of Transportation, through the Pipeline and Hazardous Materials Safety Administration (PHMSA) and the Federal Railroad Administration (FRA), to look at the **safe transportation of flammable liquids by rail or truck**. This is especially important given the large amount of crude oil transported by rail or truck in North Dakota.

Across the Company, Marathon Oil is leveraging our learnings and employing best practices while **managing water use** in our resource plays. In the Bakken, produced water has a high salt content that makes recycling difficult and requires large amounts of fresh water for dilution. We are considering using gels that would allow us to recycle produced water and also exploring a proprietary treatment process that results in clean, reusable brine for drilling and fresh water for hydraulic fracturing. Both of these options will be field piloted in 2014.

To ensure the protection of sensitive water sources in the Bakken operations area, Marathon Oil and other oil, gas and pipeline companies formed Sakakawea Area Spill Response LLC (SASR) in 2011. Member companies share and deploy existing emergency response and spill containment equipment and other resources if there is an open water spill in the upper Missouri River or Lake Sakakawea regions.

In addition, our Bakken asset uses liners and rig matting under the footprint of our drilling rigs to contain spills and releases. To manage **normally occurring radioactive material (NORM)** waste, we collect samples and information to assist in the development of related regulations and send all of our NORM waste to one injection facility.

It is estimated that the industry has the potential for 40,000 more development wells in the Bakken Shale – a 15- to 20-year inventory at the current rig count. With our large position in the play and investments in expanding operations and increasing production to meet growing demand, we are committed to continuing our efforts to be a responsible operator in this region.

# CASE STUDY: EAGLE FORD

Balancing opportunities and challenges of delivering affordable energy



**Key Words:** [Air Emissions](#) | [Building Our Workforce](#) | [Community Investment](#) | [Economic Development](#) | [Environmental Stewardship](#) | [Flaring](#) | [Greenhouse Gas Emissions](#) | [Hydraulic Fracturing](#) | [Safety Performance](#) | [Spills and Releases](#) | [Stakeholder Engagement](#) | [Water Use](#)

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A renaissance in U.S. oil and gas production driven by shale development is making vast hydrocarbon resources available for the nation's **economic growth** and energy security. With it comes challenges to infrastructure, the environment and communities where we operate, but also opportunities for employment, an improved standard of living and overall progress.

The opportunities and challenges of delivering affordable energy are evident in the fast-growing South Texas Eagle Ford Shale play. According to the [Institute for Economic Development Center for Community and Business Research at the University of Texas San Antonio](#), the region's residents are benefiting from plentiful high-paying jobs and lease payments and royalties to landowners. In the 14-county producing area, oil and gas development generated \$46.6 billion in total economic output, 86,000 full-time jobs and roughly \$3.3 billion in salaries and benefits to workers in 2012 alone. Eagle Ford activity added more than \$374 million in state revenues and \$800 million in revenues to local governments for schools, hospitals, law enforcement and other services in 2012.

The Eagle Ford is the largest area of investment for Marathon Oil, with planned capital spending of U.S. \$2.3 billion in 2014. We had approximately 211,000 net acres in the play at year-end 2013 and are a major operator in the Eagle Ford. Our spending in the region in 2013 was U.S. \$2.4 billion, including approximately U.S. \$205 million with local Minority or Women Owned Business Enterprises (MWBE). We have budgeted \$2.3 billion in spending in the Eagle Ford in 2014.

## Engaging with Stakeholders to Manage Impacts

Marathon Oil and our employees place a high value on being a responsible operator and a good neighbor. Since entering the Eagle Ford in mid-2011, we have worked to understand the impacts and associated challenges of our operations, as well as to improve the communities where we live and work. We are committed to expanding our operations to create value for shareholders and further economic progress. At the same time, we are committed to conducting our business with a high regard for the health and safety of our neighbors, communities, employees, contractors and the environment.

We **engage regularly with stakeholders** to identify and address issues related to our operations and ways to help communities where we operate through social investments. Marathon Oil staff attended meetings with local, county and state officials, and engaged first responders, nonprofits, school districts, economic development organizations and other



stakeholders in 2013. We held a town hall meeting in Karnes City, our fifth community meeting since entering the play, to share our drilling plans and followed up with individuals on specific issues. We plan to hold a town hall meeting in the region in 2014.

As part of our commitment to work with stakeholders on local impacts, our Eagle Ford asset will offer hydrogen sulfide (H<sub>2</sub>S) awareness training for first responders in 2014. We will also evaluate delivery locations for steel to reduce truck traffic.

Marathon Oil took the lead in 2012 in forming the [South Texas Energy & Economic Roundtable \(STEER\)](#), which works with stakeholders throughout the Eagle Ford Shale to effectively maximize opportunities in a responsible and collaborative way. Our employees are active in STEER efforts related to advocacy, communications, stakeholder relations and health, environmental and safety concerns. In 2013, STEER met with water boards, county commissioners, Chambers of Commerce and elected city officials throughout South Texas. Working with the Alamo Area Council of Government (AACOG), STEER assisted in developing and distributing a survey for an air emissions study made possible by a grant from the Texas Commission on Environmental Quality (TCEQ). Through STEER, Marathon Oil participated in the Be Safe/Drive Smart Campaign, a partnership with the Texas Department of Transportation (TxDOT) and Department of Public Safety (DPS), with the goal of reducing vehicle accidents.

### Minimizing Our Environmental Footprint

Consistent with our **commitment to environmental stewardship**, Marathon Oil pursues water conservation, air emissions reductions, well integrity and responsible waste management in the Eagle Ford. These strategies help us minimize the impacts of **hydraulic fracturing** and advanced horizontal drilling technology that enable Marathon Oil and our industry to extract oil and gas from shale formations like the Eagle Ford. We recognize there are concerns about the potential environmental and public health effects of these technologies and our operations, and we take seriously our responsibility to manage the risks and minimize our footprint.

### Air Emissions

**Emissions to the air** are generated during the drilling and processing of hydrocarbons in the Eagle Ford. As one of the most efficient drillers in the play, Marathon Oil is using fewer rigs to recover more oil and gas, thereby reducing emissions from drilling rigs. To further reduce emissions during drilling, we piloted a dual diesel-wellhead gas fuel system to power two rigs in 2013 and will evaluate expansion of the system in 2014.

In addition to crude oil, natural gas is produced during shale development. Marathon Oil is focused on producing crude oil and drilling wells with the highest possible crude oil content. To minimize the amount of natural gas that subsequently must be flared, we continue to build gas-gathering infrastructure and connect wells as quickly as possible. We have a total of approximately 700 miles of operated gathering lines in Eagle Ford and own and operate the Sugarloaf gathering system, a 37-mile natural gas pipeline through our acreage in three counties.

While our greenhouse gas emissions in Eagle Ford increased by approximately 29 percent from 2012 to 2013, we reduced our overall **greenhouse gas emission intensity** by 40 percent and methane intensity by 26 percent while more than doubling our production from the asset. One factor to this reduction is our use of central facilities to process more production, which makes our operations more efficient and reduces air emissions and the overall land footprint.

In 2014, Marathon Oil will identify and prioritize significant **flaring sources** and evaluate emissions reduction projects. We will also participate on a STEER subcommittee where member companies share best practices for reducing flaring in an effort to spread these practices widely throughout the Eagle Ford.

As a responsible operator, Marathon Oil strives to meet or surpass regulatory requirements for our operations. After receiving Notices of Violation from the TCEQ in the Eagle Ford, we took corrective actions in 2013 to improve equipment reliability at our facilities. Actions included replacing natural gas-powered vapor recovery units (VRU) with electrical VRUs and redesigning part of the VRU system to ensure the equipment prevents the release of hydrocarbon vapors. We also replaced components and installed several flares to assist smokeless operation. Our field operators, both employees and many contractors, received refresher training to ensure they understand Marathon Oil's expectations and policies for reporting air emissions.



## Water Use

Marathon Oil is aware that [hydraulic fracturing](#) operations in our industry have increased concerns around **water use in the Eagle Ford region**. In addition to mining operations, water is in high demand for irrigation, livestock, municipal and industrial uses.

We continuously look for ways to use less water and have significantly reduced the amount of fresh water used in our operations. We invested \$10 million in 2013 to build five miles of pipelines, pond expansions, water supply well upgrades and new brackish water supply wells to transport and manage water more effectively. Approximately 75 percent of our Eagle Ford water supply came from non-fresh sources in 2013. We continue to focus on brackish sourcing for new water supply wells. In 2014, for the first time we are including third-party sourced drill water into our water metrics. Drilling requires higher quality water than hydraulic fracturing operations. We plan to use alternate water sources for at least 50 percent of Eagle Ford water needs, including drill pad construction, drilling and fracturing, in 2014.

Marathon Oil evaluates technology to develop fresh water alternatives for use in our operations. We operated a pilot water treatment unit in Eagle Ford for more than a year, and recovered approximately 130,000 barrels of water for re-use. Finding additional uses for other streams should allow us to reuse approximately 65 percent of the treated water stream. We plan to continue evaluating technology to develop fresh water alternatives in 2014.

## Spills and Releases

To **prevent leaks and spills** of crude oil, we are using a new methodology to identify and control corrosion caused by bacteria in non-regulated crude oil pipelines and vessels. While it takes 28 days to culture samples using industry standard methods, this state-of-the-art methodology provides real-time test results to pinpoint areas of corrosion and determine the most effective treatments. Marathon Oil is systematically testing our Eagle Ford pipeline segments, wells and vessels to identify and control corrosion. Based on our success in Eagle Ford, Marathon Oil's Wyoming and Bakken assets are using this method and we are sharing information with other Eagle Ford operators to improve performance throughout the region.

## Building Our Workforce

We believe **job creation is one of the primary benefits of oil and gas development**, and industry will need a robust, educated and trained employee and contractor workforce for decades to come. In 2013, Marathon Oil had approximately 350 employees in the Eagle Ford and an additional 2,200 people worked in our operations as contractors. We are building our in-house capabilities to accelerate the training and development of our Eagle Ford employees in the technical skills they need to operate wells, equipment and facilities safely and efficiently.

Orientation, training and competency development for Eagle Ford field employees is aimed at meeting our HES and operational performance goals, and increasing organizational capacity. Our programs evolve continuously to ensure we have trained qualified employees for our expanding operations.

During new employee orientation, operators are introduced to the Company and our HES programs and practices. They are taught the importance of personal protective equipment (PPE), required to complete safe driver training and learn our Life Critical Safety Processes.

With our increasing investment in the Eagle Ford, we are focused on enabling field operators to achieve competency in their area operations. New field operators participate in a structured skill- and competency-based technical training program designed specifically for Eagle Ford to develop and solidify their skill set. Supervisors and lead operators perform a baseline assessment of every new field operator to determine his or her knowledge of, and experience on, equipment used throughout the asset's operations. Subsequent training is intended to accelerate the development of the desired knowledge and skills necessary for the Eagle Ford processes. As a part of the training program, we are partnering with our vendor subject matter experts for intensive, hands-on training covering the use and operation of their equipment. Marathon Oil assesses competencies through written and field evaluations to ensure knowledge and skills are being applied in the field. In addition, operator competencies are continuously monitored and refreshed as needed.

In 2013, nine front-line supervisor leadership training sessions were developed for current and prospective leaders. The sessions were designed to improve the effectiveness of their daily interactions with team members and individuals in support

of HES and best-in-class operations performance goals. We will continue providing sessions throughout 2014.

### Improving Safety Performance

Due to our large contractor workforce in the Eagle Ford, we work with contractor personnel at all levels to raise **awareness of our commitment to an accident- and injury-free workplace**. Marathon Oil managers meet annually with contractor company managers and safety personnel to communicate our HES expectations and performance metrics and solicit feedback to continuously improve HES performance. In addition, Marathon Oil HES professionals and technicians met with contractor HES managers and supervisors at least quarterly in 2013 to share trends, lessons learned and ideas to improve HES performance in our Eagle Ford operations. Regular HES meetings at all levels remain a priority in 2014.

Marathon Oil also provides HES orientation for contractors performing safety-sensitive work and refresher training every other year. In 2013, more than 3,000 contractor personnel in the Eagle Ford completed the initial orientation.

The Company piloted [contractor field verification audits](#) in the Eagle Ford in 2013. HES professionals made unannounced visits to field operations to determine if crew members understand Marathon Oil's expectations around life critical programs. Auditors will spend two weeks in the Eagle Ford in 2014 and the asset plans to use the data to monitor crew performance.

Marathon Oil held a full-scale drill of our corporate [emergency response](#) team in the Eagle Ford area in 2013. The drill simulated the effects of a hurricane on our operations and allowed Eagle Ford emergency response team members to exercise the facilities' emergency response and spill response plans.

### Investing in Our Communities

Our **social investments and philanthropic contributions** in the Eagle Ford are concentrated on education, from kindergarten through the community college level. In 2013, our Eagle Ford educational partners included the following:

- [LULAC National Education Service Centers Inc.](#) to bring an after school program focused on science, technology, engineering and math (STEM) for minority and female students to Terrell Wells Middle School in San Antonio, Texas.
- Karnes City Education Foundation to enrich education resources and programs outside its general budget.
- Kenedy Middle School to replace outdated textbooks.
- [Texas Alliance for Minorities in Engineering](#) to bring their Trailblazer program to Gonzales and Karnes City students.
- Karnes City to pilot [Reasoning Mind](#) classrooms to increase student knowledge of math.

Regional community colleges are becoming a pipeline for potential job candidates. Marathon Oil provided technical expertise to develop petroleum operator-related curricula at Navarro, Coastal Bend, Palo Alto and Victoria community colleges. We hired two interns, one each from the petrotechnical programs at Coastal Bend and Navarro, to work in our Eagle Ford operations in 2013 and will expand internships to give petrotechnical students hands-on experience.

In 2013, we worked with school districts and community colleges in the Eagle Ford to pilot our Integrated Education Funding Model. The pilot program identified education funding gaps that led us to commit to K-8th programs and teacher support to drive positive, meaningful change in academic performance, graduation rates and interest in STEM fields.

In addition, in 2013 our employees participated in 23 volunteer activities, including a household hazardous waste collection event sponsored by the San Antonio River Authority and Wilson, Karnes and Goliad counties. Event participants collected 7,000 pounds of oil, paints, pesticides and aerosols for proper disposal and recycling. Employees also donated a record amount to the local United Way. In 2014, we will collaborate with local Karnes County government and community stakeholders to address the concern of litter to land and water.

The Eagle Ford is Marathon Oil's premier growth engine. We are committed to being a responsible operator in this region and will continue to identify and address the challenges to sustaining the energy renaissance and boosting economic growth for our communities, our stakeholders and our nation.

# CASE STUDY: EQUATORIAL GUINEA

Developing the people resources, not just oil and gas



**Key Words:** [Air Emissions](#) | [Capacity Building](#) | [Community Assistance](#) | [EITI](#) | [Flaring](#) | [Malaria](#) | [Medical Facilities](#) | [National Content](#) | [Process Safety Management](#) | [Procurement](#) | [Recruiting, Training and Development](#) | [Revenue Transparency](#) | [Schools](#) | [Scholarships](#) | [Vaccine](#)

When Marathon Oil entered Equatorial Guinea in 2002, we took a long-term view of our investment. Our intent was not only to develop the country's oil and gas resources but to develop its people resources, as well. Today, we work with local communities, government ministries, nongovernmental organizations (NGOs) and other stakeholders to address critical social issues in Equatorial Guinea. Our efforts are focused on strengthening transparency, national capacity, workforce development, public health and formal education.

Equatorial Guinea is a large asset that accounted for 21 percent of Marathon Oil's worldwide production in 2013. We hold interests in the offshore Alba Field, the Alba liquefied petroleum gas (LPG) plant, Atlantic Methanol Production Company LLC (AMPCO) and a liquefied natural gas (LNG) production facility (EG LNG) at Punta Europa on Bioko Island. In addition to our operational focus on maintaining safety and high asset reliability, Marathon Oil is implementing projects to extend the life of the Alba Field and enhance the value of our assets in the country.

## Renewing Revenue Transparency Efforts

Our governance commitment is to uphold high standards for safe, responsible operations, business ethics, integrity, corporate governance and transparency. Marathon Oil believes transparent reporting of revenue flows from oil and gas production is an important vehicle for combating bribery and corruption. We participate in the **Extractive Industries Transparency Initiative (EITI)** process to strengthen governance, foster stakeholder cooperation, aid development of civil society and assist in managing risk.

We support renewed efforts by the government of Equatorial Guinea to seek readmission as an EITI candidate country. Marathon Oil accepted an invitation to sit on a multi-stakeholder group in Equatorial Guinea referred to as the National Commission, which, once formed, will oversee implementation of the EITI as the country works toward readmission. The Minister of Mines, Industry and Energy (MMIE) was appointed president, and the Director General of the EITI was appointed secretary of the National Commission. Marathon Oil nominated two employees to this group and continues to actively support the initiative.

## Developing Our National Workforce



Our goal is to continue nationalizing our workforce, and at year-end 2013 national employees comprised 71 percent of our workforce in Equatorial Guinea. Aggressive **recruitment, training and development programs** allow our national employees to develop the skills needed to succeed in positions traditionally held by expatriates. We have progressively increased the number of training and development courses and added advanced-level training, internships, professional development opportunities, such as international assignments, and leadership development programs. During 2013, we implemented an expatriate program that allows two to three national employees per year to work full-time outside of Equatorial Guinea to develop key skill sets.

At year-end 2013, two Equatoguinean employees were working in the U.S. and two more employees are scheduled to take U.S.-based assignments in 2014. Our intent is that these employees return to Equatorial Guinea with skills that allow them to move into positions of increased responsibility in our organization.

To **build skills and competency** in the growing number of Equatoguinean supervisors and professionals, we conducted the Marathon Oil Supervisor Development Program in Equatorial Guinea in 2013 for the second consecutive year. In addition, the fourth class of our annual Leadership Supervisory Development Program continued in 2013. This yearlong course combines training, projects, assigned readings, career planning and mentorship to advance the careers of approximately 25 national employees per class. We also renewed our contract with a third-party provider to re-evaluate all of our competency programs to ensure they continue to develop national employees and our business.

In 2014, Marathon Oil will conduct our commercial skills program in Equatorial Guinea for the first time, with content designed specifically for our operations in the country. Mid- to senior-level national and expatriate employees who interact with vendors and government agencies will take part in the interactive program that covers negotiations, contract law and other business skills. Holding this training in Equatorial Guinea increases the number of local employees who are able to participate from approximately two to 20 per year.

As part of our contracts in Equatorial Guinea, Marathon Oil provides **capacity building opportunities** for government employees, primarily engineers, to enhance national content. They spend at least one year working with Marathon Oil staff in the gas plant, offshore or in our Houston office. In 2013, eight government employees participated in this program and are expected to support national content development when they return to their positions with the government.

We provide **scholarships** to build our pool of Equatoguinean candidates for professional engineering, information technology and safety jobs. In 2013, 18 scholarship students were enrolled at the Universiti Teknologi Petronas in Malaysia, and at Texas A&M University and the University of South Carolina in the U.S. Our goal is to employ the majority of these students as full-time employees in Equatorial Guinea upon their graduation.

A primary source of technical workers is Instituto Tecnológico Nacional de Hidrocarburos de Guinea Ecuatorial (ITNHGE), a technical training program supported by Marathon Oil and other oil and gas companies in Equatorial Guinea. We hired 42



ITNHGE graduates for operations, construction, engineering, document control, mechanical, plumbing, welding and other jobs from 2010 through 2013. Once hired, we continue to train them in English language skills, operations, maintenance, and health, environmental and safety (HES). As part of our compression project to extend the life of the Alba offshore field, Marathon Oil is providing 20 scholarships for Equatoguineans to attend ITNHGE.

To ensure that our onshore and offshore technical and craft workers have the skills they need to operate and maintain our assets, Marathon Oil trainers have developed training, testing and competency modules. In 2013, we consolidated all Operations, Maintenance, offshore and HES training professionals into one group to drive quality and standardize training. Maintenance and Operations training professionals are embedded in the plants to provide on-the-job training. We also redesigned our qualification and certification training programs for employees who operate our assets.

### **Increasing Local Content in Engineering**

To extend the life of our Alba asset, we are installing new compression facilities into the existing offshore infrastructure. The main project scopes are a greenfield component to build the new offshore compression platform and a brownfield component to link the new platform into the existing Alba offshore infrastructure.

The greenfield component is being performed by a global engineering, fabrication and installation company that is sub-contracting construction of the bridge and flare structures for the new platform to a fabrication yard in Equatorial Guinea.

For the brownfield component, we awarded the engineering contract and a subsequent contract for brownfield material procurement to a West African engineering company associated with a global provider. This is the first time Marathon Oil has hired a regional company for engineering work in Equatorial Guinea; previously, engineering and procurement for Equatorial Guinea were managed from our corporate headquarters in Houston. This enabled the engineering company to significantly increase its staff in Equatorial Guinea, which now includes four Equatoguinean engineers. Our intent is for the Alba project to serve as the foundation on which the engineering company can build a sustainable business. In addition, brownfield items such as piping spools and structural steel modifications are being fabricated in Equatorial Guinea.

EG LNG promotes sustainable **development and growth of small and medium sized businesses** in Equatorial Guinea through education, training and other means. In the past three years, EG LNG staff have met with more than 80 representatives of government ministries, banks and the local business community to establish goals for building national business capacity and consider how the government, EG LNG and others can work together to achieve the goals. Through national content forums and the publication *Energía Local*, EG LNG has informed local suppliers of business opportunities with the plant, explained the procurement process and answered questions. The plant encourages national companies to supply goods, materials and services, and has engaged local service companies to maintain some of its infrastructure like the special-purpose construction jetty and the heating, ventilation and air conditioning (HVAC) system, among others.

To build **local capacity**, EG LNG helps local suppliers develop business skills and HES and security awareness to improve operations. Since 2008, EG LNG has held 18 courses in computer skills, finance and accounting, marketing and customer service, and human resources. Together with the Ministry of Economy, in 2012 EG LNG created a Business Doctor's Office on Bioko Island where local entrepreneurs can seek advice on business-related matters. Due to the popularity of this service, the ministry plans to extend the program to mainland Equatorial Guinea.

EG LNG also developed a manual to guide small and medium sized businesses in accessing financing, along with a pilot program to distribute the manual through the National Bank of Equatorial Guinea. The bank tracks distribution and follows up with local companies that have questions. To encourage business growth, create jobs and diversify the Equatoguinean economy, Marathon Oil promotes development of a partial credit guarantee fund to minimize the risk taken by local banks lending to small and medium sized businesses.

The plant also promotes and implements activities within Equatorial Guinea to improve quality of life and attempts to combine these efforts with economic development. For example, EG LNG has used national companies for all the work on community projects such as renovating and building schools and sports facilities and building water wells.

Our procurement staff continues to hold conferences and meetings with suppliers in Equatorial Guinea to inform them about our needs and expectations. In 2014, we assigned additional staff to focus on increasing local content.

## Enhancing Environmental and Safety Performance

Marathon Oil has enhanced environmental and safety performance in our operations, which are largely unregulated in Equatorial Guinea. Environmental programs reflect sound business practices in air, water and waste management. Marathon E.G. Production Limited (MEGPL) follows an **air emission plan** that quantifies emissions for industry-applicable sources including fugitive emissions. These emissions are further categorized as criteria pollutants and greenhouse gases (carbon dioxide equivalent tonnes). Emissions from point sources are measured periodically by a third-party contractor to demonstrate compliance with World Bank or International Finance Corporation emission limits. **Flaring emissions** have been drastically reduced in recent years with the addition of the EG LNG facility and by reinjecting excess natural gas back into the wells.

To improve safety and reliability, in recent years we voluntarily brought our operations into compliance with U.S. Occupational Safety and Health Administration (OSHA) **process safety management (PSM)** elements. Based on a PSM facility assessment, we are consolidating and moving all of our maintenance shops farther away from the processing operations. In addition, as a result of a PSM Layer of Protection Analysis (LOPA), we are upgrading our computerized distributed control system (DCS) to voluntarily comply with U.S. and global standards. We expect to complete the DCS for onshore facilities in 2014 and for our offshore platforms in the first quarter of 2015, improving our ability to monitor and manage process safety.

MEGPL introduced our first-ever driver training program for Equatoguineans who have job-related driving responsibilities on and off our complex. Eight people completed classroom and behind-the-wheel training in 2013 and subsequently received their driver's licenses. We will offer two classes in 2014 for employees selected by managers and supervisors.

While our workers have a strong safety record in Equatorial Guinea, our goal is zero injuries. We are focused on developing a safety culture where people maintain constant awareness of safety and hazards at work and at home. During quarterly and weekly safety meetings, and during the daily pre-job safety meetings for significant work activity, we engage employees using different media, discussions and storytelling to encourage them to continuously identify and avoid hazards.

Marathon Oil's EG National HES Committee champions safety on and off the job. About 25 employees selected by the workforce and department managers develop projects and organize activities such as National Safety Awareness Day. During this daylong campaign centered around a specific high-impact topic, committee members visit each department, make a presentation and distribute safety awards to employees. The committee also periodically presents special topics, including malaria and typhoid awareness, HIV/AIDS awareness and home fire safety prevention. The National HES Committee has also been involved in the prescription safety glasses program, with financial and logistics support from Marathon Oil.

## Improving Public Health and Access to Education



Marathon Oil partners with community organizations to address health care, education and other existing issues in Equatorial Guinea.



**Malaria** accounted for more than one-third of deaths on Bioko Island when Marathon Oil acquired our assets there in 2002. Realizing that the disease was the largest social risk to our business and the community, Marathon Oil established a public-private partnership to substantially reduce malaria transmission. The Bioko Island Malaria Control Project (BIMCP) is a collaborative effort of Marathon Oil, our business partners, the private NGO Medical Care Development International (MCDI) and the Government of Equatorial Guinea.

In 2013, the BIMCP celebrated its 10th anniversary. As a result of the project, malaria transmission is down by nearly 70 percent in children 2 to 4 years old, and deaths among children under age 5 have declined by 65 percent. Improved health and wellbeing is helping to reduce the economic burden of malaria and alleviate poverty on Bioko Island.

Yet, even after a decade of impressive inroads against malaria and partner investments of U.S. \$50 million, malaria persists on Bioko Island. In 2013, the partners agreed to extend the BIMCP through 2018 to continue the use of standard anti-malaria controls. In addition, the BIMCP and Equatorial Guinea will play a major role in researching a **promising vaccine to block the transmission of malaria**. If this vaccine proves effective and is licensed for use, malaria experts are optimistic that the vaccine, when used with other established control measures, will wipe out malaria on Bioko Island.

Under the auspices of the National Content office housed in the Ministry of Mines, Industry and Energy, and in close collaboration with the Ministries of Education and Science, and Health and Social Welfare, we have committed to **improving medical facilities and rural schools**. In 2013, the Company spent U.S. \$1.5 million on urban and rural health and education facilities. We rehabilitated Madre Bisila Health Center, Basupú Health Center and the Malabo Hospital emergency room. We also rehabilitated and furnished a school in the village of Bariobé and built and furnished a new two-classroom school, teacher's office and residence in the village of Rilaja. We increased our investment to approximately U.S. \$1.9 million for similar programs in 2014, when we will rehabilitate an urban school that houses more than 700 youths in grades 1 through 6. Also in 2014, we will refit a rural hospital that will serve as a field laboratory for the malaria vaccine research.

In addition, we supported HIV/AIDS awareness and prevention programs. Marathon Oil employee volunteers in the U.S. packaged surplus medical supplies and equipment that was sent to Equatorial Guinea by [Project C.U.R.E.](#) Medical supplies worth over U.S. \$1 million, including durables like beds and electrocardiogram (EKG) machines, and consumables like catheters and sterile bandaging, will be distributed in 2014 to hospitals serving Malabo and six villages, essentially impacting the entire country.

In 2013, English Language Program (ELP), in collaboration with the National University of Equatorial Guinea (UNGE), sent the first group of instructors to the University of South Carolina in the U.S. for one year of instruction to improve their English comprehension skills and learn a modern English as a Second Language (ESL) curriculum. The aim of the ELP is to improve the UNGE's capacity to teach ESL and to support UNGE graduates as they pursue employment in Equatorial Guinea's petroleum sector. In 2014, in collaboration with the U.S. Embassy in Equatorial Guinea, the ELP will serve as an "American Corner" supporting ESL activities in EG, as the first five trained instructors begin teaching the new ELP curriculum. MEGPL will fund the training of seven additional instructors to enter UNGE in 2016.

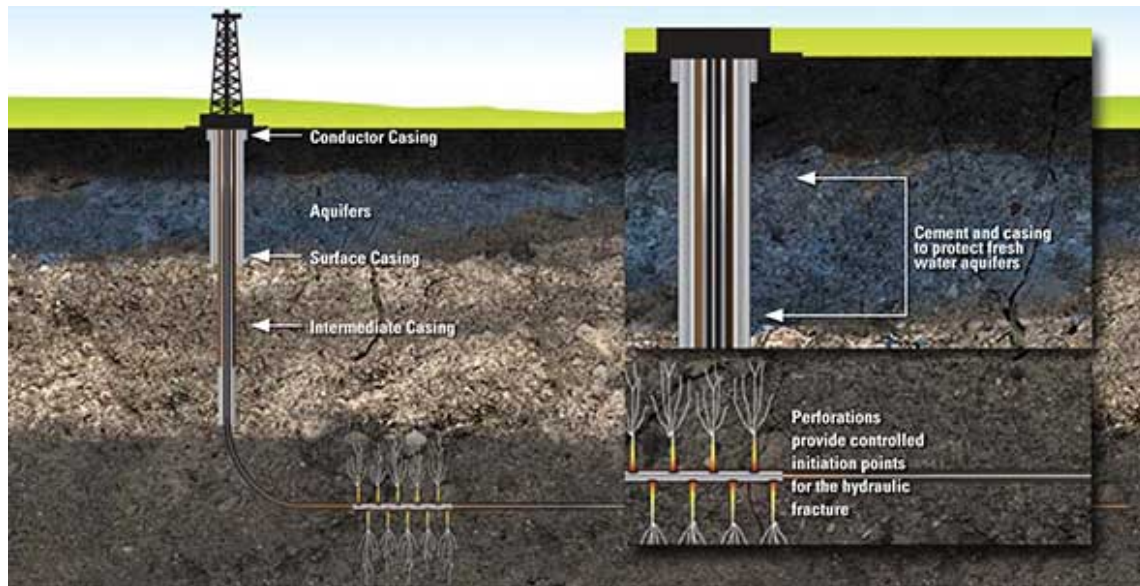
For the 10th year, Marathon Oil employees around the world supported the [Books for Bioko Program](#) that provides much-needed school supplies in the Malabo area of Bioko Island. Our employees created this program and have donated more than \$625,000 to sustain it, with the Company assisting with logistics, transportation and distribution of donated goods. Books for Bioko also supports the Awarding Excellence program that rewards students for academic achievements. Books for Bioko continues to have a positive impact on primary and secondary students in six schools in and around Malabo.

Our **community assistance** efforts go beyond improving access to education and health services. We supported youth education and development summer camps, and in 2014, we will begin training staff and students from the National University of Equatorial Guinea to run community-based biodiversity research and protection projects in the Pico Basile National Park.

To assist local communities, Marathon Oil continues to engage regularly with stakeholders in Equatorial Guinea to identify and implement social responsibility projects within our sphere of influence.

# CASE STUDY: HYDRAULIC FRACTURING

Using advanced technology while minimizing impacts



**Key Words:** [Air Emissions](#) | [Drilling Efficiency](#) | [Flaring](#) | [Fracturing Fluids](#) | [FracFocus](#) | [Green Completions](#) | [Recycling](#) | [Unconventional Resource](#) | [Venting](#) | [Water Use](#) | [Well Integrity](#)

In **unconventional resource** plays across the U.S. and emerging in other countries, hydraulic fracturing is a key technology for producing oil and natural gas. Combined with advanced horizontal drilling technology, hydraulic fracturing makes it possible to develop energy resources that were previously inaccessible.

For Marathon Oil, these technologies have unlocked new supplies in the [South Texas Eagle Ford](#), [North Dakota Bakken Shale](#) and Oklahoma resource basins. We understand we must manage them responsibly to minimize environmental impacts. In keeping with our commitment to environmental stewardship, Marathon Oil takes steps to ensure well integrity, conserve water, reduce air emissions and manage waste responsibly.

## Well Integrity

Proper well construction is essential to protecting the environment, particularly fresh water aquifers. We use steel casing and cement in the wellbore to create physical barriers and protect drinking water resources. During well construction, we strive to use industry best practices and to comply with state rules that apply to drilling and completion.

## Water Use

Hydraulic fracturing involves pumping a mixture of mostly water and sand, and a small amount of additives, under high pressure into the reservoir to create fractures, or cracks, in the target rock formation. This increases the production rate and ultimate recovery of oil and natural gas from a well.

Marathon Oil continuously looks for ways to use less water in our hydraulic fracturing operations and to minimize the environmental impacts of our operations on local watersheds. We actively pursue alternative sources for water, such as aquifers whose water supply does not meet standards for municipal or agricultural use, as well as evaluate technologies for **recycling** and treating produced water for reuse in our operations. Marathon Oil has realized significant reductions in overall water use by changing some of the products and processes we use in hydraulic fracturing. In addition, we have invested in building infrastructure to transport and manage water more effectively in some of our unconventional resource plays.

## Air Emissions

Marathon Oil evaluates **air emissions reduction strategies and technologies** to reduce emission intensity and increase the

energy efficiency of our operations. Our strategies include improving **drilling efficiency** to use fewer rigs and less fuel per well drilled, connecting wells to gas sales lines faster to reduce **flaring** and **venting**, using reduced emissions completions (**green completions**) where possible and detecting leaks using infrared cameras. We also install and use pipelines for produced water and oil gathering to reduce the need for truck transportation and related emissions, as well as the impacts of truck traffic on communities.

### **Hydraulic Fracturing Fluids**

We manage and dispose of our produced fluids from hydraulically fractured wells in accordance with all state and local regulations to protect surface and groundwater resources and natural habitat. In 2013, we evaluated produced fluid recycling options in our Eagle Ford operations.

Marathon Oil supports specific, state-level disclosure of fracturing fluid components, and participates in the [FracFocus](#) chemical disclosure registry voluntarily where not required by law. We have worked with other operators and trade organizations to develop and implement the registry. Marathon Oil has entered all of our wells drilled and hydraulically fractured in the U.S. in FracFocus, a total of 1,048 wells through December 2013. We encourage service companies that work with us to disclose their fracturing fluid components as well.

# CASE STUDY: KURDISTAN REGION OF IRAQ

Supporting communities in an emerging asset



**Key Words:** [Community Engagement](#) | [Consultative Engagement](#) | [Contractors](#) | [Drilling](#) | [Education](#) | [Hydrogen Sulfide \(H<sub>2</sub>S\)](#) | [Resettlement](#) | [Safety](#) | [Training](#)

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Marathon Oil entered the Kurdistan Region of Iraq in 2010 to apply our technical expertise in its world-class, underexplored oil assets. In 2013, we drilled the Mirawa-1 oil discovery well on our operated Harir Block northeast of Erbil. Late in 2013, we began drilling a second exploratory well, the Jisik-1, on the block. We also hold interests in the Atrush Block oil field north-northwest of Erbil, where development is under way with first oil anticipated in 2015, and the Sarsang Block.

Through a **consultative engagement process** with communities near our operations, we share information about Marathon Oil, build relationships and seek to understand local cultures and challenges. Based on what we have learned through discussions with local leaders, government authorities and citizens, Marathon Oil supports numerous programs aimed primarily at education, youth and culture, and the environment. Our efforts have been concentrated in the villages of Khatibiyan, Sherawa and Kuna Qir near our Mirawa operations. In 2014, we will also work with communities near drilling sites in Jisik and Tangabir.

## Protecting Communities During Drilling

Safeguarding people living near our **drilling operations** in the Kurdistan Region of Iraq is a priority for Marathon Oil. Our efforts start with a comprehensive assessment to identify potential drilling risks. As part of our normal business practice Marathon Oil performed a risk assessment for the Mirawa-1 well and identified the potential to encounter **hydrogen sulfide (H<sub>2</sub>S)** in the well. In order to mitigate any possible H<sub>2</sub>S impacts, a comprehensive plan to protect our workers and community was developed.

Our drilling plan provided mitigations for operational risks as well as preparedness and response procedures in the event of operational or medical emergencies. Employees held H<sub>2</sub>S evacuation drills and communicated with the community about what to expect during a drill.

A community information plan ensured residents understood the risks of H<sub>2</sub>S exposure and our emergency evacuation plans in the unlikely event of a release. We installed nine H<sub>2</sub>S monitors within approximately 1/2 mile (1 kilometer) of the drilling rig. To alert villagers of a release, we installed an alarm system and set up a notification system using radios and cell phones.

We also offered **voluntary temporary resettlement** during the well testing phase for more than 200 residents living within 1

kilometer of the drilling rig. The plan followed the International Finance Corporation (IFC) resettlement guideline. Marathon Oil identified temporary housing and schools and provided other services for people who moved temporarily to Basirma, approximately 4 miles (6 kilometers) from the Mirawa-1 wellsite. During the six-month resettlement, Marathon Oil hired nine local caretakers to maintain the Mirawa-area villages as needed for people who resettled temporarily.

Based on our drilling risk assessment for the Jisik-1 well, Marathon Oil developed a community protection plan that included an evacuation in the unlikely event of an H<sub>2</sub>S leak.

In addition, Marathon Oil works to minimize our drilling footprint. We invested in incinerators and onsite sewage treatment to manage waste and use industry best practices for air emissions sources.

### **Employee Health Services**

Based on our health care assessment in the Kurdistan Region of Iraq, Marathon Oil contracted with a third party to build and staff facilities for our specific operational needs. Each Marathon Oil drill site is served by a first-aid facility and a specially made ambulance for ground transport. The facilities are equipped with defibrillators, other specific equipment and common medical supplies. A skilled medic is on hand at all times to administer emergency services and stabilize an ill or injured person for ground transfer to a higher-level facility. The Erbil office has a fixed facility for handling acute minor illnesses. A western-trained doctor oversees care and case management, communicates with field medics, and establishes relationships with regional providers and facilities. These facilities and services can be expanded to meet future operational needs.

### **Developing a National Workforce**

We **employ local contractors** for non-drilling operations and are committed to ensuring they understand the hazards and are properly trained before they enter our sites. We work diligently with the contractors' company managers to help them develop and implement their **safety programs** and in 2013 provided training on hazardous and life critical activities for construction workers.

To develop national capacity, Marathon Oil established the Kurdistan Merit Scholarship Program for petroleum-related studies along with our partner, Total, and the Kurdistan Ministry of Natural Resources. It is the first scholarship program to provide financial support for undergraduate study abroad for high school students from the Kurdistan Region of Iraq. The intent is for students to return to their homeland after graduation to become future leaders in the oil and gas industry.

The first seven scholarship recipients arrived at Texas A&M University, a U.S. institution world-renowned for engineering and petroleum studies, in January 2014. Following at least six months of intensive instruction in English as a Second Language, they will study geology, geophysics or engineering. The students will also receive hands-on experience during summer field internships with Marathon Oil. Scholarship candidates, who were recruited through a national television and radio campaign, were screened, interviewed and selected by Texas A&M. Recipients were all graduates of high schools in the Kurdistan Region of Iraq who scored in the top 10 percent of the regional final exam.

**Educational efforts** near our local operations in 2013 included distributing backpacks and school supplies to approximately 2,300 children in three Mirawa-area villages and 28 primary schools in the Harir and Safen blocks. We are continuing the project in 2014 with the intent to reach 2,000 children. In 2013, we also built a village school to replace a school destroyed by a storm. In Shaqlawa District, we sponsored an eight-month program in 2013 to foster literacy and improve basic skills for 243 adults living in a rural area and will continue funding the program in 2014.

### **Other Community Improvement Projects**

In Basirma, Marathon Oil furnished the local community gathering hall, contributed toys and supplies to approximately 150 kindergarten pupils, and provided a World Children's Day celebration in 2013 for approximately 1,000 children and their families. The Company also built or improved roads in four villages in 2013, benefiting approximately 725 residents, and funded water projects in four villages.

In 2013, we supported the livelihood of farmers with a wheat improvement project in four villages. Marathon Oil provided high-quality seeds and fertilizer, and funded classroom and field **training for farmers and students** on internationally recognized good agricultural practices and techniques. Our involvement included bringing in the leading wheat specialist

from the Ministry of Agriculture to lead a training session. We are continuing support for this project in 2014.

After building playgrounds in Khatibiyan, Sherawa and Kuna Qir in 2013 to give children a safe place to play, we will build playgrounds in Jisik, Basirma and Tangabir in 2014. Marathon Oil also provided a total of 1,800 trees in several communities in 2013 and plans to plant 1,000 in Jisik, Tangabir and Basirma in 2014.

Due to the conflict in neighboring Syria, approximately 215,000 Syrians are now registered refugees in the Kurdistan Region of Iraq. Marathon Oil participated in the Kurdistan Regional Government (KRG) Ministry of Natural Resources' Kurdistan Oil and Gas Humanitarian Initiative by donating \$500,000 to the American Red Cross for Syrian refugee humanitarian relief in 2013. The KRG provides a "dollar for dollar" match for any contributions from the oil sector.

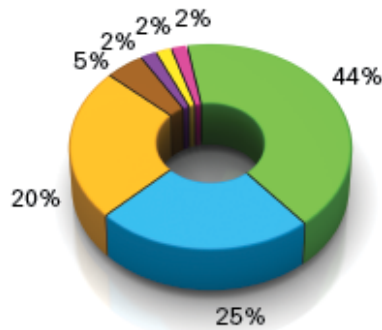
As our exploration and development successes strengthen our presence in the Kurdistan Region of Iraq, Marathon Oil will continue our corporate social responsibility efforts to meet local needs while aligning with our values and business interests.



# SOCIETY METRICS

## Marathon Oil Social Investments by Giving Area

Total Social Investments: \$30.7 million\*



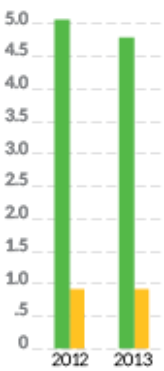
- Education and Training
- Health and Human Services
- Civic, Community and Culture
- Employee Giving
- Environment and Conservation
- United Way
- Disaster Relief

\* Total Philanthropic Giving: \$10.9 million in corporate giving and \$1.6 million in employee giving; Total Sustainable Investments: \$18.2 million.

# ENVIRONMENT METRICS

## Total GHG & Methane Emissions

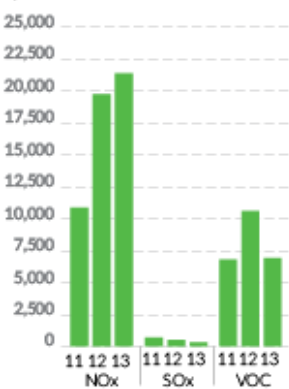
Million Tonnes CO<sub>2</sub>e



■ GHG ■ Methane

## Global Air Emissions

1,000 Tons



## Global GHG Intensity

Tonnes CO<sub>2</sub>e/MBOE



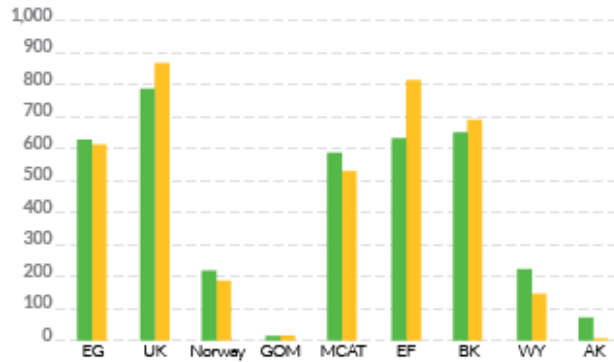
## Global Methane Intensity

Tonnes CO<sub>2</sub>e/MBOE



## GHG Emissions by Asset

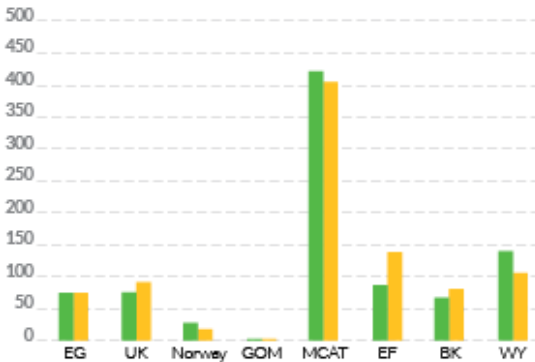
Thousand Tonnes CO<sub>2</sub>e



■ 2012 ■ 2013

## Methane Emissions by Asset

Thousand Tonnes CO<sub>2</sub>e

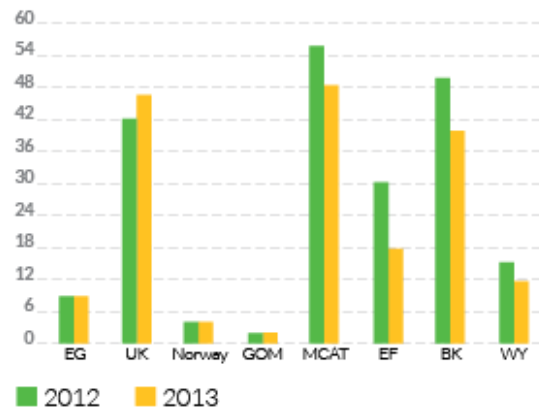


■ 2012 ■ 2013

EG-Equatorial Guinea GOM-Gulf of Mexico EF-Eagle Ford WY-Wyoming  
UK-United Kingdom MCAT-U.S. Mid-Continent BK-Bakken AK-Alaska

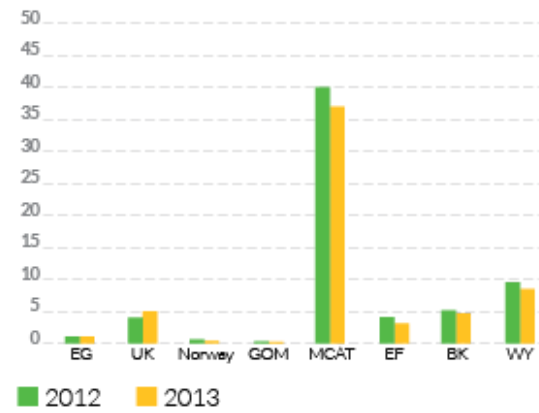
## GHG Intensity by Asset

Million Tonnes CO<sub>2</sub>e/MBOE



## Methane Intensity by Asset

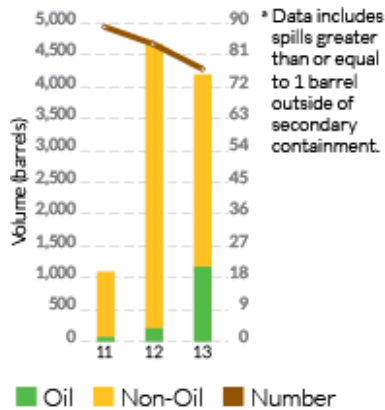
Million Tonnes CO<sub>2</sub>e/MBOE



EG-Equatorial Guinea GOM-Gulf of Mexico EF-Eagle Ford WY-Wyoming  
UK-United Kingdom MCAT-U.S. Mid-Continent BK-Bakken AK-Alaska

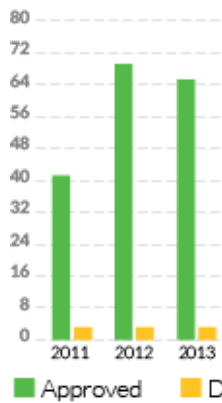
## Global Fluid Spills <sup>a</sup>

Volume and number of spills



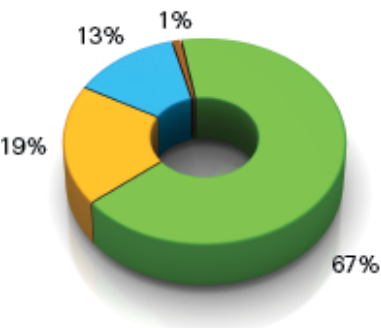
<sup>a</sup> Data includes spills greater than or equal to 1 barrel outside of secondary containment.

## Waste Management Vendor Approval Program Vetting



# WORKPLACE METRICS

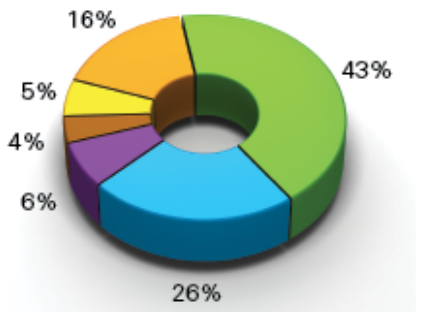
## Who We Are



North America    Africa  
Europe    Asia

The geographic distribution of our workforce provides the opportunity to draw upon talent across the globe.

## Years of Service

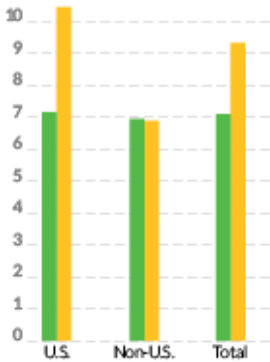


<5    10-14    20-24  
5-9    15-19    25+

Approximately 43 percent of our workforce has less than five years of service with Marathon Oil. Even though a large percentage of our workforce is new to the Company, in the U.S. our exempt employees had an average of more than 16 years of industry experience.

## Company Turnover Rate

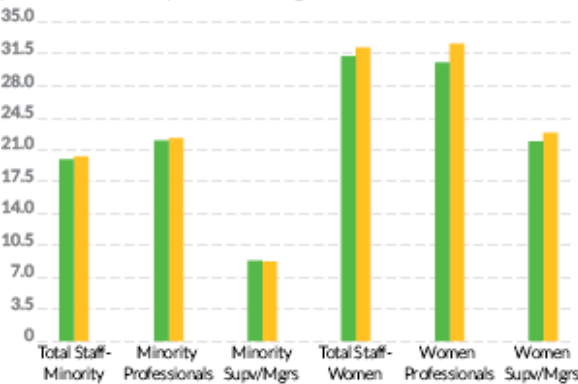
Percentage



2012    2013

## U.S. Workforce

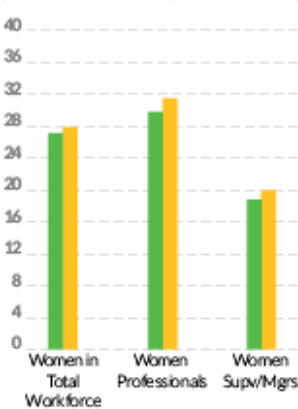
Percentage by major categories: total staff, professionals and supervisors/managers



2012    2013

## Global Workforce-Female

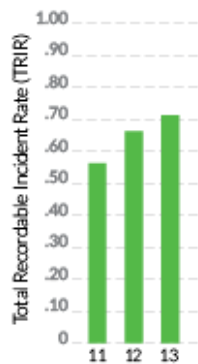
Percentage by major categories: total staff, professionals and supervisors/managers



2012    2013

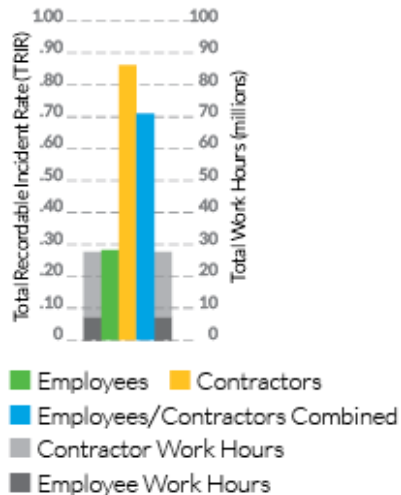
## Global Safety Performance

Combined Employee and Contractor Workforce Incidents per 200,000 work hours



## 2013 In-Depth Global Safety Performance

Combined Employee and Contractor Workforce Incidents per 200,000 work hours



## MARATHON OIL'S THREE YEAR PERFORMANCE DATA

This table contains data relevant to Marathon Oil's governance, society, environmental and workplace performance. We understand that the accuracy of the data is inherently constrained by differing reporting rules, definitions, estimating methods and other factors. Marathon Oil endeavors to strengthen global data reporting systems and methodologies but recognizes as accuracy is improved, corrections will be needed periodically. In this table, some totals may not equal the sum of their components and separate calculations of other data may be affected due to independent rounding. The metrics below are for operations under direct Marathon Oil management and operational control. Greenhouse gas (GHG) emissions are estimated using industry guidelines (API's *Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Gas Industry* and the IPIECA/API/OGP *Petroleum Industry Guidelines for Reporting Greenhouse Gas Emissions*). Except as noted, metrics in this table represent global performance.

Performance Area	2011	2012	2013
<b>Governance</b>			
Independent Board Members – percent	89	89	89
Political Contributions – thousand dollars	214	334	295
<b>Society</b>			
Social Investments – million dollars	25.0	29.8	30.7
<b>Environment</b>			
GHG Emissions (Global) <sup>a,b,c</sup>			
Direct Emissions – million tonnes CO <sub>2</sub> e	3.26	3.97	3.89
Indirect Emissions – million tonnes CO <sub>2</sub> e	0.95	1.09	0.89
GHG Emissions – million tonnes CO <sub>2</sub> e	4.21	5.06	4.78
Methane Emissions – million tonnes CO <sub>2</sub> e	0.84	0.91	0.91
GHG Intensity – tonnes CO <sub>2</sub> e on a weighted basis/production (MBOE)	20.90	23.70	20.70
Methane Intensity – tonnes CO <sub>2</sub> e on a weighted basis/production (MBOE)	4.19	4.26	3.96
Energy Use – trillion Btus <sup>c</sup>	50.3	69.0	74.9
Other Operational Air Emissions (Global)			
Sulfur Dioxide (SO <sub>x</sub> ) – tons	685	514	288
Nitrogen Oxides (NO <sub>x</sub> ) – tons	10,837	19,711	21,296
Volatile Organic Compounds (VOCs) – tons	6,780	10,586	6,862
Global Fluid Spills – number <sup>d</sup>	89	84	77
Global Fluid Spills (Total Volume of Fluids Spilled) – barrels <sup>d</sup>	1,107	4,664	4,182
<b>Workplace</b>			
Safety – Global (combined employee and contractor) <sup>e</sup>			
Fatalities – number	0	0	0
Total Recordable Incident Rate (TRIR) – incidents/200,000 work hours	0.56	0.66	0.71
Process Safety Management			
Tier 1 Process Safety Events – number	1	1	0
Tier 2 Process Safety Events – number	0	2	2
Tier 3 Process Safety Events – number	109	53	56



Employees (Global) – number <sup>e</sup>	3,322	3,367	3,359
Turnover – percent <sup>e</sup>	7.8	7.6	9.3
Minority Employees (U.S.) – percent <sup>e, f</sup>	19.3	19.9	20.2
Minority Professionals (U.S.) – percent <sup>e, f</sup>	17.9	21.9	22.2
Minority Supervisors/Managers (U.S.) – percent <sup>e, f</sup>	7.1	8.6	8.6
Female Employees (Global) – percent <sup>e</sup>	26.9	27.0	27.7
Female Professionals (Global) – percent <sup>e</sup>	26.2	29.6	31.3
Female Supervisors/Managers (Global) – percent <sup>e</sup>	18.3	18.6	19.8

a Greenhouse Gas (GHG) carbon dioxide equivalent (CO<sub>2</sub>e) emissions are based on carbon dioxide, methane and nitrous oxide from Marathon Oil-operated facilities only.

b U.S. GHG emission and intensity values reflect revisions to calculation methodology under U.S. EPA reporting requirements.

c 2012 data updated to account for global warming potential (GWP) changes, corrected calculation errors or other reporting revisions.

d Data includes spills greater than or equal to 1 barrel outside of secondary containment.

e Workforce statistics reflect year-end data.

f As defined by U.S. Equal Employment Opportunity Commission.

# IPIECA/API/OGP AND GRI INDEX

This report is based on the IPIECA/API/OGP *Oil & Gas Industry Guidance on Voluntary Sustainability Reporting* with additional indicators referenced from the Global Reporting Initiative (GRI) *G4 Sustainability Reporting Guidelines*. The index below lists indicators on which we have fully or partially reported.

	IPIECA/API/OGP Indicators	GRI G4 Indicators
<b>Overview</b>		
About This Report		G4-2, G4-7, G4-13, G4-20, G4-22, G4-23, G4-28, G4-29, G4-30, G4-31, G4-33, G4-35
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Transparency of Payments	SE13	G4-15
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Emergency Preparedness	E8	G4-16
<b>Society</b>		
Management Approach	SE1	G4-DMA
Progress on Our Commitments	SE1, SE4, SE10	G4-26, G4-SO1
Security and Human Rights	SE8, SE10	G4-15, G4-HR1, G4-HR8
Stakeholder Engagement	SE1	G4-25, G4-26, G4-SO1
Social Investment	E5, SE4	G4-EC7
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Grievance System	SE11, SE16, SE18	

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Biodiversity	E5	
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Management Approach	HS1, HS3, SE17	G4-DMA
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Recruiting, Training and Development	SE17	G4-LA10
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Bakken Shale	SE1	G4-EC8, G4-SO2
Eagle Ford Shale	SE1, SE4, SE16, SE17, SE14, HS1	G4-EC8, G4-SO2
Equatorial Guinea	SE1, SE4, SE5, SE6, SE7, SE13, SE16, SE17, HS1, HS2	G4-EC8, G4-SO2
Hydraulic Fracturing	SE1	G4-15, G4-27, G4-EN9, G4-EN27
Kurdistan Region of Iraq	SE1, SE4, HS2, SE17	